



Attention: Business Editor

24th February 2009

PRESS RELEASE

CBK Launches Updated Report on Bank Charges and Lending Rates

The Central Bank of Kenya (CBK) has today released a report on the update of the Survey on Bank Charges and Lending Rates that was launched in August 2007. The first survey used data as at 31st March 2007 and has since been updated using December 2007 and June 2008 data. The survey has now been updated to 31st December 2008. This information is also posted on the CBK website.

The report highlights five different products and services with competitive price offerings namely current, bundled, transaction, savings and loan accounts, aimed at specific customer needs. The charges are simplified and specific to the product based on the average usage pattern to enable the customer understand the products they opt for. Following amendment of Section 16 of the Banking Act in 2007, no fees are levied on savings accounts. Banks are also expected to pay interest on Savings Accounts so long as the minimum balance is maintained. In this regard, the report also covers interest rates offered by banks on individual savings account offerings.

While releasing the report, the Director of Bank Supervision, Ms. Rose Detho noted that, “As you may be aware, this is the third time we are updating the survey since its’ inauguration in August 2007. The Central Bank is encouraged by the continued public interest in this initiative. Indeed, the Central Bank remains committed to providing the public with as much information as possible to facilitate their choice of banking services and products.”

“ It is imperative that more Kenyans access the financial space if they are to enhance their standard of living. This can only be possible if the financial sector offers safe, efficient and affordable products. The challenge therefore to the banking sector is to design innovative products that will tap into the vast mountain of funds outside the formal banking system,” said Ms. Detho. So far, we have witnessed more accounts being opened in banks as entry barriers and cost of maintaining these accounts have come down. This requires further enhancement.

Ms. Detho also indicated that a study by a South African consultancy firm on the possible adoption of the “Annual Percentage Rate” (APR) in Kenya had been completed. An “APR” is an all inclusive measure of the cost of credit that incorporates other fees on loans other than the interest rate. It is anticipated that the findings and recommendations of the study will be shared with market players next month. A consultative approach will be followed in implementation of recommendations from the study.

With regard to Regulations on Credit Reference Bureaus, she noted that, “ The Minister of Finance earlier this month gazetted 2nd February 2009 as the operational date for the Regulations. The Regulations mark a new dawn in the provision of credit in the Kenyan banking sector. As you may be aware, the Regulations empower the Central Bank of Kenya to license and oversee Credit Reference Bureaus (CRB’s). The Bureaus will collate credit information from banks.”

Underscoring the importance of credit information sharing she added that, “ The sharing of credit information will enable banks to make informed credit decisions. This is in turn expected to deter the incidence of non performing loans. More importantly, the credit information sharing mechanism will enable Kenyans develop “**personal collateral**” based on their credit track record. This will enable particularly those Kenyans in the informal and small and medium enterprises to access credit. These segments of the Kenyan populace are at times constrained by lack of physical security to offer banks as collateral for loans. “

The Central Bank of Kenya will continue to support initiatives geared towards enhancing access by Kenyans to safe, efficient and affordable banking services. In this regard, the Bank will continue working with market players in supporting the development of innovative products that will meet the needs of Kenyans.

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Notes to Editors:

The study on bank charges and lending rates was conducted by Research International on behalf of the Central Bank of Kenya with three key objectives. To develop a basis for summarizing the price of a service of each bank, to provide periodic price information to customers via the media and to ensure it is meaningful to customers to inform their banking choices.