

BANK SUPERVISION ANNUAL REPORT 2012



CENTRAL BANK OF KENYA

2012

Central Bank of Kenya

	TABLE OF CONTENTS	
		Page
	VISION STATEMENT	V
	THE BANK'S MISSION	V
	MISSION OF BANK SUPERVISION DEPARTMENT	VI
	BANK'S CORE VALUES	VI
	GOVERNOR'S MESSAGE	VIII
	FOREWORD BY DIRECTOR, BANK SUPERVISION	X
	CHAPTER ONE	
	STRUCTURE OF THE BANKING SECTOR	
1.1	The Banking Sector	1
1.2	Ownership and Asset Base of Commercial Banks	4
1.3	Distribution of Banks Branches	5
1.4	Banks Market Share Analysis	5
1.5	Automated Teller Machines (ATMs)	7
1.6	Asset Base of Deposit Taking Microfinance Institutions	8
1.7	Deposit Taking Microfinance Institutions Market Share Analysis	9
1.8	Distribution of Foreign Exchange Bureaus	10
	CHAPTER TWO	
	DEVELOPMENTS IN THE BANKING SECTOR	
2.1	Introduction	12
2.2	Developments in Information and Communication Technology	12
2.3	Financial Inclusion and Policy Development Initiatives	14
2.4	FinAccess Survey 2012	15
2.5	FinBusiness Survey 2012	16
2.6	Agency Banking	17
2.7	New Products	18
2.8	Operations of Representative Offices of Authorized Foreign Financial Institutions	19
2.9	Residential Mortgages Market Survey 2012	21
2.10	Employment Trend in the Banking Sector	24
2.11	Future Outlook	24
	CHAPTER THREE	
	MACROECONOMIC CONDITIONS AND BANKING SECTOR PERFORMANCE	
3.1	Global Economic Conditions	25
3.2	The Regional Economy	25
3.3	The Domestic Economy	25
3.4	Inflation	26

Central Bank of Kenya

3.5	Exchange Rates	26
3.6	Interest Rates	27
3.7	Balance of Payments	29
3.8	Fiscal Developments	30
3.9	Performance of the Banking Sector	30
3.10	Commercial Banks Balance Sheet Analysis	31
3.11	Asset Quality	32
3.12	Capital Adequacy	34
3.13	Liquidity	35
3.14	Profit and Loss	35
3.15	Performance Rating	37
3.16	Compliance with Supervisory & Regulatory Requirements	37
3.17	Performance of Deposit Taking Microfinance Institutions	39
3.18	Credit Reference Bureaus	40
	CHAPTER FOUR	
	DEVELOPMENTS IN SUPERVISORY FRAMEWORK	
4.1	Introduction	42
4.2	Finance Act, 2012	42
4.3	Revised and New Prudential and Risk Management Guidelines Issued in 2012	44
4.4	Consolidated Supervision and Establishment of Supervisory Colleges	46
4.5	Developments in Anti-Money Laundering and Combating Financing of Terrorism	48
4.6	Establishment of the Financial Reporting Centre	49
4.7	Upgrade of BSA System	51
	CHAPTER FIVE	
	REGIONAL AND INTERNATIONAL DEVELOPMENTS AND INITIATIVES	
5.1	Introduction	52

Central Bank of Kenya

5.2	Regional & International Initiatives <ul style="list-style-type: none"> • Monetary Affairs Committee • COMESA • ESAAMLG • Alliance for Financial Inclusion • G20 Global Partnership for Financial Inclusion • Financial Stability Board Regional Consultative Group • IMF's East Africa Technical Assistance Centre (East-AFRITAC) • African Rural and Agricultural Credit Association (AFRACA) • Financial Services Volunteers Corps (FSVC) • Bank Supervision Application (BSA) • Knowledge Exchanges • Memorandum of Understanding 	52
5.3	Kenyan Banks Regional Footprint	64
	TABLES	
1	Ownership and Asset Base of Commercial Banks	5
2	Banks Market Share Analysis	6
3	ATM Networks	7
4	DTMs Balance Sheet Analysis	9
5	DTMs Market Share Analysis	10
6	Distribution of Operating Forex Bureaus	11
7	Growth of Deposit Account Holders compared to Number of Staff	13
8	Type, Number and Values of Transactions undertaken through Agent Banking	18
9	Residential Mortgage Market Survey 2012	23
10	Employment in the Banking Sector	24
11	Kenya Shilling Exchange Rate Against Major Currencies	27
12	Global Balance Sheet Analysis	31
13	Sectoral Distribution of Loan Accounts, Gross Loans and NPLs	32
14	Asset Quality and Provisions	33
15	Risk Classification of Loans and Advances	34
16	Capital Adequacy Ratios	34
17	Income and Expenditure Items as a Percentage of Total Income	36

Central Bank of Kenya

18	Banking Sector Performance Rating	37
19	Performance of Deposit Taking Microfinance Institutions	39
20	Knowledge Exchanges undertaken in 2012	63
21	Branches of Kenyan Banks Subsidiaries in the Region	64
	CHARTS	
1	Structure of the Banking Sector	1
2	Bank Supervision Organogram	3
3	Ownership and Asset Base of Commercial Banks	5
4	Banks Market Share	6
5	Short-term Interest Rates	28
6	Commercial Banks Rates	29
7	Risk Classification of Loans and Advances	33
	APPENDICES	
i	Banking Sector Balance Sheet	67
ii	Banking Sector Profit & Loss Account	68
iii	Banking Sector Other Disclosures	69
iv	Banking Sector Market Share	70
v	Banking Sector Profitability	71
vi	Banking Sector Capital and Risk Weighted Assets	72
vii	Banking Sector Access to Financial Services	73
viii	Banking Sector Protected Deposits	74
ix	DTMs Balance Sheet and Profit & Loss Account	75
x	DTMs Other Disclosures	76
xi	A Summary of Signed MOUs	77
xii	Residential Mortgages Market Development Survey, December 2012	78
xiii	Banks Branch Network by County	79
xiv	Banking Circulars Issued in 2012	80
xv	Directory of Commercial Banks and Non-Banks Financial Institutions	81
xvi	Directory of Foreign Exchange Bureaus	99



CENTRAL BANK OF KENYA

VISION STATEMENT

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

THE BANK'S MISSION

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

The Bank's objectives are:

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

MISSION 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.

BANK'S CORE VALUES

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

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

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

GOVERNOR'S MESSAGE



Bank assets stood at Ksh. 2.33 trillion in 2012.

The Kenyan banking sector recorded enhanced performance in 2012 riding out turbulences in the macro-economic environment. The sector recorded a 15.3 percent growth in total net assets from Ksh. 2.02 trillion in December 2011 to Ksh. 2.33 trillion in December 2012. Similarly customer deposits increased by 14.8 percent from Ksh. 1.49 trillion in December 2011 to Ksh. 1.71 trillion in December 2012.

Inflation declined in 2nd half of 2012.

The Central Bank continued pursuing a tight monetary policy from the fourth quarter of 2011 through to June 2012. This was targetted at taming inflationary pressures and stabilization of the exchange rate. The second half of 2012 saw the easing of the monetary policy with the overall inflation rate declining from 18.3 percent in January 2012 to 3.2 percent in December 2012.

During the year 2012, CBK partnering with the Government registered significant progress with regard to strengthening the country's Anti-Money Laundering and Combating the Financing of Terrorism (AML/CFT) legal and regulatory framework. Some of the notable developments include:

AML regulatory framework strengthened in 2012.

- i) The Proceeds of Crime and Anti Money Laundering (Amendment) Act 2012 which was enacted in October, 2012 and assented to by His Excellency the President in December 2012. The main objective of this Act is to further strengthen the provisions of the Proceeds of Crime and Anti-Money Laundering Act 2009.
- ii) The Prevention of Terrorism Act, 2012 which was passed by Parliament in September, 2012 and assented to by His Excellency the President in October 2012. This Act criminalizes terrorism financing.
- iii) The operationalization of the Financial Reporting Centre (FRC), Kenya's financial intelligence unit in April 2012. The FRC is an independent body created under Section 21 of the Proceeds of Crime and Anti-Money Laundering Act, 2009. FRC's responsibilities include receiving and analyzing suspicious transaction reports from

Central Bank of Kenya

institutions and submitting to relevant law enforcement authorities for appropriate action. CBK seconded four staff members to the FRC to kick start its operationalization.

The Central Bank of Kenya continued to play a key role within the Alliance for Financial Inclusion in 2012. The Alliance for Financial Inclusion (AFI), is a global network of financial policymakers from developing and emerging countries working together to increase access to appropriate financial services for the poor. CBK served as the inaugural chair of the Network's Steering Committee from September 2009 to September 2012. The Network currently has 95 member institutions up from 35 member institutions in 2009. These member institutions represent central banks, ministries and other financial regulatory institutions from more than 80 developing countries in Africa, Asia and Latin America, where the majority of the world's unbanked reside.

CBK remained an active member of AFI in 2012.

As part of efforts towards a stable global financial system, the Central Bank was involved in initiatives by the Financial Stability Board (FSB) through its Regional Consultative Group for Sub-Saharan Africa. FSB is the body mandated by the Heads of State and Government of the Group of Twenty (G20) countries to promote global financial stability by developing strong regulatory, supervisory and other financial-sector policies, and fostering a level playing field through coherent implementation of such policies across sectors and jurisdictions. The FSB's Regional Consultative Group (RCG) for Sub-Saharan Africa (SSA) is co-chaired by the South African Reserve Bank and the Central Bank of Kenya. The FSB's RCG for SSA held its first two meetings in 2012, both hosted by the South African Reserve Bank. The meetings discussed various pertinent issues on the stability of the Sub-Saharan Africa financial system.

CBK Co-chaired Regional Consultative Group on Financial Stability.

In an effort to enhance its relationship with foreign banking regulators, the Central Bank of Kenya continued to initiate and negotiate formal arrangements for supervisory cooperation with other banking regulators. In 2012, The Central Bank of Kenya signed a Memorandum of Understanding with the Bank of South Sudan and established contact with various central banks with a view to negotiating and executing MOUs.

CBK signed MOU with the Bank of South Sudan in 2012.

In conclusion, the Central Bank in conjunction with the Government and the financial sector players will continue on its policy path of maintaining macro-economic stability to support a sound and stable financial system.

CBK to maintain macroeconomic stability.

PROFESSOR NJUGUNA NDUNG'U, CBS

GOVERNOR

CENTRAL BANK OF KENYA

FOREWORD BY DIRECTOR



Banking sector recorded improved performance in 2012 and extended credit to critical economic sectors.

The banking sector supported the various economic sectors through provision of loans and advances in 2012. Some of the critical economic sectors that received credit were Trade, Manufacturing, Hotels and Restaurants, Transport and Communication, Manufacturing and Agriculture.

Generally, the banking sector was sound and stable and recorded improved performance in 2012 as indicated by:-

- Total net assets which increased by 15.3 percent from Ksh. 2.02 trillion in December 2011 to Ksh. 2.33 trillion in December 2012, with the growth being supported by the increase in loans and advances.
- Customer deposits which grew by 14.8 percent from Ksh. 1.49 trillion in December 2011 to Ksh. 1.71 trillion in December 2012. The growth was attributed to increased deposit mobilization by banks as they expanded their outreach and opened new branches to tap new customers. Adoption of the agency banking model also helped banks to upscale their deposit levels.
- The pre-tax profit for the sector which increased by 20.6 percent from Ksh. 89.5 billion in December 2011 to Ksh. 107.9 billion in December 2012. The growth was largely attributed to income generated by increased loans and advances coupled with regional expansion initiatives.
- Gross loans which grew by 11.7 percent from Ksh. 1,191.0 billion in December 2011 to Ksh. 1,330.4 billion in December 2012. The growth in loans is attributed to increased demand for credit by the various economic sectors.

- The sector's average liquidity which increased from 37.0 percent in December 2011 to 41.9 percent in December 2012, and way above the statutory minimum of 20.0 percent.
- The sector's capital adequacy, which is measured by the ratio of Total Capital to Total Risk Weighted Assets, which increased from 21 percent in December 2011 to 23 percent in December 2012, and way above the statutory minimum of 12.0 percent.

However, the ratio of non-performing loans to gross loans increased from 4.4 percent in December 2011 to 4.7 percent in December 2012. The increase in non-performing loans signaled an increase in credit risk which was largely attributable to high interest rates in the first half of 2012. CBK enhanced surveillance on institutions experiencing deteriorating asset quality.

High interest rates in 2012 impacted negatively on banks assets quality.

The banking sector is expected to sustain its growth momentum supported by the increased regional expansion of Kenyan banks and exploitation of untapped huge domestic potential as the devolved county government system takes effect.

Sector to sustain growth momentum.

FREDRICK PERE

DIRECTOR, BANK SUPERVISION DEPARTMENT

CHAPTER ONE

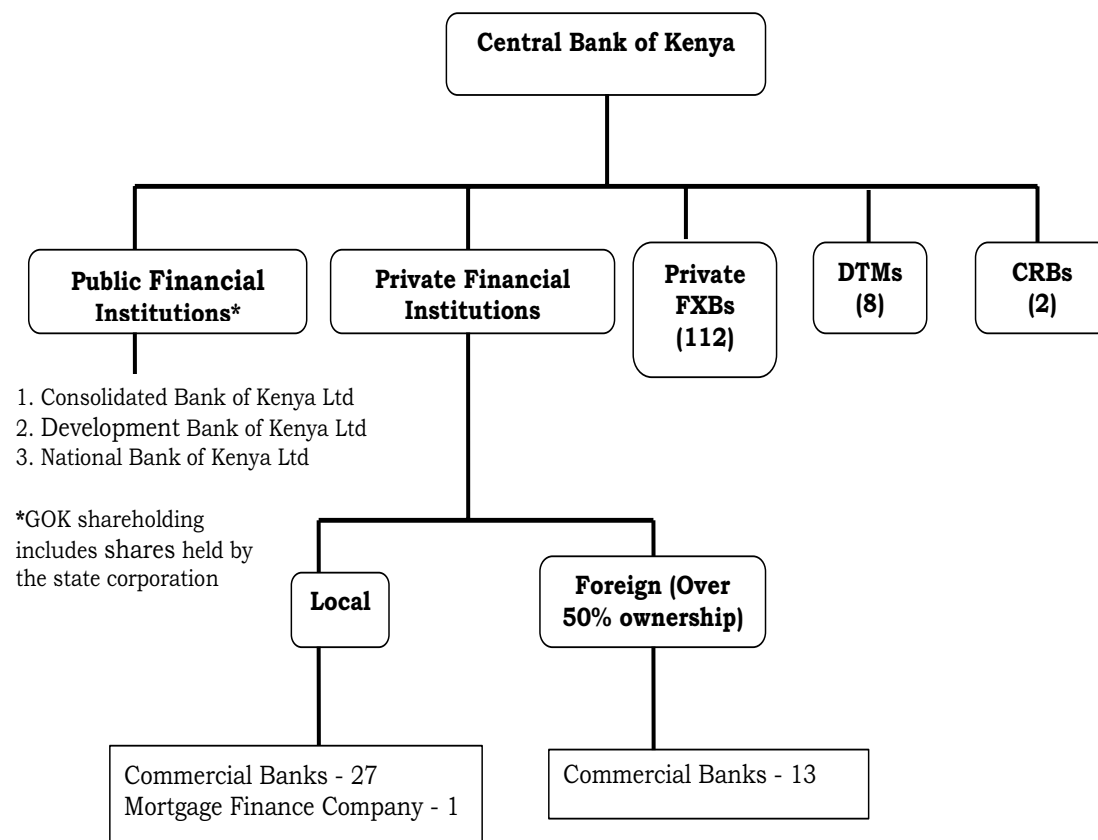
STRUCTURE OF THE BANKING SECTOR

1.1 The Banking Sector

As at 31st December 2012, the banking sector consisted of the Central Bank of Kenya, as the regulatory authority, 44 banking institutions (43 commercial banks and 1 mortgage finance company -MFC), 5 representative offices of foreign banks, 8 Deposit-Taking Microfinance Institutions (DTMs), 2 Credit Reference Bureaus (CRBs) and 112 Forex Bureaus (FXBs). 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 8 DTMs, 2 CRBs and 112 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 2012, there were 43 commercial banks, 1 MFC, 8 DTMs, 2 CRBs and 112 Forex Bureaus.

Chart 1: Structure of the Banking Sector– December 2012



Bank Supervision Department

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

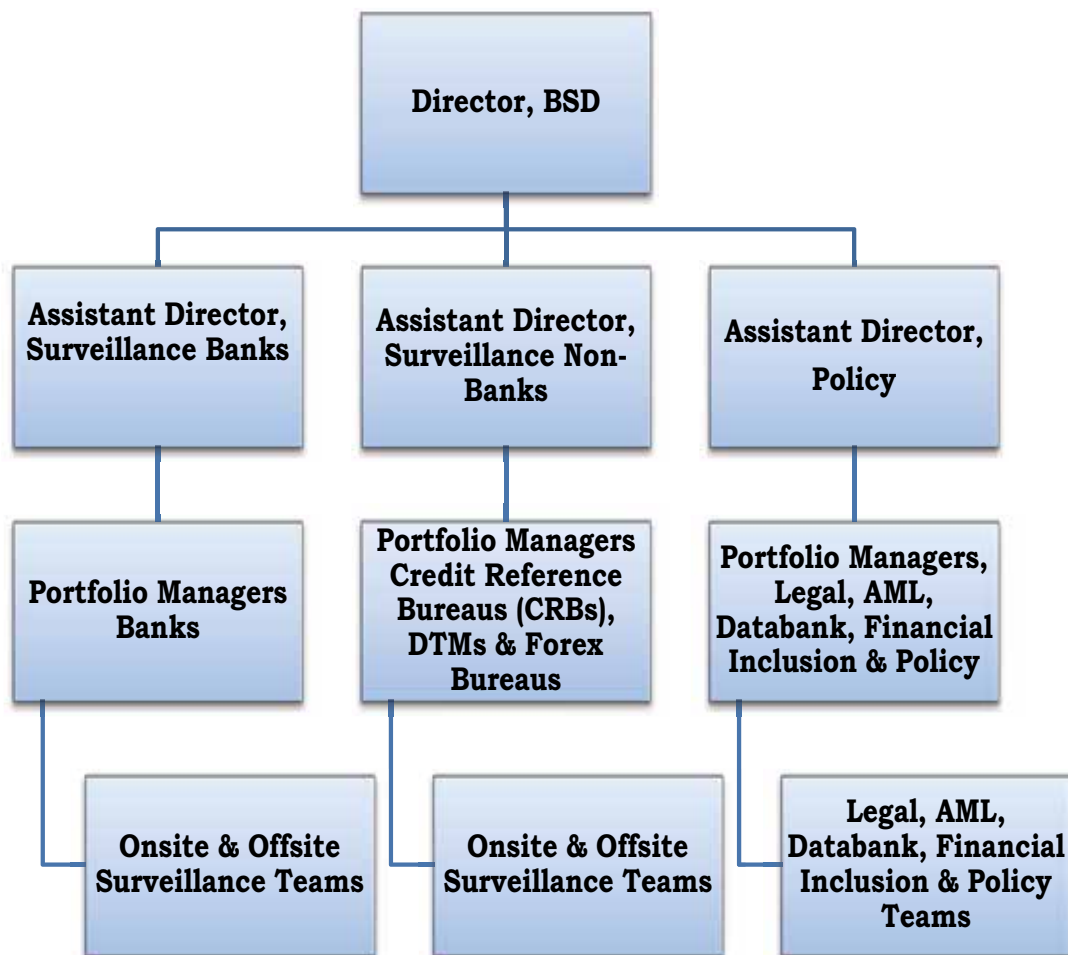
- i. Development of legal and regulatory frameworks to foster stability, efficiency and access to financial services. The Department achieves this objective through:-
 - o Continuous review of the Banking Act, Microfinance Act, Building Societies Act, Regulations and Guidelines issued thereunder which 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 managers, appointment of external auditors, introduction of new products/services, increase of bank charges and reviews annual license renewal applications in accordance with statutory and prudential requirements.
- v. Hosts the Secretariat for the National Task Force (NTF) on Anti-Money Laundering and Combating the Financing of Terrorism, whose mandate is to develop a legal and regulatory framework

Central Bank of Kenya

to counter and prevent the use of Kenyan financial system as a conduit for money laundering and terrorism financing. NTF spearheaded the development of the Proceeds of Crime and Anti-Money Laundering Act, 2009, which was enacted into law by the Kenyan Parliament and assented to by the President in December 2009 and became operational in June 2010.

As at 31st December 2012, BSD had a staff compliment of seventy eight (78) comprising sixty eight (68) technical staff and ten (10) support staff. In discharging its functions the department is divided into three divisions as shown in Chart 2.

Chart 2: Bank Supervision Organogram



Capacity Building Initiatives and Technical Assistance

BSD in collaboration with various organizations undertook a number of capacity building initiatives in 2012. Some of the initiatives included:

- Toronto Centre Joint Programme on Crisis Preparedness from 16th to 19th January 2012, in Hyderabad, India.
- Overview of Financial Sector Issues and Analysis Course in Washington, DC, from 14th to 18th May 2012.
- Workshop by Financial Services Volunteer Corps on Risk Based Anti-Money Laundering and Combating the Financing of Terrorism (AML/CFT) Supervision at Kenya School of Monetary Studies from 28th to 31st May 2012.
- Training in Microfinance Applied Policy and Financial Analysis at the School of African Microfinance (SAM) from 3rd to 14th September 2012 in Mombasa.
- A course on Banking Supervision under the framework of Basel II and Basel III – advanced, from 24th to 28th September 2012, in Frankfurt, Germany.
- Training on Consolidated Supervision by EAST AFRITAC in Nairobi from September 25-28, 2012.
- Microfinance Course for African Professionals in Bangladesh from 6th to 19th October 2012.
- A Regional Seminar by Financial Stability Institute on “Basel III and Supervision of Systemically Important Banks” from 8th to 11th October 2012 in Mumbai, India.
- Attachment to the Federal Deposit Insurance Corporation (FDIC -USA) on Risk-Based AML/CFT supervision from 5th to 16th November 2012.

Local private commercial banks accounted for 63% of the total institutions and 62% of the total net assets.

1.2 Ownership and Asset Base of Commercial Banks

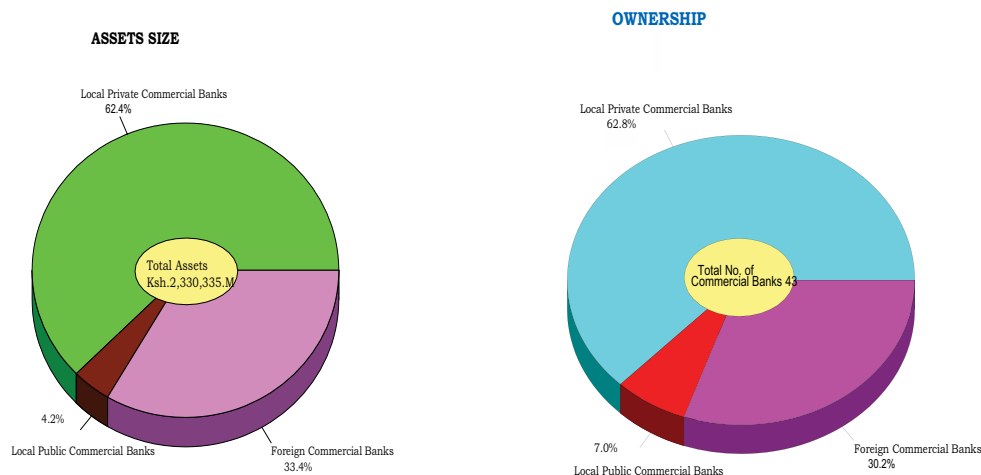
The banking sector total net assets stood at Ksh. 2.3 trillion as at 31st December 2012 and the 27 locally owned commercial banks¹ accounted for 62.4 percent. The 13 foreign owned commercial banks accounted for 33.4 percent of the sector's net assets as indicated in Table 1 and Chart 3.

1 Commercial banks - comprises banks and mortgage finance companies

Central Bank of Kenya

Table 1: Ownership and Asset Base of Commercial Banks (Ksh. M)				
Ownership	Number	% of Total	Total Net Assets	% of Total
Local Public Commercial Banks	3	7.0%	98,573	4.2%
Local Private Commercial Banks	27	62.8%	1,453,718	62.4%
Foreign Commercial Banks	13	30.2%	778,045	33.4%
Total*	43	100.0%	2,330,336	100.0%
* Charterhouse Bank excluded				
Source: CBK				

Chart 3: Ownership and Asset Base of Commercial Banks (%) - Dec. 2012



1.3 Distribution of Banks Branches

During the year 2012, banks increased their branch network by 111, which translated to a total of 1,272 branches. The increase is an indication of increased provision of banking services. Nairobi County accounted for the highest number of new branches in 2012 as it recorded a growth of 53 branches followed by Mombasa County with 10 branches and Kiambu County 9 branches as indicated in Appendix XIII. The banks' branch network is expected to increase as county governments undertake various measures to increase their economic activities.

Bank branches increased by 111 to 1,272 branches in 2012.

1.4 Banks Market Share Analysis

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

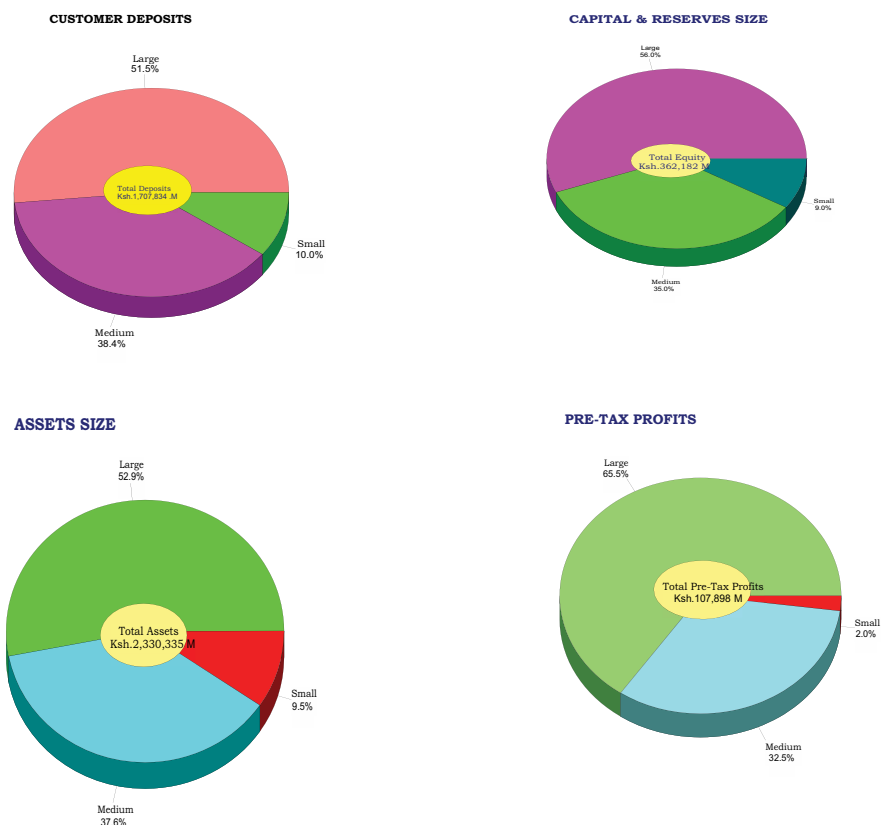
Central Bank of Kenya

There were 6 large banks in 2012 which accounted for 53.7% of the market share

For the period ended 31st December 2012, there were 6 large banks which accounted for 53.7 percent of the market share, 15 medium banks with a market share of 36.8 percent and 22 small banks as shown in Table 2 and Chart 4. A similar classification was recorded in 2011, although banks changed positions within their respective peer groups. Barclays Bank of Kenya moved to position 5 from position 3 in 2011 while the Cooperative Bank which was ranked in position 4 in 2011 moved to 3 as shown in Appendix IV. The movements were mainly occasioned by levels of customer deposits as banks deployed various strategies for deposits mobilization.

Table 2: Banks Market Share Analysis (Ksh. M)					
	Weighted Market Size	No. of Institutions	Total Net Assets	Customer Deposits	Capital & Reserves
Large	53.7%	6	1,233,577	880,119	202,852
Medium	36.8%	15	875,566	656,451	126,639
Small	9.5%	22	221,192	171,264	32,691
Total*	100.0%	43	2,330,335	1,707,834	362,182
* Charterhouse Bank Excluded					
Source: CBK					

Chart 4: Banks Market Share (%) - December 2012



1.5 Automated Teller Machines (ATMs)

Banks continued to embrace technology as a way of offering their services through cost effective channels. This was evidenced by the increase in the number of ATMs from 2,205 in December 2011 to 2,381 in December 2012 representing an increase of 176 ATMs or 8.0 percent as indicated in Table 3.

