



PRESS RELEASE

BANK SUPERVISION ANNUAL REPORT 2011

Nairobi, Kenya (25 May 2012) – The Central Bank of Kenya (CBK) has today released the Bank Supervision Annual Report for 2011. The report which can be downloaded from www.centralbank.go.ke reviews the performance of the banking sector in 2011 and also highlights other significant developments. Releasing the report, the Governor of the Central Bank of Kenya, Professor Njuguna Ndung'u noted that, "The banking sector registered improved growth in 2011. The asset base of the sector increased by 20.2 percent from Ksh. 1.68 trillion in December 2010 to Ksh. 2.02 trillion in December 2011. The sector also recorded an increase in pre-tax profit by 20.5 percent to stand at Ksh. 89.5 billion in 2011. This performance was underpinned by adoption of cost effective delivery channels and regional expansion."

The report also highlights other notable developments in the legal and regulatory framework in 2011. These include the Appointment of the Anti-Money Laundering (AML) Advisory Board in June 2011, by the Deputy Prime Minister and the Minister for Finance. The AML Board is established under Section 49 of the Proceeds of Crime and Anti-Money Laundering Act 2009. Going forward, one of the priorities of the AML Board will be to provide guidance in defining the strategic direction of the Financial Reporting Centre (FRC) including its set up and staffing.

On the regional and international front:

- The Central Bank of Kenya signed Memorandum of Understanding (MOU) with the Central Bank of Nigeria in June 2011 and the Bank of Mauritius in August 2011 respectively. The MOUs are part of initiatives to enhance cross border collaboration and sharing of information with other regulators.
- Kenyan banks have set-up subsidiaries in the East African Community (EAC) Partner States and South Sudan. As at end of 2011, ten banks had subsidiaries operating in EAC and South Sudan. The subsidiaries which had 223 branches had total assets worth Ksh. 195.6 billion and posted profit before tax of Ksh 2.3 billion.
- The Central Bank of Kenya authorized two new Representative Offices namely the Hong Kong Shanghai Banking Corporation Limited (HSBC Ltd) of United Kingdom (in April 2011) and FirstRand Bank Ltd of South Africa (in November 2011). The establishment of the two Representative Offices brought the total number of Representative Offices operating in Kenya as at 31st December 2011 to four. The other two are HDFC Bank Ltd of India (authorized in 2008) and

Nedbank Ltd of South Africa (authorized in 2010). Representative Offices are established by foreign banks who wish to have a presence in the country without having to launch fully fledged banking operations.

The increasing number of Representative Offices established in Kenya signifies growing interest in the Kenyan banking sector from regional and international banks. This indicates the existing business opportunities in the banking sector that are yet to be exploited.

Commenting on the sector's outlook for 2012, the Governor indicated that, "the sector's growth momentum is expected to be supported by continued adoption of innovative and cost effective channels of offering financial services by banks coupled with regional expansion among other initiatives".

The Central Bank in conjunction with Government will continue on its policy path of maintaining macro-economic stability. This will ensure that inflationary pressures and exchange rate volatility experienced in 2011 are tamed. CBK will continue supporting initiatives by the banking sector to mitigate the impact of the high interest rate regime on consumers such as extension of loan tenors and waiving of early repayment charges. This stance takes cognizance of the anticipated short-term nature of the high interest rate regime as inflation abates.

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