Central Bank of Kenya

BANK SUPERVISION ANNUAL REPORT 2021

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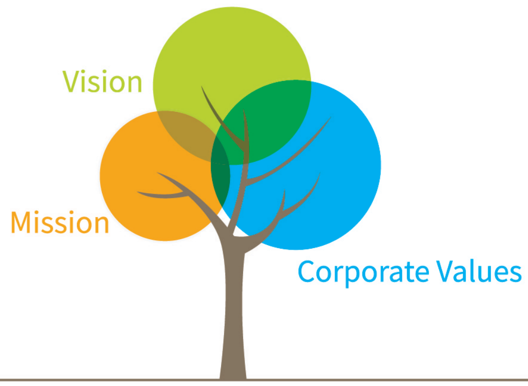


Vision Statement

The Central Bank of Kenya's vision is to be a World Class Modern Central Bank reflected in its People, Systems and Processes. The Bank pursues its vision in support of economic growth, guided by law, national development agenda and international best practices.

The Bank's Mission

The Central Bank of Kenya (CBK), established under Article 231 of the Republic of Kenya Constitution, is responsible for formulating and implementing monetary policy for price stability, issuing currency and performing other functions conferred on it by an Act of Parliament.

The other mandates of CBK are: -

- 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 license 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.

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 practices for bank supervision and regulation.

The Bank's Core Values

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

i. **Commitment:** The Board, Management and staff are committed to implementing the Bank's mandate as stipulated in the Constitution of Kenya and the CBK Act.

ii. **Professionalism and Relevance:** The Board, Management and staff will always endeavor to offer quality services to its internal and external stakeholders, diligently observing high professional standards at all times and respecting the rules and regulations set by the Bank. All initiatives and activities undertaken remain relevant to the Bank's strategic objectives in pursuit of its core mandate.

iii. **Efficiency and Effectiveness:** The Bank will at all times undertake its operations in the most cost efficient and effective manner while maintaining high standards of performance in execution of its mandate.

iv. **Transparency, Accountability, and Integrity:** The Board, Management and staff will always act in a transparent and accountable manner when handling all the affairs of the Bank both internally and with external parties so as to uphold the Bank's image at all times. In addition, the Bank will uphold high standards of ethics, integrity and honesty as guided by the Constitution, act in an ethical manner as guided by the Leadership and Integrity Act and Public Officers' Ethics Act and observe high moral standards.

v. **Innovativeness:** The Bank will encourage, nurture and support creativity and the development of new ideas and processes for the continued improvement of organizational performance.

vi. **Mutual Respect and Teamwork:** Mutual respect shall at all times be observed internally amongst colleagues and when dealing with the Bank's external clients. In addition, the Board and staff will cooperate and collaborate to enhance performance and create a healthy work environment.

vii. **Diversity and Inclusiveness:** The Bank appreciates and embraces the differences in its employees' skill set and abilities and encourages consultations and inclusiveness in pursuit of its mandate across departments. This is aimed at maximizing productivity and enhancing the Bank's overall performances.

GOVERNOR'S MESSAGE

The banking sector entered 2021 on a strong footing poised to rebound after the coronavirus (COVID-19) pandemic. Kenya's economy demonstrated resilience to the COVID-19 shock, due to the various measures that were put in place at the onset of the pandemic. In 2021, the economy was substantially reopened as most of the pandemic containment measures were cased and shifted to post-COVID-19 recovery. Banks positioned themselves for recovery through *inter-alia* the review of their business models, digital acceleration, review of their delivery channels, sourcing for long term funding and exploring equity injections and mergers/ acquisitions.

Kenya's banking sector remained stable and resilient, with a total capital adequacy ratio of 19.5 percent in December 2021, above the minimum capital adequacy ratio of 14.5 percent. Similarly, the sector's liquidity stood above the minimum statutory level of 20 percent at an average liquidity ratio of 56.2 percent in the same period. Total net assets grew by 11.4 percent from Ksh.5.4 trillion in December 2020 to Ksh.6.0 trillion in December 2021. Customer deposits increased by 11.0 percent from Ksh.4.0 trillion in December 2020 to Ksh.4.5 trillion in December 2021.

The one-year emergency measures on extension and restructuring of loans announced by the Central Bank of Kenya (CBK) in 2020, ended on March 31, 2021. Thereafter, the standard procedures for loan classification and provisions applied. At the end of the period, loans amounting to Ks.1.7 trillion or 54.8 percent of total banking sector loans had been restructured. Consequently, borrowers whose loans were performing before the measures were instituted, but were restructured and subsequently went into arrears, were given a three-month grace period up to June 2021, to regularize their loans. As at the end of December 2021, the outstanding restructured loans amounted to Ksh.423.6 billion or 13 percent of total banking sector loans. Of this amount 92.3 percent of the outstanding restructured loans were performing, while 7.7 percent was nonperforming. The measures provided the intended relief to borrowers, supported continued operations of businesses, and strengthened the resilience of banks.

On the economic front, the global economy rebounded as COVID-19 measures were cased leading to reopening of the economies. Similarly, economic rebounds were also evident in Sub-Saharan Africa and on the domestic front. However, upside risk to the global economic outlook remains in light of geo-political tensions and the uncertain trajectory of the COVID-19 pandemic.

As we embark on the recovery path, CBK's vision remains one of a banking sector that is responsible, disciplined and aligned to customer needs. Accordingly, banks continue to operationalize the four pillars of the vision: Customer centricity, risk-based credit pricing, transparency and doing the right thing.

The customer must remain at the heart of bank's strategies and operations. Agility will be imperative as banks respond to rapidly changing customer needs and preferences. More broadly, banks must remain cognisant of societal needs and concerns. In particular, efforts towards greening the financial sector should be accelerated to secure the planet's sustainability.

Dr. Patrick Njoroge
Governor, Central Bank of Kenya

FOREWORD BY DIRECTOR, BANK SUPERVISION

Kenya's banking sector remained stable and resilient in 2021, characterized by sound capital and liquidity ratios. The total capital adequacy ratio stood at 19.5 percent in December 2021, above the minimum adequacy ratio of 14.5 percent whereas the liquidity ratio stood above the minimum statutory level of 20 percent at an average liquidity ratio of 56.2 percent in the same period.

The key highlights of the sector's financial performance were: -

- Total net assets which grew by 11.4 percent from Ksh.5.4 trillion in December 2020 to Ksh.6.0 trillion in December 2021, with the growth being supported by the increase in loans and advances.
- Customer deposits increased by 11.0 percent from Ksh.4.0 trillion in 2020, to Ksh.4.5 trillion in 2021. The growth in deposits was due to deposit mobilization through agency banking and mobile phone platforms.
- The pre-tax profit for the sector increased by 75.8 percent from Ksh.112.1 billion in December 2020, to Ksh.197.0 billion in December 2021. The growth was largely supported by the growth in the credit portfolio, investment in government securities, commissions and earnings from foreign exchange trading.
- Gross loans which increased by 8.3 percent from Ksh.3,006.1 trillion in December 2020, to Ksh.3,255.4 trillion in December 2021. The growth in loans is attributed to increased demand for credit by the various economic sectors.
- The liquidity ratio stood at 56.2 per cent as at December 2021, higher than the liquidity ratio in December 2020 of 54.5 per cent.
- The ratio of non-performing loans declined from 14.5 percent in December 2020, to 14.1 percent in December 2021. The marginal decline was mainly attributable to recovery efforts by banks as well as the country experiencing recovery from the COVID-19 pandemic.

Regulatory Reforms

- CBK issued the **Guidance on Climate-Related Risk Management** to commercial banks in October 2021. Taking cognizance of the climate related risks and opportunities, the banking sector players are expected to incorporate climate related risks in their business and operation models. Banks are also expected to build the requisite capacity in the areas of governance, strategy, risk management and disclosures relating to climate change.

- CBK welcomed, the enactment of the **Central Bank of Kenya (CBK) (Amendment) Act, 2021 and coming into effect of CBK Digital Credit Providers Regulations, 2022** which empowers CBK to license and provide oversight to unregulated Digital Credit Providers. The influx of unregulated digital credit service providers has continued to pose significant challenges in Kenya. These include high indebtedness of borrowers, lack of consumer protection safeguards and resultant adverse social consequences, financial integrity concerns (money laundering and financing of terrorism).

Consolidations, Mergers and Acquisitions

- The banking sector also continued to witness **market driven consolidation** mainly driven by the desire by the microfinance banks to grow, innovate and be well capitalized. The two institutional changes concluded in the year were.

    - Wakanda Network Limited (of United Kingdom) acquired 85 percent shareholding of Choice Microfinance Bank Limited effective October 22, 2021.
    - Salaam African Bank (of Djibouti) acquired 100 percent shareholding of Uwezo Microfinance Bank Limited effective March 25, 2021.

2022 Outlook

The banking sector is expected to maintain its growth momentum supported by economic recovery as the world better copes with and manages COVID-19. Banks will continue refining their business models to support increased digitalisation as well as keeping customers' needs at the centre of their business ecosystems. In addition, some of the ongoing reforms and new initiatives planned to be concluded in year 2022 include:

- Focus on the **implementation of the legal and regulatory frameworks for digital credit providers**. In this regard, CBK expects that all previously unregulated DCPs to apply to CBK for a license by September 17, 2022, or cease operations. The Regulations mandate CBK to license and provide oversight of previously unregulated Digital Credit Providers.
- CBK will continue to **monitor how institutions are integrating climate-related and environmental risks** when formulating and implementing their business strategy, governance, and risk management frameworks. Commercial banks are therefore expected to develop and submit to CBK a time bound implementation plan of Guidance on Climate-related Risk Management by June 30, 2022. The implementation plan should be approved by the commercial bank's Board.
- **Strengthening banking sector liquidity by issuance of Internal Liquidity Adequacy Assessment Process (ILAAP)** Guidance Note. This will among others enhance the existing liquidity risk management as well as mandate adoption of Liquidity Coverage Ratio and the Net Stable Funding Ratio by commercial banks in line with Basel III pronouncements. ILAAP is an effective framework for liquidity risk management and will strengthen the liquidity resilience of banks and enable them ride through periodic liquidity shocks.

Gerald Nyaoma
Director, Bank Supervision Department

EXECUTIVE SUMMARY

"A year of recovery." 2021 was a year of recovery coming after "the year like no other" that was 2020, dominated by the COVID-19 pandemic. In 2021, the roll out of vaccines and adoption of the global populace to the pandemic, saw the beginning of the recovery of the global economy.

The global and regional economies: Global economic growth is estimated to have grown by 6.1 percent in 2021, rebounding from a contraction of 3.5 percent in 2020. This followed the abatement of the COVID-19 pandemic in 2021, leading to re-opening of economies. Regionally, in Sub-Saharan Africa, economic growth is estimated to have grown by 4.5 percent from a contraction of 1.7 percent in 2020.

The domestic economy rebounded strongly in 2021, supported by recovery in non-agricultural activity following easing of COVID-19 restrictions. The economy grew by 7.5 percent, compared to a contraction of 0.3 percent in 2020. Overall inflation remained well anchored within the medium-term target band in 2021. The increase in annual average inflation to 6.1 percent in December 2021 from 5.4 percent in December 2020, was mainly on account of increased fuel prices.

Performance of the banking sector. The sector's asset base grew by 11 percent to approximately Ksh.6.0 trillion in 2021 from Ksh.5.4 trillion in 2020. The increase in total assets was mainly attributed to the growth in investments in government securities and loans and advances. The sector recorded strong capitalization levels as a result of retention of profits and additional capital injections. The sector's capital adequacy ratio stood at 19.5 percent in 2021, an increase from 19.0 percent in 2020. Profit before tax increased by 75.7 percent to Ks.197.0 billion from Ksh.112.1 billion in 2020. The increase in profitability was attributed to a higher increase in income of 9.3 percent as compared to a decrease in expenses by 6.7 percent.

This report highlights the structure of the Kenyan banking sector, supervisory developments, macroeconomic conditions, banking sector performance, regional and international development initiatives. The banking sector is projected to remain resilient in 2022, as banks continue supporting the post COVID-19 economic recovery.