Use of ATMs increased by 176 in 2012.

Table 3: ATM Network				
Month	2011	2012	Increase	% Growth
January	2,106	2,224	118	5.6%
February	2,143	2,236	93	4.3%
March	2,151	2,252	101	4.7%
April	2,162	2,272	110	5.1%
May	2,171	2,282	111	5.1%
June	2,183	2,291	108	4.9%
July	2,202	2,283	81	3.7%
August	2,208	2,295	87	3.9%
September	2,217	2,311	94	4.2%
October	2,185	2,339	154	7.0%
November	2,186	2,361	175	8.0%
December	2,205	2,381	176	8.0%
Source: CBK				

1.6 Asset Base of Deposit Taking Microfinance Institutions

DTMs total net assets increased by 30.7% to Ksh. 32.4 billion in 2012.

As at 31st December 2012, the licensed and operational DTMs had a net asset base of Ksh. 32.4 billion having increased from Ksh. 24.8 billion as at 31st December 2011 as indicated in Table 4. The Net advances accounted for 61 percent of the DTMs total assets while deposit balances at banks and financial institutions accounted for 21 percent. Net fixed assets constituted 9 percent of the total assets base. The level of net advances demonstrates the critical role-played by the lending function in the operations of these institutions.

Customer deposits represented 48 percent of the DTMs total funding sources while borrowings and capital accounted for 34 percent and 12 percent respectively. This is an indication that customer deposits have become an important funding source for DTMs business and therefore the institutions' are relying less on borrowed funds. Whereas 43 percent of the funding base in December 2011 was from borrowing, the proportion of borrowed funds declined to 34 percent as at December 2012. However, a considerable amount of the deposits are attributable to customers' loan guarantee funds. Loan guarantee fund is the cash collateral representing funds that must be contributed by borrowers as a condition for receiving a loan and may be withdrawn in the event that all group members have repaid outstanding loans. The challenge for the institutions is to maintain the momentum by developing innovative strategies for deposit mobilization.

Table 4: DTMs Balance Sheet Analysis (Ksh.M)				
ASSETS	2011	% of Total	2012	% of Total
Cash Balances(local & foreign notes & coins)	378	2%	1,245	4%
Deposit balances at banks and financial Institutions	4,733	19%	6,741	21%
Government securities	507	2%	411	1%
Net advances	16,060	65%	19,908	61%
Accounts Receivables	377	2%	836	3%
Net Fixed Assets	2,273	9%	2,983	9%
Other Assets	470	2%	285	1%
TOTAL NET ASSETS	24,798	100%	32,409	100%
LIABILITIES & EQUITY FUNDS				
Deposits	9,989	40%	15,409	48%
Borrowings	10,622	43%	11,082	34%
Other Liabilities	1,168	5%	2,084	6%
Capital and Shareholders funds	3,019	12%	3,834	12%
TOTAL LIABILITIES AND EQUITY FUNDS	24,798	100%	32,409	100%
Source: CBK				

1.7 Deposit Taking Microfinance Institutions Market Share Analysis

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

Central Bank of Kenya

There were 3 large DTMs in 2012 which accounted for 94.5% of the market share.

As at 31st December 2012, there were 3 large DTMs with a market share of 94.5 percent, 2 medium DTMs with a market share of 5.0 percent and one small DTM with a market share of 0.5 percent as shown in Table 5.

Table 5: DTMs Market Share Analysis (Ksh.'000')						
	Market Size Index	Gross Assets	Total Deposits	Total Capital	Number of Deposit Accounts	Number of Loan Accounts
Weighting		0.33	0.33	0.33	0.005	0.005
Kenya Women Finance Trust DTM	61.7%	21,315,896	9,353,971	2,703,080	1,030.6	313.7
Faulu Kenya DTM	23.4%	8,203,377	4,464,501	757,234	384.2	85.3
SMEP DTM	9.4%	2,493,611	1,014,002	619,762	305.4	63.4
Large	94.5%	32,012,884	14,832,474	4,080,076	1,720.2	462.4
Rafiki DTM	3.9%	1,866,316	485,776	139,631	27.9	3.0
Remu DTM	1.1%	192,926	67,983	102,828	4.0	0.5
Medium	5.0%	2,059,242	553,759	242,459	31.8	3.5
Uwezo DTM	0.5%	90,974	22,253	50,561	1.4	0.2
Small	0.5%	90,974	22,253	50,561	1.4	0.2
Grand Total	100.0%	34,163,100	15,408,486	4,373,096	1,753.5	466.1
Source: CBK						

1.8 Distribution of Foreign Exchange Bureaus

Number of Forex Bureaus declined in 2012 due to voluntary winding-up.

The forex bureaus recorded improved performance in the year 2012 although the number of licensed forex bureaus declined from one hundred and eighteen (118) in December 2011 to one hundred and twelve (112) in December 2012. This decline was mainly due to voluntary winding up of twelve (12) forex bureaus to ensure compliance with the requirements of the Forex Bureau Guidelines 2011 on shareholding and licensing. The Guidelines specifically prohibit multiple ownership of Forex Bureaus.

Table 6 shows the distribution of the bureaus within major cities and towns in the country as at 31st December 2012.

Table 6: Distribution of Operating Forex Bureaus

No.	City / Town	Number of bureaus	% of Total
1	Nairobi	95	84.8%
2	Mombasa	9	8.0%
3	Malindi	1	0.9%
4	Nakuru	2	1.8%
5	Kisumu	2	1.8%
6	Eldoret	2	1.8%
7	Namanga	1	0.9%
	Total	112	100.0%

Performance of Forex Bureaus During the Year

The forex bureaus registered a 2 percent growth in total assets from Ksh. 1.97 billion in December 2011 to Ksh. 2.01 billion in December 2012. Cash, bank balances and fixed assets being the main assets accounted for 39 percent, 15 percent and 20 percent of the total assets respectively. Shareholders' funds on the other hand increased by 9 percent from Ksh. 0.93 billion in December 2011 to Ksh. 1.01 billion in December 2012.

Forex Bureaus assets stood at Ksh. 2.0 billion in 2012 with profit before tax at Ksh. 27.5 million.

The forex bureaus registered improved performance during the year by recording a 44 percent growth in pre-tax profits from Ksh. 19.1 million in December 2011 to Ksh. 27.5 million in December 2012. The growth in profits was attributed to improved business environment and expansion of products offered by the forex bureaus during the year.

CHAPTER TWO

DEVELOPMENTS IN THE BANKING SECTOR

2.1 Introduction

The Kenyan banking sector witnessed various developments in 2012. The developments were in line with the banking sector's aspirations of an inclusive, efficient and stable sector as envisioned under Kenya's economic development blueprint, Vision 2030. Some of the key developments in the banking sector in 2012 include:-

Banking sector witnessed various initiatives in line with Vision 2030.

- Increased number of banks and deposit taking microfinance institutions leveraging on advancements in information and communication technology, especially mobile phone technology. Through these innovations institutions enhance convenience to their customers who are able to access their services anywhere at any time at reasonable costs.
- Rollout of agency banking networks by four additional banks and operationalisation of the Guideline on the Appointment and Operations of Third Party Agents by Deposit Taking Microfinance Institutions in January 2012.
- Commencement of the comprehensive review of the credit information sharing regulatory framework to address any obstacles noted since rollout in 2010, widen its scope to include sharing of positive credit data and to incorporate Deposit Taking Microfinance Institutions in the mechanism.
- Increased interest in Kenya by foreign banking institutions, some of which have applied to open representative offices. One foreign bank was granted authority to commence operations of a representative office out of the four applications received.
- Rollout of market surveys to establish status of financial access by small and micro enterprises (Finbusiness Survey) and to determine the status of the residential mortgage market in Kenya.

2.2 Developments in Information and Communication Technology

The number of customers being served by a bank employee has increased with banks leveraging on technology in offering banking services. This is evidenced by the ratio of customer deposit accounts to employee which shows that in 2011, one employee used to serve an average of 474 customers while in 2012 the same employee was serving 502 customers as indicated in Table 7.

Use of information technology saw banks enhance efficiency in 2012.

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
2012	15,861,417	31,636	501

Source: CBK

Information and Communication Technology (ICT) continued to play a leading role in the success and progression of the banking industry. Banks further integrated their processes by use of robust and stable core banking systems. This led to diversification of banking products as well as greater efficiency in service delivery to their customers.

Regulatory Developments to support ICT in the Banking Sector

The Central Bank published Revised Risk Management Guidelines in 2012, aimed at providing guidance to banks and financial institutions on minimum requirements for risk management systems and frameworks. The guideline on Information and Communication Technology risk management was crafted to assist institutions establish an effective mechanism to identify, measure, monitor, and control the risks inherent in institutions' ICT systems, ensure data integrity, availability, confidentiality and consistency and provide the relevant early warning mechanism.

Mobile Financial Services

The mobile financial services continued to grow in 2012 with most banks offering mobile money to bank and bank to mobile money transfer services. The mobile financial services success resulted in an expansion of the partnerships between financial institutions and third parties, aimed at creating convenience to their customers and lowering service delivery costs. The services provided include the transfer of funds between accounts, payments of utility bills, mobile airtime top ups, balance enquiries, loan applications, and cheque book requests. The number of banks that had signed up partnerships with mobile phone providers to facilitate money transfer services for their customers increased from thirteen in 2011 to seventeen in 2012, with Ksh. 1,545 billion being transacted in 2012.

Internet Banking

Commercial banks continued to embrace the use of the internet as a remote delivery channel for banking services. Increased customer awareness and demand resulted in internet banking becoming a preferred mode of banking, rather than as an alternative channel. 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. As at 31st December, 2012, twenty six banks were offering various internet products to their customers.

Information Communication Technology Outlook

The ICT outlook for 2013 indicates that innovation in retail banking will continue to be embraced by financial institutions with the aim of achieving cost effective channels of offering financial services. Financial institutions will therefore continue to introduce technologically driven banking products that are expected to re-engineer the processes of providing banking services in Kenya.

2.3 Financial Inclusion and Policy Development Initiatives

Various financial inclusion initiatives were undertaken in 2012.

Over the past year, the financial inclusion mandate has continued to be recognised and entrenched as an essential tool to transforming the Kenyan economy. To this end, the Central Bank has engaged in a number of key policy development initiatives to further enhance financial inclusion in Kenya. By the end of 2012, the Central Bank had:

- Issued two additional deposit taking microfinance (DTM) licences to Century DTM and Sumac DTM whose primary focus is agricultural finance and Micro and Small Enterprises (SMEs) financing, respectively.
- Issued the 'Guideline on the Opening, Relocation and Closure of Marketing Offices and Agencies of Deposit Taking Microfinance Institutions' effective 17th May 2012 to allow DTMs use their marketing offices to conduct deposit taking business.
- Amended the Banking and Microfinance Act through the Finance Act, 2012, to require all institutions licensed under the two statutes to share credit information through licensed credit reference bureaus (CRBs). The Central Bank of Kenya Act was also amended to require banks to share positive information on their customers through CRBs.
- Engaged in financial education initiatives through platforms such as agricultural shows and domestic financial regulators forums

held to sensitize the public on financial matters.

- 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.
- Participated in a number of national, regional and global financial inclusion initiatives and fora, including participation in the annual Global Policy Forum (GPF) meeting in September 2012 facilitated by the Alliance for Financial Inclusion (AFI).
- Engaged microfinance stakeholders and the public in consultations through the issuance of a policy brief/road map towards the comprehensive review of the Microfinance Act and Regulations.
- Issued revised prudential guidelines under the Banking Act to further enhance financial access and ensure a stable and efficient financial system.

These initiatives have resulted in notable transformations in the financial sector that have drastically changed the financial access landscape. This is particularly noted in the increase in the number of deposit and loan accounts within the banking sector as indicated in Appendix VII.

2.4 FinAccess Survey, 2012

The FinAccess survey is a nationally representative survey used to measure access to financial services in Kenya from the demand side. It was first conducted in 2006. The survey concept was conceived during the International Year of Micro-Credit (IYMC) in 2005. It is driven by a private-public partnership, Financial Access Partnership (FAP), which comprises industry, government agencies, research institutions and development partners. The key players are the Financial Sector Deepening (FSD) Trust, Kenya; Kenya National Bureau of Statistics (KNBS) and the Central Bank of Kenya (CBK). Its main objectives are:

- i) To provide information on key barriers to access to policy makers, options for reforms and provide a solid empirical basis to track progress.
- ii) To provide information about market opportunities to the private sector.
- iii) To provide data for academic research on the impact of access to financial services on growth and poverty reduction from the demand side.

The first FinAccess survey in Kenya was carried out in 2006 after the financial sector stakeholders unanimously agreed that there was a constraint in access to financial services. It was further noted that

The 3rd FinAccess Survey was commenced in 2012.

there was no reliable data or clear quantitative measure of the extent of access to financial services in Kenya or the extent of the challenges of access to financial services. It was thus agreed that to address these issues, there was need to get reliable data on these critical areas. FinAccess Survey, 2006 thus helped to map the landscape of financial service provision in Kenya, defining the relative contribution of each type of provider and the overlap between them.

Building on the findings of the 2006 survey, an update survey was completed in March 2009. The follow-up survey was aimed at offering insight into how demand for financial services had changed in the past 3 years. The survey provided invaluable information on the deepening of financial access to previously excluded populations. The third survey referred to as FinAccess Survey, 2012 is underway with field work that started in November 2012. The headline results of the survey are anticipated by mid-2013. The analysis of the findings of the survey will empirically depict the current status of the financial access landscape in Kenya and provide insights on what deliberate policies initiated over the last few years to enhance financial inclusion have achieved.

2.5 FinBusiness Survey, 2012

CBK partnered with World Bank & FSD in conducting FinBusiness Survey in 2012.

The FinBusiness survey is a supply side study being undertaken by the World Bank (WB) and Financial Sector Deepening (FSD) Trust Kenya, in collaboration with the Central Bank of Kenya (CBK) to assess the development of the financing market for businesses in Kenya. The study seeks to identify the opportunities, challenges and constraints posed by the credit environment and regulatory framework, among other factors, that affect the financing of micro, small and medium enterprises (MSMEs). The study will ultimately seek to analyse the demand for, and access to, financial services for MSMEs in Kenya from both the supply and demand perspectives. This will complement findings from the national FinAccess survey, now called 'FinAccess Retail survey', and provide a more comprehensive picture of the financial inclusion landscape in Kenya.

CBK's participation in this exercise began in June 2012. BSD staff worked with the World Bank and FSD team to provide input towards the development of a supply side questionnaire to be administered to all commercial banks. The questionnaire was designed to enable the respondent banks to submit information on their financing of MSMEs. The analysis of the survey outcomes are expected to be finalized and discussed with the industry stakeholders in the course of 2013.

2.6 Agency Banking

Following the issuance of the Guideline on the “Appointment and Operations of Third Party Agents by Deposit Taking Microfinance Institutions”, which took effect on 2nd January 2012, one DTM, was granted approval in April 2012 to roll out its agency network.

Use of Agency Banking was extended to DTMs in 2012.

In addition, effective 1st June 2012, DTMs were allowed to offer their services in marketing offices and self-managed agencies. These are places of business whose establishment requirements are less stringent from those of DTM branches. Five deposit taking marketing offices have been approved to date and approximately 259 non deposit taking marketing offices are in operation. This reform was informed by the players concern over high establishment costs for places of business. It was also guided by their limitations to substantially increase access to services to majority of their customers as well as the unbanked Kenyan populace based in the rural and peri-urban areas using brick and mortar branches.

Tremendous growth has been evidenced in agency banking conducted by Commercial Banks. As at December 2012, there were 10 commercial banks that had contracted 16,333 active agents facilitating over 38 million transactions valued at Ksh. 195.8 billion. 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)	
	Year 2012	Cumulative (2010 to 2012)	Year 2012	Cumulative (2010 to 2012)
Cash Deposits	12,554,299	16,129,801	101,170.6	129,463.6
Cash Withdrawals	11,862,412	14,823,104	49,609.5	64,928.5
Payment of Bills	142,046	185,444	238.7	351.7
Payment of Retirement and Social Benefits	303,455	303,455	1,064.4	1,064.4
Transfer of Funds	944	949	14.2	14.2
Account balance enquiries	4,770,829	5,967,993	-	-
Mini statement requests	43,376	49,789	-	-
Collection of loan applications forms	27	27	-	-
Collection of account opening application forms	176,218	1,154,747	-	-
Collection of debit and credit card application forms	52,212	52,212	-	-
Collection of debit and credit cards	31,321	31,321	-	-
Other (Specify)-Dormant Account Activation	54,828	54,828	-	-
Other (Accounts linkage - Eazzy247 & orange)	15,685	15,685	-	-
Total	30,007,652	38,769,355	152,097.4	195,822.4
Source: CBK				

2.7 New Products

CBK granted banks authority to introduce various banking products in 2012.

The Central Bank continued to approve new banking products and related charges as provided for under Section 44 of the Banking Act which provides that no banking institution can increase its rate of banking or other charges except with the prior approval of the Minister. The Minister of Finance delegated this role to the Governor of the Central Bank of Kenya, via Legal Notice 34 of May 2006 on the Banking (Increase of Rate of Banking and Other Charges) Regulations, 2006.

While processing such applications, the Central Bank of Kenya considers:

- Whether the proposed increase is in conformity with the Government's policy of entrenching a market oriented economy in Kenya; and
- The average underlying inflation rate prevailing over the twelve months immediately preceding the application,

The ever changing consumer needs, innovative financial products, deregulation, information technology upgrades, and the onset of multiple delivery channels are reshaping the financial services industry. To remain competitive in the new landscape, banks have continued to expand their product lines and add new delivery channels to develop more effective marketing systems and techniques, and enhance the service quality levels. Use of alternative channels such as e-banking and m-banking continue to be the frontiers upon which banks seek to enhance access to customers as well as differentiating their products.

During 2012, the banks submitted 299 applications seeking CBK's approval to introduce new products and/or new charges. Most applications related to use of mobile phone banking services to facilitate making of account enquiries on accounts as well as conduct limited transactions on customer accounts e.g. payment of utility bills, top up of mobile phone airtime, loan applications and cheque book requests. The banks also introduced different variations of debit and credit cards. Towards the end of 2012, the sector witnessed a partnership between a mobile service provider and one of the banks that launched micro-credit products delivered to the market over the mobile channel. To stem the increase in fraud incidences, banks have introduced SMS & e-mail alerts to keep customers apprised of any entries to their accounts. During this period, several banks also sought to marginally increase fees for an array of their services.

The continuously evolving nature of banking products and services is not only expected to improve service delivery but also enable easy and affordable access to banking services.

2.8 Operations of Representative Offices of Authorized Foreign Financial Institutions

Foreign banking institutions are granted authority by the Central Bank of Kenya (CBK) to operate representative offices in Kenya pursuant to 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 only permitted to undertake marketing or liaison roles on behalf of their parent and affiliated institutions and are not allowed to conduct banking business.

Foreign banks continued to open representative offices in Kenya.

The significant developments relating to Representative Offices in 2012 include:-

Central Bank of Kenya

- Issuance of a new prudential guideline governing representative offices, which provides a broad framework to direct and guide the authorisation, operation and closure of Representative Offices in Kenya. The Guideline titled, CBK Prudential Guideline on Representative Offices in Kenya (CBK/PG/17), came into effect on 1st January 2013.
- Authorization of Bank of China Ltd to open a Representative Office in Kenya. This brought the total number of authorized representative offices to five. The other four Representative Offices and their respective years of authorisation are HDFC Bank of India (June 2008); Nedbank of South Africa (June 2010); HSBC Bank Plc of UK (April 2011); and FirstRand Bank of South Africa (November 2011).
- Receipt and processing of three new applications for Representative Office authorisation from the Central Bank of India Ltd of India, Bank of Kigali of Rwanda and JP Morgan Chase N.A. of the USA. The three applicants had been granted approval-in-principle by the end of 2012, and processing for final authorisation was at advanced stage.
- Renaming of HSBC Representative Office from The Hong Kong and Shanghai Banking Corporation Ltd to HSBC Bank Plc., following a restructuring within the HSBC Group.

In 2012, 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 processing - 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; and
- Facilitation of exploratory visits - Hosting visits to Kenya by representatives of parent and affiliated institutions to explore potential market opportunities both in Kenya and neighbouring countries within the East African region.

CBK monitors the activities of Representative Offices through returns received from Representative Offices on a quarterly basis, which are

analyzed and feedback provided accordingly.

The increasing number of Representative Offices established in Kenya is a pointer to the existing business opportunities in Kenya. In the long run, most of the Representative Offices are expected to consider upscaling their operations to either fully fledged branches or subsidiaries which will contribute towards the deepening of the Kenya's financial sector and increasing competition.

2.9 Residential Mortgages Market Survey 2012

The Central Bank of Kenya undertook a survey on the development of the mortgage market for residential housing in Kenya in 2012.

A detailed questionnaire was distributed to the banks to collect data for the year ending 2012. The information collected comprised:

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

The survey built on the survey conducted in 2011 and provided an update on the size of mortgage portfolio, mortgage loan characteristics and the obstacles to mortgage market development. Banks were also requested to suggest possible intervention measures to support the mortgage market and shared their views on the residential mortgage market outlook for 2013.

Highlights of the Residential mortgage survey as at 31st December 2012:

a) Size of Mortgage Portfolio

- i) The value of mortgage loan assets outstanding increased from Ksh. 90.4 billion in December 2011 to Ksh. 122.2 billion in December 2012, representing a growth of Ksh. 31.8 billion or 35.2%.
- ii) About 71% of lending to mortgage market was by 5 institutions i.e. one medium sized bank (24.8%) and four banks from the large banks peer group (46.9%). The same institutions dominated the mortgage market based on the 2011 survey.
- iii) There were 19,177 mortgage loans in the market in December 2012 up from 16,029 in December 2011.
- iv) The average mortgage loan size increased from Ksh. 5.6 million in December 2011 to Ksh. 6.4 million in December 2012. The increase may be partly attributed to increase in property prices.

Mortgage loan assets increased by Ksh. 32 billion in 2012.

- v) Almost all banks were offering loans for mortgages for both their staff and customers. However, the number of institutions offering mortgages to customers were 30 as indicated in Appendix XII.
- vi) The high interest rates in the first half of 2012 impacted negatively on the mortgage market with NPLs increasing from Ksh. 3.6 billion in December 2011 to Ksh. 6.9 billion in December 2012.

b) Mortgage Loan Characteristics

- i) The interest rates charged on mortgages on average was 18 percent and ranged between 11.0 percent - 25.0 percent.
- ii) About 85.6% of mortgage loans were on variable interest rates basis compared to 90% in 2011. The tendency for financial 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

Based on a ranking of mortgage market constraints, banks identified lack of access to long-term funds and high interest rates as the major impediments to the growth of their mortgage portfolios. However, the 2011 survey had identified high interest rates as the major obstacle with lack of access to long term funds being rated as the 2nd obstacle. The survey identified a number of the impediments to mortgage market development as indicated in Table 9.

Table 9: Residential Mortgage Market Survey – December 2012

Mortgage Market Obstacles	Frequency of Response
Access to long term funds	34
High interest Rates	31
Low level of incomes	29
Credit risk (lack of credit histories, documented income...)	28
Lack of understanding of mortgage product by consumer – lack of financial literacy	27
Burden of regulation (provisioning, capital requirements, liquidity rules...)	19
Lack of housing supply - new construction	18
Cost and time of foreclosing on a property	17
Difficulties with property registration/titling	15
Lack of capacity/skills in banking sector to develop products, carry out loan underwriting	14
AIDS/HIV as an inhibitor of long term lending	10

d) Suggested measures to support mortgage market

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

- i) Government to support institutions such as the National Housing Corporation to improve supply of houses which will support stabilization of housing prices.
- ii) Digitization of the Ministry of Lands office to reduce time taken in processing transfer of properties.
- iii) Initiate measures to oversee valuation of property to avoid arbitrary pricing of properties.
- iv) Development of a property index to guide the public on property prices.
- v) Full disclosures of all charges related to funding of mortgages to enable buyers make informed decisions.
- vi) Reduction of stamp duty particularly for first time home buyers.

Financial institutions proposed a number of interventions to support mortgage market development.

e) Mortgage market outlook for 2013

The mortgage market has been slowed down by the high interest rates. However reduction in interest rates, peaceful general elections and implementation of the devolved system of Government are expected to boost mortgages uptake in 2013.

2.10 Employment Trend in the Banking Sector

Employees in the banking sector stood at 31,636 in 2012.

The banking sector registered an increase in staff levels by 1,580 from 30,056 in 2011 to 31,636, representing an increase of 5.3 percent as indicated in Table 10. All the cadres of staff increased with exception of supervisory level which reduced by 84. Banks have cautiously continued to expand staff levels to support their expanding outreach initiatives.

Table 10: Employment in the Banking Sector			
	2011	2012	% Change
Management	7,021	7,994	13.9%
Supervisory	6,014	5,930	-1.4%
Clerical and Secretarial	15,020	15,333	2.1%
Support Staff	2,001	2,379	18.9%
Total	30,056	31,636	5.3%
Source: CBK			

2.11 Future Outlook

Banking sector expected to maintain growth momentum.

The increasing interest in Kenyan banking sector by regional and global banking brands will enhance competition especially through product diversification. Similarly, product innovations by banks and adoption of convenient and cost effective channels of offering banking services is expected to continue as banks position themselves to expand their market niches. Despite 2013 being an election year, the legal and institutional reforms undertaken over the last five years are expected to effectively cushion the economy from any potential adverse effects from the election process. As a result, the banking sector is expected to maintain its growth momentum in 2013.

CHAPTER THREE

MACROECONOMIC CONDITIONS AND BANKING SECTOR PERFORMANCE

3.1 Global Economic Conditions

Growth of the global economy was projected to slow down in 2012 from 3.9 percent in 2011 to 3.2 percent largely attributed to the effects of the Euro zone crisis in addition to sluggish recovery in the United States. The world economy is expected to stabilize at 3.5 percent growth in 2013 as the factors underlying the slowdown subside. Growth in emerging market and developing economies was projected to slow down from 6.3 percent in 2011 to 5.1 percent in 2012 and 5.5 percent in 2013. Supportive policies underpin the positive outlook for emerging and developing economies but weakness in advanced economies will continue to weigh on external demand, as well as deterioration in the terms of trade of commodity exporters given the assumption of lower commodity prices in 2013. Sustained policy action must continue in order to address the down side risks stemming from the uncertain global economic environment, especially the renewed setbacks in the euro area and uncertainties surrounding the United States fiscal situation.

Global economic growth slowed to 3.2% in 2012 from 3.9% in 2011.

3.2 The Regional Economy

Economic growth in Sub-Saharan Africa has remained relatively strong and resilient against the backdrop of a sluggish global economy. The region was projected to have grown by 5.3 percent in 2012 compared to 5.2 percent growth rate realized in 2011. However, there is significant variation across the region, with robust growth projected in most low-income countries, and a slowdown in middle-income countries that are more integrated with the advanced economies.

Sub-Saharan region economies grew by 5.3% in 2012.

The East African Community (EAC) Economies were projected to have recorded strong growth of 5.5 percent in 2012 a similar growth rate realized in 2011. Inflation in the EAC region declined in 2012, as food/fuel price inflation eased following a surge in 2011. Coordinated and decisive monetary policy tightening in the region reversed the 2011 price spikes and stabilized the regional currencies. However, there are still downside risks to this outlook emanating from uncertain global economic conditions and erratic weather conditions in the region.

3.3 The Domestic Economy

The Kenya economy grew by 4.6 percent in 2012, an improvement from 4.4 percent in 2011. All sectors of the economy recorded positive growth, though expansions were moderate. Sectors that registered accelerated activities were agriculture, wholesale and retail trade and,

Kenya's economy grew by 4.6% in 2012.

transport and communication, which respectively accounted for 17.6, 15.2 and 10.8 percent to the overall GDP growth.

3.4 Inflation

Improved weather conditions, low world oil prices & tight monetary policy kept inflation low in 2012.

Overall 12-month inflation eased in 2012 following improved weather conditions, lower world crude oil prices and tight stance of monetary policy in the first half of the year. Inflation declined from 18.31 percent in January 2012 to 3.20 percent in December 2012. This decline reflected a fall in food inflation, fuel inflation as well as non-food, non-fuel inflation. The decline in food inflation is reflected in the 12-month inflation in the 'Food and Non-Alcoholic Beverages' index, which declined from 24.58 percent in January 2012 to 1.73 percent in December 2012. Fuel inflation declined in 2012 reflecting a decline in 12-month inflation in the 'Housing, Water, Electricity, Gas and other Fuel' and 'Transport' indices from 14.72 percent and 22.42 percent in January 2012 respectively, to 3.89 percent and 0.69 percent in December 2012. Non-food, non-fuel inflation also declined throughout 2012 from 11.27 percent in January 2012 to 4.81 percent in December 2012.

