

**CENTRAL BANK OF KENYA**



Remarks by

**PROF. NJUGUNA NDUNG’U  
GOVERNOR  
CENTRAL BANK OF KENYA**

**AT THE UNVEILING OF FAMILY BANK’S STRATEGIC INTERNATIONAL  
PARTNERSHIP AND RELAUNCH OF BRAND IDENTITY**

***KENYATTA INTERNATIONAL CONFERENCE CENTRE (KICC), NAIROBI***  
*Tuesday, October 19, 2010*

**The Right Honourable Prime Minister, Hon. Raila Odinga;**  
**The Deputy Prime Minister and Minister for Finance, Hon. Uhuru Kenyatta;**  
**Mr. Titus K. Muya, Chairman of the Board of Directors of Family Bank Ltd;**  
**Mr. Peter Kinyanjui, Chief Executive Officer of Family Bank Ltd;**  
**Board Members and Shareholders of Family Bank;**  
**Distinguished Guests;**  
**Ladies and Gentlemen:**

I am honored to be here with you this morning, to witness the unveiling of Family Bank's Strategic International Partner as well as the re-launch of the bank's new brand identity.

May I commend the Board, Management and staff of Family Bank, and in particular, the bank's board of directors for having steered the bank from a building society with total assets of Shs.6 billion supported by core capital of Shs.1 billion in May 2007 to its current status as a Tier 1 commercial bank with total assets of Shs.17 billion as at end of August 2010.

**Prime Minister Sir**, indeed Family Bank has continued to enjoy significant growth since its conversion from a building society to a commercial bank in early 2007. The bank currently boasts of a network of 53 branches and an impressive deposit base of Shs.14 billion and gross loans of Shs.9.5m, supported by a core capital base of Shs.3 billion. Today, we welcome the bank's international strategic partner, who has not only injected capital into the bank but is also expected to bring forth technical expertise to boost the capacity already in existence. CBK has walked this path with Family Bank.

This impressive performance is consistent with the continued commendable performance of Kenya's banking industry. Some key highlights of this performance for the period from August 2009 to end of August 2010 are:

- Assets grew by 25% to stand at Ksh.1.6 trillion;
- Total deposits grew by Ksh.142 billion, representing a 22% growth rate, to stand at Ksh.1.2 trillion;

- Gross advances amounted to Ksh.846 billion, having grown by Ksh.143 billion. There is ample space to expand loans and advances from the deposit levels attained.
- Profit before tax of Ksh.47.6 billion was registered in the last eight months compared to Ksh.31.2 billion in August 2009, a growth rate of 53%;
- The number of bank branches at the end of August 2010 stood at 1,020 an increase of 24 branches since December 2009;
- The number of bank accounts has increased by 28% from 8.6 million accounts in December 2009 to 11.1 million as at the end of August 2010. The success of financial inclusion efforts seems to be bearing fruits in Kenya.

**Mr. Prime Minister**, the Central Bank expects the banking sector to continue on this growth trajectory, facilitated by ongoing reform initiatives by the Government and CBK, propelling the banking sector to new frontiers of financial inclusion for Kenyans. You may be aware that the National Financial Access Survey of 2009 revealed that 32% of Kenya's bankable population is excluded from formal and informal financial services. The implication is that there is a large market out there for Family Bank to tap into.

The Central Bank, in order to move towards financial inclusion has initiated several steps; one of the initiatives in year 2010 towards reduction of the cost of credit is the introduction of information sharing in the credit market. This will be especially important for Small and Medium Enterprises and individuals who have been constrained in accessing affordable credit due to the perceived higher risk attached to them on account of lack of physical collateral. Banks have already started sharing information and the Central Bank is particularly encouraged that in September 2010 the accuracy rate of the third batch of information submitted to CRB stood at 91% an improvement from the 85% and 78% achieved in August and July 2010, respectively. However, the benefits of credit information sharing with respect to improving the lending environment will only accrue if banks take advantage of this facility and actively use the information availed by the CRB in the lending decision. On its part, the Central Bank will continue to work with other players to extend the reach of the credit information sharing mechanism beyond the banking sector.

**Mr. Prime Minister**, another initiative towards reducing the cost of doing business for banks is the introduction of Agent Banking. The cost of a traditional “brick and mortar” branch in Kenya has been quite costly and thereby prohibitive to banks and customers had to spend money to travel to the nearest town to access financial services. Agent banking will bring financial services closer to the customers. So far, the Central Bank has granted approval to 2 banks to engage in agency banking relationships and as a result, 5,892 agents have been engaged since the roll out in May 2010.

**Mr. Prime Minister, Ladies and Gentlemen**, the other initiative to reduce cost to banks relates to cash-in-transit costs. The Central Bank together with the Kenya Bankers Association has introduced a currency centre in Nyeri while Meru and Nakuru currency centres will be operational soon. This will bring down the cash-in-transit costs for branches of banks in those regions.

All these cost reducing measures as well as introduction of new institutions and rules to safeguard the sector have created space for innovation by banks leveraged on technological developments.

**Mr. Prime Minister, Ladies and Gentlemen**, as I conclude my remarks, let me at this juncture reiterate that the Central Bank appreciates the initiatives and innovations by the banking sector in coming up with new products and is committed to the creation of an enabling regulatory environment.

It is therefore my pleasure, on behalf of the Deputy Prime Minister and Minister for Finance, to officially welcome the Prime Minister, Hon. Raila Odinga to address this distinguished gathering and officially unveil Family Bank’s strategic international partner and re-launch the bank’s brand identity.

**May God bless you all**

**Thank You**