CHAPTER 1

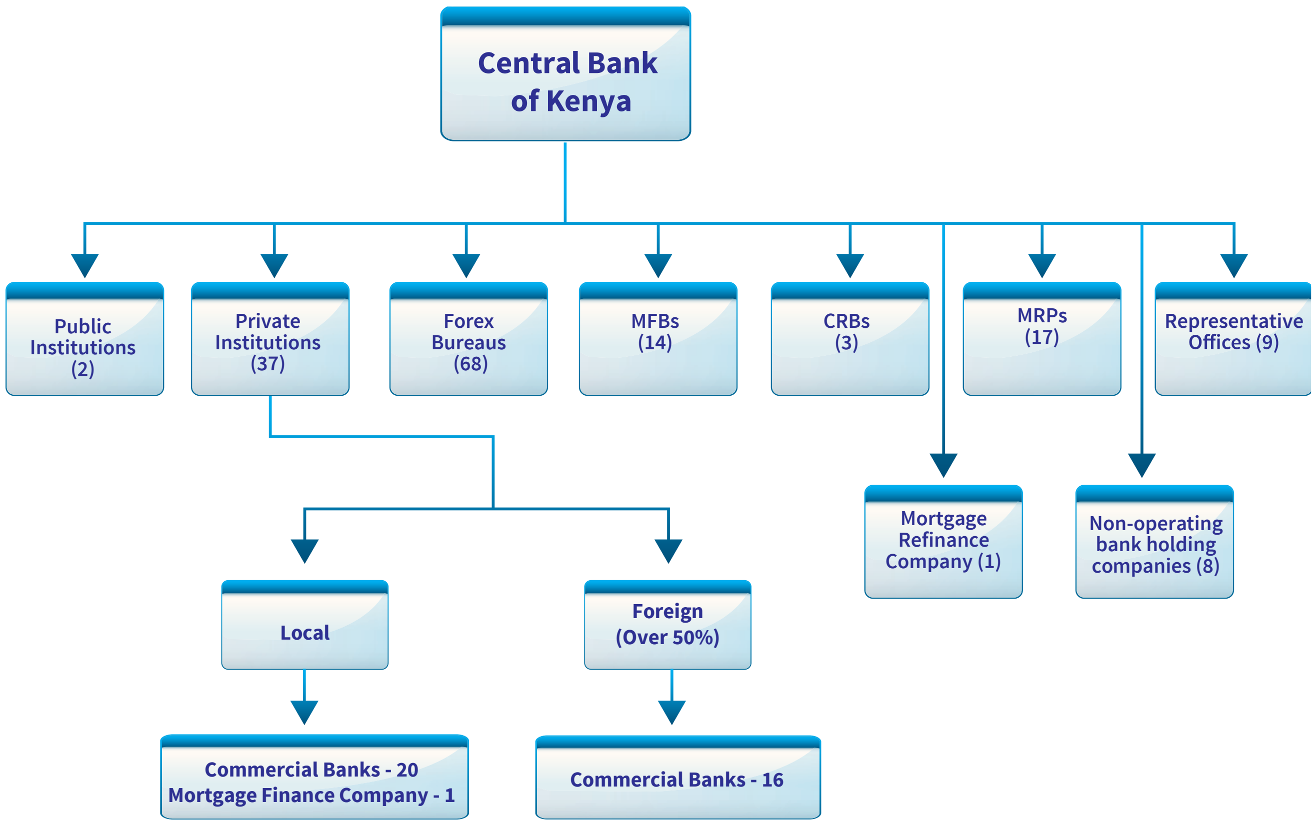
STRUCTURE OF THE BANKING SECTOR

STRUCTURE OF THE BANKING SECTOR

1.1 The Banking Sector

As at December 31, 2021, the Kenyan banking sector comprised of the Central Bank of Kenya (CBK), as the regulatory authority, 38 Commercial Banks, 1 Mortgage Finance Company, 1 Mortgage Refinance Company, 9 Representative Offices of foreign banks, 14 Microfinance Banks (MFBs), 3 Credit Reference Bureaus (CRBs), 17 Money Remittance Providers (MRPs), 8 non-operating bank holding companies and 68 foreign exchange (forex) bureaus. Out of the 39 banking institutions, 37 were privately owned while the Kenya Government had majority ownership in 2 institutions. Of the 37 privately owned banks, 21 were locally owned (the controlling shareholders are domiciled in Kenya) while 16 were foreign owned. The 21 locally owned institutions comprised 20 commercial banks and 1 mortgage finance company. Of the 16 foreign-owned institutions, all are commercial banks with 13 being local subsidiaries of foreign banks and 3 are branches of foreign banks. All licensed forex bureaus, microfinance banks, credit reference bureaus, money remittance providers, non-operating bank holding companies and a privately owned (some are locally owned some foreign owned). **Chart I** below depicts the structure of the banking sector as at December 31, 2021.

Chart 1: Structure of the Banking Sector - December 2021



[1] *GOK shareholding includes shares held by state corporations*

STRUCTURE OF THE BANKING SECTOR

Bank Supervision Department

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

   - 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.
   - Continuous review of Regulations and Guidelines for Foreign Exchange Bureaus licensed under the Central Bank of Kenya Act.
   - Continuous review of Regulations for Money Remittance Providers licensed under the Central Bank of Kenya Act.
   - Continuous review of Regulations for Credit Reference Bureaus licensed under the Banking Act.

ii. Processing licenses of Commercial Banks, Non-Bank Financial Institutions, Mortgage Finance Institutions, Mortgage Refinance Companies, Representative Offices, Non-Operating Holding Companies, Foreign Exchange Bureaus, Microfinance Banks, Credit Reference Bureaus and Money Remittance Providers.

iii. Conducting 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, Money Remittance Providers and Mortgage Refinance Companies licensed under the Central Bank of Kenya Act.

iv. Conducting offsite surveillance of institutions licensed under the Banking Act, Microfinance Act, and Foreign Exchange Bureaus, Money Remittance Providers and Mortgage Refinance Companies 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 regarding opening and closing of places of business, the appointment of directors and senior managers, appointment of external auditors, the introduction of new products/ services, increase of bank charges and review of annual license renewal applications in accordance with statutory and prudential requirements.

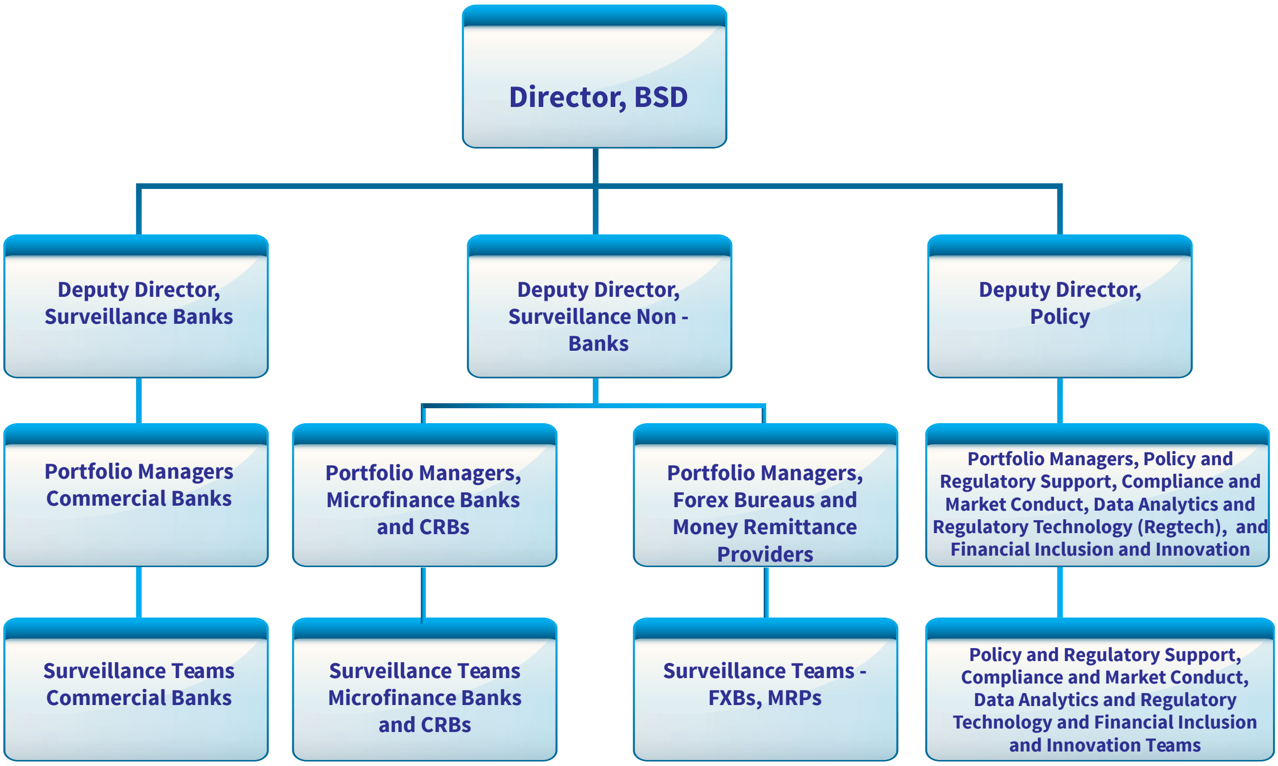
v. Hosting of the Secretariat for the National Task Force on Money Laundering (NTF) whose mandate is to develop a legal and regulatory framework to counter and prevent the use of the Kenyan financial system for money laundering. The NTF is chaired by the National Treasury. Through the NTF, BSD participates in initiatives by the Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG). ESAAMLG brings together 14 Eastern and Southern Africa countries with a principal mandate of developing a legal and regulatory Anti Money Laundering (AML) framework.

vi. Participation in regional activities organized by regional and international bodies or associations such as the World Bank, International Monetary Fund (IMF), East African Community (EAC), and Common Market for Eastern and Southern Africa (COMESA), the Alliance for Financial Inclusion (AFI) and African Rural and Agricultural Credit Association (AFRACA).

vii. Facilitation of the signing of Memoranda of Understanding (MOUs) between the CBK and other local or foreign supervisory authorities.

viii. As at December 31, 2021, the Bank Supervision Department had a staff complement of eighty-six (86) comprising eighty (80) technical staff and six (6) support staff. The department is divided into three divisions as shown in **Chart 2**.

Chart 2: Bank Supervision Organogram



Source: CBK

1.2 Ownership and Asset Base of Commercial Banks

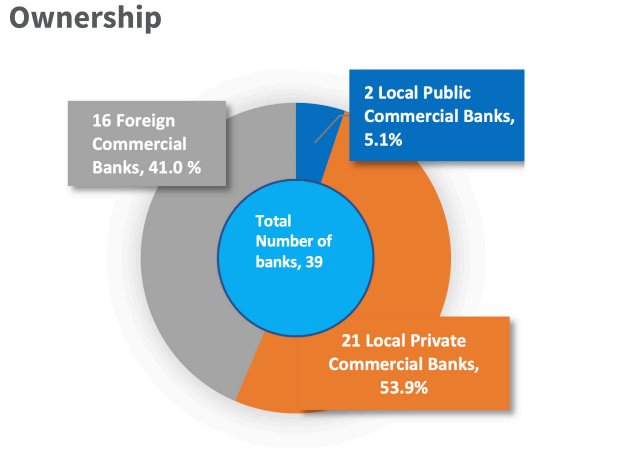
The total net assets in the banking sector stood at Ksh.6.0 trillion as at December 31, 2021, compared to Ksh.5.4 trillion as at December 2020, recording a growth of 11.4 percent. There were 21 operating local private commercial banks and 2 operating local public commercial banks, which accounted for 68.5 percent and 0.5 percent of total net assets respectively. A total of 16 operating commercial banks were foreign owned and accounted for 31.0 percent of the sector's assets as indicated in **Table 1** and **Chart 3**.