3.5 Exchange Rates

The Kenya shilling strengthened against most of the major currencies in 2012.

The Kenya Shilling appreciated against all major international currencies except the Pound Sterling in 2012. In comparison to December 2011, the shilling appreciated by 0.77 percent, 1.21 percent and 7.67 percent to trade at an average of Ksh 85.99 per US dollar, Ksh 112.77 per Euro and 102.79 per 100 Japanese Yen, respectively. The Kenya shilling however, depreciated by 2.73 percent against the Sterling pound, to trade at an average of Ksh 138.78 per pound over the same period as shown in Table 11. The prudent monetary policy stance, largely explains the implicit stability of the Kenya shilling in 2012.

In the EAC region, the Kenya Shilling appreciated against all the regional currencies except the Tanzania shilling. The Kenya shilling appreciated by 10.06 percent, 3.26 percent and 16.31 percent to trade at an average of Ush 31.09, RWF 7.19 and BIF 17.57, per Kenya shilling respectively in December 2012 compared to Ush 28.25, RWF 6.96 and BIF 15.11 in December 2011. It stabilized against the Tanzania shilling to trade at an average of Tsh 18.55 per Kenya shilling compared to Tsh 18.65 per Kenya shilling over the same period.

Table 11: Kenya Shilling Exchange Rate Against Major Currencies

Currency	Dec-11	Dec-12	% Change
US Dollar	86.66	85.99	-0.8%
Sterling Pound	135.1	138.78	2.7%
Euro	114.15	112.77	-1.2%
100 Jap Yen	111.33	102.79	-7.7%
Uganda Shilling	28.25	31.09	10.1%
Tanzania Shilling	18.65	18.55	-0.5%
Rwanda Franc	6.96	7.19	3.3%
Burundi Franc	15.11	17.57	16.3%

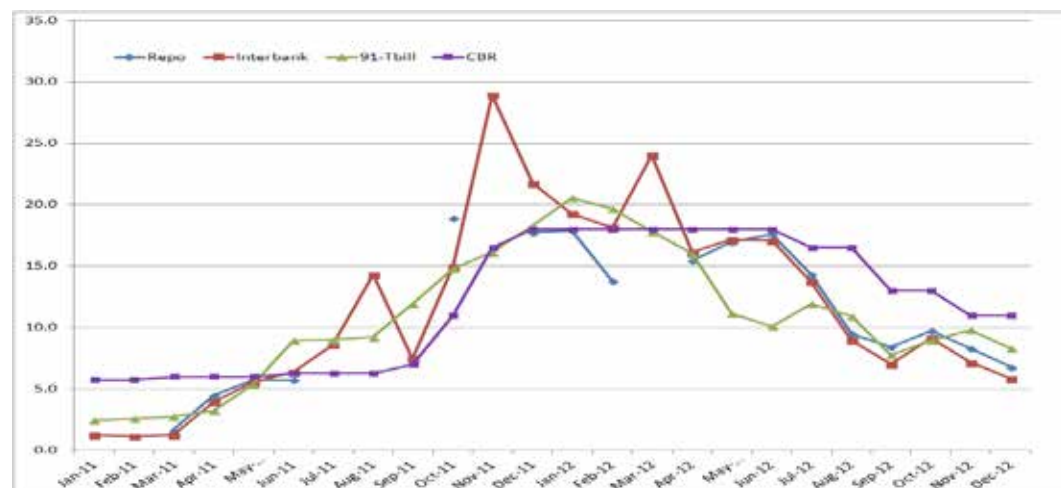
3.6 Interest Rates

Interest rates on all financial instruments increased during the first half of 2012 following sharp monetary policy tightening implemented since the fourth quarter of 2011 to address inflationary pressures and stabilize the exchange rate as shown in Chart 5. The Central Bank Rate (CBR) was sustained at the December 2011 level of 18.0 percent through June 2012 as indicated in Appendix XIV. In subsequent reviews of domestic economic developments conditions, the CBK eased monetary policy stance by lowering the CBR from 18.0 percent in June 2012 through to 11.0 percent in November 2012. The easing of the CBR during the second half of 2012 aimed to enhance monetary policy stance and its outcomes, increase the uptake of private sector credit and re-align interest rates in the economy.

CBR stood at 18% through to June 2012.

The CBR signaled the direction of short-term interest rates particularly the interbank rates. Consistent with the tight stance of monetary policy exemplified in high CBR, the short-term money market rates remained high during the first half of 2012. The interbank rate averaged 18.6 percent between January and June 2012 while the repo rate averaged 16.3 percent. Following the easing of the CBR in the second half of the year the interbank rate decreased from 13.1 percent in July 2012 to 5.8 percent in December 2012, while the repo rate eased from 14.3 percent to 6.8 percent.

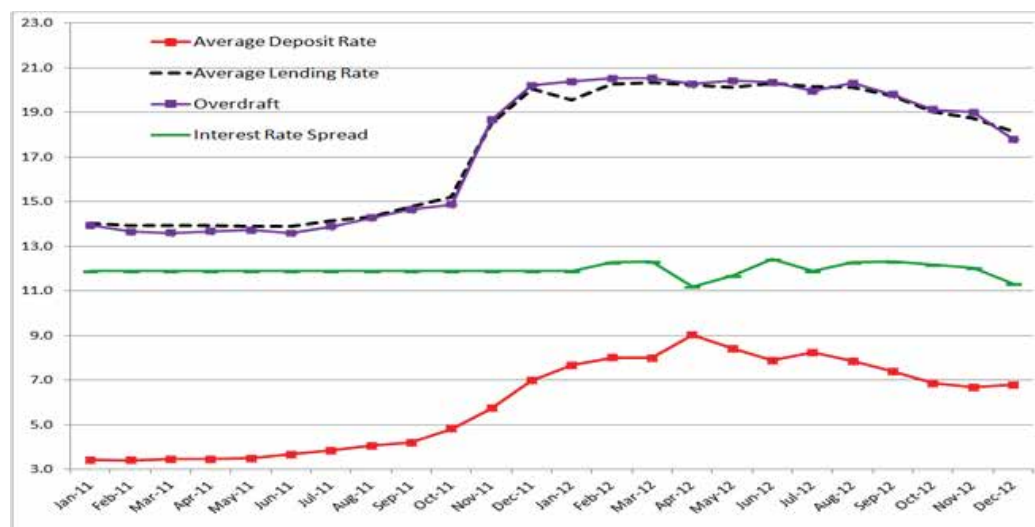
Chart 5: Short Term Interest Rates



The 91-day Treasury Bill rate and the 182-day Treasury Bill rate, which reflect the government borrowing profile, eased in 2012 due to net redemptions by the Government of maturing securities and externalization of part of government domestic borrowing through a syndicated loan of US\$ 600 million. The 91-day Treasury bill rate decreased from 20.6 percent in January 2012 to 10.1 percent in June 2012 while the 182-day Treasury bill rate decreased from 20.7 percent to 10.7 percent.

The average commercial bank lending rates and deposit rates remained high between January and June 2012 with the lending rate averaging 20.1 percent while the deposit rate averaged 8.2 percent. Following the easing of monetary policy in the second half of 2012, the commercial banks' average lending interest rate declined gradually. The average lending rate eased from 20.2 percent in July 2012 to 18.1 percent in December 2012 as the average interest rate paid by banks on deposits decreased from 8.3 percent to 6.8 percent as shown in Chart 6. Consequently, the interest rate spread narrowed marginally from 11.9 percent in July 2012 to 11.3 percent in December 2012 reflecting a larger decline in the lending rate.

Chart 6: Commercial Banks Rates



3.7 Balance of Payments

Kenya's overall balance of payments position improved from a deficit of US\$ 43 million in the year to December 2011 to a surplus of US\$ 1,227 million in the year to December 2012. This improvement was attributed to an increase in the surplus of the capital and financial account which more than offset the deterioration in the current account. The capital and financial account surplus increased by US\$ 2,476 million or 75.3 percent, from US\$ 3,288 million in the year to December 2011 to US \$ 5,764 million in the year to December 2012 while the current account deficit worsened by 36.2 percent to US\$ 4,537 million from US\$ 3,330 million during the same period, following a 12.8 percent or US \$ 1,156 million expansion in the Merchandise account deficit.

The surplus in the services account declined by 0.9 percent or US\$ 50 million to US\$ 5,626 million in the year to December 2012. This decline is mainly attributed to a decline in current transfers. Net non-factor services increased by 27.3 percent or US\$ 700 million to US\$ 3,266 million, resulting from increased earnings of transportation and other Government and private services.

Remittance inflows however increased from US\$ 891 million in the year to December 2011 to US \$ 1,170 million in the year to December 2012. In the month of December 2012, remittances to Kenya amounted to US\$ 106 million compared to US\$ 85 million in December 2011, while the average remittance inflows amounted to US\$ 98 million up from US\$ 74 million recorded in the year to December 2011. Remittances contribution to the services account surplus increased from 16 percent in the year to December 2011 to 21 percent in the year to December 2012.

3.8 Fiscal Developments

Total revenue increased by Ksh 43.3 billion during the first six months of fiscal year 2012/13, to Ksh 381.6 billion from Ksh 338.3 billion in a similar period in 2011/12 and was 14.5 percent below the targeted amount of Ksh 446.1 billion. Over the same period, total expenditure and net lending amounted to Ksh 506.4 billion compared with Ksh 411.4 billion and was 14.7 percent below the targeted amount of Ksh 593.4 billion. The central Government budgetary operations for the first half of fiscal year 2012/13 therefore resulted in a deficit of Ksh 118.5 billion (3.1 percent of GDP) on commitment basis, compared with Ksh 66.0 billion (2.0 percent of GDP), incurred in the same period of the previous fiscal year. The deficit was financed through Ksh 112.6 billion domestic borrowing and Ksh 6.3 billion net external debt.

In the budget estimates for the fiscal year 2012/13, total domestic revenue excluding grants is estimated at Ksh 955.0 billion, equivalent to 24.7 percent of GDP. External grants are estimated at Ksh 56.2 billion or 1.5 percent of GDP. Government expenditure is estimated at Ksh 1,263.3 billion (or 32.7 percent of GDP), of which Ksh 802.7 billion (20.8 percent of GDP) is recurrent and Ksh 455.7 billion (11.8 percent of GDP) in development expenses. The overall budget deficit including grants is therefore estimated at Ksh 252.1 billion (or 6.5 percent of GDP) in 2012/13. The projected financing of the deficit comprise net external borrowing of Ksh 144.1 billion and net domestic borrowing of Ksh 165.1 billion.

Domestic Economic Outlook for 2013

The prospects for the domestic economy in 2013 remain favourable supported by improved weather conditions and completion of key infrastructure projects in the roads and energy sub-sectors. Real GDP is projected to grow by 5.6 percent in 2013 up from 4.6 percent growth reported in 2012. However, there are downside risks associated with uncertainties in global output growth and the daunting reforms challenge at the domestic economy level, including transition to devolved system of governance. Inflation is expected to hover around the 5 percent target while interest rates and exchange rates are expected to remain stable.

3.9 Performance of the Banking Sector

The banking sector recorded improved performance during the period ended December 2012. The sector registered a 20.6 percent growth in pre-tax profits during the year. Total assets and total deposits held by financial institutions both recorded growth rates of 15.3 percent and 14.8 percent respectively. The sector also registered strong capitalization levels as a result of retention of profits and additional capital injection.

However, asset quality declined with the non-performing loans ratio increasing to 4.7 percent in comparison to 4.4 percent recorded in 2011 as indicated in Appendix III. The increase in non-performing loans ratio was occasioned by the high interest rates and institutions that experienced deterioration in asset quality were monitored closely during the year.

The rating of the banking sector in December 2012 remained strong as in December 2011.

3.10 Commercial Banks Balance Sheet Analysis

The banking sector recorded improved performance in the year 2012, with total net assets registering an increase of 15.3 percent from Ksh. 2,020.8 billion in December 2011 to Ksh. 2,330.3 billion in December 2012 as indicated in Table 12 and Appendix I. Loans and advances, government securities and placements which accounted for 55.6 percent, 17.7 percent and 6.2 percent of the total net assets respectively remained the significant components of the banks' balance sheet.

Banking sector balance sheet expanded by 15%.

Net loans and advances registered an increase of 12.5 percent from Ksh. 1,152.0 billion in December 2011 to Ksh. 1,296.5 billion in December 2012. However placements recorded a decline of 12.4 percent from Ksh. 116.8 billion in December 2011 to Ksh. 102.3 billion in December 2012. The decline may be attributed to increased credit uptake.

Table 12: Global Balance Sheet Analysis (Ksh. M)			
	2011	2012	% Change
Assets			
Cash	42,703	49,207	15.23%
Balances at Central bank	92,135	143,991	56.28%
Placements	116,795	102,342	-12.37%
Government securities	380,359	412,949	8.57%
Investments	13,089	20,023	52.98%
Loans and Advances (Net)	1,152,011	1,296,452	12.54%
Other assets	223,726	305,372	36.49%
Total Assets	2,020,817	2,330,335	15.32%
Liabilities and Shareholders Funds			
Customer Deposits	1,488,168	1,707,834	14.76%
Other Liabilities	249,933	260,319	4.16%
Capital and Reserves	282,717	362,182	28.11%
Total Liabilities and Shareholders Funds	2,020,818	2,330,335	15.32%
Source: CBK			

The customer deposits which are the main source of the banks funding increased by 14.8 percent from Ksh. 1,488.2 billion in December 2011 to Ksh. 1,707.8 billion in December 2012 as indicated in Appendix VIII. The growth was supported by branch expansion and receipts from exports.

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

A significant portion of the banking sector loans and advances were extended to personal, trade, manufacturing and real estate sectors which accounted for 71 percent of gross loans in 2012. During the same period, over 72 percent of the sector's loan accounts were in personal/household sector which accounted for over 24 percent of the banking sector credit and 33 percent of the NPLs. Trade, manufacturing and real estate sectors accounted for 46.6 percent of the sector's credit and 40.5 percent of NPLs as shown in Table 13.

Table 13: Sectoral Distribution of Loan Accounts, Gross Loans and NPLs - December 2012 (Ksh. M)						
Sectors	No of Loan Accounts	% of Total	Gross Loans	% of Total	Gross NPLs	% of Total
Agriculture	118,508	5.7%	65,085	4.9%	4,435	7.2%
Manufacturing	22,577	1.1%	179,608	13.5%	4,016	6.5%
Building and Construction	12,560	0.6%	68,622	5.2%	2,553	4.1%
Mining and Quarrying	1,338	0.1%	14,242	1.1%	307	0.5%
Energy and Water	6,168	0.3%	52,177	3.9%	1,002	1.6%
Trade	327,713	15.6%	263,743	19.8%	13,852	22.4%
Tourism, Restaurant and Hotels	5,875	0.3%	32,297	2.4%	1,846	3.0%
Transport and Communication	32,484	1.6%	98,849	7.4%	4,751	7.7%
Real Estate	25,277	1.2%	176,920	13.3%	7,181	11.6%
Financial Services	18,208	0.9%	51,379	3.9%	1,435	2.3%
Personal/Household	1,524,744	72.8%	327,444	24.6%	20,540	33.2%
Total	2,095,452	100.0%	1,330,365	100.0%	61,917	100.0%
Source: CBK						

3.11 Asset Quality

NPLs increased due to high interest rates.

The high interest regime witnessed in the first half of 2012 impacted negatively on the quality of loans and advances. As a result, non-performing loans (NPLs) increased by 16.8 percent from Ksh. 53.0 billion in December 2011 to Ksh. 61.9 billion in December 2012. Similarly, the ratio of gross NPLs to gross loans increased from 4.4 percent to 4.7 percent in December 2012 as shown in Table 14.

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

	2011	2012	% Change
Net Assets	2,020,818	2,330,335	15.3%
Gross Loans	1,190,985	1,330,365	11.7%
Total loans	1,180,956	1,318,570	11.7%
Net loans	1,152,011	1,296,452	12.5%
Gross Non-performing loans	52,958	61,917	16.9%
Interest in Suspense	10,029	11,795	17.6%
Total Non-Performing Loans	42,928	50,122	16.8%
Specific Provisions	28,945	27,185	-6.1%
Net Non-Performing Loans	13,983	22,937	64.0%
Gross Loans/ Net Assets(%)	58.9%	57.1%	-1.8%
Gross NPLs/ Gross Loans(%)	4.4%	4.7%	0.3%
Net NPLs/ Gross Loans(%)	1.2%	1.7%	0.5%

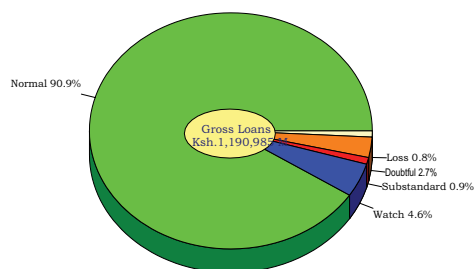
Source: CBK

Risk Classification of Loans and Advances

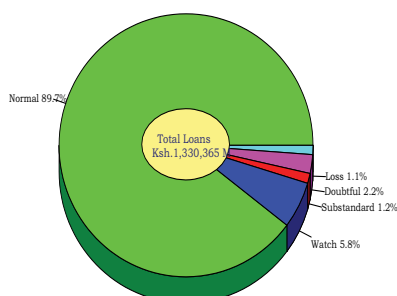
The Central Bank requires commercial banks to adhere to the guideline on “Risk Classification of Assets Provisioning and Limitation on Interest Recoverable on Non-Performing Loans”. The classification criteria is based on performance of various facilities commercial banks have extended to their customers. The performance will demonstrate repayment capability of the borrower and loans will be classified as either, normal, watch, substandard, doubtful or loss.

Chart 7: Risk Classification of Loans and Advances

Risk Classification of Loans in Dec. 2011



Risk Classification of Loans December 2012



The loans and advances in normal risk category increased by 10.2 percent from Ksh. 1,082.8 billion in December 2011 to Ksh. 1,192.8 billion in December 2012 as shown in Table 15. The increase was occasioned by the increased demand for credit from various economic sectors during the year. However, the proportion of loans in watch,

substandard and loss categories increased in 2012 compared with the year 2011 as shown in Chart 7 occasioned by the high interest rates experienced in the first half and part of the second half of 2012 which impacted negatively on the banking sector credit.

Table 15: Risk Classification of Loans and Advances (Ksh. M)				
	2011	% of Total	2012	% of Total
Normal	1,082,805	90.9%	1,192,833	89.7%
Watch	55,373	4.6%	76,789	5.8%
Substandard	10,848	0.9%	16,370	1.2%
Doubtful	32,382	2.7%	29,798	2.2%
Loss	9,577	0.8%	14,575	1.1%
Total	1,190,985	100.0%	1,330,365	100.0%
Source: CBK				

3.12 Capital Adequacy

Capital adequacy ratios increased in 2012.

The Central Bank requires commercial banks to adhere to capital adequacy prudential ratios. 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 increased from 18 percent and 21 percent in year 2011 to 20 percent and 23 percent respectively in year 2012 as shown in Table 16 and Appendix VI. Similarly, the ratio of core capital to total deposits increased from 16 percent in 2011 to 17 percent in 2012. The growth was attributable to increase in banks capital base funded by retained earnings and injection of fresh capital.

Table 16: Capital Adequacy Ratios					
	2009	2010	2011	2012	Minimum Capital Adequacy Ratios
Core Capital/TRWA*	19%	20%	18%	20%	8%
Total Capital/TRWA	21%	22%	21%	23%	12%
Core Capital/Total Deposits	16%	17%	16%	17%	8%
*TRWA = Total Risk Weighted Assets					
Source: CBK					

3.13 Liquidity

The liquidity level indicates a bank's ability to fund increases in assets and meet obligations as they fall due. Liquidity is one of the important financial stability indicators as liquidity shortfall in one bank can cause systemic crisis in the banking sector due to their interconnected operations.

Sector's average liquidity ratio increased from 37% in 2011 to 41.9% in 2012.

The banking sector's average liquidity in the twelve months to December 2012 was above the statutory minimum requirement of 20 percent, with all the banks meeting the minimum requirement. Average banking sector liquidity ratio stood at 41.9 percent as at December 2012 compared to 37.0 percent registered in 2011. The increased liquidity ratio is attributable to a higher investment in government securities occasioned by higher interest rates on bonds and bills in 2012.

3.14 Profit and Loss

The banking sector registered improved performance in 2012 with profit before tax increasing by 20.6 percent from Ksh. 89.5 billion in December 2011 to Ksh. 107.9 billion in December 2012 as shown in Table 17, Appendix II and Appendix V. The growth was largely supported by the growth in credit portfolio and investment in government securities.

Sector's profit rose by 20.6%.

Income

The banking sector total income grew by 39.0 percent from Ksh. 256.3 billion in December 2011 to Ksh. 356.3 billion in December 2012. The increase in income was largely attributed to increase in interest on advances, which grew by Ksh. 74.8 billion. This was occasioned by the growth in loans and advances in 2012. Interest income on government securities increased by Ksh.15.2 billion on the ground of high interest rates and increased investment in government securities. The Central Bank Rate (CBR), which was at 18.0 percent from January to June, 16.5 percent from July to August, 13.0 percent from September to October and 11.0 percent from November 2012 impacted on the interest rates charged by the banks during the year. Other income which comprised income from dividends, service charges and foreign exchange gains grew by 17.3 percent from Ksh. 31.2 billion in 2011 to Ksh. 36.6 billion in 2012.

Sector's income increased by 39%.

Table 17: Income and Expenditure Items as a Percentage of Total Income

	2011		2012	
	Ksh. M	% of Total Income	Ksh. M	% of Total Income
Income				
Interest on Advances	142,036	55.4%	216,807	60.8%
Fees and Commission for Loans and Advances	15,896	6.2%	14,700	4.1%
Other Fees and Commission Income	29,895	11.7%	32,836	9.2%
Interest on Government Securities	33,072	12.9%	48,262	13.5%
Interest on Placement	4,280	1.7%	7,058	2.0%
Other Income	31,157	12.2%	36,643	10.3%
Total Income	256,335	100.0%	356,305	100.0%
Expenses				
Interest Expenses	48,762	19.0%	110,911	31.1%
Bad Debts Charge	9,791	3.8%	12,312	3.5%
Salaries and Wages	52,435	20.5%	59,546	16.7%
Other Expenses	55,893	21.8%	65,637	18.4%
Total Expenses	166,882	65.1%	248,406	69.7%
Profit Before Tax	89,453	34.9%	107,899	30.3%
Source: CBK				

Expenses

Sector's expenses increased by 48.8%.

The banking sector expenses grew by 48.8 percent from Ksh. 166.9 billion in December 2011 to Ksh. 248.4 billion in December 2012. The high CBR impacted on interest rates on deposits with banks registering an increase in interest expense by Ksh. 62.1 billion in 2012. Consequently, interest expenses accounted for over 76 percent of the total increase in the banking sector expenses in 2012. Interest expense as a ratio of income increased from 19 percent in 2011 to 31 percent in 2012. Similarly, the average cost of deposits increased from 2.9 percent in 2011 to 5.9 percent in 2012 as shown in Appendix III. Other expenses which included training, advertising, printing and management fees increased by 17.4 percent from Ksh. 55.9 billion in December 2011 to Ksh. 65.6 billion in December 2012 as a result of increase in capacity building costs. Salaries and wages increased by 13.5 percent from Ksh. 52.4 billion in December 2011 to Ksh. 59.5 billion in December 2012. However, salaries and wages as a ratio of income declined from 20.5 percent in 2011 to 16.7 percent in 2012 reflecting improved efficiency as banks embrace ICT to offer increased banking services without a corresponding increase in staffing costs.

3.15 Performance Rating

The Central Bank uses the Capital Adequacy, Asset Quality, Management Quality, Earnings and Liquidity (CAMEL) rating system to assess the soundness of the commercial banks.

The banking sector was rated strong in 2012, a similar rating attained in 2011. The numbers of institutions rated strong, satisfactory and fair in December 2012 were 18, 21 and 4 respectively. The same ranking order was recorded in the period ending December 2011 as shown in Table 18.

Sector maintained strong rating in 2012.

Table 18: Banking Sector Performance Rating (Ksh. M)						
	2011			2012		
Performance	No. of Institutions	Total Net Assets	Market Share	No. of Institutions	Total Net Assets	Market Share
Strong	18	1,104,130	54.6%	18	1,763,390	75.7%
Satisfactory	21	890,635	44.1%	21	483,293	20.7%
Fair	4	26,053	1.3%	4	83,652	3.6%
Marginal	0	0	0.0%	0	0	0.0%
Unsatisfactory	0	0	0.0%	0	0	0.0%
Total*	43	2,020,818	100.0%	43	2,330,335	100.0%
Overall Rating	Strong			Strong		
* Charterhouse Bank excluded						
Source: CBK						

Institutions rated strong registered significant growth in their total net assets market share from 54.6 percent in December 2011 to 75.7 percent in December 2012 mainly due to increased loans and advances funded by increased deposit levels. Institutions rated satisfactory witnessed a decline in their market share from 44.1 percent in December 2011 to 20.7 percent in December 2012 attributed to a lower increase in loans and advances than the increase recorded by the institutions rated strong.

3.16 Compliance with Supervisory & Regulatory Requirements

As at 31st December 2012, six banks were in violation of the Banking Act and CBK Prudential Guidelines. This translated into twelve incidences of non-compliance affecting ten sections of the Banking Act and Prudential guidelines. In the previous year, 2011, three banks were not compliant with four sections of the Banking Act.

Appropriate remedial actions were taken on institutions in violation of Banking Act and Prudential Guidelines.

The specific incidences of non-compliance as at 31st December 2012 were:

- Two Institutions were in violation of section 7(1) of the Banking Act, which requires all institutions to have minimum Core Capital of not less than Ksh.1 billion by 31st December 2012.
- One Institution was in violation of section 18 of the Banking Act, which requires Total Capital to Total Risk Weighted Assets Ratio not to be less than 12%.
- One Institution was in violation of section 18 of the Banking Act, which requires Core Capital to Total Risk Weighted Assets Ratio not to be less than 8%.
- One Institution was in violation of section 17 of the Banking Act, which requires Core Capital to Total Deposits Ratio not to be less than 8%.
- Two Institutions were in violation of section 10(1) of the Banking Act, which restricts lending to a single borrower an amount not more than 25% of its Core Capital.
- One Institution was in violation of section 11(1) (c) & (d) of the Banking Act, which requires all insider borrowings to be fully secured.
- One Institution was in violation of section 11(1)(f) of the Banking Act, which limits single insider borrowings to an amount not exceeding 20% of core capital.
- One Institution was in violation of section 12(c) of the Banking Act and CBK prudential guideline (CBK/PG/07) which requires that Institutions investment in land and buildings should not be more than 20% of Core Capital.
- One Institution was in violation of CBK Prudential Guideline (CBK/PG/06) which limits Foreign Exchange Exposure to 10% of Core Capital.
- One Institution was in violation of CBK prudential guideline (CBK/PG/07) (Prohibited Business) which restricts aggregate large exposures to not more than five (5) times of Core Capital.

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

3.17 Performance of Deposit Taking Microfinance Institutions (DTMs)

The licensed and operational DTMs recorded improved growth during the year under review. The profit before tax increased by 71 percent from Ksh. 245 million for the period ended December 2011 to Ksh. 420 million for the period ended December 2012 as shown in Table 19 and Appendix IX. The increase in profits is largely attributable to growth in business of the DTMs.

DTMs profit before tax grew by 71.4%.

Customer deposits increased by 54 percent from Ksh. 10.0 billion in 2011 to Ksh. 15.4 billion in 2012 as shown in Table 19. The growth in customer deposits was partly attributed to the aggressiveness of the institutions in deposit mobilization, increased market confidence and the growth in number of branches spread through-out the country. The sector's net loan portfolio also increased by 24 percent from Ksh. 16 billion in 2011 to Ksh. 20 billion in 2012. The good performance of the licensed DTMs has therefore, led to increased financial inclusion of the Kenyan populace.

Table 19: Performance of Deposit Taking Microfinance Institutions - Ksh.'M'			
Parameter	2011	2012	% Change
Pre -tax profits	245	420	71%
Customer Deposits	9,989	15,409	54%
Loan Portfolio(Net)	16,060	19,908	24%
Core Capital/Total Risk Weighted Assets	15%	15%	-
Total Capital/Total Risk Weighted Assets	20%	19%	-1%
Return on Assets	1%	1%	-
Return on Shareholders' funds	7%	7%	-
Total No. of Staff	3,030	3,383	12%
Source: CBK			

The sectors ratio of core capital to risk weighted assets remained constant at 15 percent which is above the minimum requirement of 10 percent. The ratio of total capital to total risk weighted assets was 19 per cent for the period ended December 2012 against the minimum statutory requirement of 12 percent as indicated in Appendix X. Return on assets was 1 per cent; the same ratio attained during the period ended December 2011. The return on shareholders' funds remained at 7 per cent; the same level attained in the period ended 31st December 2011.

The sector also continued to play an important role in employment creation and had a total workforce of 3,383 employees in 2012 compared to 3,030 employees in 2011. The sector's growth momentum is expected to be supported by the adoption of the agency model and

increased usage of mobile phone platforms through partnerships with mobile service providers coupled with a deep understanding of the niche segment targeted by DTMs.

3.18 Credit Reference Bureaus

Over 2.3 million credit reports had been requested by banks in December 2012.

The year ended 31st December 2012 marked two and half years since the roll out of the credit information sharing (CIS) mechanism in July 2010. The major highlights in the CIS mechanism witnessed during the year were:

- i) In an effort to make the mechanism more inclusive, the Kenya Credit Information Sharing Initiative (KCISI) embarked on Phase Two activities which entail bringing on board non – bank lenders/ other credit providers (such as Saccos and Microfinance institutions) to participate in the mechanism. Phase II of the mechanism was formally launched on 16th February 2012. In seeking to extend the process and enhance the growth of the credit market, the second phase commenced with the inclusion of Deposit Taking MFIs in the existing CIS mechanism. In this regard, The Banking Act and The Microfinance Act were amended to allow Banks and Deposit Taking Microfinance Institutions (DTMs) to share credit information.
- ii) The Central Bank of Kenya Act was amended through the Finance Act 2012, to provide for sharing of both negative and positive credit information among banks. This amendment paved the way for the adoption of full file reporting (sharing of both negative and positive information).
- iii) Various public organs in the country incorporated credit reports as a tool for vetting/determination of suitability for officers wishing to hold public office. This development has highlighted the growing importance of the credit information sharing mechanism in Kenya. It is envisioned that credit information sharing will continue to be instrumental in the decision making process of credit providers in Kenya as they seek to mitigate risks associated with information asymmetry.

Credit Reference Bureau Reports

Since the commencement of the Credit Information Sharing (CIS) mechanism in July 2010, all the 43 licensed commercial banks in Kenya and institutions under the Deposit Protection Fund Board continue to submit negative credit information to the licensed CRBs within the required timeframes. Further, the banks have incorporated the CIS mechanism in their credit appraisal systems by obtaining credit reports from the CRBs while appraising loan applications.

Cumulatively, a total of 2.3 million and 28,733 credit reports had been requested by banks and customers respectively from the two licensed CRBs as at 31st December 2012. The credit reports requested by banks stabilised during the year ended 31st December 2012 at 1,015,327 in comparison to 1,021,717 reports in the year ended 31st December 2011. On the other hand, credit report requests by customers increased by 305% from 5,607 in the year 2011 to 22,692 in the year 2012.

The increased utilization of credit reports by banks are expected to reduce information search costs and subsequently offer competitive terms of borrowing to customers with a good credit track record.

CHAPTER FOUR

DEVELOPMENTS IN SUPERVISORY FRAMEWORK

4.1 Introduction

The Central Bank continued to strengthen its supervisory framework for the banking sector in 2012. The Banking Act was amended to explicitly empower the Central Bank to undertake consolidated supervision of banks. Following the amendments, the Central Bank is able to extend its surveillance activities beyond the licensed banks to include their affiliates whose connections to the bank are deemed to have significant impact on the banks' operations.

In order to implement effective consolidated supervision, the Central Bank issued a new Prudential Guideline on Consolidated Supervision to detail the minimum prudential requirements to facilitate consolidated supervision. Further, to strengthen cross-border information sharing and collaboration with respect to Kenyan banking groups operating in the region, the Central Bank operationalised a framework for supervisory colleges.

The Central Bank finalised a comprehensive review of the CBK Prudential and Risk Management Guidelines, which were issued in November 2012. The review of the guidelines was informed by the need to align the guidelines to the changes and developments in the supervisory frameworks for the local, regional and global banking systems.

The Central Bank facilitated the operationalisation of the Financial Reporting Centre (FRC) in April 2012. This was through secondment of staff and provision of temporary office space. The FRC is the focal point for the implementation of the Proceeds of Crime and Anti-Money Laundering Act, 2009.

The Bank Supervision Application (BSA) Software Version 3.0 was rolled out in July 2012 to replace BSA version 2.1. This was aimed at enhancing the workflow management and analysis of returns from institutions.

4.2 Finance Act, 2012

His Excellency the President assented to the Finance Act, 2012 on 7th January 2013. The Act amends several statutes including the Banking Act and the Central Bank of Kenya Act. The key amendments to the two statutes were:

- i) The Central Bank was granted power to supervise institutions and their associates on a consolidated basis. Experience has shown that a number of banking entities are related to other business entities through holding companies or subsidiaries. These

A number of policy measures were introduced through the Finance Act, 2012.

business entities engage in activities some of which might have detrimental effect on the business of institutions. The Central Bank was given power to supervise institutions on a consolidated basis and in liaison with other competent authorities, the Central Bank will have power to issue appropriate directions on the activities of associates of institutions where such activities have or may have a negative impact on the institutions.

- ii) Non-operating holding companies of institutions will be allowed, subject to the Central Bank's approval to hold more than 25% of the shares of an institution. Non-operating holding companies are companies whose activities are limited to holding investments in subsidiaries such as institutions, holding properties used by group members; raising funds to invest in, or to provide support to, subsidiaries, raising funds to conduct its own limited activities, investing funds on behalf of the group, conducting the banking activities required for its own limited functions, and providing administrative, risk management and financial services to support the efficient operation of the group.
- iii) Institutions are allowed to contract agents to provide limited services on their behalf. The law was amended to make it clear that the acts or omissions of these agents which cause any loss to a customer will be attributed to the institutions and therefore the institutions shall be liable for such acts or omissions of their agents.
- iv) The Central Bank was given power to prescribe additional activities which institutions can engage in. This will enable the Central Bank to prescribe additional activities which institutions can engage in without jeopardizing their core business.
- v) Saccos and public utility companies were brought within the credit information sharing framework. Through established credit reference bureaus, they are required to share credit information with institutions licensed under the Banking Act and the Microfinance Act.
- vi) Foreign exchange bureaus were allowed to engage in international money transfer business. They will therefore conduct the business of settling payments to or from Kenya.
- vii) Mortgage finance companies were allowed to engage in foreign exchange transactions especially buying, selling, settling payments, borrowing or lending in foreign currency.
- viii) A legal framework was introduced to allow money remittance providers to engage in money remittance business.

4.3 Revised and New Prudential and Risk Management Guidelines Issued in 2012

CBK undertook a comprehensive review of Prudential and Risk Management Guidelines in 2012.

In November 2012, the Bank issued revised Prudential and Risk Management Guidelines applicable to commercial banks, mortgage finance companies and non-bank financial institutions licensed under the Banking Act. These replaced the current Prudential Guidelines last revised in 2006 and the Risk Management Guidelines first issued in 2005.

The revision was informed by the need to up-date the banking sector regulatory framework in light of significant changes in the local, regional and global banking sector's operating environment. The key drivers of review of the prudential and risk management guidelines included the desire to:-

- adapt new global best practices in banking sector supervision such as the revised Basel Core Principles for Effective Banking Supervision;
- comply with recommendations by international bodies such as the International Monetary Fund, World Bank, the East and Southern Africa Anti-Money Laundering Group (ESAAMLG) aimed at strengthening the safety, efficiency, integrity and soundness of the banking sector;
- implement resolutions in the ongoing regional integration initiatives under the auspices of the East African Community (EAC) and the Common Market for Eastern and Southern Africa (COMESA). Key among these resolutions is the harmonisation of regional supervisory rules and practices;
- cater for the need to effectively supervise Kenyan banks expanding into regional countries as well as the increasing entry into Kenya's banking sector by regional and global banking institutions;
- incorporate the relevant provisions of the Constitution of the Republic of Kenya 2010, and
- support realisation of other Government-driven initiatives such as Vision 2030.

In conducting the review of the Guidelines, the Bank adopted a consultative approach by seeking input from a wide range of stakeholders within and outside the Kenyan banking sector. Significant changes were made to the 15 existing Prudential Guidelines while seven new Prudential Guidelines were introduced to expand the scope of the prudential requirements to critical aspects of banking sector supervision not covered previously. The review brought the total number of CBK Prudential Guidelines to 22 from the previous 15.

Some of the key changes in the revised prudential guidelines include:

i) Enhancement of Capital Adequacy Requirement

- Introduction of 2.5% buffer to take effect in the next 24 months.
- Introduction of capital charge for market and operational risk to take effect in the next 12 months.

ii) Enhancement of Corporate Governance Requirements

- Introduction of ethical leadership as envisaged in the new constitution factoring issues of ethics, transparency and diversity.
- Strengthening board independence through requiring at least one third of directors to be independent.
- Clear demarcation of roles of Board and Management through Board Charters.

iii) The new Prudential Guidelines are:

- **Stress Testing** – requiring banks to conduct stress tests regularly and submitting reports to BSD on quarterly basis.
- **Outsourcing** – provides a clear guide to institutions on the conditions they must fulfil before and during an outsourcing arrangement.
- **Prompt Corrective Action (PCA)** – provides corrective actions that can be taken depending on the extent of the difficulties an institution is experiencing. This is meant to restore the financial condition of the institution and protect depositors from systemic risks.
- **Voluntary Liquidation** – provides clear regulatory requirements that should be fulfilled prior to an institution being granted an approval to carry out voluntary liquidation.
- **Consumer Protection** – provides a clear framework for protecting customers against risks of fraud, loss of privacy, unfair practices and lack of full disclosure.
- **Consolidated Supervision** – provides prudential requirements to facilitate effective supervision of banks in banking groups.
- **Representative Offices** – provides for the minimum requirements for authorisation, permissible and prohibited activities, and supervision of representative offices of foreign banks.

As for the Risk Management Guidelines, the existing nine guidelines were reviewed with two new guidelines on Country and Transfer Risk and Information and Communication Technology Risk Management being introduced. This was aimed at complying with the Basel Core Principles on Banking Supervision and other risk management best practices for the banking sector.

The revised Prudential and Risk Management Guidelines came into force on 1st January 2013. However, the implementation of certain corporate governance, and capital adequacy aspects of the revised Prudential Guidelines was staggered to enable banks mobilise the required resources and to put in place the necessary arrangements to ensure compliance.

4.4 Consolidated Supervision and Establishment of Supervisory Colleges

The importance of home-host cooperation dates back three to four decades ago. In particular, the development of Consolidated Supervision owes much of its work to the Basel Committee on Banking Supervision (BCBS).

Consolidated supervision is a comprehensive approach to banking supervision which endeavors to evaluate the strength of an entire banking group, taking into account all the risks which may affect a bank (or individual regulated firms within the group), regardless of whether these risks are carried in the books of the bank or related entities.

CBK rolled-out consolidated supervisory framework in 2012.

In 2012, the Central Bank continued to streamline its consolidated supervision efforts in light of the continued cross-border expansion by Kenyan banks as well as continued convergence of financial service providers in Kenya. The key developments in the year in respect to consolidated supervision include:

- Capacity building on consolidated supervision for 30 BSD staff was conducted by an East AFRITAC consultant in September 2012. The one-week training course was aimed at sharpening the supervisory staff skills on consolidated supervision. East AFRITAC is a regional capacity building arm of the IMF.
- Issuance of a new Prudential Guideline on Consolidated Supervision in November 2012. The Guideline which came into effect as from 1st January 2013 details prudential requirements that banks with group structures should adhere to.
- Conducted a pilot consolidated onsite inspection of Kenya Commercial Bank in December 2012. This was the third pilot onsite consolidated inspection which also benefited from the technical assistance of an East AFRITAC consultant.

- Amendment of the Banking Act to entrench the Central Bank's power to undertake consolidated supervision. Though the Central Bank has continued to inculcate consolidated supervision based on general existing power to supervise banks, the amendments were meant to explicitly empower the Bank to undertake consolidated supervision.

As part of efforts towards effective consolidated supervision, the Central Bank with the technical assistance of the East AFRITAC developed a Supervisory Colleges framework in March 2012. A supervisory college is a coordination and information sharing mechanism between supervisors of subsidiaries or affiliates of a banking group. The mechanism facilitates the sharing of information on operations of the affiliates of a banking group on a timely basis. It also facilitates coordination in surveillance of affiliates of a banking group which ensures effective risk management.

Establishment of Supervisory Colleges is a useful tool in:

- Improving the exchange of information and coordination among home and host supervisors of institutions with cross-border operations with the goal of ensuring safety and sound banking practices;
- Building confidence in the regional/international financial system; and
- Identifying supervisory issues/problems early and addressing them quickly to reduce risk of bank failure.

The supervisory college framework developed by the CBK will be applicable to all Kenyan banks with significant regional presence. On 3rd and 4th October 2012, CBK held an inaugural Supervisory College meeting for regional supervisors of the Kenya Commercial Bank Group. The meeting was attended by representatives of the six Central Banks where Kenya Commercial Bank Group has a presence. These include Rwanda, Burundi, Uganda, Tanzania, South Sudan and Kenya. During the meeting the supervisors:

- Shared supervisory experiences;
- Exchanged insights on macro-prudential analysis and related issues with a view to strengthening regulatory frameworks;
- Agreed on modalities of information sharing and collaboration; and
- Established a framework for continued collaboration for effective supervision of banking groups with cross-border operations.

4.5 Developments in Anti-Money Laundering and Combating Financing of Terrorism

CBK initiated various measures to strengthen AML framework in 2012.

The year 2012 saw significant progress made towards strengthening the country's Anti-Money Laundering and Combating the Financing of Terrorism (AML/CFT) legal and regulatory framework. Some of the notable developments include:

a) **Enactment of enabling legislations**

• **The Proceeds of Crime and Anti-Money Laundering (Amendment) Act 2012**

The Proceeds of Crime and Anti Money Laundering (Amendment) Act 2012 was enacted on 24th October, 2012 and assented to by His Excellency the President on 20th December 2012. The main objective of this Act is to further strengthen the provisions of the Proceeds of Crime and Anti-Money Laundering Act 2009 (POCAMLA). Some of the key amendments to POCAMLA contained in the Act that apply to financial institutions include:

- The term “monetary instruments” has been expanded to include credit and debit cards, cheques and other bearer negotiable instruments. Previously, under POCAMLA, monetary instruments were limited to notes and coins. Financial institutions, going forward, will be required to file Cash Transaction Reports (CTRs) with the Financial Reporting Centre (FRC) that include credit and debit card transactions as well as cheques or other bearer negotiable instruments.
- In addition to customer identification data, financial institutions are now required to maintain records of account files and business correspondence for all their customers for a minimum period of at least five years following the termination of an account or business relationship.
- The Financial Reporting Centre (FRC) has been empowered to delegate to designated supervisory authorities, the issuance of instructions, directions and guidelines to reporting institutions with regard to the application of the Act. The designated supervisory bodies which include the Central Bank of Kenya, the Capital Markets Authority and the Insurance Regulatory Authority, will be expected to conduct/enforce AML/CFT supervisory measures on behalf of the FRC.

• **The Prevention of Terrorism Act, 2012**

The Prevention of Terrorism Act, 2012 was passed by Parliament on 27th September, 2012 and assented to by His Excellency the President on October 13, 2012. The Act:

- Criminalizes terrorism and its financing;

- Empowers the Cabinet Secretary responsible for matters relating to internal security to make regulations that provide for measures that facilitate the freezing of assets of designated persons/entities under the UN Security Council Resolutions 1267 and 1373; and
- Empowers the Financial Reporting Centre to receive suspicious transaction reports (STRs) related to the financing of terrorism.
- **Guideline on the Proceeds of Crime, Anti-Money Laundering and Combating the Financing of Terrorism CBK/PG/08**

As part of a comprehensive review of the Prudential Guidelines that was conducted by the Bank Supervision Department in 2012, the Guideline on the Proceeds of Crime and Money Laundering (Prevention) CBK/PG/08 was revised to take into account the following developments in the AML/CFT arena:

- Recommendations arising from the Mutual Evaluation of Kenya's AML/CFT legal and regulatory framework that was conducted by the Eastern and Southern African Anti-Money Laundering Group (ESAAMLG) in 2010.
- Issuance of the revised Financial Action Taskforce (FATF) international standards on combating money laundering and terrorism financing and proliferation in February 2012; Some of the key changes in the Revised FATF Recommendations that are reflected in the revised Guideline include:
 - **Adoption of the Risk Based Approach to Combating Money Laundering and Terrorism Financing:** The revised FATF standards call for financial institutions to adopt the risk based approach in applying AML/CFT measures. Financial institutions will, going forward, be required to conduct institutional AML/CFT risk assessments and to apply AML/CFT measures including customer due diligence (CDD) on a risk sensitive basis.
 - **Emerging issues:** The Guidelines also take into account emerging AML/CFT issues including the treatment of new technologies and new payment methods impacting the financial services industry such as money value transfer services; financing the proliferation of weapons of mass destruction; and correspondent banking.

4.6 Establishment of the Financial Reporting Centre

On 12th April 2012, the Anti-Money Laundering Advisory Board approved the operationalization of the Financial Reporting Centre (FRC), Kenya's financial intelligence unit. The FRC is an independent body created under Section 21 of the Proceeds of Crime and Anti-Money Laundering Act, 2009 (POCAMLA). It has extensive functions and powers which include:

- Receipt and analysis of suspicious transaction reports and cash

transaction reports for any transaction whose value is equivalent to or above US\$10,000 dollars. This includes the receipt and analysis of cash declaration forms from all border points. Any person entering or leaving Kenya, holding cash in the amount of US \$ 10,000 or its equivalent in any other currency will be required to file declarations with the Kenyan authorities.

- Submission of Suspicious Transaction Reports (STRs) to law enforcement authorities for investigation and further action.
- Facilitation of the exchange of information with other financial intelligence units in other countries with regard to money laundering activities.
- Inspection and supervision of reporting institutions to ensure compliance with AML/CFT reporting obligations as prescribed under POCAMLA.
- Development of AML/CFT Regulations that provide additional information and guidance to support implementation of POCAMLA.

Some of the preliminary steps taken to operationalize the FRC in the course of the year include:

- **Staffing:** A total of eight staff were seconded from various National Taskforce on Combating Money Laundering and the Financing of Terrorism (NTF) member organizations to the Financial Reporting Centre. An Interim Director was appointed to head the FRC, pending the appointment of a substantive Director and Deputy Director.
- **Receipt of Suspicious Transaction Reports:** On 9th October, 2012, the Central Bank of Kenya issued Banking Circulars No. 7 and 8, which directed all commercial banks, financial institutions, mortgage finance companies, foreign exchange bureaus and non-bank financial institutions to begin to forward all Suspicious Transaction Reports (STRs) to the Financial Reporting Centre with effect from October 10, 2012.
- **Development of AML Regulations:** The FRC embarked on the process of developing AML Regulations that will guide all reporting institutions on their obligations under the Act. This includes the requirement for reporting institutions to register with the Centre, monitoring and reporting of suspicious and cash transactions and AML/CFT regulation and supervision. It is envisaged that the Regulations will be issued by the Cabinet Secretary Responsible for Finance in 2013.
- **Knowledge Exchange visits to other Financial Intelligence Units:** In August 2012, a team comprising of the members of the AML Advisory Board and staff drawn from the Financial Reporting Centre undertook knowledge exchange visits to the Mauritius Financial Intelligence Unit and the Financial Intelligence Centre of

South Africa. The visits provided participants with an appreciation of the structure and operations of financial intelligence units. The insight gained from the visits to the two jurisdictions will be used to benchmark the establishment of the Financial Reporting Centre, so as to ensure that it meets international standards.

- **AML Training and Awareness Initiatives:** The FRC embarked on several AML/ sensitization/awareness initiatives namely:
 - On 3rd to 4th August, 2012, the FRC in conjunction with the World Bank and the National Taskforce on Anti-Money Laundering and Combating the Financing of Terrorism (NTF) held a sensitization workshop for the AML Advisory Board at the Kenya School of Monetary Studies. The workshop covered Anti-Money Laundering issues, the operations of financial intelligence units and the role of the Board in the development of Kenya's AML regime.
 - The FRC in conjunction with the United Nations Office on Drugs and Crime (UNODC) and the Kenya School of Monetary Studies held a two day workshop on 17th - 18th September, 2012 to sensitize the media on the provisions of Proceeds of Crime and Money Laundering Act, 2009 (POCAMLA).

4.7 Upgrade of BSA System

The Bank Supervision Application (BSA) is a computer software solution developed to support the automation of Bank Supervision functions. This solution was designed by a team of eleven (11) Central Banks in Eastern and Southern Africa. The Central Bank of Kenya (CBK) is among the eleven (11) countries that use the BSA system to support its Bank Supervision function. Originally the system comprised of three separate modules on 3 different platforms each performing a different role. There was a module for electronic data transmission, data processing and reports management and a workflows management module. Managing the three separate modules proved challenging in terms of operating efficiency and integration of reporting.

In order to address the above challenges the BSA system under went a comprehensive review leading to an upgrade of the system dubbed BSA version 3.0. This new upgrade integrates the three main modules of the BSA system on to one platform. The new upgrade runs on a web portal platform where both the regulated entities and the CBK have access rights. The Central Bank of Kenya was the first among the 11 user central banks to install the new upgraded version of the BSA version 3.0 in July, 2012. The system is also expected to allow regulated entities to initiate workflows from their end in a move towards a "paperless environment" that promotes efficiency.

CHAPTER FIVE

REGIONAL AND INTERNATIONAL DEVELOPMENTS AND INITIATIVES

5.1 Introduction

CBK actively participated in regional and international fora in 2012.

The Central Bank continued to participate in various activities organized by regional and international organizations and groups. This is in line with the continued integration of Kenyan financial system into the global financial system. Through its participation, the Central Bank kept abreast of new developments in the global financial sector.

The regional and international groups and initiatives in which the Bank participated in 2012 include:

- Monetary Affairs Committee (MAC) of the East African Community (EAC).
- Common Market for Eastern and Southern Africa (COMESA).
- Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG).
- Alliance for Financial Inclusion (AFI).
- G20 Global Partnership for Financial Inclusion.
- Financial Stability Board (FSB).
- IMF's East Africa Technical Assistance Centre (East AFRITAC).
- African Rural and Agricultural Credit Association (AFRACA).
- Financial Services Volunteers Corps (FSVC).
- Bank Supervision Application (BSA).
- Knowledge Exchanges.

5.2 Regional and International Initiatives

Monetary Affairs Committee (MAC) of the East African Community (EAC)

The Monetary Affairs Committee (MAC) of the East African Community (EAC) is composed of the five EAC member states Central Banks. The main task of the MAC is to progress implementation of EAC decisions towards the envisaged full integration of the member states financial systems. MAC meetings are attended by the Central Bank Governors as well as technical officials. The key achievements of the MAC in respect to banking supervision and financial stability in 2012 include:

- Finalization of draft convergence criteria for the harmonization of the Central Banks legal and prudential supervisory rules and practices in April 2012. The convergence criteria will be implemented once it is approved by the Central Bank Governors' during the 16th MAC meeting in 2013.
- A peer review workshop for the EAC Central Banks to discuss the

status of compliance with the Basel Core Principles (BCPs) for Effective Supervision was convened in October 2012. The workshop was held following completion of Financial Sector Assessment Programmes on BCPs for all EAC Countries.

- A follow up meeting was convened in the year to review the implementation status of recommendations of the proposals by the G20 and Basel Committee on post crisis regulatory framework.
- The 15th Ordinary Monetary Affairs Committee (MAC) meeting was convened in May 2012 in Kampala to discuss status of implementation of previous MAC resolutions including priority activities towards the envisaged East African Community Monetary Union (EAMU).

Initiatives by COMESA Countries

- The COMESA Financial System Stability Assessment Framework uses a comprehensive and structured SHIELDS (Solvency Conditions; Home Economic Conditions; Institutional Quality; Earnings Conditions; Liquidity Conditions; Default Conditions; and Systemic Loss) Rating System to enable the assessment of financial stability over time and across nations. CBK and other central banks of COMESA member states are committed to promoting financial system stability and are at various stages of implementing the COMESA framework.
- During the 18th Meeting of Governors of COMESA held in Kigali, Rwanda in December 2012, the Governors decided that:
 - i) The COMESA Monetary Institute should develop an implementation manual to facilitate effective roll out of the SHIELDS rating system.
 - ii) The COMESA Monetary Institute should conduct hands on training on econometric modelling for financial stability that is applicable to COMESA Member countries including macro stress testing with hypothetical data.
 - iii) Central Banks should conform to the core principles of Basel II and III especially on the following:
 - Set up of supervisory colleges or other means to discuss the cross border business activities of financial institutions and other banking supervision and regulation issues.
 - Design and implement measures to curb excessive credit growth during the upswing of the economic cycle.
 - Design and implement measures for monitoring foreign liabilities of banks and capital flows.

- Strengthen the supervision of systemically important banks and, where these banks are subsidiaries of international or regional banks, build more effective links.
- iv) Central Banks should continue with capacity building and knowledge sharing initiatives to facilitate the production of forward looking financial stability reports.

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

The Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG) is among the eight regional Financial Action Taskforce Style Regional Bodies (FSRBs) that form part of the FATF's global network. In the year 2012, the main focus of the ESAAMLG was to ensure that member countries developed a sound understanding of FATF Recommendations and the peer review mechanism for evaluating a country's AML/CFT regime, including the post evaluation monitoring procedures.

In 2012, 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 coordinate Kenya's participation in a number of activities of the ESAAMLG including:

- The 24th ESAAMLG Taskforce of Senior Officials and 12th Council of Ministers' meeting was held in Maputo, Mozambique from 24th to 30th August, 2012. Key highlights of the meeting are as follows;
 - **The International Co-operation Review Group Process (ICRG):** The meeting considered the status of ESAAMLG member states that are subject to the Financial Action Taskforce International Co-operation Review Group Process (ICRG). These countries include Angola, Ethiopia, Kenya, Namibia, Tanzania, and Zimbabwe, Under the ICRG process, the FATF identifies and engages with high-risk jurisdictions with strategic deficiencies in their national AML/CFT regimes so as to protect the integrity of the international financial system.
 - **ESAAMLG Post Evaluation Monitoring Procedures:** Under the ESAAMLG Post Evaluation Monitoring Procedures, countries that have undergone a mutual evaluation are required to develop a Strategic Implementation Plan (SIP) that outlines the specific steps that a country intends to take to address the deficiencies noted in its Mutual Evaluation Report (MER). The meeting considered the inaugural progress reports for Kenya, Lesotho, Swaziland and Namibia.

- **Promoting Financial Inclusion and Implementation of FATF Standards in the ESAAMLG Region:** An Ad Hoc Working Group was formed for the purpose of promoting financial inclusion and the implementation of FATF Standards programme for the period 2012/13. The meeting considered a survey being conducted by the Working Group and the Alliance for Financial Inclusion (AFI) on the challenges being faced by the private sector in providing financial services to the low income sector in the ESAAMLG region.
- The Eastern and Southern Africa Regional Judges Forum on AML/CFT Measures Asset Recovery, Forfeiture and the Proceeds of Crime: 3 judges representing the Supreme Court, the High Court and the Court of Appeal of Kenya participated in this forum that was held in Pretoria, South Africa, from 27th to 29th September 2012. The workshop which was facilitated by the Commonwealth and ESAAMLG Secretariats covered the following areas:
 - Background on international initiatives in AML/CFT, including the Revised FATF Recommendations, as well as the United Nations Conventions and Resolutions relating to combating terrorism and its financing ;
 - The role of the judiciary in combating money laundering and the financing of terrorism;
 - The key elements of criminal prosecutions of money laundering and financing of terrorism cases including asset forfeiture.

Alliance for Financial Inclusion

The Central Bank of Kenya continued to play a key role within the Alliance for Financial Inclusion in 2012. The Alliance for Financial Inclusion (AFI), is a global network of financial policymakers from developing and emerging countries working together to increase access to appropriate financial services for the poor. CBK served as the inaugural chair of the Network's steering committee from September 2009 to September 2012. The Bangko Sentral ng Pilipinas (BSP) or Central Bank of the Republic of the Philippines took over as chair in September 2012.

CBK served as co-chair of AFI Steering Committee.

During the CBK's tenure as chair over the three years, the following key milestones were achieved:

Growth in Membership

AFI's membership has grown tremendously over the past three years. The Network currently has 95 member institutions. This is remarkable growth in membership as compared to 35 member institutions after its inception in 2009. These member institutions

represent central banks, ministries and other financial regulatory institutions from more than 80 developing countries in Africa, Asia and Latin America, where the majority of the world's unbanked reside. These institutions have pioneered some of the most innovative policy approaches to extending the financial system to the unbanked while balancing safety and stability.