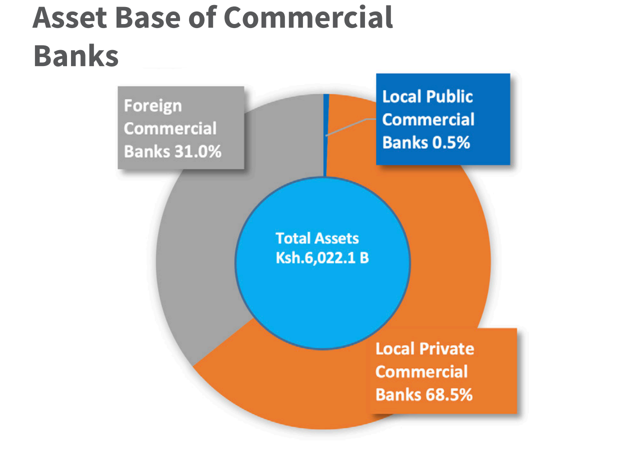
Table 1: Ownership and Asset Base of Commercial Banks

Ownership	Number of operating banks	% of Total	Total Net Assets, Ksh.M	% of Total
Local Public Commercial Banks	2	5.1	31,573	0.5
Local Private Commercial Banks	21	53.9	4,124,306	68.5
Foreign Commercial Banks	16	41.0	1,866,268	31.0
Total	**39**	**100.0**	**6,022,147**	**100.0**

Source: CBK

Chart 3: Ownership and Asset Base of Commercial Banks December 2021





1.3 Distribution of Commercial Banks Branches

The number of bank branches decreased from 1,502 in 2020, to 1,459 in 2021, which translates to a decrease of 43 branches (2.86 percent). Nairobi County registered the highest decrease in the number of branches by 33 branches (**Appendix XVI).** A total of 11 counties registered an increase of 19 bank branches while 14 counties registered a decrease of 62 bank branches. In 22 counties, there was no change in bank branches. The decrease in bank branches is mainly attributed to closure of branches by some commercial banks due to adoption of alternative delivery channels including agency banking, mobile phone banking, and internet banking

1.4 Commercial Banks Market Share Analysis

The Kenyan commercial banks are classified into three peer groups using a weighted composite index. The index comprises net assets, customer deposits, capital and reserves, number of deposit accounts and number of 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.

For the year ended December 31, 2021, there were 9 large banks with a combined market share of 74.76 percent, 8 medium banks with a combined market share of 16.41 percent and 22 small banks with a combined market share of 8.82 percent as shown in **Table 2, Chart 4** and **Appendix IV**.

Table 2: Commercial Banks Market Share Analysis

Peer Group	Combined Weighted Market Share (%)		No. of Institutions		Total Net Assets, (Ksh. B)		Total Deposits, (Ksh. B)		Capital and Reserves (Ksh. B)		Profit Before Tax (Ksh.B)	
	Dec-20	Dec-21	Dec-20	Dec-21	Dec-20	Dec-21	Dec-20	Dec-21	Dec-20	Dec-21	Dec-20	Dec-21
Large	74.55	74.76	9	9	4,033	4,508	3,061	3,387	599	667	97	171
Medium	17.21	16.41	9	8	910	968	732	781	141	147	17	24
Small	8.24	8.82	21	22	463	546	330	394	68	80	-3	2
Total	**100**	**100**	**39**	**39**	**5,406**	**6,022**	**4,123**	**4,562**	**807**	**894**	**112**	**197**

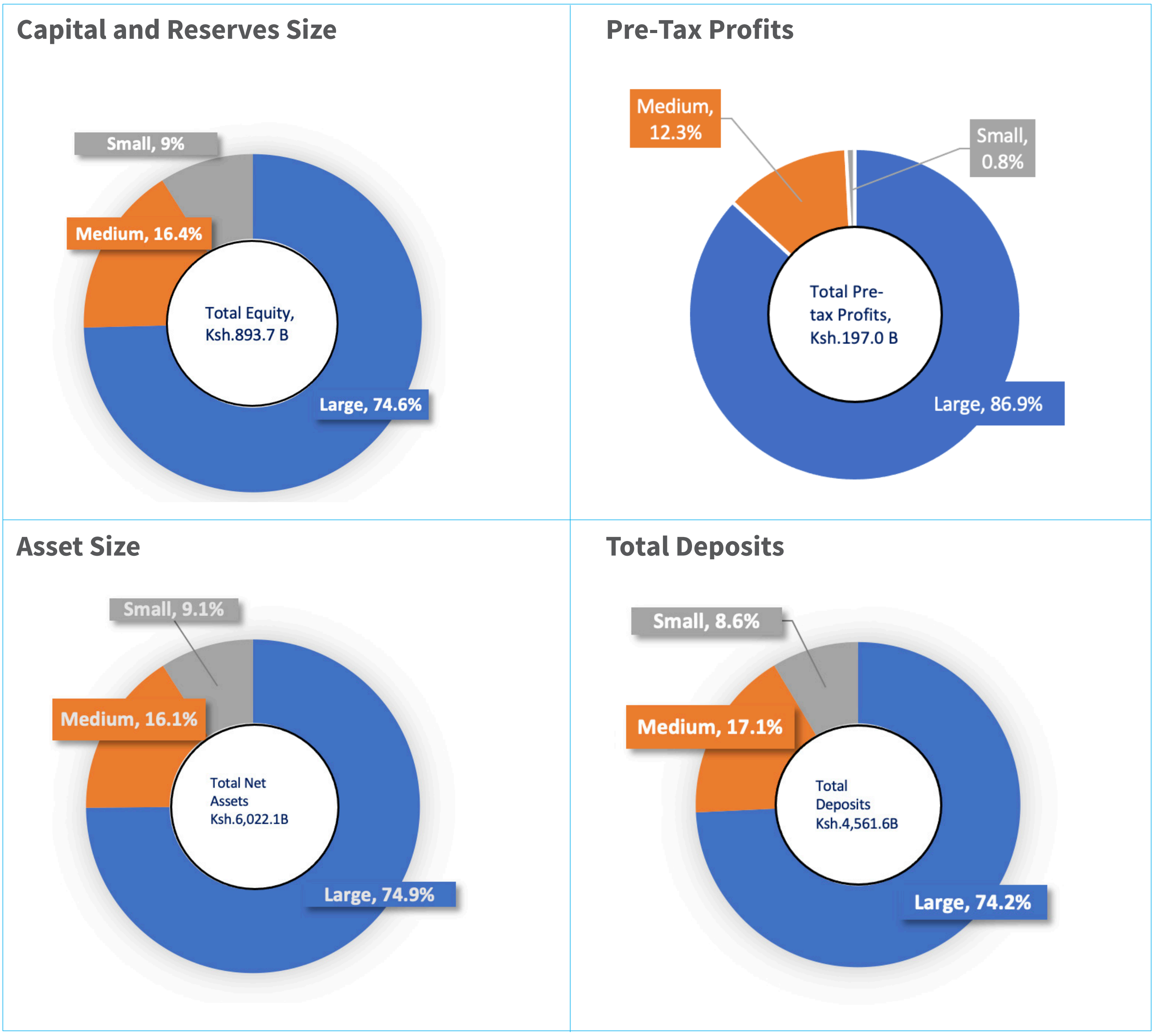
Source: CBK

STRUCTURE OF THE BANKING SECTOR

There were shifts in market share positions for the banks in the three peer groups: -

- Banks in large peer group increased their combined market share to 74.76 percent in December 2021, from 74.55 percent in December 2020.
- The combined market share of banks in the medium peer group decreased to 16.41 percent in December 2021, from 17.21 percent in December 2020. The decrease was mainly due to one bank moving to the small peer group.
- Banks in Small Peer group had a combined market share of 8.82 percent in December 2021, an increase from 8.24 percent in December 2020.The increase was mainly on account of one bank dropping from the medium peer group to the small peer group.

Chart 4: Commercial Banks Market Share (%) December 2021



Source: CBK

In 2021, the banking sector capital and reserves increased by 10.7 percent to Ksh.893.7 billion in December 2021 from Ksh.807.5 billion in December 2020. All the peer groups registered increased capital and reserves. The increase in capital and reserves is attributable to additional capital injections by commercial banks as well as retained earnings from the profits realized in the year.

The banking sector registered strong performance in 2021, with profit before tax increasing by 75.7 percent from Ksh.112.2 billion in December 2020, to Ksh.197.0 billion in December 2021. The increase in profitability was attributed to an increase in total income (Ksh.53.8 billion) and a decrease in total expenses (Ksh.31.2 billion).

The large peer group accounted for 86.9 percent of the total pre-tax profit, a decrease from 89.9 percent recorded in 2020. The small peer group proportion of total pre-tax profit increased from negative 2.2 percent in 2020 to 0.8 percent in 2021. This was attributable to a decrease in the number of banks making losses from 8 banks in 2020, to 5 banks in 2021.The medium peer group proportion of total pre-tax profit decreased from 15.3 percent in 2020 to 12.3 percent in 2021, due to one bank moving to small peer group.

Total deposits increased by 12.2 percent to Ksh.4.6 trillion in December 2021, from Ksh.4.1 trillion in December 2020. The growth was supported by mobilization of deposits through digital platforms.

1.5 Automated Teller Machines (ATMs)

The number of Automated Teller Machines (ATMs) decreased by 46 (19 percent) to 2,366 in December 2021, from 2,412 in December 2020, as indicated in **Table 3.** The general decrease in ATMs in 2021, is because of adoption of mobile phone and digital banking in the banking industry.

Table 3: ATM Network

Month	No of ATMs	Monthly Increase / (Decrease)	Percentage Growth (%)
December 2020	2,412	12	0.5
January 2021	2,403	9	0.4
February 2021	2,411	-8	-0.3
March 2021	2,406	5	0.2
April 2021	2,400	6	0.2
May 2021	2,398	2	0.1
June 2021	2,401	-3	-0.1
July 2021	2,393	8	0.3
August 2021	2,381	12	0.5
September 2021	2,365	16	0.7
October 2021	2,360	5	0.2
November 2021	2,350	10	0.4
December 2021	2,366	16	0.7
Source: CBK			

1.6 Asset Base of Microfinance Banks

The number of licensed microfinance banks remained at fourteen (14), as at December 31, 2021. Out of fourteen microfinance banks, three (3) held community microfinance bank licenses, while eleven (11) held nationwide microfinance bank licenses.

The microfinance sector registered a 1 percent decline in total assets in the year 2021. The total assets as at December 31, 2021, stood at Ksh.73.9 billion, in comparison to Ksh.74.9 billion reported in the year ended 2020. Net advances decreased by 9 percent from Ksh.44.2 billion in 2020 to Ksh.40.1 billion in December 2021.

As highlighted in **Table 4**, lending remained the single largest activity undertaken by microfinance banks, as the net loan portfolio accounted for 54 percent of the microfinance bank's total assets.

Customer deposits increased by 2 percent from Ksh.49.4 billion in 2020 to Ksh.50.4 billion in 2021. The growth in deposits was due to enhanced mobilization through existing branch networks and alternative business delivery channels. Customer deposits and borrowings were the main sources of funding, accounting for 68 percent and 12 percent of the microfinance banks' total funding sources.

Table 4: Microfinance Banks Balance Sheet Analysis (Ksh.M)

ASSETS	2020	% of Total	2021	% of Total
Cash Balance (Local and Foreign notes and coins	1,280	2	2,556	3
Deposit balances at banks and financial institutions	10,935	15	11,192	15
Government Securities	4,309	6	5,733	8
Net Advances	44,179	59	40,115	54
Accounts Receivables	1,797	2	2,269	3
Net Fixed Assets	9,622	13	7,112	10
Other Assets	2,757	4	4,986	7
TOTAL NET ASSETS	**74,879**	**100**	**73,963**	**100**
LIABILITIES AND EQUITY FUNDS				
Deposits	49,356	66	50,413	68
Borrowings	11,340	15	9,082	12
Other Liabilities	6,070	8	5,366	7
Capital and Shareholders Funds	8,113	11	9,102	12
TOTAL LIABILITIES AND EQUITY FUNDS	**74,879**	**100**	**73,963**	**100**

Source: CBK

1.7 Microfinance Banks Market Share Analysis

The microfinance banks market share is based on a weighted composite index comprising of assets, deposits, capital, number of active deposit accounts and active loan accounts. Microfinance banks are classified into three peer groups namely large, medium and small. A microfinance bank 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.