Global Policy Forums (GPF).

The AFI Global Policy Forum (GPF) is an annual meeting held by AFI for its member institutions. The forum is focused on developing and improving national financial inclusion strategies and policies and is used as a platform for financial sector policy makers and regulators to exchange ideas and engage in peer-to-peer learning activities. Since 2009, a number of Forums have been held as follows:

- **GPF 2009, Nairobi:** AFI's inaugural GPF was co-hosted by CBK in Nairobi in September 2009, with the theme '**Bringing Smart Policies to Life**'. The GPF, 2009 provided a platform for 100 financial sector policy makers from 40 developing countries and financial inclusion experts from 60 institutions to engage in dialogue and share knowledge and experiences towards expanding financial inclusion. The meeting was aimed at unlocking the collective knowledge of AFI members and other leaders to identify concrete policy solutions that increase financial inclusion.
- **GPF 2010, Bali Indonesia:** AFI's second GPF with the theme, '**Taking Financial Inclusion to the Next Level**', co-hosted by Bank Indonesia, took place in Bali, Indonesia in September 2010. Building on the previous year's momentum, the 2010 GPF brought together nearly 60 member institutions from 44 countries, as well as 35 strategic partners, for 3 days of focused discussion on innovative financial inclusion policy.
- **GPF 2011, Riviera Maya:** AFI's third GPF themed '**Taking Stock, Setting Goals, Moving Forward**', co-hosted by Mexico's Comisión Nacional Bancaria y de Valores (CNBV), took place in Riviera Maya, Mexico in September 2011. More than 180 developing country policymakers and 90 financial inclusion stakeholders from 65 countries joined together to reflect on challenges, define new milestones, and set their path for creating more inclusive financial sectors. The AFI membership adopted the Maya Declaration, the first global and measurable set of commitments by developing and emerging countries to unlock the economic and social potential of the 2.5 billion poorest people through greater financial inclusion. Currently, there are 35 countries that have made specific commitments under the Maya Declaration to enhance financial inclusion in their specific jurisdictions.

- **GPF 2012, Cape Town South Africa:** AFI's fourth GPF was held in Cape Town, South Africa, in September 2012, under the overall theme of **'Making Financial Inclusion Real'**. The Forum brought together senior representatives from more than 80 developing and emerging nations' regulatory institutions from across the globe, along with financial inclusion policy experts and practitioners from AFI's many partner institutions. The agenda covered technical discussions on the quality of financial access and usage and featured a high level debate and dialogue on both the potential and the real impact of financial inclusion on the lives of the world's unbanked.

The GPF meetings have provided a critical avenue to make financial inclusion real through the sharing of knowledge and peer learning amongst AFI members. Through the Maya Declaration Commitments, they will also result in tangible financial inclusion results in AFI member countries.

G20 Global Partnership for Financial Inclusion

AFI participated in the G20 Global Partnership for Financial Inclusion (GPFI). The GPFI, which was launched in November 2010, is the main implementing mechanism of an endorsed action plan that G20 leaders agreed on to push the global financial inclusion frontiers forward. It functions as an inclusive platform for G20 countries, non-G20 countries, and relevant stakeholders for peer learning, knowledge sharing, policy advocacy and coordination to carry forward work on global financial inclusion. Spearheading the implementation are three key implementing partners: the Alliance for Financial Inclusion (AFI), the Consultative Group to Assist the Poor (CGAP), and the International Finance Corporation (IFC).

As a key implementing partner, AFI's role has been to facilitate the participation of non-G20 developing country financial policymakers, of which Kenya is a member into the activities of the GPFI. In particular, AFI was mandated to contribute to the GPFI in three major areas:

- **Application of the G20 principles for financial inclusion:** Providing a platform for information sharing on current financial inclusion policy trends and innovative policy solutions from developing countries; and showcasing successful countries that have established a conducive policy framework for financial inclusion.
- **Standard Setting Bodies (SSBs):** Facilitating collaborative dialogue between AFI members and SSBs with an aim of enhancing policies and practices.
- **Data and Measurement:** Identifying best practice in data sets and methodology by collating lessons learned from existing practices around the world.

These initiatives have enabled AFI members contribute to the thinking and development of appropriate financial inclusion policies, standard setting criteria and data and measurement standards to measure financial inclusion. More importantly, the GPFI has ensured that financial inclusion is now considered at the highest levels of global policy making.

Africa Mobile Financial Services Policy Initiative (AMPI)

- Within the AFI network, the topic of financial inclusion using mobile financial services (MFS) has consistently been a priority for African AFI members' policy work. Recognizing this, CBK, Bank of Tanzania (BoT) and AFI hosted the **“African Financial Inclusion Policy Forum: Scaling-up Financial Services through Mobile Technology,”** in Zanzibar, Tanzania in February 2012. The Zanzibar Forum, which was a follow up of a related Forum held at the Brookings Institution in Washington D.C. in May 2011, provided a platform for peer-to-peer discussions to support countries to establish strategic policy priorities to spur MFS. As a result of the Zanzibar and Brookings forums, African AFI members proposed the creation of a focused Africa Mobile Financial Services Policy Initiative (AMPI) to address the development of MFS in Africa being cognisant of peculiar circumstances and environment unique to Africa.

AMPI is a proposed framework through which African AFI members will seek to determine effective solutions to advancing MFS across the African continent. The purpose of AMPI is to launch new, or expand on existing, MFS policy and regulatory initiatives with the objective of deepening the penetration of MFS on the continent in line with national policy priorities. The work of AMPI will be coordinated through two key mechanisms:

- a) **AMFI African Leaders Roundtable meeting**, which will provide a platform for African AFI members to coordinate efforts, networks and share knowledge and experiences on MFS in the region. This Roundtable mechanism is aimed at empowering African AFI members to take a leading role in the overall development of MFS policy and regulatory frameworks in their countries.
- b) **AMFI Help Desk** tasked with providing a virtual help desk to facilitate all technical coordination towards the implementation of AMFI's objectives and activities.

This initiative is to be launched in the inaugural African Leaders Roundtable meeting to be held in Zanzibar in February 2013. The meeting is targeting high level African AFI members as well as policy makers, regulators and key players (including financial service providers, telecommunications companies, development partners)

that can influence decision making regarding the MFS landscape in Africa. It is expected to have the following immediate outcomes:

- a) Establishment of governance and institutional structures and mapping of activities to accomplish the objectives of AMPI. This includes discussions on the Roundtable meetings and establishment of a Help Desk.
- b) The role of the various market players, including public and private sector and development partners within the AMPI network will be clearly defined.
- c) Reiteration of commitments by AFI members and priorities to support the design and implementation of continental and national policy strategies towards enhancing financial inclusion through MFS.

Financial Stability Board Regional Consultative Group

As part of efforts towards a stable financial system, the Central Bank was involved in initiatives by the Financial Stability Board (FSB) aimed at improving global frameworks for a stable global financial system. FSB is the body mandated by the Heads of State and Government of the Group of Twenty (G20) countries to promote global financial stability by developing strong regulatory, supervisory and other financial-sector policies, and fostering a level playing field through coherent implementation of such policies across sectors and jurisdictions.

CBK co-chaired
Regional
Consultative
Group for Sub-
Saharan Africa
on Financial
Stability.

In 2011, in a bid to expand and formalise outreach beyond its membership, the FSB established six regional consultative groups (RCG) worldwide - Americas, Commonwealth of Independent States, Europe, the Middle East & North Africa, and Sub-Saharan Africa. The aim of the RCGs is to bring together financial authorities from FSB member and non-member countries to exchange views on vulnerabilities affecting financial systems and ways by which to promote financial stability. The FSB's RCG for Sub-Saharan Africa is co-chaired by the Deputy Governor of the South African Reserve Bank, Mr. Lesetja Kganyago and the Governor of the Central Bank of Kenya, Professor, Njuguna Ndung'u. Membership includes financial authorities from Angola, Botswana, Ghana, Kenya, Mauritius, Namibia, Nigeria, South Africa and Tanzania, as well as the Central Bank of West African States based in Senegal. Permanent observers include the Committee of Central Bank Governors of the Southern African Development Community, and the East African Community.

The FSB's RCG for SSA held its first two meetings in February 2012 in Pretoria, South Africa and September 2012 in Cape Town, South Africa, both hosted by the South African Reserve Bank. The meetings

discussed various pertinent issues on the stability of the Sub-Saharan Africa financial system. These issues include the FSB's work plan and policy priorities, major financial regulatory reforms and their impact on implementation of regulatory and capital standards for regional financial institutions and improving disclosure and transparency in the financial sector. The meetings also discussed the region's exposure to the Eurozone crisis, the potential for contagion, spill-over risks, and possible policy responses to secure capital inflows and develop domestic capital markets.

The third meeting of the FSB's RCG for SSA is scheduled to be hosted by the Central Bank of Kenya in February 2013 in Nairobi.

❖ **IMF's East Africa Technical Assistance Centre (East AFRITAC)**

East AFRITAC continued to extend valuable technical assistance to the Central Bank's Bank Supervision Department aimed at strengthening its regulatory and supervisory framework. The activities undertaken with the support of the East AFRITAC in 2012 include:

- Development of a Supervisory College Framework in March 2012. This entailed a review of the structure of the Kenyan banks and designing a suitable supervisory college framework to facilitate effective information sharing and collaboration between supervisors of entities in banking groups, both domestic and cross-border.
- East AFRITAC consultants facilitated several capacity building sessions for supervisory staff on surveillance of banking groups.
- Overseeing the inaugural supervisory college meeting for Kenya Commercial Bank Limited in October 2012. The inaugural supervisory college meeting was convened pursuant to the supervisory college framework developed in March 2012 with the technical assistance of East AFRITAC.
- Technical Assistance during the third pilot consolidated onsite inspection of Kenya Commercial Bank Limited in November 2012. This followed previous pilot consolidated onsite inspections of Diamond Trust Bank in 2009 and CFC Stanbic Bank in 2010, which were also conducted with the Technical Assistance of East AFRITAC.

African Rural and Agricultural Credit Association

In 2012, CBK continued in collaborative partnership with the African Rural and Agricultural Credit Association (AFRACA) towards its common goals of enhancing access to financial services. 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 Bank participated in the 18th General Assembly

of AFRACA in Accra, Ghana from 16th to 19th October, 2012. The high-level meeting focused on the role of the financial sector in influencing the level of agricultural investment and productivity across the continent.

The Financial Services Volunteer Corps (FSVC)

The Financial Services Volunteer Corps (FSVC) entered into a technical assistance program with the Kenyan authorities on Anti-Money Laundering and Combating the Financing of Terrorism (AML/CFT) and financial inclusion in 2011. In October 2011, the FSVC conducted an assessment on the current state of implementation of AML/CFT measures in Kenya. The assessment examined the role of key stakeholders, the gaps in Kenya's AML/CFT regime and identified the next steps in terms of the AML/CFT implementation. The report was launched during a workshop held in January, 2012, that was convened by the FSVC in conjunction with the Bill and Melinda Gates foundation and the Central Bank of Kenya. Other activities included:-

Training program on AML/CFT Risk Based Supervision: In May 2012, the FSVC conducted a training program on AML/CFT Risk Based Supervision for financial sector examiners. The workshop was attended by 20 examiners drawn from the Central Bank of Kenya, Capital Markets Authority, Insurance Regulatory Authority, the Retirement Benefits Authority, the Saccos Regulatory Authority. The workshop covered the following areas;

- An overview of risks associated with money laundering, terrorist financing, and related compliance issues.
- Participants were also apprised on the reporting obligations arising from the United Nations Security Council Resolutions related to Combating the Financing of Terrorism.
- **Workshop on Risk Based AML/CFT Supervision of National Payment Systems:** From 15th to 19th October, 2012, FSVC conducted a workshop on Risk Based AML/CFT supervision of National Payment Systems. Participants were drawn from CBK and Kenya's mobile money service providers. The participants were taken through case studies and discussed risk based supervision techniques, reporting obligations and enforcement tools and sanctions.
- **Attachment on Risk Based AML/CFT Supervision:** Two supervisors from the Central Bank of Kenya (CBK) were attached to the Federal Deposit Insurance Corporation (FDIC) in the United States of America from 5th to 19th November, 2012. The supervisors conducted a joint onsite examination with officials of FDIC. The exchange programme aimed at exposing the CBK examiners to AML/CFT supervision techniques for assessing the risk associated with commercial banks and other financial institutions.

Bank Supervision Application (BSA)

CBK chaired the BSA Stakeholders in 2012.

CBK through Bank Supervision Department assumed the role of the chair of BSA Stakeholders in October 2011. CBK is expected to hold the position as chair of BSA Stakeholders as well as the BSA Executive Committee (BEC) until the next BSA Stakeholders meeting in August/September 2013.

As the chair of BSA Stakeholders and BEC the role of the Central Bank of Kenya is twofold;

- a) To convene and chair BSA Stakeholders and BEC meetings.
- b) To supervise the operations of the BSA Support Office (BSO).

The BEC comprised of 4 central banks oversees the operations of the BSA on behalf of the 11 member central banks. The BSA Support Office (BSO) based at the Bank of Mozambique oversees the day to day operations of the BSA. The BEC reports to the 11 central banks who constitute the BSA stakeholders. CBK during its tenure as Chair has successfully overseen the roll-out of the enhanced BSA Version 3.0.

Knowledge Exchanges

CBK hosted a number of delegations as part of knowledge exchange programs in 2012.

Countries in Africa and beyond have developed keen interest in the agency banking model which was rolled out by the Central Bank in 2010 and other financial sector development initiatives. CBK hosted a number of delegations from different countries on knowledge exchanges to learn about various aspects including agency banking, consumer protection, financial education, credit information sharing, mobile financial services and microfinance and automation of bank supervision functions. CBK hosted delegations from Guinea, the Kingdom of Bhutan (Asia), National Bank of Ethiopia, Central Bank of Lesotho and Reserve Bank of Malawi among others as shown in Table 20.

These knowledge exchanges have enabled the Central Bank to share its experiences with representatives from other jurisdictions and to learn from them. Through these exchanges, the Central Bank of Kenya has gained global and regional recognition as a champion for financial inclusion through innovation especially through agency banking and mobile financial services.

Table 20: Knowledge Exchanges Undertaken In 2012

	DATES	ORGANIZATION	COUNTRY	SUBJECT OF KNOWLEDGE EXCHANGE
1.	16 th – 27 th January 2012	Central Bank of Guinea	Guinea	Mobile financial services in Kenya
2.	20 th – 24 th February 2012	Reserve Bank of Malawi	Malawi	Operation and regulation of agent banking in Kenya
3.	30 th April – 4 th May 2012	National Bank of Ethiopia	Ethiopia	Mobile and agent banking in Kenya
4.	18 th June – 20 th June 2012	Royal Monetary Authority of Bhutan	Kingdom of Bhutan (Asia)	Mobile financial services and microfinance institutions in Kenya
5.	18 th July 2012	Ghana Post Office	Ghana	Agency banking and mobile financial services
6.	3 rd August – 7 th August 2012	Nigeria Deposit Insurance Corporation (NDIC)	Nigeria	Regulation and supervision of the banking sector in Kenya
7.	5 th September 2012	Pakistan Microfinance Network	Pakistan	Microfinance
8.	18 th -19 th September 2012	Central Bank of Swaziland and Ministry of Finance	Kingdom of Swaziland	Operation and regulation of mobile banking, payment systems and microfinance in Kenya
9.	21 st November 2012	Ministry of Finance	Malawi	Financial sector reforms in Kenya

Memorandum of Understanding

In an effort to enhance its relationship with foreign banking regulators, the Central Bank of Kenya continued to explore the possibility of entering into formal arrangements for supervisory cooperation with other banking regulators. This is with a view to promoting cross border banking supervisory cooperation as recommended by the Basel Committee on Banking Supervision. The MOUs with these regulators will govern areas of mutual cooperation and collaboration, help define and guide the working relationships between regulators and enable the smooth exchange of supervisory information.

In 2012, the Central Bank of Kenya signed a Memorandum of Understanding with the Bank of South Sudan as shown in Appendix XI and established contact with various central banks from various

CBK continued to sign MOUs.

countries with a view to negotiating MOUs. This includes the Reserve Bank of India, the Reserve Bank of Zimbabwe, the Reserve Bank of Malawi, Bank of Zambia, Central Bank of the Democratic Republic of Congo (Banque Centrale du Congo), the State Bank of Pakistan and the China Banking Regulatory Commission.

5.3 Kenyan Banks Regional Footprint

As at 31st December 2012, eleven Kenyan banks had subsidiaries operating in the East African Community (EAC) Member States and South Sudan. In addition, one bank (CFC Stanbic Bank (K) Ltd) has a branch in South Sudan which became operational in May 2012. The respective branch presence for the subsidiaries is shown on Table 21.

Table 21: Branches of Kenyan Banks Subsidiaries in the Region							
	Institution	Uganda	Tanzania	Rwanda	Burundi	South Sudan	Total
1	Kenya Commercial Bank	14	11	13	1	21	60
2	Diamond Trust	27	16	-	4	-	47
3	Commercial Bank of Kenya	1*	8	-	-	-	9
4	Bank of Africa	32	18	-	-	-	50
5	Fina Bank	7	-	15	-	-	22
6	Equity Bank	38	6	8	-	9	61
7	I & M Bank	-	6	15	-	-	21
8	Imperial Bank	3	-	-	-	-	3
9	African Banking Corporation	2	-	-	-	-	2
10	NIC Bank	1	5	-	-	-	6
11	Co-operative Bank	-	-	-	-	1*	1
Total		125	70	51	5	31	282
* Yet to commence operations							
Source: CBK							

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

The performance analysis of the subsidiaries of the banks as at 31st December 2012 based on number of branches, number of employees, assets, loans, deposits and profits are as highlighted below.

11 Kenyan banks had established subsidiaries within the EAC Partner States including South Sudan in 2012.

Kenyan banks had subsidiaries with 282 branches operating in the Region in 2012 representing an increase of 59 branches from 2011.

Performance Highlights

i) Branches

Number of branches for subsidiaries increased from 223 in December 2011 to 282 in December 2012. Rwanda registered the highest growth in branches from 27 in 2011 to 52 in 2012.

125 of the branches which represent 44% of total branches in the region were in Uganda, 70 in Tanzania, 51 in Rwanda, 31 in South Sudan and 5 in Burundi.

ii) No. of Employees

Number of employees for subsidiaries increased from 3,760 in December 2011 to 4,780 in December 2012.

Subsidiaries in Uganda employed 1,684 staff, followed by Tanzania with 1,384, Rwanda 1,088, South Sudan 527 and Burundi 97.

iii) Total assets

The total assets for subsidiaries increased from Ksh. 195.6 billion in December 2011 to Ksh. 266.5 billion in December 2012.

- Subsidiaries operating in Tanzania accounted for 35% of the total assets.
- Subsidiaries operating in South Sudan and Uganda each accounted for 24% of the total assets, Rwanda accounted for 14% and Burundi accounted for 1%.

iv) Gross loans

Gross loans for subsidiaries increased from Ksh. 89.4 billion in December 2011 to Ksh. 125.5 billion in December 2012.

- Subsidiaries operating in Tanzania accounted for the bulk of the loans at 45% of the total loans.
- Subsidiaries operating in Uganda accounted for 29% of the total loans.
- Subsidiaries operating in South Sudan accounted for 9% of the total loans.

v) **Deposits**

The deposits for subsidiaries increased from Ksh. 152.5 billion in December 2011 to Ksh. 202.6 billion in December 2012.

- Subsidiaries operating in Tanzania accounted for 33% of the total deposits.
- Subsidiaries operating in South Sudan accounted for 27% of the total deposits, while subsidiaries operating in Uganda accounted for 25% of the total deposits.

vi) **Profitability**

Subsidiaries registered aggregate profit before tax of Ksh. 5.1 billion in December 2012 up from Ksh. 2.3 billion in December 2011.

- Subsidiaries operating in South Sudan accounted for 47% of the total profits, followed by Tanzania at 31%, Rwanda 9.6% and Uganda 12.5%.
- Subsidiaries operating in Burundi, on aggregate returned a loss of Ksh.42 million mainly due to the fact that the subsidiaries are still fairly new and the business has not picked up.

Central Bank of Kenya

Appendix I

BANKING SECTOR BALANCE SHEET DECEMBER 2012 - Ksh. M

A ASSETS									
		2011				2012			
		BANKS TOTAL	NBFIs TOTAL	GRAND TOTAL	% OF TOTAL	BANKS TOTAL	NBFIs TOTAL	GRAND TOTAL	% OF TOTAL
1	Cash balances (both local and foreign)	42,583	120	42,703	2.1%	49,068	139	49,207	2.1%
2	Balances due from Central Bank of Kenya	92,135	-	92,135	4.6%	142,961	1,030	143,991	6.2%
3	Kenya Government securities	304,123	380	304,503	15.1%	411,688	724	412,412	17.7%
4	Foreign Currency Treasury bills and bonds	301	-	301	0.0%	537	-	537	0.0%
5	Deposits and balances due from local banking institutions	57,221	4,988	62,210	3.1%	39,437	6,662	46,099	2.0%
6	Deposits and balances due from banking institutions abroad	54,585	-	54,585	2.7%	56,224	18	56,242	2.4%
7	Government and other securities held for dealing purposes	75,555	-	75,555	3.7%	104,353	-	104,353	4.5%
8	Tax recoverable	516	-	516	0.0%	1,103	47	1,150	0.0%
9	Loans and advances to customers (Net)	1,126,788	25,223	1,152,011	57.0%	1,266,158	30,294	1,296,452	55.6%
10	Investments securities	13,033	56	13,089	0.6%	19,963	60	20,023	0.9%
11	Balances due from group companies	71,458	-	71,458	3.5%	39,203	-	39,203	1.7%
12	Investment in associates	3,586	-	3,586	0.2%	3,401	-	3,401	0.1%
13	Investment in subsidiary companies	22,068	130	22,198	1.1%	29,200	255	29,455	1.3%
14	Investment in joint ventures	1,246	-	1,246	0.1%	1,246	87	1,332	0.1%
15	Investment properties	1,463	-	1,463	0.1%	616	-	616	0.0%
16	Property & equipment	47,594	699	48,293	2.4%	47,548	711	48,259	2.1%
17	Prepaid lease rentals	1,032	41	1,073	0.1%	1,268	41	1,309	0.1%
18	Intangible assets	15,684	3	15,686	0.8%	17,450	10	17,460	0.7%
19	Deferred tax asset	7,963	82	8,045	0.4%	8,974	220	9,194	0.4%
20	Retirement benefit asset	1,479	-	1,479	0.1%	-	-	-	0.0%
21	Other assets	48,431	250	48,681	2.4%	49,253	388	49,641	2.1%
22	TOTAL ASSETS	1,988,846	31,972	2,020,818	100.0%	2,289,649	40,686	2,330,335	100.0%
B. LIABILITIES									
23	Balances due to Central Bank of Kenya	-	-	-	0.0%	-	-	-	0.0%
24	Customer deposits	1,469,494	18,674	1,488,168	73.6%	1,684,866	22,968	1,707,834	73.3%
25	Deposits and balances due to local banking institutions	53,895	-	53,895	2.7%	30,729	-	30,729	1.3%
26	Deposits and balances due to banking institutions abroad	43,500	-	43,500	2.2%	47,275	-	47,275	2.0%
27	Other Money Markets deposits	2	-	2	0.0%	2	-	2	0.0%
28	Borrowed funds	50,702	8,016	58,718	2.9%	76,288	11,915	88,204	3.8%
29	Balances due to group companies	27,662	15	27,677	1.4%	32,481	0	32,481	1.4%
30	Taxation payable	3,315	160	3,475	0.2%	9,423	-	9,423	0.4%
31	Dividends payable	42	-	42	0.0%	48	24	72	0.0%
32	Deferred tax liability	662	-	662	0.0%	1,281	-	1,281	0.1%
33	Retirement benefits liability	173	-	173	0.0%	809	-	809	0.0%
34	Other liabilities	52,949	324	53,274	2.6%	49,411	632	50,043	2.1%
35	TOTAL LIABILITIES	1,702,396	27,190	1,729,586	85.6%	1,932,613	35,540	1,968,153	84.5%
C SHAREHOLDERS' FUNDS									
36	Paid up/ assigned capital	69,225	1,152	70,377	3.5%	78,683	1,153	79,836	3.4%
37	Share premium/(discounts)	53,140	1,551	54,692	2.7%	63,349	1,552	64,901	2.8%
38	Revaluation reserves	(8,612)	512	(8,100)	-0.4%	(1,262)	512	(749)	0.0%
39	Retained earnings /accumulated losses	132,635	1,018	133,653	6.6%	168,219	1,474	169,693	7.3%
40	Statutory loan loss reserve	20,444	337	20,781	1.0%	22,077	242	22,319	1.0%
41	Proposed dividend (gross)	16,283	161	16,444	0.8%	22,649	161	22,810	1.0%
42	Capital grants	3,335	51	3,386	0.2%	3,323	51	3,373	0.1%
43	TOTAL SHAREHOLDERS' FUNDS	286,450	4,782	291,232	14.4%	357,037	5,146	362,182	15.5%
44	TOTAL LIABILITIES & SHAREHOLDERS' FUNDS	1,988,846	31,972	2,020,818	100.0%	2,289,649	40,686	2,330,335	100.0%

Source: Banks Published Financial Statements

Central Bank of Kenya

Appendix II

BANKING SECTOR PROFIT AND LOSS ACCOUNT - DECEMBER 2012 - Ksh. M

		2011				2012			
		BANKS TOTAL	NBFIs TOTAL	GRAND TOTAL	% OF TOTAL	BANKS TOTAL	NBFIs TOTAL	GRAND TOTAL	% OF TOTAL
1.0	INTEREST INCOME								
1.1	Loans and advances	139,125	2,911	142,036	55.4%	212,518	4,288	216,807	60.8%
1.2	Government Securities	33,035	36	33,072	12.9%	48,199	63	48,262	13.5%
1.3	Deposits and placements with banking institutions	3,763	517	4,280	1.7%	6,341	717	7,058	2.0%
1.4	Other interest income	1,424	-	1,424	0.6%	3,287	-	3,287	0.9%
1.5	Total Interest Income	177,347	3,464	180,811	70.5%	270,345	5,069	275,414	77.3%
2.0	INTEREST EXPENSES								
2.1	Customers deposits	39,169	850	40,019	24.0%	96,133	2,297	98,430	39.6%
2.2	Deposits and placements from banking institutions	5,315	-	5,315	3.2%	7,046	-	7,046	2.8%
2.3	Other interest expenses	2,715	713	3,428	2.1%	4,613	822	5,435	2.2%
2.4	Total Interest Expenses	47,200	1,563	48,762	29.2%	107,792	3,119	110,911	44.6%
3.0	NET INTEREST INCOME/(LOSS)	130,147	1,902	132,049		162,553	1,950	164,503	
4.0	NON-OPERATING INCOME								
4.1	Fees and Commissions on loans and advances	15,743	152	15,896	6.2%	14,561	139	14,700	4.1%
4.2	Other fees and commissions	29,835	60	29,895	11.7%	32,773	63	32,836	9.2%
4.3	Foreign exchange trading income/(loss)	19,337	-	19,337	7.5%	20,925	-	20,925	5.9%
4.4	Dividend income	447	-	447	0.2%	591	1	593	0.2%
4.5	Other income	9,871	78	9,949	3.9%	11,768	70	11,837	3.3%
4.6	Total Non Interest Income	75,234	290	75,524	29.5%	80,617	273	80,890	22.7%
4.7	TOTAL INCOME (1.5 + 4.6)	252,581	3,754	256,335		350,963	5,342	356,305	
5.0	TOTAL OPERATING INCOME	205,381	2,191	207,573		243,170	2,223	245,393	
6.0	OPERATING EXPENSES								
6.1	Loan loss provision	9,605	186	9,791	5.9%	12,114	198	12,312	5.0%
6.2	Staff costs	51,833	602	52,435	31.4%	58,864	682	59,546	24.0%
6.3	Directors emoluments	1,464	24	1,488	0.9%	1,674	14	1,688	0.7%
6.4	Rental charges	5,618	13	5,631	3.4%	6,467	19	6,487	2.6%
6.5	Depreciation on property and equipment	7,942	47	7,988	4.8%	9,090	61	9,151	3.7%
6.6	Amortization charges	1,868	3	1,870	1.1%	2,872	3	2,875	1.2%
6.7	Other expenses	38,573	341	38,915	23.3%	45,093	345	45,437	18.3%
6.8	Total Other Operating Expenses	116,903	1,216	118,119	70.8%	136,174	1,321	137,495	55.4%
6.9	TOTAL EXPENSES (2.4 + 6.8)	164,103	2,778	166,881		243,967	4,440	248,406	
7.0	Profit/(loss) before tax and exceptional items	88,478	976	89,453		106,996	902	107,898	
8.0	Exceptional items	(8)	-	(8)		-	-	-	
9.0	Profit/(loss) after exceptional items	88,470	976	89,446		106,996	902	107,898	
10.0	Current tax	25,714	359	26,073		35,621	353	35,974	
11.0	Deferred tax	(524)	(59)	(583)		(2,985)	(138)	(3,123)	
12.0	Profit/(loss) after tax and exceptional items	63,280	675	63,955		74,360	687	75,047	

Source: Banks Published Financial Statements

Central Bank of Kenya

Appendix III								
BANKING SECTOR OTHER DISCLOSURES - DECEMBER 2012 - Ksh. M								
		2011			2012			
		BANKS TOTAL	NBFIs TOTAL	GRAND TOTAL	BANKS TOTAL	NBFIs TOTAL	GRAND TOTAL	% Growth
1)	NON-PERFORMING LOANS AND ADVANCES							
a)	Gross non-performing loans and advances	51,378	1,580	52,958	59,586	2,331	61,917	16.9%
	Less:							
b)	Interest in suspense	9,795	234	10,029	11,561	234	11,795	17.6%
c)	Total non-performing loans and advances(a-b)	41,583	1,345	42,928	48,024	2,098	50,122	16.8%
	Less:	-						
d)	Loan loss provision	28,559	386	28,945	26,803	383	27,185	-6.1%
e)	Net Non-performing Loans (c-d)	13,024	959	13,983	21,222	1,715	22,937	64.0%
f)	Discounted value of securities	13,697	959	14,656	19,705	1,715	21,420	46.2%
g)	Net NPLs Exposure (e-f)	(673)	-	(673)	1,517	-	1,517	325.4%
2)	INSIDER LOANS,ADVANCES AND OTHER FACILITIES							
a)	Directors, shareholders and associates	29,515	-	29,515	25,294	-	25,294	-14.3%
b)	Employees	39,548	606	40,154	44,043	799	44,842	11.7%
c)	Total Insider Loans, Advances and Other Facilities	69,063	606	69,669	69,337	799	70,136	0.7%
3)	OFF BALANCE SHEET							
a)	Letters of credit, guarantees, acceptances	288,019	1	288,020	344,234	14	344,248	19.5%
b)	Other contingent liabilities	183,291	-	183,291	152,975	-	152,975	-16.5%
c)	Total Contingent Liabilities	471,310	1	471,311	497,208	14	497,222	5.5%
4)	CAPITAL STRENGTH							
a)	Core capital	244,531	3,721	248,252	303,841	4,179	308,021	24.1%
b)	Minimum statutory capital	30,100	700		43,000	1,000		
c)	Excess/(deficiency)							
d)	Supplementary capital	30,679	2,190	32,869	42,631	2,269	44,900	36.6%
e)	Total capital (a + d)	275,210	5,911	281,121	346,472	6,448	352,921	25.5%
f)	Total risk weighted assets	1,352,859	17,369	1,370,228	1,509,620	21,848	1,531,468	11.8%
g)	Core capital/total deposit liabilities	16%	20%	16%	17%	18%	17%	
h)	Minimum Statutory Ratio	8%	8%	8%	8%	8%	8%	
i)	Excess/(deficiency)	8%	12%	8%	9%	10%	9%	
j)	Core Capital/Total Risk Weighted Assets	18%	21%	18%	20%	19%	20%	
k)	Minimum Statutory Ratio	8%	8%	8%	8%	8%	8%	
l)	Excess/(Deficiency)	10%	13%	10%	12%	11%	12%	
m)	Total capital/total risk weighted assets	20%	34%	21%	23%	30%	23%	
n)	Minimum Statutory Ratio	12%	12%	12%	12%	12%	12%	
o)	Excess/(Deficiency)	8%	22%	9%	11%	18%	11%	
5)	Liquidity							
a)	Liquidity Ratio	37%	33%	37%	42%	35%	42%	
b)	Minimum Statutory Ratio	20%	20%	20%	20%	20%	20%	
c)	Excess/(Deficiency) (a-b)	17%	13%	17%	22%	15%	22%	
	Performance Indicators							
	Yield on Earning Assets	12.7%	11.7%	12.7%	15.7%	13.6%	15.7%	
	Cost of Funding Earning Assets	4.5%	0.9%	4.4%	4.1%	0.7%	4.1%	
	Interest Margin on Earning Assets	8.2%	10.7%	8.3%	11.6%	12.9%	11.6%	
	Yield on Advances	12.2%	11.4%	12.2%	16.6%	14.0%	16.6%	
	Cost of Deposits	2.8%	4.6%	2.9%	5.9%	10.0%	5.9%	
	Return on Assets (ROA)	4.4%	3.0%	4.4%	4.7%	2.2%	4.6%	
	Return on Equity (ROE)	30.9%	20.4%	30.7%	30.0%	17.5%	29.8%	
	Overheads to Earnings	47.4%	51.4%	47.4%	40.1%	40.1%	40.1%	
	Gross NPLs/Gross Loans	4.7%	6.1%	4.4%	4.7%	7.5%	4.7%	
	Net NPLs/Gross Loans	1.1%	3.7%	1.2%	1.6%	5.5%	1.7%	
	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	2.00	1.00	
	Earnings	1.00	2.00	1.00	1.00	2.00	1.00	
	Liquidity	1.00	2.00	1.00	1.00	1.00	1.00	
	Composite Score	1.00	1.50	1.00	1.00	1.50	1.00	
	Performance Category	Strong	Satisfactory	Strong	Strong	Satisfactory	Strong	
			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% & 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								

Source: Banks Published Financial Statements

Central Bank of Kenya

Appendix IV												
BANKING SECTOR MARKET SHARE - DECEMBER 2012 - 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	13.54%	304,112	13.1%	223,493	13.1%	52,926	14.6%	1.283	8.09%	0.221	10.6%
2	Equity Bank Ltd	10.06%	215,829	9.3%	140,286	8.2%	42,672	11.8%	7.025	44.29%	0.782	37.3%
3	Cooperative Bank Ltd	8.74%	199,663	8.6%	162,267	9.5%	28,967	8.0%	2.326	14.67%	0.259	12.4%
4	Standard Chartered Bank (K) Ltd	8.29%	195,493	8.4%	140,525	8.2%	30,603	8.4%	0.171	1.08%	0.038	1.8%
5	Barclays Bank of Kenya Ltd	8.08%	185,102	7.9%	137,915	8.1%	29,583	8.2%	1.134	7.15%	0.273	13.0%
6	CFC Stanbic Bank Ltd	5.01%	133,378	5.7%	75,633	4.4%	18,101	5.0%	0.088	0.55%	0.031	1.5%
	Sub-Total	53.72%	1,233,577	52.94%	880,119	51.5%	202,853	56.0%	12.028	75.83%	1.604	76.5%
	Medium Peer Group> 1% & < 5%											
7	NIC Bank Ltd	4.32%	101,772	4.4%	77,466	4.5%	15,065	4.2%	0.052	0.33%	0.026	1.2%
8	Diamond Trust Bank Ltd	4.10%	94,512	4.1%	72,505	4.2%	14,878	4.1%	0.092	0.58%	0.013	0.6%
9	Commercial Bank of Africa Ltd	4.08%	100,456	4.3%	79,996	4.7%	11,641	3.2%	1.064	6.71%	0.089	4.2%
10	I&M Bank Ltd	4.08%	91,520	3.9%	65,640	3.8%	16,591	4.6%	0.058	0.37%	0.007	0.3%
11	Citibank N.A.	3.42%	69,580	3.0%	44,012	2.6%	17,346	4.8%	0.002	0.01%	0.001	0.0%
12	National Bank of Kenya Ltd	3.00%	67,155	2.9%	55,191	3.2%	10,450	2.9%	0.475	2.99%	0.063	3.0%
13	Baroda Bank Ltd	1.92%	46,138	2.0%	38,382	2.2%	5,758	1.6%	0.039	0.24%	0.002	0.1%
14	Chase Bank Ltd	1.87%	49,105	2.1%	36,506	2.1%	5,101	1.4%	0.055	0.35%	0.011	0.5%
15	Bank of Africa Ltd	1.83%	48,958	2.1%	35,100	2.1%	5,010	1.4%	0.037	0.23%	0.013	0.6%
16	Prime Bank Ltd	1.71%	43,463	1.9%	36,715	2.1%	4,175	1.2%	0.023	0.15%	0.003	0.1%
17	Housing Fin. Co. of Kenya Ltd	1.49%	40,686	1.7%	22,968	1.3%	5,146	1.4%	0.054	0.34%	0.005	0.2%
18	Imperial Bank Ltd	1.44%	34,590	1.5%	27,581	1.6%	4,554	1.3%	0.041	0.26%	0.009	0.5%
19	Family Bank Ltd	1.42%	30,985	1.3%	24,630	1.4%	4,860	1.3%	1.150	7.25%	0.109	5.2%
20	Bank of India	1.08%	24,877	1.1%	18,282	1.1%	4,063	1.1%	0.014	0.09%	0.001	0.0%
21	Ecobank Kenya Ltd	1.06%	31,771	1.4%	21,475	1.3%	1,999	0.6%	0.074	0.47%	0.036	1.7%
	Sub-Total	36.82%	875,566	37.6%	656,451	38.4%	126,639	35.0%	3.229	20.36%	0.389	18.6%
	Small Peer Group<1%											
22	African Banking Corporation Ltd	0.76%	19,071	0.8%	15,255	0.9%	2,112	0.6%	0.018	0.12%	0.002	0.1%
23	Fina Bank Ltd	0.74%	17,150	0.7%	13,747	0.8%	2,504	0.7%	0.017	0.11%	0.002	0.1%
24	Consolidated Bank of Kenya Ltd	0.66%	18,001	0.8%	13,325	0.8%	1,574	0.4%	0.045	0.28%	0.013	0.6%
25	Gulf African Bank Ltd	0.56%	13,562	0.6%	11,684	0.7%	1,561	0.4%	0.041	0.26%	0.005	0.3%
26	Giro Commercial Bank Ltd	0.54%	12,280	0.5%	10,420	0.6%	1,775	0.5%	0.009	0.06%	0.002	0.1%
27	Equatorial Commercial Bank Ltd	0.52%	14,109	0.6%	12,963	0.8%	722	0.2%	0.010	0.06%	0.005	0.2%
28	Fidelity Bank Ltd	0.48%	11,772	0.5%	10,527	0.6%	1,185	0.3%	0.008	0.05%	0.001	0.1%
29	Guardian Bank Ltd	0.48%	11,745	0.5%	10,374	0.6%	1,219	0.3%	0.008	0.05%	0.001	0.0%
30	Victoria Commercial Bank Ltd	0.48%	10,323	0.4%	7,561	0.4%	2,036	0.6%	0.003	0.02%	0.000	0.0%
31	Development Bank of Kenya Ltd	0.47%	13,417	0.6%	6,953	0.4%	1,634	0.5%	0.002	0.01%	0.001	0.0%
32	Habib A.G. Zurich	0.43%	9,702	0.4%	7,748	0.5%	1,530	0.4%	0.007	0.04%	0.000	0.0%
33	K-Rep Bank Ltd	0.42%	9,546	0.4%	6,650	0.4%	1,527	0.4%	0.211	1.33%	0.047	2.3%
34	Trans-National Bank Ltd	0.42%	8,801	0.4%	6,535	0.4%	1,834	0.5%	0.037	0.23%	0.004	0.2%
35	First Community Bank Ltd	0.41%	9,959	0.4%	8,833	0.5%	1,078	0.3%	0.047	0.30%	0.002	0.1%
36	Paramount Universal Bank Ltd	0.32%	7,255	0.3%	6,084	0.4%	1,136	0.3%	0.010	0.06%	0.001	0.1%
37	Habib Bank Ltd	0.32%	7,014	0.3%	5,195	0.3%	1,348	0.4%	0.004	0.03%	0.000	0.0%
38	Oriental Commercial Bank Ltd	0.31%	6,220	0.3%	4,806	0.3%	1,385	0.4%	0.006	0.04%	0.000	0.0%
39	Credit Bank Ltd	0.29%	6,407	0.3%	4,781	0.3%	1,179	0.3%	0.009	0.05%	0.002	0.1%
40	Jamii Bora Bank Ltd	0.27%	3,480	0.1%	1,213	0.1%	2,093	0.6%	0.098	0.62%	0.013	0.6%
41	Middle East Bank (K) Ltd	0.26%	5,870	0.3%	3,907	0.2%	1,124	0.3%	0.002	0.01%	0.000	0.0%
42	UBA Bank Kenya Ltd	0.18%	2,924	0.1%	1,343	0.1%	1,219	0.3%	0.003	0.02%	0.000	0.0%
43	Dubai Bank Ltd	0.15%	2,584	0.1%	1,361	0.1%	917	0.3%	0.006	0.04%	0.000	0.0%
44	Charterhouse Bank Ltd	0.00%	0	0.0%	-	0.0%	-	0.0%	0.005	0.03%	0.000	0.0%
	Sub-Total	9.46%	221,192	9.5%	171,264	10.0%	32,691	9.0%	0.605	3.81%	0.102	4.9%
	Grand-Total	100%	2,330,335	100%	1,707,834	100%	362,182	100%	15.861	100%	2.096	100%
Market share index is the composite of net assets, deposits, capital, number of loan accounts and number of deposit accounts												
Source: Banks Published Financial Statements												

Central Bank of Kenya

Appendix V

BANKING SECTOR PROFITABILITY - DECEMBER 2012 - Ksh. M

		1	2	3	4	5
	BANKS	PROFIT BEFORE TAX	RETURN ON ASSETS NET ASSETS	RETURN ON ASSETS (1/2) %	RETURN ON EQUITY SHAREHOLDERS EQUITY	RETURN ON EQUITY (1/4) %
1	Equity Bank Ltd	16,060	215,829	7.4%	42,672	37.6%
2	Kenya Commercial Bank Ltd	15,756	304,112	5.2%	52,926	29.8%
3	Barclays Bank of Kenya Ltd	13,020	185,102	7.0%	29,583	44.0%
4	Standard Chartered Bank (K) Ltd	11,519	195,493	5.9%	30,603	37.6%
5	Cooperative Bank of Kenya Ltd	9,574	199,663	4.8%	28,967	33.1%
6	Citibank N.A.	7,229	69,580	10.4%	17,346	41.7%
7	I&M Bank Ltd	4,722	91,520	5.2%	16,591	28.5%
8	CFC Stanbic Bank Ltd	4,712	133,378	3.5%	18,101	26.0%
9	Diamond Trust Bank Ltd	4,670	94,512	4.9%	14,878	31.4%
10	NIC Bank Ltd	4,311	101,772	4.2%	15,065	28.6%
11	Commercial Bank of Africa Ltd	3,998	100,456	4.0%	11,641	34.3%
12	Imperial Bank Ltd	1,912	34,590	5.5%	4,554	42.0%
13	Baroda Bank Ltd	1,667	46,138	3.6%	5,758	28.9%
14	Chase Bank Ltd	1,316	49,105	2.7%	5,101	25.8%
15	Prime Bank Ltd	1,161	43,463	2.7%	4,175	27.8%
16	National Bank of Kenya Ltd	1,147	67,155	1.7%	10,450	11.0%
17	Family Bank Ltd	843	30,985	2.7%	4,860	17.4%
18	Bank of Africa (K) Ltd	636	48,958	1.3%	5,010	12.7%
19	Bank of India	607	24,877	2.4%	4,063	14.9%
20	African Banking Corporation Ltd	557	19,071	2.9%	2,112	26.4%
21	Victoria Commercial Bank Ltd	491	10,323	4.8%	2,036	24.1%
22	Habib Bank Ltd	456	7,014	6.5%	1,348	33.8%
23	Habib A.G. Zurich	412	9,702	4.2%	1,530	26.9%
24	Gulf African Bank (K) Ltd	374	13,562	2.8%	1,561	23.9%
25	Fina Bank Ltd	348	17,150	2.0%	2,504	13.9%
26	Trans-National Bank Ltd	322	8,801	3.7%	1,834	17.6%
27	K-Rep Bank Ltd	306	9,546	3.2%	1,527	20.1%
28	First Community Bank Ltd	294	9,959	2.9%	1,078	27.3%
29	Guardian Bank Ltd	223	11,745	1.9%	1,219	18.3%
30	Giro Commercial Bank Ltd	207	12,280	1.7%	1,775	11.7%
31	Consolidated Bank of Kenya Ltd	176	18,001	1.0%	1,574	11.2%
32	Oriental Commercial Bank Ltd	114	6,220	1.8%	1,385	8.2%
33	Development Bank of Kenya Ltd	104	13,417	0.8%	1,634	6.3%
34	Fidelity Commercial Bank Ltd	102	11,772	0.9%	1,185	8.6%
35	Paramount Universal Bank Ltd	90	7,255	1.2%	1,136	7.9%
36	Credit Bank Ltd	81	6,407	1.3%	1,179	6.9%
37	Jamii Bora Bank Ltd	53	3,480	1.5%	2,093	2.5%
38	Middle East Bank (K) Ltd	47	5,870	0.8%	1,124	4.2%
39	Charterhouse Bank Ltd*	-	-	N/A	-	N/A
41	Dubai Bank Ltd	(29.89)	2,584	-1.2%	917	-3.3%
42	UBA Bank (K) Ltd	(396.94)	2,924	-13.6%	1,219	-32.6%
43	Equatorial Commercial Bank Ltd	(656.00)	14,109	-4.6%	722	-90.8%
43	Ecobank Kenya Ltd	(1533.79)	31,771	-4.8%	1,999	-76.7%
	Sub-Total	106,996	2,289,649	4.7%	357,037	30.0%
	NBFI'S					
44	Housing Fin. Co. of Kenya Ltd	902.00	40,686	2.2%	5,146	17.5%
	Sub-Total	902	40,686	2.2%	5,146	17.5%
	Grand Total	107,898	2,330,335	4.6%	362,182	29.8%
	* Did not publish accounts for year 2012					
	Source: Banks Published Financial Statements					

Central Bank of Kenya

						Appendix VI
BANKING SECTOR CAPITAL AND RISK WEIGHTED ASSETS - DECEMBER 2012 - 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	42,125	44,925	197,734	21.3%	22.7%
2	Equity Bank Ltd	29,525	44,741	148,660	19.9%	30.1%
3	Cooperative Bank of Kenya Ltd	29,414	34,542	145,187	20.3%	23.8%
4	Barclays Bank of Kenya Ltd	28,329	32,169	124,840	22.7%	25.8%
5	Standard Chartered Bank (K) ITD	21,623	23,929	132,652	16.3%	18.0%
6	CFC Stanbic Bank Ltd	17,034	21,231	83,127	20.5%	25.5%
7	Citibank N.A.	16,931	17,225	41,192	41.1%	41.8%
8	NIC Bank Ltd	12,569	13,246	80,565	15.6%	16.4%
9	Diamond Trust Bank Ltd	12,029	13,511	68,104	17.7%	19.8%
10	I&M Bank Ltd	11,862	12,109	69,848	17.0%	17.3%
11	Commercial Bank of Africa Ltd	9,712	10,063	62,608	15.5%	16.1%
12	National Bank of Kenya Ltd	9,622	10,027	35,280	27.3%	28.4%
13	Baroda Bank Ltd	5,637	5,875	24,951	22.6%	23.5%
14	Chase Bank Ltd	4,651	4,982	37,709	12.3%	13.2%
15	Family Bank Ltd	4,619	4,786	21,096	21.9%	22.7%
16	Ecobank Kenya Ltd	4,374	6,275	19,303	22.7%	32.5%
17	Bank of India	3,989	4,090	10,096	39.5%	40.5%
18	Prime Bank Ltd	3,816	3,816	22,412	17.0%	17.0%
19	Imperial Bank Ltd	3,648	3,752	20,057	18.2%	18.7%
20	Bank of Africa (K) Ltd	3,567	4,547	34,543	10.3%	13.2%
21	Victoria Commercial Bank Ltd	2,019	2,072	8,258	24.5%	25.1%
22	Trans-National Bank Ltd	1,790	1,825	4,718	37.9%	38.7%
23	Giro Commercial Bank Ltd	1,694	1,775	6,014	28.2%	29.5%
24	African Banking Corporation Ltd	1,645	1,739	12,079	13.6%	14.4%
25	Fina Bank Ltd	1,561	1,788	10,602	14.7%	16.9%
26	Gulf African Bank (K) Ltd	1,482	1,561	10,757	13.8%	14.5%
27	Habib AG Zurich	1,457	1,490	2,618	55.7%	56.9%
28	K-Rep Bank Ltd	1,419	1,492	6,929	20.5%	21.5%
29	Development Bank of Kenya Ltd	1,372	1,634	6,558	20.9%	24.9%
30	Jamii Bora Bank Ltd	1,325	1,338	1,600	82.8%	83.6%
31	Habib Bank Ltd	1,314	1,348	3,204	41.0%	42.1%
32	Guardian Commercial Bank Ltd	1,219	1,219	7,048	17.3%	17.3%
33	UBA Bank (K) Ltd	1,215	1,219	1,678	72.4%	72.7%
34	Credit Bank Ltd	1,188	1,203	3,914	30.3%	30.7%
35	Consolidated Bank of Kenya Ltd	1,171	1,543	10,268	11.4%	15.0%
36	Oriental Commercial Bank	1,139	1,188	3,939	28.9%	30.2%
37	Fidelity Commercial Bank Ltd	1,119	1,185	6,410	17.5%	18.5%
38	Paramount Universal Bank Ltd	1,106	1,136	2,390	46.3%	47.5%
39	Middle East Bank (K) Ltd	1,079	1,104	2,741	39.4%	40.3%
40	First Community Bank Ltd	1,008	1,008	6,397	15.8%	15.8%
41	Dubai Bank Ltd	893	916	1,978	45.2%	46.3%
42	Equatorial Commercial Bank Ltd	548	848	9,556	5.7%	8.9%
43	Charterhouse Bank Ltd	-	-	-	N/A	N/A
	Sub Total	303,841	346,472	1,509,620	20.1%	23.0%
	NBFI's					
44	Housing Finance Co. of Kenya Ltd	4,179	6,448	21,848	19.1%	29.5%
	Sub Total	4,179	6,448	21,848	19.1%	29.5%
	Grand Total	308,021	352,921	1,531,468	20.1%	23.0%

Source: Banks Published Financial Statements

Central Bank of Kenya

Appendix VII

BANKING SECTOR ACCESS TO FINANCIAL SERVICES - DECEMBER 2012

BANKING SECTOR ACCESS TO FINANCIAL SERVICES - DECEMBER 2012									
		Peer Group	Total Number of Deposit Accounts						% change
			DEC.2011			DEC.2012			
			< 100,000	>100,000	Total	< 100,000	>100,000	Total	
BANKS									
1	Kenya Commercial Bank Ltd	Large	1,500,840	152,436	1,653,276	1,152,391	131,061	1,283,452	-22.4%
2	Standard Chartered Bank Ltd	Large	105,115	54,397	159,512	116,699	54,678	171,377	7.4%
3	Barclays Bank of Kenya Ltd	Large	908,150	112,676	1,020,826	1,026,161	107,712	1,133,873	11.1%
4	Co-operative Bank of Kenya Ltd	Large	1,766,180	104,821	1,871,001	2,202,325	123,854	2,326,179	24.3%
5	CFCStanbic Bank Ltd	Large	70,950	15,621	86,571	69,310	18,296	87,606	1.2%
6	Equity Bank Ltd	Large	6,418,861	167,638	6,586,499	6,831,145	194,117	7,025,262	6.7%
7	Bank of India	Medium	6,716	6,293	13,009	6,529	7,026	13,555	4.2%
8	Bank of Baroda Ltd	Medium	19,170	15,519	34,689	20,896	17,828	38,724	11.6%
9	Commercial Bank of Africa Ltd	Medium	20,216	14,668	34,884	1,047,822	15,749	1,063,571	2949%
10	Prime Bank Ltd	Medium	8,902	9,747	18,649	11,560	11,561	23,121	24.0%
11	National Bank of Kenya Ltd	Medium	412,420	31,361	443,781	442,404	32,279	474,683	7.0%
12	Citibank N.A.	Medium	2,147	1,753	3,900	462	1,545	2,007	-48.5%
13	Bank of Africa Kenya Ltd	Medium	20,794	5,267	26,061	29,726	7,162	36,888	41.5%
14	Chase Bank Ltd	Medium	14,607	16,308	30,915	48,254	6,806	55,060	78.1%
15	Imperial Bank Ltd	Medium	22,168	10,753	32,921	27,797	12,936	40,733	23.7%
16	NIC Bank Ltd	Medium	23,666	14,732	38,398	33,961	18,209	52,170	35.9%
17	Ecobank Ltd	Medium	26,569	7,920	34,489	43,503	30,376	73,879	114.2%
18	I & M Bank Ltd	Medium	28,206	19,030	47,236	35,590	22,572	58,162	23.1%
19	Diamond Trust Bank Kenya Ltd	Medium	45,703	18,471	64,174	68,673	22,907	91,580	42.7%
20	Family Bank Ltd	Medium	930,652	28,384	959,036	1,117,774	32,694	1,150,468	20.0%
21	Housing Finance Co. of Kenya Ltd	Medium	42,036	9,898	51,934	43,891	10,179	54,070	4.1%
22	Habib Bank Ltd	Small	2,384	2,014	4,398	2,266	2,048	4,314	-1.9%
23	Oriental Commercial Bank Ltd	Small	4,615	1,181	5,796	4,012	1,913	5,925	2.2%
24	Habib A.G. Zurich	Small	4,211	2,930	7,141	3,615	2,979	6,594	-7.7%
25	Middle East Bank Ltd	Small	846	1,012	1,858	750	1,153	1,903	2.4%
26	Dubai Bank Ltd	Small	4,593	813	5,406	5,423	732	6,155	13.9%
27	Consolidated Bank of Kenya Ltd	Small	30,517	5,620	36,137	38,855	6,335	45,190	25.1%
28	Credit Bank Ltd	Small	7,728	1,630	9,358	6,523	2,117	8,640	-7.7%
29	Transnational Bank Ltd	Small	26,700	2,769	29,469	33,388	3,126	36,514	23.9%
30	African Banking Corporation Ltd	Small	12,661	4,943	17,604	12,754	5,698	18,452	4.8%
31	Giro Commercial Bank Ltd	Small	4,878	4,487	9,365	4,546	4,524	9,070	-3.2%
32	Equatorial Bank Ltd	Small	5,639	2,551	8,190	6,558	3,539	10,097	23.3%
33	Paramount Universal Bank Ltd	Small	1,864	3,349	5,213	1,979	7,728	9,707	86.2%
34	Jamii Bora Bank Ltd	Small	510,463	166	510,629	96,984	631	97,615	-80.9%
35	Fina Bank Ltd	Small	10,411	6,228	16,639	10,502	6,480	16,982	2.1%
36	Victoria Commercial Bank Ltd	Small	1,477	1,936	3,413	1,156	2,062	3,218	-5.7%
37	Guardian Bank Ltd	Small	4,989	2,549	7,538	5,396	2,630	8,026	6.5%
38	Development Bank of Kenya Ltd	Small	660	690	1,350	736	820	1,556	15.3%
39	Fidelity Commercial Bank Ltd	Small	4,681	2,424	7,105	5,566	2,881	8,447	18.9%
40	Charterhouse Bank Ltd	Small	3,633	1,132	4,765	3,478	1,282	4,760	-0.1%
41	K-Rep Bank Ltd	Small	262,845	8,040	270,885	203,010	7,561	210,571	-22.3%
42	GulfAfrican Bank Ltd	Small	27,895	6,399	34,294	34,044	7,074	41,118	19.9%
43	First Community Bank Ltd	Small	32,297	7,566	39,863	40,647	6,833	47,480	19.1%
44	UBA Bank Ltd	Small	2,029	297	2,326	2,286	377	2,663	14.5%
Sub-Totals			13,362,084	888,419	14,250,503	14,901,347	960,070	15,861,417	11.3%
Deposit Taking Micro-Finance Institutions									
1	Kenya Women Finance Trust DTM Ltd	Large	927,323	3,484	930,807	1,025,541	5,073	1,030,614	10.7%
2	Faulu Kenya DTM Ltd	Large	304,430	1,168	305,598	379,569	4,609	384,178	25.7%
3	SMEP DTM Ltd	Large	157,445	418	157,863	304,917	530	305,447	93.5%
4	Rafiki DTM K Ltd	Medium	7,374	124	7,498	27,551	312	27,863	271.6%
5	Remu DTM Ltd	Medium	1,932	17	1,949	3,902	64	3,966	103.5%
6	Uwezo DTM Ltd	Small	935	27	962	1,407	41	1,448	50.5%
Sub-Totals			1,399,439	5,238	1,404,677	1,742,887	10,629	1,753,516	20.0%
Grand Total			14,761,523	893,657	15,655,180	16,644,234	970,699	17,614,933	11.8%