As at December 31, 2021, there were three (3) large microfinance banks with an aggregate market share of 80.2 percent, six (6) medium microfinance banks with a combined market share of 18.9 percent and five (5) small microfinance banks with an aggregate market share of 0.9 percent as shown in **Table 5.**

Table 5: Microfinance Banks Market Share Analysis - December 31, 2020, and December 31, 2021

2020		2021							
	Market Size Index (%)		Market Size Index (%)	Gross Assets	Total Deposits	Total Capital	Number of Active Deposit Accounts	Number of active Loan Accounts
Weighting	2020	Weighting	2021	0.33	0.33	0.33	0.005	0.005
Large		Large		Ksh.Millions			Thousands	
Faulu MFB	40.2	Faulu MFB	39.5	27,780	21,524	3,550	102	34
Kenya Women MFB	33.5	Kenya Women MFB	33.5	26,961	17,737	2,564	414	145
Rafiki MFB	7.2	Rafiki MFB	7.2	5,889	3,336	665	18	7
	81.0		**80.2**	**60,630**	**42,597**	**6,779**	**534**	**186**
Medium		Medium						
SMEP MFB	4.9	SMEP MFB	4.6	3,382	2,366	387	86	17
Maisha MFB	4.8	Caritas MFB	4.3	2,951	2,504	347	35	4
Caritas MFB	3.4	Sumac MFB	3.5	3,037	1,266	361	13	3
Sumac MFB	3.1	Maisha MFB	3.5	1,480	478	686	34	9
U & I MFB	1.4	Uwezo MFB	1.5	433	20	368	0.4	-
		U & I MFB	1.5	1,006	401	221	6	0.7
	17.6		**18.9**	**12,289**	**7,035**	**2,370**	**174.4**	**33.7**
Small		Small						
Key MFB	0.6	Key MFB	0.4	289	80	57	6	0.3
Uwezo MFB	0.5	Muungano MFB	0.4	189	93	70	3	0.6
Muungano MFB	0.4	Century MFB	0.3	402	388	(46)	2	0.2
Century MFB	0.2	Daraja MFB	(0.0)	120	103	(37)	0.1	0.1
Daraja MFB	(0.1)	Choice MFB	(0.2)	45	115	(91)	5	0.1
Choice MFB	(0.2)							
	1.4		**0.9**	**1,045**	**779**	**(47)**	**16.1**	**1.3**
Grand Total	**100.0**		**100.0**	**73,964**	**50,411**	**9,102**	**724.5**	**221**

Source: CBK

The large and small peer groups registered a decline of 0.8 percent and 0.5 percent respectively from the 2020, market share, whereas the medium peer group experienced a growth of 1.3 percent. The rankings in the large peer category remained the same as 2020. In the medium peer category, Caritas MFB and Sumac MFB gained market share and were consequently ranked higher than Maisha MFB in 2021. Further, Uwezo MFB ranking migrated from small to medium peer category group, this follows its acquisition in March 2021, by Salaam African Bank and injection of additional capital. In the small peer group, the rankings remained the same, except for migration of Uwezo MFB to medium peer category. The movement of the individual institution's market share is as follows:

- In the large peer category, Faulu MFB's market share declined by 0.7 percent, while Kenya Women MFB's and Rafiki MFB's market share remained the same.
- In the medium peer group, Uwezo MFB, Caritas MFB, Sumac MFB and U&I MFB registered 1.3 percent, 0.9 percent, 0.4 percent and 0.1 percent growth in market share respectively, while Maisha MFB registered a decline of 1.3 percent.
- In the small peer category, Century MFB and Daraja MFB had a marginal growth of 0.1 percent in market share, while Key MFB market share declined by 0.2 percent. Muungano MFB and Choice MFB market share remained unchanged from 2020. Daraja MFB and Choice MFB had negative market share of 0.1 percent and 0.2 percent respectively because of having negative total shareholders' funds.

1.8 Distribution of Foreign Exchange Bureaus

Following the licensing of two (2) forex bureaus in the course of the year, the number of licensed forex bureaus increased to stand at sixty-eight (68), as at December 31, 2021.

In the course of the year, the bureaus established twelve (12) new outlets, increasing the number of outlets to 118 outlets countrywide as at December 31, 2021, up from 106 in the year 2020. Most of the outlets are located in Nairobi as shown in **Table 6**:

Table 6: Distribution of Forex Bureau Outlets

City/Town	No. of Outlets	% Total
Nairobi	99	84
Mombasa	10	8
Kisumu	2	2
Eldoret	1	1
Nakuru	1	1
Garissa	1	1
Fafi	1	1
Busia	1	1
Namanga	1	1
Malindi	1	1
Total	**118**	**100**

Source: CBK

CHAPTER 2

DEVELOPMENTS IN THE BANKING SECTOR

2.1 Introduction

2021 was a year of recovery for the Kenyan banking sector as it emerged from the social and economic disruptions of the COVID-19 pandemic. With the containment of the health crisis, the banking sector witnessed the mainstreaming of hybrid working models, unwinding of COVID-19 mitigating measures implemented in 2020, and a gradual restoration of pre-COVID-19 levels of service. The sector continued playing its supportive role in the economy as economic activity resumed and businesses reopened.

A key supervisory highlight of the year was the enhancement of the banking sector legal and regulatory framework through enactment of the Central Bank of Kenya (Amendment) Act, No 10 of 2021. The amendment, enacted on December 23, 2021, brought previously unregulated Digital Credit Providers under CBK's regulatory purview and thereby expanded CBK's regulatory perimeter.

In consultation with industry stakeholders, CBK continued coordinating technical leadership in emerging areas of supervisory significance to enable the banking sector meet emerging operational and strategic challenges. This includes provision of guidance in such areas as sustainability and climate risk assessment, digital innovations, development of Central Bank Digital Currency (CBDC), Decentralised Finance (DeFI) and Cloud Computing.

2.2 Banking Sector Charter

Following the issuance of the Kenya Banking Sector Charter (BSC) in 2019, CBK has been engaging commercial banks on its implementation. The Charter sought to operationalize a vision of a banking sector that works for and with Kenyans, anchored on four pillars, customer-centricity, risk-based pricing, transparency, and ethical banking.

During the year, CBK continued engaging commercial banks on the implementation of the BSC, particularly with regard to Risk Based Credit Pricing (RBCP) models and the Banking Circular No. 1 of 2019 on BSC. The purpose of the engagements has been to ensure that banks refine and improve their RBCP models. This will ascertain their robustness and effectiveness in delivery of the overall objective of fairness in pricing credit as articulated in the BSC. In compliance with the requirements of the Banking Circular on BSC, all commercial banks have submitted their BSC Implementation Plans approved by their boards.

2.3 Legal and Regulatory Framework

Amendments to the Central Bank of Kenya Act: The Central Bank of Kenya (Amendment) Act No 10 of 2021, was assented to by His Excellency, the President on December 7, 2021, and became effective on December 23, 2021. The Act empowered CBK to regulate the previously unregulated digital lenders. This followed concerns raised by the public on unethical practices by unregulated digital lenders particularly relating to high cost of credit, unethical debt collection practices and violation of data privacy.

Accordingly, CBK was to develop appropriate regulations for digital lenders within three (3) months of the coming into force of the Act. The Regulations are expected to provide *inter alia* for the licensing, governance, and credit operations of digital lenders. They will also provide for consumer protection, credit information sharing and Anti-Money Laundering and Combating the Financing of Terrorism obligations of digital lenders.

2.4 Consolidations, Mergers and Acquisitions, and New Entrants

The following institutional changes in the banking industry took place during the year:

- Salaam African Bank (of Djibouti) acquired 100 percent shareholding in Uwezo Microfinance Bank Limited effective March 25, 2021, as per under Section 19 (4) of the Microfinance Act. This was approved by the Cabinet Secretary for the National

Treasury and Planning on January 12, 2021, pursuant to Section 19(3)(b) of the Microfinance Act.

- Wakanda Network Limited (of United Kingdom) acquired 85 percent shareholding of Choice Microfinance Bank Limited effective October 22, 2021, as per under Section 19 (4) of the Microfinance Act. This was approved by the Cabinet Secretary for the National Treasury and Planning on October 5, 2021, pursuant to Section 19(3)(b) of the Microfinance Act.

2.5 Micro, Small and Medium Enterprises (MSME) Support

Micro, Small and Medium Enterprises (MSMEs) continue to make a substantial contribution to livelihoods and inclusive growth in Kenya. MSMEs cover a wide range of activities across all sectors of the economy. This includes manufacturing, service, tourism, building and construction, transport, agriculture, wholesale and retail, among other sectors.

Despite their critical role, MSMEs are perennially confronted by various challenges, the most recent being the COVID-19 pandemic. Having disproportionately borne the brunt of the pandemic, MSMEs are on a journey towards recovery. This involves building back businesses operations that were halted during the pandemic and reviving disrupted supply chains.

CBK has remained supportive to the MSMEs sector during the peak of the pandemic as well as during this recovery journey. Some of the ways that CBK has supported this sector include:

- Encouraging financial institutions to **create customized products that meet the specific needs of the MSME sector.** This ensures that MSMEs are offered affordable and convenient financial services, that they can access at the comfort of their business.
- Encouraging the deployment **of appropriate and robust financial technologies** that promotes customer centricity, eligibility of collaterals and product diversification for the MSME sector. CBK is nudging the financial sector to ensure that technology as a tool is used to support of the MSME sector.
- Supporting and participating in **effective public policy debate on MSME financing in Kenya**, regionally as well as globally.
- Supporting Government initiatives to facilitate of the MSME sector. Some of these include:
    - The digitization of the **Government registries for immovable and movable assets.** This initiative is expected to deal with the challenge of collateral requirements in accessing finance.
    - The operationalization of the **Credit Guarantee Scheme**. The scheme, which was launched in October 2020, was fully operationalized in 2021, with all seven participating commercial banks having begun lending under the scheme as at April 2021. The scheme is expected to de-risk lending by commercial banks and is critical in enhancing credit in the MSME sector.

2.6 Coronavirus (COVID-19) Pandemic Emergency Measures

The year 2021 has been a year of recovery from the COVID-19 pandemic which had taken a toll in the year 2020. Rollout of the COVID-19 vaccines in March 2021, lifting of containment measures among other factors led to full reopening of businesses and the economy as a whole.

The one year for emergency measures on the extension and restructuring of loans ended on March 2, 2021, following which the standard procedures for loan classification and provisioning applied. Generally, the measure contributed to a large extent to a smooth recovery of the economy from the pandemic. The measures ensured continued provision of financial services and provided a buffer against a more adverse impact on the economy.

By March 2021, banks had restructured/extended the tenure of loans amounting to Ksh.1.7 trillion (54.8 percent of total gross loans). Consequently, in accordance with standard procedures, borrowers whose loans were performing before March 2, 2020, but were restructured and subsequently went into arrears, were given three months (up to June 3, 2021) to regularize their loans.

As at the end of December 2021, the outstanding restructured loans amounted to Ksh.423.6 billion (13.0 percent of the banking sector gross loans as at December 2021). Of this amount, 92.3 percent of the outstanding restructured loans were performing, while 7.7 percent was non-performing. The measures, provided the intended relief to borrowers, supported continued operation of business including essential sectors – manufacturing, trade, and transport and communication, and mitigated more severe loss of jobs and livelihoods. Additionally, the measures provided space for the banking sector to build capital and liquidity buffers, thereby strengthening resilience of the sector.

The lowering of the **Cash Reserve Ratio (CRR)** in March 2020, to 4.25 percent availed additional liquidity of Ksh.35.2 billion to the banking sector. As at December 2021, KSh.32.8 billion (93.1 percent) had been disbursed from the additional liquidity. This was an increase from 32.6 billion (92.7 percent) disbursed as of December 2020. The amount disbursed from the additional liquidity supported lending mainly to tourism (31.8 percent), trade (14.8 percent), transport and communication (13.9 percent), real estate (12.6 percent), manufacturing (12.1 percent), and agriculture (10.0 percent) as of December 2021.

On November 8, 2021, CBK announced the suspension for a period of twelve months of the listing of negative credit information for borrowers with loans below Kenya Shillings Ksh.5 million. The announcement of the suspension followed the publication of Legal Notice No. 225 of November 5, 2021, by the Cabinet Secretary for the National Treasury and Planning, on the recommendation of CBK, pursuant to regulation 18 (7) of the Banking (Credit Reference Bureau) Regulations, 2020.
The suspension was therefore targeted to rope in the MSMEs and for a specified duration that will provide space to turn around their businesses.