Source: CBK

Central Bank of Kenya

Appendix VIII

BANKING SECTOR PROTECTED DEPOSITS - DECEMBER 2012 - Ksh. M

	BANKS	PEER GROUPS	2011		2012		CHANGE IN INSURED DEPOSITS	CHANGE IN CUSTOMER DEPOSITS
			INSURED DEPOSITS	CUSTOMER DEPOSITS	INSURED DEPOSITS	CUSTOMER DEPOSITS		
1	Kenya Commercial Bank Ltd	Large	24,787	210,174	24,620	223,493.28	-0.7%	6.3%
2	Standard Chartered Bank Ltd	Large	7,496	122,323	7,531	140,524.85	0.5%	14.9%
3	Barclays Bank of Kenya Ltd	Large	17,210	124,207	17,187	137,915.39	-0.1%	11.0%
4	Co-operative Bank of Kenya Ltd	Large	22,464	142,705	26,263	162,267.23	16.9%	13.7%
5	CFCStanbic Bank Ltd	Large	2,283	74,335	2,656	75,632.93	16.3%	1.7%
6	Equity Bank Ltd	Large	42,771	121,774	49,251	140,285.67	15.2%	15.2%
7	Bank of India Ltd	Medium	831	18,475	906	18,282.19	9.1%	-1.0%
8	Bank of Baroda Ltd	Medium	1,954	30,264	2,215	38,382.46	13.3%	26.8%
9	Commercial Bank of Africa Ltd	Medium	1,917	67,303	2,283	79,996.16	19.1%	18.9%
10	Prime Bank Ltd	Medium	1,173	28,872	1,377	36,714.62	17.3%	27.2%
11	National Bank of Kenya Ltd	Medium	6,143	56,728	6,362	55,191.43	3.6%	-2.7%
12	Citibank N.A.	Medium	190	46,534	165	44,012.19	-13.3%	-5.4%
13	Bank of Africa Ltd	Medium	777	23,986	1,044	35,099.55	34.4%	46.3%
14	Chase Bank Ltd	Medium	13,584	24,822	923	36,506.01	-93.2%	47.1%
15	Imperial Bank Ltd	Medium	1,416	19,245	1,692	27,581.36	19.5%	43.3%
16	NIC Bank Ltd	Medium	1,998	62,009	2,495	77,466.04	24.9%	24.9%
17	Ecobank Ltd	Medium	1,221	16,566	3,510	21,475.30	187.4%	29.6%
18	I & M Bank Ltd	Medium	2,421	56,944	2,892	65,640.24	19.5%	15.3%
19	Diamond Trust Bank Ltd	Medium	155	59,772	3,027	72,505.12	1851.7%	21.3%
20	Family Bank Ltd	Medium	4,936	21,444	5,799	24,630.28	17.5%	14.9%
21	Housing Finance Co. of Kenya Ltd	Medium	1,615	18,674	133	22,968.21	-91.8%	23.0%
22	Habib Bank Ltd	Small	269	4,718	1,601	5,194.69	494.2%	10.1%
23	Oriental Commercial Bank Ltd	Small	177	3,694	269	4,806.22	52.4%	30.1%
24	Habib A.G. Zurich	Small	390	6,661	238	7,747.85	-38.9%	16.3%
25	Middle East Bank Ltd	Small	123	2,703	390	3,906.54	217.8%	44.5%
26	Dubai Bank Ltd	Small	126	1,561	120	1,360.92	-4.6%	-12.8%
27	Consolidated Bank of Kenya Ltd	Small	921	12,010	1,016	13,324.85	10.3%	10.9%
28	Credit Bank Ltd	Small	231	3,937	282	4,781.15	21.9%	21.4%
29	Trans-National Bank Ltd	Small	444	5,283	496	6,535.40	11.7%	23.7%
30	African Banking Corporation Ltd	Small	647	10,471	774	15,255.41	19.6%	45.7%
31	Giro Commercial Bank Ltd	Small	508	10,069	511	10,419.78	0.7%	3.5%
32	Equatorial Bank Ltd	Small	341	9,834	445	12,962.77	30.5%	31.8%
33	Paramount Universal Bank Ltd	Small	394	3,674	875	6,084.29	122.4%	65.6%
34	Jamii Bora Bank Ltd	Small	330	393	394	1,213.12	19.6%	208.9%
35	Fina Bank Ltd	Small	784	12,395	806	13,746.53	2.9%	10.9%
36	Victoria Commercial Bank Ltd	Small	227	5,907	240	7,560.89	5.7%	28.0%
37	Guardian Bank Ltd	Small	335	7,648	349	10,373.57	4.2%	35.6%
38	Development Bank of Kenya Ltd	Small	83	4,171	98	6,952.88	17.3%	66.7%
39	Fidelity Commercial Bank Ltd	Small	294	9,490	346	10,526.70	17.9%	10.9%
40	Charterhouse Bank Ltd	Small	2,433	0	170	-		
41	K-Rep Bank Ltd	Small	2,638	6,446	2,237	6,649.64	-15.2%	3.2%
42	GulfAfrican Bank Ltd	Small	960	10,865	1,074	11,684.32	11.8%	7.5%
43	First Community Bank Ltd	Small	989	7,812	969	8,832.86	-2.0%	13.1%
44	UBA Kenya Bank Ltd	Small	46	1,270	58	1,343.12	24.9%	5.8%
	Totals		171,030	1,488,168	176,087	1,707,834	3.0%	14.8%
	Deposit Taking Micro-Finance Institutions							
1	Kenya Women Finance Trust DTM Ltd	Large	6,803	7,077	7,830	9,354	15.1%	32.2%
2	Faulu Kenya DTM Ltd	Large	1,715	1,965	2,568	4,465	49.7%	127.2%
3	SMEP DTM Ltd	Large	708	792	799	1,014	12.9%	28.0%
4	Rafiki DTM K Ltd	Medium	33	98	117	485	250.1%	396.3%
5	Remu DTM Ltd	Medium	9	14	18	68	97.1%	390.6%
6	Uwezo DTM Ltd	Small	6	8	9	22	47.7%	175.4%
	Totals		9,275	9,954	11,341	15,408	22.3%	54.8%
	Grand total		180,305	1,498,122	187,428	1,723,242	4.0%	15.0%

Source: Banks Published Financial Statements

Central Bank of Kenya

Appendix IX

DTMs BALANCE SHEET AND PROFIT & LOSS ACCOUNT-DECEMBER 2012- Ksh. M

	FAULU KENYA	KWFT	SMEP	REM U	RAFIKI	UWEZO	TOTAL
A STATEMENT OF FINANCIAL POSITION							
1.0 ASSETS							
1.1 Cash Balances (Both Local and Foreign)	175	1,028	14	5	22	1	1,245
1.2 Short term deposits with banks	978	4,092	523	62	1,067	19	6,741
1.3 Government securities	292	19	100	-	-	-	411
1.4 Advances to customers	4,949	12,873	1,454	86	508	38	19,908
1.5 Due from related organisations	-	-	-	-	-	-	-
1.6 Other receivables	380	358	34	6	52	6	836
1.7 Deferred Tax	-	218	15	5	4	5	247
1.8 Other investment	-	-	-	4	-	-	4
1.9 Investment in associate companies	34	-	-	-	-	-	34
1.10 Intangible assets	87	16	9	3	19	1	135
1.11 Property and equipment	743	1,780	141	10	166	8	2,848
TOTAL ASSETS	7,638	20,384	2,290	181	1,838	78	32,409
2.0 LIABILITIES							
2.1 Cash collaterals held	1,516	6,861	-	7	18	4	8,406
2.2 Customer deposits	2,949	2,493	1,014	61	468	18	7,003
2.3 Borrowings	2,162	7,869	617	-	434	-	11,082
2.4 Deferred income	-	-	-	-	-	-	-
2.5 Deferred tax liability	30	-	-	-	-	-	30
2.6 Due to related organisations	2	20	1	-	741	-	764
2.7 Other liabilities	365	838	38	11	37	1	1,290
TOTAL LIABILITIES	7,024	18,081	1,670	79	1,698	23	28,575
3.0 SHARE CAPITAL & RESERVES							
3.1 Share capital	120	125	461	125	150	68	1,049
3.2 Share premium	274	1,380	84	3	-	-	1,741
3.3 Retained earnings	4	628	58	(26)	(32)	(13)	619
3.4 Revaluation reserve	88	-	-	-	-	-	88
3.5 Statutory reserve	128	170	17	-	22	-	337
TOTAL SHAREHOLDERS' FUNDS	614	2,303	620	102	140	55	3,834
TOTAL LIABILITIES AND EQUITY	7,638	20,384	2,290	181	1,838	78	32,409
B STATEMENT OF COMPREHENSIVE							
1.0 Income							
1.1 Interest on Loan Portfolio	1,133	4,065	467	15	91	20	5,791
1.2 Fees and Commission on Loan Portfolio	251	611	65	3	21	3	954
1.3 Government Securities	23	4	23	-	-	-	50
1.4 Deposit and Balances with Banks and Financial	78	248	16	7	90	-	439
1.5 Other Investments	-	-	-	-	-	-	-
1.6 Other Operating Income	194	65	27	1	-	1	288
1.7 Non-Operating Income	9	-	8	-	24	-	41
Total Income	1,688	4,993	606	26	226	24	7,563
2.0 Expenses							
2.1 Interest and Fee Expense on Deposits	125	247	4	2	22	1	401
2.2 Other Fees and Commissions expense	27	60	-	-	43	-	130
2.3 Provision for Loan Impairment	38	38	32	2	12	5	127
2.4 Staff Costs	520	1,935	203	17	56	6	2,737
2.5 Director's Emoluments	9	69	5	-	14	3	100
2.6 Rental Charges	76	171	40	4	11	2	304
2.7 Depreciation Charges	83	205	12	2	9	2	313
2.8 Amortization Charges	12	4	4	1	3	1	25
2.9 Other Administrative Expense	432	1,001	136	10	48	6	1,633
2.1 Non-Operating Expense	4	-	-	-	-	-	4
Total Expenses	1,326	3,730	436	38	218	26	5,774
3.0 Operating Profit	362	1,263	170	(12)	8	(2)	1,789
Interest and Fee Expense on							
4.0 Borrowings(Finance Costs)	265	1,017	(87)	-	-	-	1,195
5.0 Profit/(Loss) before tax	97	246	83	(12)	8	(2)	420
6.0 Current Tax	3	62	-	-	-	-	65
6.1 Deferred Tax	36	11	29	5	3	-	84
Net Profit (After Taxes and Before							
Donations)	58	173	54	(7)	5	(2)	281
8.0 Donations for Operating Expense	-	-	-	-	-	-	-
9.0 Net Profit After Taxes	58	173	54	(7)	5	(2)	281
10.0 Surplus on revaluation of building	-	-	-	-	-	-	-
11.0 Deferred tax on revaluation surplus	-	-	-	-	-	-	-
Total Comprehensive Income	58	173	54	(7)	5	(2)	281

Source: DTMs Published Financial Statements

Central Bank of Kenya

	Appendix X							
	DTMs OTHER DISCLOSURES-DECEMBER 2012- Ksh. M							
		FAULU	KWFT	SMEP	REMU	RAFIKI	UWEZO	TOTAL
		KENYA						
1	NON-PERFORMING LOANS AND ADVANCES							
(a)	Gross Non-Performing Loans and Advances	262	818	274	12	91	8	1,465
	Less:							
(b)	Interest in Suspense	72	61	9	2	14	1	159
(c)	Total Non-Performing Loans and Advances (a-b)	190	757	265	10	77	7	1,306
(d)	Impairment Loss Allowance	103	296	119	3	12	6	539
(e)	Net Non-Performing Loans (c-d)	87	461	146	7	65	1	767
(f)	Realizable Value of Securities	87	461	146	7	53	-	754
(g)	Net NPLs Exposure (e-f)	-	-	-	-	12	1	13
2	INSIDER LOANS AND ADVANCES							
(a)	Directors, Shareholders and Associates	9	9	9	2	-	1	30
(b)	Employees	73	159	43	2	-	1	278
(c)	Total Insider Loans, Advances and Other Facilities	82	168	52	4	-	2	308
3	OFF-BALANCE SHEET ITEMS							
(a)	Guarantees and Commitments	405	-	-	-	-	-	405
(b)	Other Contingent Liabilities	2	23	-	-	-	-	25
(c)	Total Contigent Liabilities	407	23	-	-	-	-	430
4	CAPITAL STRENGTH							
(a)	Core Capital	398	2,133	603	103	118	51	3,406
(b)	Minimum Statutory Capital	60	60	60	60	60	20	320
(c)	Excess/(Deficiency) (a-b)	338	2,073	543	43	58	31	3,086
(d)	Supplementary Capital	359	570	17	-	21	-	967
(e)	Total Capital (a+b)	757	2,703	620	103	139	51	4,373
(f)	Total Risk Weighted Assets	4,568	16,013	1,115	126	962	57	22,841
(g)	Core Capital/ Total Deposit Liabilities	9.0%	22.8%	59.0%	151.0%	24.0%	227.0%	22.0%
(h)	Minimum Statutory Ratio	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%
(i)	Excess/(Deficiency) (g-h)	1.0%	14.8%	51.0%	143.0%	16.0%	219.0%	14.0%
(j)	Core Capital/ Total Risk Weighted Assets	9.0%	13.3%	54.0%	81.0%	12.0%	88.0%	14.9%
(k)	Minimum Statutory Ratio	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%
(l)	Excess/(Deficiency) (j-k)	-1.0%	3.3%	44.0%	71.0%	2.0%	78.0%	4.9%
(m)	Total Capital/ Total Risk Weighted Assets	17.0%	17.0%	56.0%	81.0%	15.0%	88.0%	19.1%
(n)	Minimum Statutory Ratio	12.0%	12.0%	12.0%	12.0%	12.0%	12.0%	12.0%
(O)	Excess/(Deficiency) (m-n)	5.0%	5.0%	44.0%	69.0%	3.0%	76.0%	7.1%
5	LIQUIDITY							
(a)	Liquidity Ratio	24.0%	40.0%	28.0%	80.0%	117.0%	52.0%	36.0%
(b)	Minimum Statutory Ratio	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%
(c)	Excess/(Deficiency) (a-b)	4.0%	20.0%	8.0%	60.0%	97.0%	32.0%	16.0%

Source: DTMs Published Financial Statements

A Summary of Signed MOUs	
Memorandum of Understanding (MOU)	Date of Signing
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
Multilateral MoU by the Domestic Financial Sector Regulators (Capital Markets Authority, Central Bank of Kenya (CBK), Insurance Regulatory Authority (IRA) and Retirement Benefit Authority (RBA)	31.08.2009
Bilateral MoU between South Africa Reserve Bank (SARB) and Central Bank of Kenya (CBK)	01.07.2010
Bilateral MoU between Central Bank of Nigeria (CBN) and Central Bank of Kenya (CBK)	23.06.2011
Bilateral MoU between Bank of Mauritius (BoM) and Central Bank of Kenya (CBK)	08.08.2011
Bilateral MoU on Technical Cooperation between the Bank of South Sudan and the Central Bank of Kenya	19.12.2012

Central Bank of Kenya

Appendix XII

RESIDENTIAL MORTGAGES MARKET DEVELOPMENT - SURVEY DECEMBER 2012									
	Institution	Dec-11				Dec-12			
		Mortgage Outstanding (Ksh. M)	No. of Mortgages Accounts	Value of NPLs Mortgage (Ksh. M)	No. of Mortgages NPLs Accounts	Mortgage Outstanding (Ksh. M)	No. of Mortgages Accounts	Value of NPLs Mortgage (Ksh. M)	No. of Mortgages NPLs Accounts
1	Kenya Commercial Bank Ltd	18,105	4,073	1,024	204	31,455	5,091	2,218	282
2	Housing Finance Company Ltd	25,777	4,932	1,579	310	30,293	5,235	2,331	396
3	Standard Chartered Bank Ltd	7,753	1,251	119	32	9,723	1,480	162	30
4	CFC Stanbic Ltd	8,807	1,210	83	9	9,488	1,340	190	24
5	Cooperative Bank of Kenya Ltd	2,166	289	42	1	6,643	398	312	33
6	Barclays Bank Ltd	4,372	939	22	14	4,341	1,021	19	6
7	National Bank of Kenya Ltd	3,100	154	81	18	4,123	221	572	15
8	Consolidated Bank Ltd	2,764	302	69	4	3,848	566	286	28
9	Equity Bank Ltd	3,387	682	24	6	3,684	702	35	10
10	Commercial Bank of Africa Ltd	2,769	452	87	11	3,194	516	153	21
11	Development Bank Ltd	2,273	276	69	9	2,617	579	147	45
12	I&M Bank Ltd	1,546	171	-	-	2,309	293	26	4
13	Chase Bank	777	169	8	29	1,531	163	28	17
14	African Banking Corporation Ltd	1,237	100	7	1	1,506	103	37	10
15	Bank of Africa Ltd	482	39	-	-	1,212	143	5	1
16	Family Bank Ltd	330	87	1	1	1,193	214	7	3
17	Eco-bank Ltd	2,269	391	359	39	1,136	302	183	30
18	Gulf African Bank Ltd	590	95	2	1	1,069	145	3	1
19	NIC Bank Ltd	248	37	-	-	715	133	-	-
20	Bank of Baroda Ltd	434	52	7	4	434	127	2	4
21	Diamond Trust Bank of Kenya Ltd	300	35	-	-	423	50	-	-
22	Prime Bank Ltd	262	22	-	-	350	31	-	-
23	Fidelity Bank Ltd	315	34	-	-	261	28	115	1
24	Jamii Bora Bank Ltd	66	158	28	70	218	184	7	6
25	Transnational Bank Ltd	71	17	-	-	192	49	25	2
26	Bank of India	99	37	-	-	101	38	-	-
27	Victoria Commercial Bank Ltd	66	8	-	-	63	7	-	-
28	Habib Bank Ltd	17	12	-	-	18	11	-	-
29	Oriental Commercial Bank Ltd	21	5	-	-	17	5	-	-
30	Dubai Bank Ltd	-	-	-	-	3	2	-	-
31	Imperial Bank Ltd	-	-	-	-	-	-	-	-
32	K-Rep Bank Ltd	-	-	-	-	-	-	-	-
33	Giro Comercial Bank Ltd	-	-	-	-	-	-	-	-
34	Equatorial Commercial Bank Ltd	-	-	-	-	-	-	-	-
35	First Community Bank Ltd	-	-	-	-	-	-	-	-
36	Middle East Bank Ltd	-	-	-	-	-	-	-	-
37	UBA Bank of Kenya Ltd	-	-	-	-	-	-	-	-
38	Charterhouse Bank Ltd	-	-	-	-	-	-	-	-
39	Credit Bank Ltd	-	-	-	-	-	-	-	-
40	Fina Bank Ltd	-	-	-	-	-	-	-	-
41	Guardian Bank Ltd	-	-	-	-	-	-	-	-
42	Habib A.G. Zurich	-	-	-	-	-	-	-	-
43	Paramount Universal Bank Ltd	-	-	-	-	-	-	-	-
44	Citibank N.A.	-	-	-	-	-	-	-	-
Total		90,401	16,029	3,612	764	122,160	19,177	6,862	969
Source: Commercial Banks									

Central Bank of Kenya

Appendix XIII				
BANKS BRANCH NETWORK BY COUNTY - DECEMBER 2012				
		Number of Branches		
	County	2011	2012	Increase
1	Baringo	8	8	-
2	Bomet	7	7	-
3	Bungoma	15	17	2
4	Busia	8	9	1
5	Elgeyo/Marakwet	1	1	-
6	Embu	9	9	-
7	Garissa	7	7	-
8	Homa Bay	9	9	-
9	Isiolo	6	6	-
10	Kajiado	28	31	3
11	Kakamega	16	16	-
12	Kericho	12	13	1
13	Kiambu	50	59	9
14	Kilifi	24	28	4
15	Kirinyaga	12	14	2
16	Kisii	20	22	2
17	Kisumu	36	38	2
18	Kitui	13	14	1
19	Kwale	10	11	1
20	Laikipia	11	13	2
21	Lamu	4	6	2
22	Machakos	17	18	1
23	Makueni	9	10	1
24	Mandera	2	2	-
25	Marsabit	5	5	-
26	Meru	37	38	1
27	Migori	9	10	1
28	Mombasa	98	108	10
29	Murang'a	20	20	-
30	Nairobi City	465	518	53
31	Nakuru	52	57	5
32	Nandi	10	11	1
33	Narok	8	10	2
34	Nyamira	4	4	-
35	Nyandarua	7	8	1
36	Nyeri	25	26	1
37	Samburu	2	2	-
38	Siaya	5	6	1
39	Taita/Taveta	9	9	-
40	Tana River	3	3	-
41	Tharaka-Nithi	3	3	-
42	Trans Nzoia	11	12	1
43	Turkana	3	3	-
44	Uasin Gishu	38	38	-
45	Vihiga	6	6	-
46	Wajir	5	5	-
47	West Pokot	2	2	-
	Total	1,161	1,272	111

Source: CBK

Appendix XIV

BANKING CIRCULARS ISSUED IN 2012			
Circular No.	Date	Title	Subject
1	20 th March 2012	Implementation of new banking system	Implementation of an integrated core IT banking system
2	22 nd March 2012	Implementation of new banking system	KEPPS operating schedule in preparation of 'go live'
3	6 th May 2012	Multiple tenures on term auction deposits (TAD) facility	Introduction of multiple tenures of 14, 21 and 28 days for this facility
4	6 th July 2012	Review of Central Bank Rate (CBR)	The Monetary Policy Committee revised the Central Bank Rate from 18 % to 16.50 %
5	26 th July 2012	KEPPS (RTGS) Backup test	KEPPS backup facilities
6	6 th September 2012	Review of Central Bank Rate	The Monetary Policy Committee revised the Central Bank Rate from 16.50 % to 13%
7	9 th October 2012	Suspicious Transaction Reports (STRs) for Commercial Banks and mortgage finance companies	Establishment of Financial Reporting Centre and reporting of suspicious transactions
8	9 th October 2012	Suspicious Transaction Reports (STRs) for Forex Bureaus	Establishment of Financial Reporting Centre and reporting of suspicious transactions
9	5 th November 2012	Revised Prudential Guidelines and Risk Management Guidelines	Issuance of revised prudential guidelines and risk management guidelines
10	8 th November 2012	Review of Central Bank Rate and Discount Window Rate	The Monetary Policy Committee revised the Central Bank Rate from 13% to 11% and discount window rate from 19% to 17%

DIRECTORY OF COMMERCIAL BANKS AND NON-BANKS FINANCIAL INSTITUTIONS AS AT DECEMBER 2012

A: COMMERCIAL BANKS

1. African Banking Corporation Limited

Group Managing Director: Mr. Shamaz Savani
Postal Address: P.O Box 46452-00100, Nairobi
Telephone: +254-20- 4263000, 2223922, 22251540/1, 217856/7/8
Fax: +254-20-4447354
Email: headoffice@abcthebank.com; talk2us@abcthebank.com
Website: <http://www.abcthebank.com>
Physical Address: ABC Bank House, Mezzanine Floor, Koinange Street
Date Licensed: 5/1/1984
Peer Group: Small
Branches: 11

2. Bank of Africa Kenya Limited

Managing Director : Mr. Bartholomew Kwame Ahadzi
Postal Address: P. O. Box 69562-00400 Nairobi
Telephone: +254-20- 3275000, 2211175, 3275200, 2333357, 2633358, 2633360
Fax: +254-20-2211477
Email: headoffice@boakenya.com
Website: www.boakenya.com
Physical Address: Re-Insurance Plaza, Ground Floor - Taifa Rd
Date Licenced: 1980
Peer Group: Medium
Branches: 28

3. Bank of Baroda (K) Limited

Managing Director: Mrs. Vindhaya Ramesh
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. R. K. Verma
Postal Address: P. O. Box 30246 - 00100 Nairobi
Telephone: +254-20-2221414 /5 /6 /7, 0720606707, 0734636737
Fax: +254-20-2221417
Email: cekenya@boikenya.com
Website: www.bankofindia.com
Physical Address: Bank of India Building, Kenyatta Avenue
Date Licenced: 6/5/1953
Peer Group: Medium
Branches: 5

5. Barclays Bank of Kenya Limited

Managing Director: Mr. Jeremy Awori
Postal Address: P. O. Box 30120 – 00100, Nairobi
Telephone: +254-20-4254000, 5700059/56
Fax: +254-20-2213915
Email: barclays.kenya@barclays.com
Website: [www. barclayskenya.co.ke](http://www.barclayskenya.co.ke)
Physical Address: Barclays Westend, Waiyaki Way, Westlands
Date Licenced: 6/5/1953
Peer Group: Large
Branches: 107, Sales Centre – 1

6. CFC Stanbic Bank Limited

Managing Director: Mr. Greg Brackenridge
Postal Address: P. O. Box 72833 - 00200 Nairobi
Telephone: +254-20-3638000 /11 /17 /18 /20 /21, 3268000, 3269000, 0711-0688000
Fax: +254-20-3752901/7
Email: cfcstanbic@stanbic.com
Website: <http://www.cfcstanbicbank.co.ke>
Physical Address: CFC Centre, Chiromo Road, Westlands
Date Licensed: 5/14/1955
Peer Group: Large
Branches: 24, Staff Office-1

7. Charterhouse Bank Limited

UNDER - STATUTORY MANAGEMENT

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

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

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

Email: info@charterhouse-bank.com

Website:

Physical Address: Longonot Place, 6th Floor, Kijabe Street

Date Licensed: 11/11/1996

Peer Group: Small

Branches: 10

8. Chase Bank (K) Limited

Managing Director: Mr. Zafrullah Khan

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

Telephone: +254-20- 2774000, 0732174100, 070307400, 0736-432025

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

Email: info@chasebank.co.ke, atyou service@chasebank.co.ke

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

Physical Address: Riverside Mews, Riverside Drive

Date Licenced: 4/1/1991

Peer Group: Medium

Branches: 21; Proposed Branches- 9, Proposed Micro Branches 3, Mini Branch 1

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: 3; Agency 1

10. Commercial Bank of Africa Limited

Group Managing Director: Mr. Isaac Awuondo
Postal Address: P. O. Box 30437 – 00100, Nairobi
Telephone: +254-20-2884000, 2884444, 0711056000, 0732056000
Fax: +254-20-2734599
Email: iqueries@cbagroup.com
Website: www.cbagroup.com
Physical Address: CBA Building, Mara/Ragati Road, Upper Hill
Date Licenced: 1/1/1967
Peer Group: Medium
Branches: 22 - Agencies 5

11. Consolidated Bank of Kenya Limited

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,
0722-999177,0724253306
Fax: +254-20-340836
Email: headoffice@consolidated-bank.com
Website: www.consolidated-bank.com
Physical Address: Consolidated Bank House, 6th Floor, Koinange Street
Date Licenced: 12/18/1989
Peer Group: Small
Branches: 17 Agency 1

12. Co-operative Bank of Kenya Limited

Managing Director: Mr. Gideon M. Muriuki
Postal Address: P. O. Box 48231 - 00100 Nairobi
Telephone: +254-20-3276000, 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: 123; Money Gram Centre 1

13. Credit Bank Limited

Chief Executive Officer: Mr. Sunil Sahdev
Postal Address: P. O. Box 61064-00200 Nairobi
Telephone: +254-20-2222300/2220789/2222317, 2283000, 0728607701, 0738222300
Fax: +254-20-2216700
Email: info@creditbankltd.co.ke
Website: www.creditbank.co.ke
Physical Address: Mercantile House, Ground Floor, Koinange Street
Date Licenced: 5/14/1986
Peer Group: Small
Branches: 8

14. Development Bank of Kenya Limited

Chief Executive Officer: Mr. Victor Kidiwa
Postal Address: P. O. Box 30483 - 00100, Nairobi
Telephone: +254-20-340401 /2 /3, 340416, 2251082, 340198, 340478,317449, 344184, 0724253980/1
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) Limited

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: 46

16. Dubai Bank Kenya Limited

Chief Executive Officer: Mr. Binay Dutta
Postal Address: P. O. Box 11129 – 00400, Nairobi
Telephone: +254-20-311109 /14 /23 /24 /32, 0720777776
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 Limited

Managing Director: Mr. Tonny Okpanachi
Postal Address: P. O Box 49584- 00100 Nairobi
Telephone: +254-20-2883000, 4968000, 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: 25