Accordingly, CBK recommended a threshold of a loan amount of Ksh.5 million and below, that will capture the targeted MSMEs. Further, a period of one year for the suspension is a reasonable period for the MSMEs to restore their businesses. The suspension applied to loans, which were performing but became non-performing from October 1, 2021.

2.7 Developments in Information and Communication Technology

2.7.1 Summary

The Kenyan banking sector is renowned for its uptake of technology to meet customer needs. The onset of COVID-19 in 2020, led to accelerated digitization by the banking sector and other sectors. According to the Innovation Survey 2021, the Kenyan banking sector has prioritized customer-centricity in innovation. Additionally, there is an increased interest in innovation for sustainability and climate awareness, especially in the microfinance banking sector. Further, collaboration and partnership were noted as key drivers of innovation. Subsequently, cyber risk and data privacy and protection were noted as key concerns of innovation, arising from interconnectedness of the financial sector.

The ICT Developments section highlights the impact of emerging technology and relevant policies in the banking sector across the following areas:

- Central Bank Digital Currencies (CBDCs).
- Digital Lending.
- Decentralized Finance.
- Open Banking.
- Artificial Intelligence and Machine Learning in Kenya's Banking Sector.
- Digital-Only Banks.

- Emergence of Super Applications.
- Sustainability in Financial Technology Adoption.
- Cyber Threat Landscape in the Financial Sector in Kenya.
- Fintech and Regulation.

Further, the section highlights CBK's Fintech-related undertakings, such as:

- Afro-Asia Fintech Festival.
- Development of the Minimum Standards for Guidance on Cloud Computing by EAC Central Banks.
- Toronto Centre Project on Gender, Technology and Financial Inclusion.

2.7.2 Central Bank Digital Currencies (CBDCs)

Rapid technological innovation is ushering in a new era of public and private digital money. These include private currencies such as stable coins and other cryptocurrencies. On the public front, digital currencies backed by central banks, Central Bank Digital Currencies (CBDCs) have emerged. A CBDC is a digital currency issued by the central bank and intended to serve as legal tender. It is the same as a fiat (central bank-issued) currency and is exchangeable one-to-one with the fiat currency, only that it is in electronic form.

To reap the full benefits and manage risks, policymakers are looking to step up. Central banks are exploring the possibility of rolling out CBDC solutions to meet their future payments needs in a digital economy. Recent surveys indicate that over 90 countries are exploring the use of CBDC. The Bahamas and the Eastern Caribbean Islands *inter-alia* have already rolled out CBDC. Advanced economies including the United Kingdom, the United States, Canada and Sweden have issued consultative papers on CBDC or are piloting potential implementation.

CBK has been engaging with different partners including other central banks globally in assessing the implementation and development of CBDCs.

CBK participated as a judge in the **Global CBDC Challenge** organized by the Monetary Authority of Singapore (MAS) in partnership with the International Monetary Fund, World Bank, Asian Development Bank, United Nations Capital Development Fund, United Nations High Commission for Refugees, United Nations Development Programme, and the Organization for Economic Co-operation and Development. The Global CBDC Challenge was launched on June 28, 2021, in the build up to Singapore Fintech Festival 2021. The challenge aimed to catalyze development of technologies to enable issuance of retail CBDC. The challenge attracted over 300 submissions from more than 50 countries. CBK's participation in the judging panel offered input on potential benefits and risks of CBDC.

CBK is engaged in discussions on the cutting edge of CBDC with other institutions including other central banks, BIS, United Nations Secretary-General's Special Advocate for Inclusive Finance for Development (UNSGSA), IMF, Financial Stability Board (FSB) and the World Bank. Case in point, CBK participated in a BIS closed-door *virtual roundtable on CBDC and financial inclusion* in October 2021. The meeting was organized by UNSGSA and the BIS Innovation Hub. During the roundtable, CBK and other central bank governors from select emerging markets, along with other stakeholders, discussed financial inclusion motivations and concerns regarding CDBCs in various emerging markets.

As at December 31, 2021, CBK was finalizing the draft *Discussion Paper on Central Bank Digital Currency*. The *Discussion Paper* examines the applicability of a potential CBDC in Kenya. It assesses Kenya's payments landscape and outlines the potential opportunities and risks of a CBDC in the Kenyan context. The *Discussion Paper* also evaluates CBDC initiatives by other jurisdictions globally.

2.7.3 Digital Lending

Digital credit in Kenya has evolved into a tool for individuals and small businesses alike, to supplement their daily expenses, gaining increased importance during the COVID-19 crisis, which strained most low- and middle-class households' sources of income. Its growth has been attributed to the ease and convenience of access to digital lending platforms' product offerings. While it was principally provided by regulated entities such as commercial and micro-finance banks, there has been a growth in the number of unregulated digital credit providers (DCPs) in the recent past. The unregulated digital loan applications have seen their usage rise from 0.6 percent of the adult population in 2016 (200,000 users) to 8.3 percent in 2019 (2 million users) before slowing to 2.1 percent in 2021 (approximately 600,000 users)[1].

The rapid growth of unregulated DCPs necessitated CBK's intervention to regulate them and ensure a safe operating environment for all stakeholders. To this end, following the enactment of the Central Bank of Kenya (CBK) Amendment Act, 2021, CBK developed the Digital Credit Providers Regulations, 2021, which were issued on December 23, 2021, for public comments. The Regulations provide a clear framework addressing *inter alia* provisions on the licensing, consumer protection, data protection, loan pricing parameters, supervision, credit information sharing and Anti-Money Laundering and Combating the Financing of Terrorism (AML/CFT) policies of DCPs. They are aimed at addressing data privacy issues, along with concerns on consumer protection such as high product pricing, aggressive debt collection practices and lack of proper complaint resolution mechanisms.

Digital credit under the new Digital Credit Providers Regulations, 2022, holds great potential for the supply of, access to, and diversification of lending to businesses and individuals:

- It can significantly lower lending costs.
- It broadens access to data such as transaction data from mobile payment platforms, mobile savings accounts or other financial footprints, or even non-financial data from mobile phones and social media. This allows the extension of loans to previously underserved groups.
- It increases the simplicity and convenience for customers by providing an instant service anywhere with a mobile phone or internet coverage.

Regulators need to protect the privacy of customers, by ensuring transparency on what data is being used and how it is processed by DCPs. In Kenya, these issues are covered by the Data Protection Act, 2019. For this reason, DCPs need to ensure compliance with this Act. Additionally, DCPs should invest in cybersecurity systems and strategies, given the amount of highly sensitive data that the DCPs process and handle, which make them a target for cyberattacks.

2.7.4 Decentralized Finance

Decentralized finance (De-Fi) is an emerging ecosystem of financial applications and protocols built on digital ledger technology (DLT)[2]. DLT has programable capabilities that facilitate peer-to-peer transactions using smart contracts[3] and without the use of central intermediaries such as brokers. By digitizing and automating the contracting process, De-Fi could improve efficiency by reducing intermediation layers in the future. Some distinguishing characteristics of De-Fi include decentralization, transparency, self-governance, interoperability, and composability, where unique De-Fi protocols can be used in tandem to enhance the experience or as building blocks to compose new applications that offer more value to users.

[1] https://www.centralbank.go.ke/wp-content/uploads/2021/12/SurveyReport.pdf

[2] **DLT** refers to a novel and fast-evolving approach to recording and sharing data across multiple data stores, also called ledgers. This technology allows for transactions and data to be recorded, shared, and synchronized across a distributed network of different network participants.

[3] **Smart contracts** are simply programs stored on a blockchain that run when predetermined conditions are met. They typically are used to automate the execution of an agreement so that all participants can be immediately certain of the outcome, without any intermediary's involvement or time loss. They can also automate a workflow, triggering the next action when conditions are met (https://www.ibm.com/topics/smart-contracts).

De-Fi primarily focuses on modern decentralized technology, along with digital assets and the development of financial products and services on this technology[4]. DeFi leverages the power of smart contracts and the decentralized nature of public blockchains to provide globally accessible financial services such as lending and borrowing, as well as savings products.

2.7.5 Open Banking

Open banking is a practice where banks, other financial service providers and data holders share financial information such as account information and transactional history with authorized third parties. This information is shared electronically and securely, and only under the condition that customers provide consent. Third parties receiving the information rely on open application programming interfaces (open APIs[5]). These are secure APIs that an institution makes widely available for third parties to use, allowing them to seamlessly plug in, access the data and build applications and services around it. Open banking improves the convenience and accessibility of traditional banking systems. It allows third parties such as Fintechs to develop new and innovative products and services for customers, ranging from microloans to easy payment gateways and e-wallets.

Currently in Kenya, CBK is working to define standards for effective and appropriate API development and to mandate robust and secure data sharing, which will enable open banking.

There are no industry-wide standard open API arrangements that allow customers to authorize third-party financial service providers to access their account information that sits with other financial service providers. However, some commercial banks already have this practice in place. These banks offer their clients, partners and Fintechs, open access to their APIs. This is aimed at promoting co-creation of innovative banking services that are tailored around customers' data.

2.7.6 Artificial Intelligence and Machine Learning in Kenya's Banking Sector

Artificial Intelligence (AI) and Machine Learning (ML) technologies have permeated all facets of economies around the world, including the financial services sector. The adoption of these technologies in emerging markets allows financial services providers to further automate their business processes and leverage big data sources to overcome obstacles. According to the Kenya Banking Sector Innovation Survey 2021 Report, banking institutions position AI/ML as one of the solutions that will extensively transform the banking sector. This is coupled with Big Data, data sharing and data security.

Rather than being sold as a product, AI/ML is embedded in existing products such as banks' information technology and mobile money platforms. Based on the various product portfolios that banks have sought CBK's review before their roll-out, below are some of the areas in which AI/ML is being applied in Kenya's banking sector.

a. ***Credit Risk Assessment:*** Banks combine AI/ML models with pre-defined scenario rules on credit scoring. This is done to combat the negative effects (bias) of using AI/ML exclusively. The models enable institutions to understand the persona and behavior of their customers and assign them a credit risk rating. Given that the quality of data fed into the AI/ML models is paramount to providing accurate predictions, banks consolidate data from multiple data sources, including internal data, data from Credit Reference Bureaus, and publicly available data from the internet.
b. ***Fraud Management:*** This entails the use of pat-

4 https://www.gemini.com/cryptopedia/open-vs-decentralized-finance-defi

5 An **application programming interface (API)** is a set of defined rules that enables companies to open up their applications' data and functionality to external third-party developers, business partners, and internal departments within their companies. This allows services and products to communicate with each other and leverage each other's data and functionality through a documented interface.

tern-based AI models on in-house data to detect outliers in transactions for further investigations. AI models have been instrumental in the detection and redress of clients whose accounts have been under suspicion of unscrupulous financial activities with the respective banks.

c. ***Product Segmentation and Personalization:*** AI models can be programmed to run simulations on how best to classify their customers, according to transactional behavior and product needs, and deliver to them tailored products. Segmentation is done based on the customer's profile; for example, whether the customer is retail or corporate. The AI algorithms also analyze transactional features such as demographics and data on the client lifecycle to inform product design and drive targeted service offers and campaigns.

d. ***Customer Service Interface:*** Sentiment analytics tools have been rolled out in most banks. The tool analyzes customers' feedback and comments about the bank and associates the findings with the products and transactional services to establish cause and redress. Based on the findings, some banks will proactively reach out to such customers through normal communication channels to further understand the situation and respond accordingly.

One of the challenges that banks are experiencing in the application of AI models relates to limited data. Banks mainly use internal data sets, and that from licensed Credit Reference Bureaus, and therefore only data for financially included customers is available. The challenge, therefore, is acquiring data for financially excluded customers. An Open API ecosystem could allow institutions to partner with Fintechs to develop and offer diversified products to meet a wide range of customer needs, thus accommodating new customers and offering more business insights from the captured data.

2.7.7 Digital-Only Banks

Digital-only banks have acquired prominence through their roll-out in various jurisdictions, among them the United States of America, Europe, India, Nigeria, and South Africa. Their appealing aspect has been the creation of digital banking capabilities catered to niche/particular customer segments, such as SMEs, and the delivery of services through intuitive apps and web platforms. Banks in Kenya are investing more in digitalizing and making their services more portable.

Digital-only banks, also known as digital-first banks or neobanks, are disrupting the delivery of financial services to consumers. Targeting a demographic that is comfortable with new digital behaviors, neobanks are rethinking the conventional user experience by replacing physical branches with full-scale mobile and internet banking experiences. These institutions offer basic services in the most simplified manner, with the help of electronic documentation, real-time data, and automated processes. Some of the key selling features for neobanks are:

- Instant signing up for new accounts by uploading biodata and providing information electronically.
- Anytime anywhere credit facilities' application and fund disbursement.
- Seamless cross-border payments with low transaction costs.
- Easy integration into business applications through APIs.
- Provision of a rich set of data about a customer's spending habits, allowing easy visualization of transaction history on a single interface.
- No need for a customer to own a bank account to transact.
- Neobanks do not have the burden of legacy systems, unlike traditional banks.
- A good solution for the unbanked, thus promoting financial inclusion.

There have been concerns around the practicality of neobanks in regions where a physical branch denotes a stable and reliable banking system, prescribed by the regulator. The primary concern has been security. Banks are becoming more prone to fraud and malpractice. Neobanks have magnified this risk, and understandably so because they operate their core services on the internet. Proactive control and management of associated risks, underpinned by regulatory support, will provide a strong case for the adoption of this type of banking in Kenya and the African region.

2.7.8 Emergence of Super Applications

Mobile applications (apps) have become part of everyday life for most people. A new breed of apps called super applications (super-apps) are on the rise. A super-app is an app that constitutes several "mini applications" that provides tailored services, using one integrated interface or platform. Super-apps allow users to access applications for pay, commerce, mobility, entertainment, and communication from one platform, instead of through multiple apps. Super apps are being driven by the penetration of smartphones and changing consumer preferences for bundled services.

Examples of popular super-apps globally are WeChat and Alipay in China, which bundle together online messaging, social media, e-commerce, payments, and logistic services. A user on the app can set up a meeting via instant messaging, make venue reservations, book tickets, order a taxi and pay for every transaction along the way, all using one single app. In Kenya, Safaricom launched its M-Pesa super app in 2021.[6]

Super-apps are becoming a major disruptor in the digital financial services ecosystem. A super app leverages user data from its different service offerings to deliver personalized experiences and cross-sell products and services. Super-apps integrate financial services into their platforms to provide seamless payment experiences for their customers. For banks, this means that an increasing number of users may bypass banking apps and simply use the more integrated super-app. Super-apps with digital wallets also make it possible for the users to reduce their dependence on cash and payment cards.

The regulatory framework will need to be agile to regulate super-apps offering e-commerce, loans, insurance products, investing platforms, etc. within the same platform. Collaboration among different sector regulators will be critical for a 360-degree oversight of super apps.

2.7.9 Sustainability in Financial Technology Adoption

In the recent past, there has been accelerated adoption of cutting-edge technology in the financial sector especially through mobile technology, artificial intelligence (AI), machine learning (ML), data analytics, Internet of Things (IoT) and DLT. These innovations are enabling cheaper, tailored, and efficient digital financial services to consumers. On the flip side, several of these innovations are high energy consumers. Case in point is the rising energy usage of blockchain technology as it becomes widely adopted.

To achieve the Climate Action commitments[7], the financial sector must consider sustainability when adopting financial technology. Green and sustainable finance is increasingly getting due attention through policy, regulation, market forces and, most importantly, consumer demand.[8] To enhance sustainability of financial technology and effectively manage associated climate risks, stakeholders are considering, among others, the

6 M-Pesa super-app is an application launched by Safaricom PLC where users can shop via an integrated e-commerce platform, play games, access learning materials, apply for job opportunities and read daily e-newspapers, in addition to the mobile money services (https://www.safaricom.co.ke/about/media-center/publications/press-releases/release/1059).

7 Climate Action commitments involve Nationally Determined Contributions (NDCs) which are at the heart of the Paris Agreement, 2015. NDCs embody efforts by each country to reduce national emissions and adapt to the impacts of climate change (https://unfccc.int/process-and-meetings/the-paris-agreement/nationally-determined-contributions-ndcs/nationally-determined-contributions-ndcs).

8 https://www.pwc.com/mu/en/about-us/press-room/sustainable-finance.html#content-free-1-8735

following measures:

- Integrating climate risks arising from technology adoption into financial risk management frameworks. In October 2021, CBK issued guidance on climate related risk management and disclosures in the banking sector. The Guidance is intended to enable banks to integrate the opportunities and risks arising from climate change in their governance structure, strategy, and risk management frameworks.
- Using Fintech to enable migration from physical cash, manual Know Your Customer (KYC) processes and plastic payment cards, to electronic KYC, mobile banking, and internet banking.
- Migration from data centre driven infrastructure to cloud to reduce carbon emissions by on-premises infrastructure. To facilitate risk conscious migration to cloud in the banking sector, CBK has taken the lead in the development of Minimum Standards for Guidance on Cloud Computing to licensed institutions by the East African Community (EAC) central banks.
- Facilitating investment in sustainability through technology like Fintech crowdfunding platforms, that are allowing pooling of investments towards sustainability projects.

Financial institutions have a responsibility to implement policies that favour environmentally friendly financial services, and steer financial flows towards sustainable projects.

2.7.10 Cyber Threat Landscape in the Financial Sector in Kenya

With increased digitalization, Cyber threats have continued to rise in the Kenyan banking sector. The pressure points have been experienced in the following areas:

- ***A shift to cloud services****:* This has increased the exposure to cybercriminals who seek to exploit weak security measures in the cloud setups to obtain unauthorized access.
- ***Sharing of critical data with third parties****:* The reliance on third parties for provision of critical services to banks could lead to single points of failure in the case of cyber incidents, especially if the third parties involved have weak cyber-risk frameworks as compared to the partnering banking institutions.
- ***Inadequacies in work-from-home setups***: To minimize exposure to COVID-19, various institutions sought work-from-home arrangements for their staff. This has allowed staff access to data outside the institutions' secured network perimeter.
- ***Increased phishing campaigns by cyber criminals*** to banks' staff and the customers alike.

Among the controls that have been established in the banking ecosystem by CBK to mitigate the vulnerabilities include:

i. Comprehensive due diligence of third parties and review of service level agreements to determine if the third parties measure up and capture their cybersecurity roles and responsibilities in the arrangement.

ii. Ramping up of ICT staff skillset and competencies, in accordance with the Guidance Note on Cybersecurity for the Banking Sector, 2017. CBK also calls for continuous overall staff education and awareness campaigns on cybersecurity throughout the year.

iii. Issuance of the Guidance Note on Pandemic Planning for the Banking sector in March 2020. The Guidance Note provides minimum standards to ensure that institutions have resilient frameworks to effectively address emerging pandemic risks in the banking sector.

iv. More broadly, CBK continues to work with other agencies, nationally, regionally, and internationally in a circle of trust to share pertinent information and co-ordinate appropriate responses to the cybersecurity threat.

v. The Guidance Note on Cybersecurity for the banking sector also provides that:

- Banks should share ICT audit reports annually, upon which CBK can review how the institutions have responded to the various issues that were raised in the reports.
- Banks should report to CBK any cyber incidents that occur and how they responded to resolve the issues.
- The CBK Risk Management Guidelines, 2013, provide that bank should have robust risk management and control frameworks that are regularly reviewed and updated to incorporate measures for emergent ICT and cybersecurity risks.

2.7.11 Fintech and Regulation

As indicated in the Innovation Survey 2021, the banking sector has continued to partner with third parties and vendors to enable service delivery to customers. Fintechs are among the key partners of the commercial and microfinance banks. Fintech innovations sometimes led to new business models, which are often intertwined with existing models. These new models may fall under the ambit of multiple regulations and regulatory authorities. In Kenya, financial services are regulated by CBK and other financial sector regulators. The financial sector regulators cooperate in regulatory issues under the Joint Domestic Financial Sector Regulators Forum.

Where innovation precedes regulation, regulators can take the following approaches:

- Defer regulation to allow innovation to mature.
- Update regulation to accommodate new business models.
- Suspend regulation to facilitate experimentation.

CBK undertook a "test-and-learn" approach with mobile money in Kenya. On the other hand, the rapid development of digital lending in Kenya necessitated regulation focusing on consumer protection and market conduct. In this regard, the Central Bank of Kenya (Amendment) Act, 2021, was enacted to bestow CBK with the powers to license and supervise the previously unregulated Digital Credit Providers (DCPs). This paved way for the introduction of regulations for digital lending business in Kenya.

CBK's approach to regulation of Fintech-related services is guided by its core mandate to ensure a stable market-based financial system. In this regard, CBK will continue to monitor emerging Fintech business models and the resultant benefits and risks in order to take appropriate regulatory measures for consumer protection and stability of the financial system.

2.7.12 Afro-Asia Fintech Festival

The Singapore Fintech Festival (SFF) 2021 was held on November 8-12, 2021, in a hybrid format. The theme of the event was **"Web 3.0"**, which focused on three areas:

- Embedded finance and decentralised finance.
- Web 3.0 Tech Stack: artificial intelligence, blockchain, the internet of things and quantum computing.
- Environmental, Social and Governance (ESG) standards, and investors.

SFF 2021 comprised of two segments; the main SFF event, which ran on November 8-10; and the World Fintech Festival (WFF), which was held on November 11-12. WFF was held in partnership with different institutions across the world, who hosted concurrent sessions. Countries that hosted the WFF event are Kenya, Nigeria, India, United States of America, Japan, Philippines, Cambodia, Brazil, Australia, the Nordics, and Hungary.

CBK hosted a 2-hour AAFF event on November 11, 2021, as part of the SFF WFF series of events. The theme of the event was "*Sustainable Innovation for an Inclusive Digital Economy*". The AAFF theme was aligned to the SFF main agenda and CBK's strategic initiatives on climate finance. AAFF sessions comprised of opening remarks, a panel discussion, a product showcase, elevator speeches and closing remarks.

In addition, CBK and three other local partner institutions held virtual exhibitions on the SFF platform from November 8-12, 2021. The following were the key takeaways of the AAFF 2021:

- ***Web 3.0: Artificial Intelligence (AI) and Ethics:*** There is no one-size fits all approach to ethics in Artificial Intelligence (AI). Institutions that make use of AI need to understand who the consumers are, how the AI model should be explained to consumers, and how the AI model will ultimately impact their lives. This will ensure that the model is designed in a way that the consumer is protected. Currently, most AI practitioners train models on historical data. Historical data may be outdated and may not accurately represent the consumers. Using this data to train AI models results in the deployment of fairness-unaware models, which may consequently lead to decisions that can negatively impact consumers. For this reason, there is a need to transition to fairness-aware AI to ensure the protection of consumers and vulnerable groups from the risks of poorly designed AI. To achieve fairness, applications of AI should be considered on a case-by-case basis and should adopt a human-centric approach.

- ***Web 3.0: The Future of Banking and Payments in Africa:*** There are country specific dynamics that drive the success and challenges of Fintechs including:

    - Digitization level: This determines which products and services to offer in that jurisdiction. More customers in Kenya are becoming technology savvy and therefore driving the need for digital finance.
    - Penetration of smartphones: Most of the digital finance services rely on mobile devices. The penetration of these devices therefore drives the adoption of these services.
    - Regulatory regime: Regulators need to protect and enable the next generation of banking and payments. A case in point is the enabling of digital Know Your Customer (KYC) procedures.
    - Deployment of next-gen infrastructure: Countries should collaborate to ensure unified deployment of the next generation payment infrastructure to prevent exclusion.
    - Ecosystem and partnerships: The level at which the ecosystem has collaborated to allow Fintechs innovate around each other's platform by establishing secure open APIs.

- ***Fintech in Climate Action:*** Due to its adverse impacts, climate change is increasingly recognized as a source of financial risks for financial institutions. CBK issued a Guidance to institutions on climate-related risk management on October 15, 2021. The Guidance provides a roadmap with actions in the short and medium term to entrench climate risk management in banks' operations and business models. Key lessons from the theme of *Fintech in Climate Action* include:

    - Institutions should incorporate climate considerations in their business strategies.
    - Institutions should invest in smart technologies geared towards reducing environmental impacts as well as increasing efficiency in the use of natural resources.
    - Collaboration between players in the Fintech ecosystem is key in driving change for climate action.
    - Financial institutions play a critical role in driving climate change by financing climate resilient projects including renewable energy and sustainable infrastructure.