18. Equatorial Commercial Bank Limited

Ag. Managing Director: Mr. Robert Shibutse
Postal Address: P. O. Box 52467-00200 Nairobi
Telephone: +254-20- 4981000, 4981202, 4981301, 4981405, 0713600724, 0733333780
Fax: +254-20-2719625
Email: customerservice@ecb.co.ke
Website: www.equatorialbank.co.ke
Physical Address: Equatorial Fidelity Centre, Waiyaki Way -Weslands
Date Licenced: 12/20/1995
Peer Group: Small
Branches: 13

19. Equity Bank Limited

Managing Director & C.E.O: Dr. James N. Mwangi
Postal Address: P. O. Box 75104-00200, Nairobi
Telephone: +254-20- 2262000, 0711026000, 0711025000, 0734108000
Fax: +254-20-2711439
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: 145; Proposed Branches 5

20. Family Bank Limited

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: 01-05-2007
Peer Group: Medium
Branches: 66; Proposed Branches 2

21. Fidelity Commercial Bank Limited

Managing Director: Mr. Rana Sengupta
Postal Address: P. O. Box 34886-00100 Nairobi
Telephone: +254-20-2242348, 2244187, 2245369, 2220845, 2243461, 315917, 0722372531'1733911835
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: 11

22. Fina Bank Limited

Managing Director: Mr. Bhaskar Ghose
Postal Address: P. O. Box 20613 – 00200, Nairobi
Telephone: +254-20-3284000, 07203084000, 0722-202929
Fax: +254-20-342024
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 Limited

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

24. Giro Commercial Bank Limited

Managing Director: Mr. T. K. Krishnan
Postal Address: P. O. Box 13400-00800, Nairobi
Telephone: +254-20-4229000, 0722823684, 0733999044
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 Limited

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: Small
Branches: 9

26. Gulf African Bank Limited

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: 13 Agencies: 3

27. Habib Bank A.G Zurich

Country Manager: Mr. Mohamed Ali
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 Limited

Country Manager: Imran Bukhari
Postal Address: P. O. Box 43157 – 00100, Nairobi
Telephone: +254-20-2226433, 2222786, 2226401/7,0727531143
Fax: +254-20-2224636
Email: hblro@hblafrika.com
Website: www.hbl.com
Physical Address: Exchange Building, Koinange Street
Date Licenced: 2/3/1956
Peer Group: Small
Branches : 4

29. Imperial Bank Limited

Managing Director: Mr. Abdulmalek Janmohamed
Postal Address: P. O. Box 44905 – 00100, Nairobi
Telephone: +254-20-2874000, 343416 /12/17/18/19/94, 342373, 2719617 /8
/9,0711019000,0732119000
Fax: +254-20-2719705/2719652, 342374, 2719498
Email: info@imperialbank.co.ke
Website: www.imperialbank.co.ke
Physical Address: Imperial Court - Westlands Road - Westlands
Date Licenced: 1/11/1992
Peer Group: Medium
Branches: 24

30. I & M Bank Limited

Chief Executive Officer: Mr. Arun S. Mathur
Postal Address: P.O. Box 30238 – 00100, Nairobi
Telephone: +254-20- 2711994-8, 3221200/2, 3221000
Fax: +254-20-2211160
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: 21

31. Jamii Bora Bank Limited

Chief Executive Officer: Mr. Samuel Kimani
Postal Address: P. O. Box 22741 – 00400, Nairobi
Telephone: +254-20- 2224238/9, 2214976, 2219626, 2210338/9, 0722-201112, 0734600682
Fax: +254-20-341825
Email: info@jamiiborabank.co.ke
Website: <http://www.jamiiborabank.co.ke>
Physical Address: Jamii Bora House, Koinange Street
Date Licenced: 02-03-2010
Peer Group: Small
Branches: 14

32. Kenya Commercial Bank Limited

Group Chief Executive Officer: Mr. Joshua Oigara
Postal Address: P. O. Box 48400 – 00100, Nairobi
Telephone: +254-20-3270000, 2851000, 2852000, 0711012000, 0734108200
Fax: +254-20-2242408' 2216405
Email: kcbhq@kcb.co.ke
Website: <http://www.kcbbankgroup.com>
Physical Address: Kencom House, 8th Floor, Moi Avenue
Date Licenced: 1/1/1896
Peer Group: Large
Branches: 166; Proposed Branches 16

33. K-Rep Bank Limited

Managing Director: Mr. Albert Ruturi
Postal Address: P. O. Box 25363 – 00603, Nairobi
Telephone: +254-20- 3906000-7, 0711-058000-7, 0732-158000
Fax: +254-20-3568995
Email: registry@k-repbank.com, enquiries@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: 35

34. Middle East Bank (K) Limited

Managing Director: Mr. Dhirendra Rana
Postal Address: P. O. Box 47387 - 0100 Nairobi
Telephone: +254-20-2723120/24, 2722879, 2723124, 2723130, 0722-205903'
0733-333441
Fax: +254-20-343776 / 2256901
Email: ho@mebkenya.com
Website: www.mebkenya.com
Physical Address: Mebank Tower - Milimani Road–Milimani
Date Licenced: 10/1/1980
Peer Group: Small
Branches: 4

35. National Bank of Kenya Limited

Managing Director: Mr. Munir S. Ahmed
Postal Address: P. O. Box 72866 - 00200 Nairobi
Telephone: +254-20-2828000, 2226471, 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: 59

36. NIC Bank Limited

Group Managing Director: Mr. James W. Macharia
Postal Address: P. O. Box 44599 - 00100 Nairobi
Telephone: +254-20-2888000, 4849000, 0711041000, 0732141000
Fax: +254-20-2888505/13
Email: info@nic-bank.com
Website: http://www.nic-bank.com
Physical Address: N.I.C House, Masaba Road- Upper Hill
Date Licenced: 9/17/1959
Peer Group: Medium
Branches: 21, Agency 1, Sales Centre 1

37. Oriental Commercial Bank Limited

Chief Executive Officer: Mr. R. B. Singh
Postal Address: P.O BOX 14357-00800, Nairobi
Telephone: +254-20-3743278/87, 3743289/98, 0714611466, 0733610410
Fax: +254-20-3743270
Email: info@orientalbank.co.ke
Website: www.orientalbank.co.ke
Physical Address: Apollo Centre, 2nd Floor, Ring Road- Westlands
Date Licenced: 8/2/1991
Peer Group: Small
Branches: 7

38. Paramount Universal Bank Limited

Chief Executive Officer: Mr. Ayaz A. Merali
Postal Address: P. O. Box 14001 -00800 Nairobi
Telephone: +254-20-4449266/7/8, 446106 /7, 4443896, 445722, 4441528, 4441527, 0723564254, 0734258020,
Fax: +254-20-449265
Email: info@paramountbank.co.ke
Website: www.paramountbank.co.ke
Physical Address: Sound Plaza Building, 4th Floor, Woodvale Grove, Westlands
Date Licenced: 10/1/1993
Peer Group: Small
Branches: 5

39. Prime Bank Limited

Chief Executive Officer: Mr. Bharat Jani
Postal Address: P. O. Box 43825 – 00100, Nairobi
Telephone: +254-20-4203000 /116 /148, 07220205491, 0733611494
Fax: +254-20-4451247
Email: headoffice@primebank.co.ke
Website: www.primeban.com
Physical Address: Prime Bank Building, Chiromo Lane / Riverside Drive-Junction, Westlands
Date Licenced: 3/1/1992
Peer Group: Medium
Branches: 16

40. Standard Chartered Bank Kenya Limited

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: 38, Agencies 2

41. Trans-National Bank Limited

Chief Executive Officer: Mr. Sammy Langat

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

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

Fax: +254-20-2252225

Email: info@tnbl.co.ke

Website: www.tnbl.co.ke

Physical Address: Transnational Plaza, City Hall Way

Date Licenced: 8/1/1985

Peer Group: Small

Branches: 17; Agency 1

42. UBA Kenya Bank Limited

Managing Director:: Mr. Tunji Adeniyi

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

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

Fax: +: +254-020-3612049

Email: cickenya@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 Limited

Managing Director: Mr. Yogesh K Pattni

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

Telephone: +254-20-2719499, 2719815, 2710271, 2716108, 2719814.2713208, 2716196, 0721328183

Fax: +254-20-2713778/2715857

Email: victoria@vicbank.com

Website: www.victoriabank.co.ke

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

Date Licenced: 6/1/1987

Peer Group: Small

Branches: 3

B: NON-BANKS FINANCIAL INSTITUTIONS (NBFIs)

Housing Finance Company Limited

Managing Director: Mr. Frank M. Ireri

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

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

Fax: +254-20-340299/2250858

Email: housing@housing.co.ke

Website: www.housing.co.ke

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

Date Licenced: 5/7/1965

Peer Group: Medium

Branches: 11; Sub- Branches 4

C: KENYA BANKERS ASSOCIATION

Kenya Bankers Association

Chief Executive Officer: Mr. Habil Olaka

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

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

Fax: +254-20-2221792

Email: ceo@kba.co.ke

Website: www.kba.co.ke

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

D: DEPOSIT TAKING MICROFINANCE INSTITUTIONS

1. Faulu Kenya DTM Limited

Managing Director: Mr. John Mwara Kibochi
Postal Address: P. O. Box 60240 – 00200, Nairobi
Telephone: +254-20- 3877290 -3/73872183/4 , 0720716482
Fax: +254-20-3867504, 3874875
Email: info@faulkenya.com, customercare@faulkenya.com, contact@faulkenya.com
Website: www.faulkenya .com
Physical Address: Faulu Kenya House, Ngong Lane -Off Ngong Road
Date Licenced: 21.05.2009
Branches: 30

2. Kenya Women Finance Trust DTM Limited

Managing Director: Mr. James Mwangi Githaiga
Postal Address: P. O. Box 4179-00506, Nairobi
Telephone: +254-20-3067000, 2470272-5,2715334-5, 0729920920, 0732633332
Fax:
Email: info@kwftdtm.com
Website: www.kwftdtm.com
Physical Address: Akira House, Kiambere Road, Upper Hill
Date Licenced: 31.03.2010
Branches: 24

3. Rafiki Deposit Taking Microfinance (K) Limited

Chief Executive Officer: Mr. Daniel Mavindu
Postal Address: P. O. Box 12755-00400, Nairobi
Telephone:+254-020-2166401,0719804370,0734000323
Fax:
Email: info@rafiki.co.ke
Website: www.rafiki.co.ke
Physical Address: El Roi Plaza, Tom Mboya Street
Date Licensed: 14-06-2011
Branches: 4

4. Remu DTM Limited

General Manager: Mrs. Lydia Kibaara
Postal Address: P. O. Box 20833-00100 Nairobi
Telephone: 2214483/2215384/ 2215387/8/9, 2631070, 2215380, 2215384/5/7/8/9, 0733-554555
Fax:
Email: info@remultd.co.ke
Website: www.remultd.co.ke
Physical Address: Finance House, 14th Floor, Loita Street
Date Licensed: 31.12.2010
Branches: 3

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:

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: 7

6. UWEZO Deposit Taking Microfinance Limited

Chief Executive Officer: Mr. Michael Gichohi

Postal Address: P.O. Box 1654-00100 Nairobi

Telephone: 2212917 / 9, 0720350808, 0733350808

Fax: -

Email: info@uwezodtm.com

Website: www.uwezodtm.com

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

Date Licensed: 08.11.2010

Branches: 2

7. Century Deposit Taking Microfinance Limited

Chief Executive Officer: Mrs. Pauline Githugu

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

Telephone: 020-2664282, 6768326, 0722168721, 0733155652

Fax: -

Email:

Website:

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

Date Licensed: 17-09-2012

Branches: 2

8. Sumac Deposit Taking Microfinance Limited

Chief Executive Officer: Mr. Duncan Mwaniki

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

Telephone: 020-2212587, 2210440, 0734637245, 0725223499

Fax: -2210430

Email: info@sumacdtm.co.ke

Website: www.sumacdtm.co.ke

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

Date Licensed: 29-10-2012

Branches: 2

E:- AUTHORISED REPRESENTATIVE OFFICES OF FOREIGN INSTITUTIONS IN KENYA

1. HDFC Bank Limited

Representative Office

Chief Representative Officer Designate: Mr. Kapil Gusani

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

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

Fax: +254-20 -3601100

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

Date Authorised: 26th June 2008

2. Nedbank Limited

Nedbank Eastern Africa Representative Office

Chief Representative Officer: Mr. Stewart Laird Henderson

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

Telephone: +254-20 - 8045102

Email: contact@nedbankea.com

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

Date Authorised: 18th June 2010

3. The Hong Kong and Shanghai Banking Corporation Limited

Kenya Representative Office

Chief Representative Officer: Mr. Jacob van Luijk

Address: P.O. Box 38613 Parklands 00623

Telephone No.: +254 20 4451412

Fax: +254 20 4451421

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

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

Date Authorised: 7th April 2011

4. FirstRand Bank Limited

Representative Office

Chief Representative Officer: 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

5. Bank of China Limited

Representative Office

Chief Representative Officer: Mr. Qi Wang

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

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

Mobile: +254 - 788808600

Email: wangqi@bankofchina.com

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

Date Authorised: 29th June 2012

F: CREDIT REFERENCE BUREAUS

1. 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

2. Metropol Credit Reference Bureau Limited

Managing Director: Mr. Sam Omukoko

Postal Address: P.O. Box 35331, 00200

Telephone: +254-020-2713575

Email: info@metropol.co.ke

Website: www.metropolcorporation.com

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

DIRECTORY OF FOREIGN EXCHANGE BUREAUS

No	Name of Bureau	Location	E-mail Address & Fax
1	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
2	Amal Express Forex Bureau Ltd P. O. Box 3165 – 00100 Nairobi Tel: 6765141 Cell: 0722725667	Amal Plaza, 1 st Avenue ,Eastleigh, Nairobi	amalforexbureau@hotmail.com migoori786@yahoo.com Fax: 254-2-6761315
3	Amana Forex Bureau Ltd P. O. Box 68578 – 00622 Nairobi Tel: 0716-322001, 020-6761296	Amana shopping complex, Captain Mungai Street, Eastleigh, Nairobi	Amanaexpress236@hotmail.com amanaforex@hotmail.com Fax: 254-2-6760137
4	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
5	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
6	Avenue Forex Bureau Ltd, (formerly Qadisla Forex Bureau Ltd) P. O. Box 1755 – 80100 Mombasa Tel: 041-2319750	Motor Mart Building, Moi Avenue, Mombasa	avenueforex@gmail.com info@avenueforex.com

Central Bank of Kenya

No	Name of Bureau	Location	E-mail Address & Fax
7	Bakaal Express Forex Bureau Ltd P. O. Box 71248 – 00622 Nairobi Tel: 020 – 2462345/ 2463456 Cell : 0726 - 455838	Amco Shopping Mall, Door S14, 1 st Avenue, Eastleigh, Nairobi	bakaalnbi@hotmail.com
8	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
9	Bay Forex Bureau Ltd P.O. Box 46154 – 00100 Nairobi Nairobi Tel: 2244186/ 2248289/2244188	The Stanley Bldg. Kenyatta Avenue, Nairobi	info@bayforexbureau.com bayforex@swiftkenya.com Fax: 254-2-229665/248676
10	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
11	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
12	Capital Hill Forex Bureau Ltd P. O. Box 20373 – 00200 Nairobi Tel: 2733594/2733593 Cell: 0722- 410550	1 st Floor, NHIF Building, Ngong Road, Nairobi	capitalhillforex@gmail.com Fax: 254-2-2733594
13	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
14	CBD Forex Bureau Limited P. O. Box 10964 – 00400 Nairobi Tel: 316123	Clyde House, Kimathi Street, Nairobi	cbdforex@gmail.com Fax: 254-2-318895

Central Bank of Kenya

No	Name of Bureau	Location	E-mail Address & Fax
15	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
16	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
17	Classic Forex Bureau Limited P.O. Box 76694 – 00508 Nairobi Tel: 3862343/4	Prestige Plaza, 1 st Floor, Ngong Rd, Nairobi	info@classicforex.co.ke Fax No. 3862346
18	Commercial Forex Bureau Limited P. O. Box 47452 – 00100 Nairobi Tel. 020-2210307/8	Vedic House, Mama Ngina Street, Nairobi	Commercialfx08@yahoo.com
19	Conference Forex Bureau Company Limited P. O. Box 32268 – 00600 Nairobi Tel. 3581293, 020-3586802 / 2219617/219069/218880/219518	KICC, Ground Floor, Nairobi	cfbld@akarim.net Fax: 254-2-224126
20	Continental Forex Bureau Ltd P. O. Box 49580 – 00400 Nairobi Tel: 2222140, 3168025/330883	Old Mutual Building , Kimathi Street , Nairobi	cbbbusiness@yahoo.com Fax: 254-2-216163
21	Cosmos Forex Bureau Ltd P. O. Box 10284 – 00100 Nairobi Tel: 2250582/5	Rehema House, Nairobi	cosmosforex@yahoo.com Fax: 254-2-2250591
22	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@awl.co.ke Fax: 254-51-2214183

Central Bank of Kenya

No	Name of Bureau	Location	E-mail Address & Fax
23	Crossroads Forex Bureau Limited P. O. Box 871 – 00502 Nairobi, 0203884131/2 Cell: 0729-888444	Crossroads Shopping Centre, Karen, Nairobi	info@crossroadsforex.co.ke Fax: 254-02-3884133
24	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
25	Dalmar Exchange Bureau Ltd P. O. Box 16381 – 00610 Nairobi Tel: 6761628/6760476	1 st Floor, Olympic Shopping Centre 1 st Ave., 7 th Street, Eastleigh, Nairobi	dalmarforex@gmail.com Fax: 254-2-6760470
26	Downtown Cambio Forex Bureau Ltd P. O. Box 31346 – 00600 Nairobi Tel: 07721/608659/609547/607721	Wilson Airport, Nairobi	forex@downtownforex.com Fax: 254-2-608354
27	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
28	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
29	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

Central Bank of Kenya

No	Name of Bureau	Location	E-mail Address & Fax
30	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
31	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
32	Fulus Bureau De Change Ltd P. O. Box 17773 - 00100 Nairobi Tel: 020-2240540 Cell: 0727-699669	Hamilton House, Kaunda Street Nairobi	fulusbureau@gmail.com Fax: 254-20-310261
33	Gala Forex Bureau Ltd P. O. Box 35021 – 00100 Nairobi Tel: 020-310241 Cell: 0729-750000	20 th Century 1 st Floor Mama Ngina/ Kaunda Street	galaforexbureau@gmail.com Fax: 254-20-310261
34	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
35	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
36	Give and Take Forex Bureau Ltd P. O. Box 51463 – 00200 Nairobi Tel: 7120581/3562152	Gigiri, China Garden 1 st Floor, Nairobi	givetakeforex@wananchi.com Fax: 254-2-7120046
37	Global Forex Bureau Ltd (formerly Tawfiq Forex Bureau Ltd) P. O. Box 47583 – 00100 Nairobi Tel: 020-2321972	2 nd Floor, Taisir Shopping Complex, 1 st Ave. Eastleigh, Nairobi	globalfrx@gmail.com

Central Bank of Kenya

No	Name of Bureau	Location	E-mail Address & Fax
38	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
39	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
40	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
41	Grand Royal Forex Bureau Ltd. P. O. Box 71909 - 00622 Nairobi Tel: Mobile: 0727 699669/ 0772 699669	New Al-Mubarak Building, Sixth Street, Eastleigh	grandroyalforex@gmail.com
42	Green Exchange Forex Bureau Ltd P. O. Box 20809 – 00100 Nairobi Tel: 020-2214547/8/9	Emperor Plaza, Ground Floor, Koinange Street, Nairobi	
43	Hodan Global Forex Bureau Ltd. P. O. Box 68811 – 00622 Nairobi Tel: 6763035, 020 - 2084862 Cell : 0722 – 839744/ 0723 - 931081	Hong Kong Shopping Mall, 2 nd Fl, Kipanga Athumani St, Off 1 st Avenue, Eastleigh, Nairobi	hodanglobal@hotmail.com hodanforex2008@hotmail.com Fax: 254-2-6763035
44	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

Central Bank of Kenya

No	Name of Bureau	Location	E-mail Address & Fax
45	Iftin Forex Bureau Limited P.O Box 100184 – 00101 Nairobi Nairobi Tel: 020-6767466 Mobile: 0723643471, 0725584650	2 nd Floor AMCO Shopping Mall along 1 st Avenue Eastleigh, Nairobi	iftinnbi@hootmail.com baalade1@yahoo.com fax: 020-6767466
46	Industrial Area Forex Bureau Ltd P. O. Box 45746 – 00100 Nairobi Tel: 551186/551198	Bunyala Road, Industrial Area, Nairobi	Fax: 254-2-551186
47	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
48	Junction Forex Bureau Limited P. O. Box 43888 – 00100 Nairobi Tel: 3861268/9,2011124 Cell: 0725-852840/	The Junction Mall on Ngong Road/ Dagoreti Corner, Nairobi	junctionforexbureaultd@yahoo.com junctionforexbureaultd@gmail.com
49	Kaah Forex Bureau Ltd P. O. Box 10327 – 00400 Nairobi Tel: 6767494/6760504	Eastleigh , 8 th Street, Nairobi	mobash33@yahoo.com Fax: 254-2-6767543
50	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
51	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
52	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

Central Bank of Kenya

No	Name of Bureau	Location	E-mail Address & Fax
53	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
54	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
55	Lion Bureau De Change Ltd P. O. Box 4581 – 00200 Nairobi Tel: 0722803779	Taj Shopping Mall, North Airport, Embakasi	Anthony.nyuguto@gmail.com
56	Loki Forex Bureau Ltd. P. O. Box 12523 – 00100 Nairobi Tel:2668586	T&L Centre, Industrial Area, Nairobi	info@lokiforex.com
57	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
58	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
59	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
60	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

Central Bank of Kenya

No	Name of Bureau	Location	E-mail Address & Fax
61	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
62	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
63	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
64	Mustaqbal Forex Bureau Ltd P. O. Box 100745 – 00101 Nairobi Tel : 020 – 6766651/2497344	Mosque house 1 st Avenue, 6 th Street Eastleigh, Nairobi	mustaqbalforex@yahoo.com Fax: 254-2-6766650
65	Muthaiga-ABC Forex Bureau Limited P.O. Box 63533-00619 Nairobi Tel: 4048883/4044146 Cell: 0722-362665, 0733-362665	Muthaiga Shopping Centre, Nairobi	mfbfx@livel.com
66	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
67	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

Central Bank of Kenya

No	Name of Bureau	Location	E-mail Address & Fax
68	Namanga Forex Bureau Ltd P. O. Box 12577 – 00100 Nairobi Tel: 02-213642/ 045-5132476 Cell :0735 791 714	Namanga	namangaforexbureau@yahoo.com
69	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 1 st Avenue, Nairobi	nnuradiin2001@hotmail.com natureforexbureau@gmail.com Fax: 254 -2 – 6768047
70	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
71	Nevada Forex Bureau Limited P. O. Box 1544 – 00606 Nairobi Tel: 020 – 2113898/057-2522822 Cell: 0722-519399	Westlands Square, Nairobi	nevadaforex10@gmail.com
72	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
73	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
74	Pacific Forex Bureau Limited P. O. Box 24273 – 00100 Nairobi Tel. 310880, 310882/3	Lonhro House, Standard Street, Nairobi	pacific@sahannet.com

Central Bank of Kenya

No	Name of Bureau	Location	E-mail Address & Fax
75	Peaktop Exchange Bureau Ltd P. O. Box 13074 – 00100 Nairobi Tel: 2244371/313438 Cell:0722 – 332518	20 th Century, on Mama Ngina/ Kaunda Streets, Nairobi	peaktopbureau@gmail.com Fax: 254-2-210210
76	Pearl Forex Bureau Ltd P. O. Box 58059 – 00200 Nairobi Tel: 2724769/ 2724778	Hurlingham Shopping Centre, Nairobi	pearlforex@rocketmail.com Fax: 254-2-2724770
77	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
78	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
79	Princess Forex Bureau Limited P. O. Box 104140 - 00101 Nairobi Tel: 020-2217978	City House, Standard Street Nairobi	princessforexbureau@gmail.com
80	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
81	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
82	Rand Forex Bureau Ltd P. O. Box 30923 - 00100 Nairobi Tel: Mobile: 0722200815	Kampus Tower, Moi Avenue, Nairobi	ann_nyagah@yahoo.com

Central Bank of Kenya

No	Name of Bureau	Location	E-mail Address & Fax
83	Real Value Forex Bureau Limited P. O. Box 2903 – 00100 Nairobi Tel: 236044/55/66/77	Shariff Complex, 5 th Avenue, Eastleigh, Nairobi	Hudaifa-04@hotmail.com
84	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
85	Rift Valley Forex Bureau Ltd P. O. Box 12165 - 20100 Nakuru Tel: 051-2212495/2210174	Merica Hotel Building, Court Road, Nakuru	rftvalleyforex@yahoo.com Fax: 254-51-2210174
86	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
87	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
88	Simba Forex Bureau Limited P. O. Box 66886 – 00800 Nairobi Tel: 020– 445995/8008844 Cell: 0722 – 703121	Moi International Airport, Mombasa	simbaforexmombasa@gmail.com Fax: 254-2- 8008844
89	Sisi Forex Bureau Limited P.O. Box 60770 - 00200 Nairobi Tel: 2445846/0722-382995	Agip House, Haile Selasie Avenue, Nairobi.	SISIFOREX@SISI.CO.KE
90	Sky Forex Bureau Limited P. O. Box 26150 – 00100 Nairobi Tel: 020-242062/3	20 th Century, Mama Ngina/ Kaunda Street, Nairobi	skyforex@sahannet.com Fax No. 254-2-242064
91	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

Central Bank of Kenya

No	Name of Bureau	Location	E-mail Address & Fax
92	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
93	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
94	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
95	Sunshine Forex Bureau Ltd P. O. Box 68991– 00622 Nairobi Tel: 6762261/63 : Fax: 6762260	Eastleigh 1 st Ave, Seven Street, Nairobi	sunshineforex@hotmail.com Fax: 254-2-6762260
96	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
97	Tawakal Forex Bureau Ltd P. O. Box 71623 – 00622 Nairobi Tel: 6766171	Ubah Centre, Eastleigh, Nairobi	tfbureau@yahoo.com Fax: 254-2-6765756
98	Tower Forex Bureau Limited P.O. Box 25934 - 00100 Nairobi Tel: 0723434343, 0739270511, 0772372744	I & M Bank Tower Kenyatta Avenue	nim711@hotmail.com
99	Trade Bureau De Change Ltd P. O. Box 7080 – 00300 Nairobi Tel: 2241107/ 2241256/2252116	Cotts House, City Hall Way, Transnational Bank, Nairobi	tradeforex@ymail.com Fax: 254-2-317759

Central Bank of Kenya

No	Name of Bureau	Location	E-mail Address & Fax
100	Travellers Forex Bureau Ltd P. O. Box 13580 – 00800 Nairobi Tel: 447204/5/6	The Mall Westlands, Nairobi	Fax: 254-2-443859
101	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
102	UAE Exchange Forex Bureau (K) Ltd P. O. Box 51695 – 00100 Nairobi Tel. 2220101	IPS Building, Kimathi Street	kimathistreet.branch@ke.uaexchange.com Fax: 254-2-2220102
103	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
104	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
105	Vantage Forex Bureau Ltd P.O. Box 48129 – 00100 Nairobi Tel: 343933/4	Pan Africa House, 3 rd Floor Kenyatta Avenue Nairobi	vantagefb@gmail.com Fax: 254-2-343935
106	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
107	Wall Street Bureau De Change Ltd P. O. Box 6841- 30100 Eldoret Tel: 053-2062907	Barngatuny Plaza Uganda Road, Eldoret	wallstreet@jambo.co.ke Fax: 254- 53-2062907

Central Bank of Kenya

No	Name of Bureau	Location	E-mail Address & Fax
108	Wanati Forex Bureau Limited P. O. Box 88309 – 80100 Mombasa Tel: 040-3202661 Cell: 0726925090/0733702668	Diani, Mombasa	wanatiforex@yahoo.com Fax: 254-2-3202662
109	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
110	Westlands Forex Bureau Ltd P. O. Box 45746 – 00100 Nairobi Tel: 3748786/3748785	Westgate, Westlands, Nairobi	info@westforex.co.ke Fax: 254-2-3748785
111	Yaya Centre Exchange Bureau Ltd P. O. Box 76302 – 00508 Nairobi Tel: 02-3869097	Argwings Kodhek Road, Yaya Centre, Nairobi	rmutungi@gmail.com nkiswii@yahoo.com Fax: 254-2-3870869
112	Zahur Forex Bureau Ltd P. O. Box 75666 – 00100 Nairobi Tel: 0729-341000/0728-366100/0700-710123	Hong Kong Shopping Mall, 1 st Avenue Eastleigh	zahurnairobi@hotmail.com

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