- ***Investing in Future Proof Innovation:*** Future-proofing innovation requires an investment of time, effort, and financial resources. The session on *Investing in Future-Proof Innovation* provided an avenue for deliberations on sustainable innovation practices that will stand the test of time. The key takeaways include:
    - Businesses must continuously build the knowledge base of their customer needs, to ensure

relevance and value addition of their innovations to their customers.

- Financial regulators and institutions should empower their staff through tools and capacity-building initiatives to ensure competitiveness.
- Collaboration and investing in research and development enables experts in Fintech to combine efforts to ensure that innovation remains viable and meets consumer needs.
- Data is critical to the transformation of financial services. Investment in data security and protection, therefore, is critical for businesses to offer secure innovative products.

2.7.13 Development of the Minimum Standards for Guidance on Cloud Computing by EAC Central Banks

Cloud Computing is increasingly an alternative for incumbent banks saddled with legacy ICT systems to upscale for agility and *anytime anywhere* services. The ubiquitous nature of data in the cloud has enabled financial institutions to harness innovative technologies such as Artificial Intelligence and Machine Learning to predict customer behavior and offer personalized and value-driven financial services. Conversely, cloud computing has emphasized risks related to data governance, cybersecurity, and outsourcing risks.

During the 24th Monetary Affairs Committee (MAC) Meeting held virtually in October 2020, the Central Bank of Kenya (CBK) was tasked to take the lead in the development of a Cloud Computing framework to guide the East Africa Community (EAC) central banks. The decision was informed by the increasing significance of cloud storage and management of customer data in the banking sector across the EAC region.

CBK has developed draft Minimum Standards for Cloud Computing. The contents of the draft were informed by publications by other jurisdictions and international standards in Cloud Computing. The Minimum Standards are subject to review and discussion by the EAC Central Banks. Once the minimum standards for Cloud Computing are reviewed and approved, EAC Central Banks that have already issued cloud computing frameworks will review them in line with the converged standards. Those that have not issued guidance on cloud computing will develop their frameworks in line with the approved minimum standards.

2.7.14 Toronto Centre Project on Gender, Technology and Financial Inclusion.

As part of its financial inclusion mandate, CBK considers, among other factors, gender equality in access to and usage of financial services. According to the 2021 FinAccess Household Survey Report, the gender gap between women and men in access to financial services has reduced to 4.2 percent in 2021. Financial supervisory authorities are often tasked with the mandate to improve financial inclusion in their jurisdictions. Supervisors are well positioned to incorporate gender and other financial inclusion considerations in supervision of financial institutions.

In line with these considerations, CBK participated in a project with the Toronto Centre[9] on Gender, Technology and Financial Inclusion Supervision in 2021. CBK tested a Toolkit for Gender-Aware Supervision, which was developed by the Toronto Centre. The Toolkit aims to guide supervisors to better incorporate gender aspects into their supervisory plans and practices. The Toolkit also provides guidance on how to leverage technology to promote and support financial inclusion. The Toolkit will enable regulators to build gender-disaggregated data for better supervisory decision-making. The Toolkit components are highlighted below:

[9] The Toronto Centre is an independent non-profit organization that was established by the Government of Canada, the World Bank, and the Schulich School of Business in 1998 in the aftermath of the Asian financial crisis. Its objective is to promote financial stability and financial inclusion globally by providing practical training to financial sector regulators and supervisors, particularly in emerging markets and low-income countries.

- ***Module A - Strategic Direction:*** This module focuses on how regulators can build a case for gender-sensitive supervision, assess supervisory capabilities for financial inclusion, and strategically prioritise financial inclusion of women.

- ***Module B - Planning for Change:*** This module focuses on how to build gender into supervisory issues, for instance, review of gender aspects of consumer complaints to correlate gender-based issues. Further, it provides a guide on how to integrate technology, gender, and supervision.

The toolkit was launched in 2022 and is available through the Toronto Centre website.[10]

2.7.15 Technology and employee efficiency

On average, in 2021, one employee was serving 2,044 customers whereas in 2020, an employee was serving 2,211 customers **(Table 7).** This shows a marginal decrease in efficiency in customer service. There was closure of dormant deposit accounts and some customers closing their accounts thus explaining the decrease in the number of deposit accounts.

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

Year	No. of Deposit Account Holders	Number of Staff	Efficiency Score
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	325
2010	11,881,114	28,846	412
2011	14,250,503	30,056	474
2012	15,861,417	31,636	501
2013	21,880,556	34,059	642
2014	28,438,292	36,923	770
2015	35,194,496	36,212	972
2016	41,203,518	33,695	1,222
2017	47,714,527	30,903	1,544
2018	55,279,473	31,889	1,733
2019	62,652,613	32,025	1,956
2020	69,881,847	31,605	2,211
2021	66,315,699	32,440	2,044

Source: CBK

2.8 Mobile Phone Financial Services

The mobile money ecosystem has experienced transformation over the last fifteen years. According to CBK's statistics on mobile payments, the use of mobile money in Kenya hit a historic high in December 2021, after the users transacted Ksh.622.14 billion on phones. This growth in mobile money is attributed to an increase in the use of digital transactions by firms and households because of the convenience and need to reduce physical contacts and contain COVID-19. In addition, the increased adoption of smartphones and increased internet penetration also played a key role in this.

The 2021 FinAccess Household Survey revealed that Kenya had made extraordinary strides in financial inclusion. The survey results showed that access to formal

10 https://www.torontocentre.org/News/Gender-Aware-Supervision-Toolkit

financial services rose to 83.7 percent in 2021, from 26.7 percent in 2006. This growth is attributed to the financial technology and innovations, especially in mobile money and mobile banking. Despite the tremendous growth in mobile money, there is still a long road ahead to reduce Kenya's financial excluded population that stood at 11.6 percent in 2021. In that respect, improvement of mobile money interoperability plays a crucial role in bringing down the costs of sending and receiving money, which in turn improves access to these digital transactions.

In conclusion, the adoption of mobile phone financial services (MFS) is expected to continue growing due to the utilization of new technologies that meet the specific needs of customers.

Summary of MFS Transactions Data

CBK at the onset of the COVID-19 pandemic in March 2020, instituted a set of measures to facilitate increase in the use of mobile money transactions instead of cash, including eliminating charges for mobile money transactions up to Ksh.1,000, to reduce the risk of transmission of COVID-19. These measures boosted usage and saw about 9.3 million subscribers as of December 2021, join the mobile money service as cashless transactions increased, according to CBK mobile payments statistics. At the start of 2021, usage of mobile money services was expected to decline or slow down, following the lifting of some of the COVID-19 containment measures relating to financial sector. However, during the year, the highest mobile money transactions in a month was recorded in December at Ksh.622.14 billion, as the number of agents also hit a record high of 305,831 in September, while the highest number of active mobile subscriptions at 68.54 million was reported in July. This underpins the growing relevance of mobile money and the high penetration rate in Kenya.

Overall, the number of active mobile subscriptions increased by 3.7 million to 65.1 million accounts at the end of December 2021, from 61.4 million at the end of December 2020: representing a 6.0 percent increase in mobile penetration. Similarly, the volume of mobile money transactions increased to 189.8 million transactions in December 2021, from 181.37 million transactions in December 2020. Consequently, as at the end of December 2021, transactions valued at Ksh.622.14 billion had been transacted compared to Ksh.605.69 billion transacted in the same period in 2020. Based on this data, it implies that in the month of December 2021, Kenyans on average transacted Ksh.20.74 billion each day through their mobile phones.

The growth in the volume of mobile money transactions in Kenya also spurred an increase in the country's total number of active mobile money agents. As at the end of December 2021, the number of active mobile money agents increased to 298,272 from 282,929 in December 2020. These figures are captured in the table below:

Table 8: Mobile Transaction Data

Digital Financial Inclusion 2007 –2021	2007	2008	2012	2017	2018	2019	2020	2021
Mobile Subscribers (million)	11.34	16.23	30.73	42.8	49.5	54.5	61.4	65.1
Mobile Penetration (percent)	30.5	43.64	78	94.3	106.2	114.8	129.1	133.6
Mobile Money Subscriptions (million)	1.35	5.08	21.06	30.0	31.62	58.36	66.01	68.03
Number of Transactions (Ksh. Million)	1.28	10.2	55.96	139.93	155.77	154.99	181.37	189.80
Value of Transactions (Monthly) (Ksh. Billion)	3.8	26.99	150.16	332.62	367.77	382.93	605.69	622.14
Avg Value of Transactions (Daily) (Ksh. Million)	126.7	899.7	5,005.3	11,087.4	12,666.7	12,764.3	20,189.7	20,738.0
Active Mobile Money Agents	1,582	6,104	76,912	182,472	223,931	224,108	282,929	298,272

Source: CBK

2.9 New Products

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 Cabinet Secretary, the National Treasury 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, CBK considers:

- Whether the proposed increase is in conformity with the Government's policy of establishing a market-oriented economy in Kenya.
- The average underlying inflation rate prevailing over twelve months preceding the application.
- For new charges, whether the proposed charges are justifiable and are comparable to the industrial average.

The financial services industry is being transformed by the ever-changing consumer needs, innovative financial products, technological advancement and the use of multiple delivery channels.

To remain competitive in the new landscape, banks have continued to introduce new products, expand the existing ones, and add new delivery channels. Banks strive to enhance access to customers as well as differentiating their products and services by use of alternative delivery channels such as e-banking and m-banking.

In 2021, COVID-19 pandemic persisted, and banks continued to introduce mainly digital and contactless products.

In the year 2021, CBK noted the introduction of 71 new products, mostly related to money remittance services and contactless cards, into the market and approved the related charges.

2.10 Transition from LIBOR to Alternative Reference Rates

The London Interbank Offered Rate (LIBOR) is a benchmark interest rate at which major global banks lend to one another in the international interbank market for short-term loans. The Financial Conduct Authority (FCA), which regulates LIBOR, announced in 2017, that it would no longer compel the panel of banks to continue submitting quotes for LIBOR after December 2021, following attempts to manipulate key global benchmark rates.

On March 5, 2021, the FCA advised that all LIBOR settings will cease to be provided by an administrator: -

- Immediately after December 31, 2021, in the case of all Sterling, Euro, Swiss Franc and Japanese Yen settings, and the 1-week and 2-month US Dollar settings; and
- Immediately after June 30, 2023, in case of the remaining US Dollar settings.

In September 2021, CBK undertook a survey to establish the value of financial products priced on LIBOR, risks associated with the cessation of LIBOR, and status towards transitioning to alternative reference rates. The responses from the banks indicated that: -

i) Out of 39 operating commercial banks in Kenya, 27 were offering various products of different tenors priced on LIBOR valued at Ksh.695.3 billion as at September 30, 2021**.** These products comprised: -

   - Loans – Ksh.450.5 billion, representing 14.2 percent of the total banking sector loans.
   - Tier II capital instruments – Ksh.88.8 billion, representing 12.8 percent of total products priced on LIBOR and 81.4 percent of total Tier II Capital.
   - Exposure to other banks – Ksh.75.2 billion, representing 22.4 percent of total banking
   - sector placements with other banks.
   - Deposits – Ksh.60.7 billion, representing 1.4 percent of total banking sector deposits.
   - Off-balance sheet commitments – Ksh.20.1

billion, representing 1.5 percent of the total banking sector off-balance sheet commitments.

ii) There were various risks associated with cessation of LIBOR. The banks acknowledged that cessation would pose legal, operational, reputational and counterparty risks. To mitigate these risks and facilitate smooth transition to Alternative Reference Rates (ARR) banks were undertaking the following initiatives: -

- Reviewing of legal loan contracts – to provide a clause for transitioning to ARR.
- Engaging the affected customers – to inform them of the changes and possible ARR.
- Training staff – including the front office staff on the expected change and to empower them to engage and respond appropriately to customers queries regarding the transition.
- Review and systems upgrade – to support smooth transition to ARR.

CBK reviewed responses from the banks and subsequently issued a Guidance Note on December 9, 2021, through Banking Circular No. 6 of 2021. The Guidance Note provided commercial banks with a framework that they must consider for purposes of ensuring that the transition is well managed, and that all risks are appropriately identified, assessed, and managed.

As at December 31, 2021, the Kenyan banks had ceased issuing financial products priced on LIBOR 1-week and 2-month USD, Sterling and Euro. In addition, most banks had settled on ARR to replace LIBOR, and were at various stages in transitioning depending on the tenors.

2.11 Innovative MSME Products by Banks

In Kenya, Micro, Small and Medium-Sized Enterprises (MSMEs) are classified as those that have 1-99 employees. Specifically, Micro enterprises have less than 10 employees; small enterprises have 10-49 employees while medium sized enterprises have 50-99 employees. Majority of MSMEs operate informally, contribute to a large percent of the total labour force in the country as well as play a key role in poverty reduction and economic development. Due to the critical role MSMEs play in the economy, they have received support from the government and commercial banks in propelling their operations and safeguarding their continuity. Key challenges facing the MSMEs include access to credit, financial services, insurance, and their informal nature which increases their vulnerabilities.

Technological advancement has benefited MSMEs and has given consumers power to choose what kind of financial products they want. This has made commercial banks to be innovative and customer centric in coming up with products that match customers' needs. Commercial banks have also realised that venturing into the markets they deem risky is made much easier through providing products that are customer centric. MSMEs have been deemed risky and were locked out of the financial system for a long time. With this new realisation, MSMEs now enjoy financial products which meet their specific needs.

In 2021, commercial banks had various innovative products that served the MSME sector. These products were created for various market segments such as women, farmers and suppliers. The key attributes of these products is that they were all designed with the target market in mind; what their needs are, what drives them, what value they are likely to acquire from these products, among others. Some of the key features of these innovative MSME products are.

- The MSME products are automated and mobile centric.
- They offer 'Anytime anywhere' services to customers.
- There is use of algorithms drawn on various data sources, including airtime usage and other mobile phone data credit scoring.

- Credit facilities granted are short-term in nature.
- Customers are offered unsecured credit facilities.

2.12 Operations of Representative Offices of Foreign Financial Institutions in Kenya

Representative offices in Kenya are established by foreign banks for purposes of marketing their products and services in the country. They act as a liaison between their parent institutions and their clients in Kenya. Representative Offices in Kenya are authorised and regulated by the Central Bank under section 43 of the Banking Act (Cap 488) and CBK Prudential Guideline on *Authorization of Representative Offices in Kenya CBK/PG/17*.Representative Offices are expressly prohibited to undertake primary banking business[11] as defined in the Banking Act. They are permitted to undertake marketing or liaison roles on behalf of their parent and affiliated entities.

The main motivation for establishing Representative Offices in foreign jurisdictions is mainly to enable the parent bank to engage in international commercial banking activities. Conscious of the fact that customer needs are rapidly changing, financial institutions have made customer-centricity their focal point for their products and services. By doing so, the banks are able to ensure delivery of products and services that resonate with customers' needs, as well as availing them wherever and whenever these are required. Representative Offices play a key role by ensuring that financial institutions maintain long standing business relationships with their customers in different jurisdictions.

During 2021, there was no change in the number of Representative Offices operating in Kenya, which remained at 9 as at the end of 2021.These Representative Offices facilitated business worth an estimated Ksh.376.0 billion (USD3.3 billion) in 2021. The value of business activities facilitated in 2021, increased by 0.6 percent when compared to Ksh.373.8 billion (USD3.4 billion) facilitated in 2020. The increase was largely due to increased business activities facilitated through correspondent banking and specialized finance. This is indicated in **Table 9** below.

Overall, the activities of the Representative Offices appear not to have been adversely affected by the subdued business environment resulting from the COVID-19 pandemic.

[11] Banking business means accepting from members of the public; money on deposit repayable on demand or at the expiry of a fixed period or after notice; money on current account and payment on and acceptance of cheques; and the employing of money held on deposit or on current account, or any part of the money, by lending, investment or in any other manner for the account and at the risk of the person so employing the money.

Table 9: Business activities facilitated by Representative Offices

Year	2021		2020	
	Ksh. Billions	USD[12] Billions	Ksh. Billions	USD Billions
Corporate Finance	12.7	0.1	10.2	0.1
Syndicated Finance	43.8	0.4	49.1	0.5
Correspondent Banking	78.6	0.7	37.4	0.3
Project Financing	1.0	0.0	20.6	0.2
Specialized Finance	50.7	0.4	23.0	0.1
Property Finance	10.2	0.1	10.6	0.1
Trade Finance	129.1	1.1	141.1	1.3
Others (energy finance, term loans, borrowing base, working capital and bilateral receivable discounting)	49.9	0.4	81.83	0.8
Total value of business facilitated	**376.0**	**3.3**	**373.8**	**3.4**

Source : CBK

2.13 Surveys 2021

2.13.1 Residential Mortgage Market Survey 2021

CBK conducts an annual mortgage survey to monitor developments and challenges in the mortgage market for residential housing. A detailed questionnaire was distributed to all commercial banks to collect data for the year ending 2021. The information collected comprised: -

a) Size of mortgage portfolio.
b) Mortgage risk characteristics.
c) Mortgage loan characteristics.
d) Obstacles to mortgage market development.
e) Suggested measures to support the mortgage market.
f) Impact of COVID-19 on the demand for mortgages.
g) Mortgage refinancing.
h) Mortgage outlook for 2022.

Below are the highlights of the Residential Mortgage Survey outlook as at December 31, 2021.

a) Size of Mortgage Portfolio

i. The value of mortgage loans outstanding was Ksh.245.1 billion in December 2021, as compared to Ksh.232.7 billion in December 2020. (**Appendix XIII**). This represents an increase of Ksh.12.4 billion or 5.3 percent. The increase was due to higher values of mortgages granted in 2021.

ii. About 84 percent of lending to the mortgage market was by 8 institutions. That is 7 banks from the large peer group (74 percent) and one from small sized banks (10 percent) in December 2021, as compared to 74.5 percent of lending by 6 institutions in 2020, one medium sized bank (11.2 percent) and five banks from the large peer group (63.3 percent).

iii. The outstanding value of non-performing mortgage loans increased from Ksh.27.8 billion in December 2020, to Ksh.28.3 billion in December 2021. The non-performing mortgage loans to gross mortgage loans ratio was 11.6 percent in December 2021, as compared to 12.0 percent in December 2020.The ratios were below the

12 Exchange rate: 1 USD = 113.14 Ksh

industry gross NPLs to gross loans ratio of 14.1 percent in December 2021, and 14.5 percent in December 2020.

iv. There were 26,723 mortgage loans in the market in December 2021, down from 26,971 in December 2020. This was a decrease of 248 mortgages or 0.9 percent. This was mainly due to a higher number of mortgage loans that were repaid as compared to the number of new mortgage loans granted in the year.

v. The average mortgage loan size increased from Ksh.8.6 million in 2020, to Ksh.9.2 million in 2021. This was mainly due to higher values of mortgage loans advanced in the year.

b) Mortgage Risk Characteristics

Financial institutions indicated the following as the main risk factors that are examined more closely before a mortgage loan to a household is approved: -

- Borrower's repayment ability.
- Borrower's character based on the credit history and Credit Reference Bureau references.
- Age of the borrower.
- Source and sustainability of income for debt servicing.
- Ratio of monthly loan instalment to disposable income.
- Ease of property disposal in the event of default.
- Encumbrances on collateral/security.
- Value, type and location of property.
- Prevailing market conditions.

The main risk factors examined more closely by financial institutions before a mortgage loan to a business is approved include: -

- Ability to pay from the available cash flows generated by business operations.
- Current business turnovers.
- Future projections of business income.
- Duration in which the business has been in operation.
- Business organization structure and corporate governance.
- Experience of the business proprietor in the respective field and the quality of management.
- Business succession plan.
- Property must be free of encumbrances and other caveats for ease of realisation in the event of default.
- Industry performance.

c) Mortgage Loan Characteristics

- The average interest rate charged on mortgages in 2021, was 11.3 percent and it ranged from 7.1 percent to 15.0 percent compared to an average of 10.9 percent with a range of 7.0 percent to 15.0 percent in 2020. The increase in average rates was consistent with the increase in interest rates in the year.
- About 88 percent of mortgage loans were on variable interest rates in 2021, as compared to 80.2 percent in 2020. The increase in variable interest rates was consistent with the increase in the value of outstanding mortgage facilities in the year.
- Loan to value (maximum loan as a percentage of property value) was pegged below 90 percent by majority of banks in 2021, and 2020.
- The average loan maturity was 12 years with a minimum of 5 years and a maximum of 25 years in 2021, as compared to an average loan maturity of 11 years with a minimum of 4 years and a maximum of 20 years in 2020. This is an indication that banks increased the period of mortgage facilities in 2021.

d) Obstacles to Mortgage Market Development

The survey identified a number of impediments to mortgage market development as indicated in **Table 10**.

Table 10: Residential Mortgages Market Survey – December 2021		
Mortgage Market Obstacles	**Frequencies of Responses**	
	December 2020	**December 2021**
Impact of COVID-19 Pandemic	39	32
Low level of income	23	23
High cost of property purchase	24	19
Limited access to affordable long-term finance	23	17
High Incidental costs (legal fee, valuation fee, stamp duty)	19	15
Credit risk	6	14
High cost of land for construction	24	12
Difficulties with property registration/titling	22	11
Lengthy charge process timelines	18	10
Stringent land laws	22	8
Limited consumer knowledge on mortgage products	N/A	7
Lengthy process of security realization by banks in case of default	17	5

Source: Commercial Banks and Mortgage Finance Companies

Based on the above ranking of mortgage market constraints, banks identified; Impact of COVID-19 pandemic, Low level of income, high cost of property purchase and limited access to affordable long-term finance as the major impediments to the growth of their mortgage portfolios.

e) Suggested measures to support the mortgage market

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

- Provision of alternative long-term fixed rate mortgage funding options: -
  - Initiatives such as the recently licensed Kenya Mortgage Refinance Company (KMRC) will address the liquidity mismatch and avail long term fixed liquidity for on-lending by primary mortgage lenders.
  - KMRC to review lending terms to allow for regulated off-plan purchases[13]. This will support developers to put up more units.
- Government interventions: -
  - Provision of subsidies on construction inputs and tax breaks for developers supplying affordable houses at scale.
  - Promote alternative construction technologies to brick-and-mortar to reduce cost and shorten the construction period.
  - Introduction of a securitization law that will create a secondary market for mortgages and allow primary issuers to underwrite more mortgages.
  - Public-Private Partnerships especially between national government or county governments which own the land and private developers for construction of quality low-cost houses.

[13] An off-plan purchase is an arrangement where the purchaser invests their money into a project or a property that is yet to be developed or to be completed, on the promise that the property will be fully constructed within a particular time span.

- Finalization of the digitalization of the land registry processes to support the mortgage documentation process.
- Establishment of an efficient, functional and electronic land registry system.
- Streamlining the process for waiving stamp duty for first time home-buyers with the Kenya Revenue Authority (KRA).
- Popularization and consumer education on the pension backed mortgage product.

f) Impact of COVID-19 Pandemic on the demand for residential mortgage loans

Based on the responses to the survey questionnaire, it was noted that:

- The demand for residential mortgages declined due to unaffordability as a result of job losses, reduced disposable incomes and business closures.
- There was a decline in the level of investments in real estates.
- Banks tightened their credit standards for access to mortgage loans.
- There was an increase in restructuring and review of terms for mortgage loans.
- Increased non-performing loans due to reduced repayment ability.
- There were failed auctions on foreclosures due to low bids as potential investors shunned mortgage deals.

g) Mortgage Refinancing

The survey indicated that six institutions applied for mortgage refinancing from the Kenya Mortgage Refinance Company, with the amounts applied totalling Ksh.8.68 billion. Out of the six institutions, three were advanced facilities amounting to Ksh.1.11 billion in 2021, with the process still ongoing for the other applicants.

Some of the benefits of mortgage refinancing outlined in the survey include: -

- It provides access to long-term funding, addressing the mismatch between funds committed in the long-term nature of customer deposits held by primary mortgage lenders.
- It will foster lowering of the cost of funds which can lead to lower mortgage rates, improving affordability as well as attracting a wider range of potential borrowers in the long run.
- Increased uptake of mortgage facilities as a result of increased lending by financial institutions.
- Financial institutions will have the opportunity to adjust rates from variable to fixed-rate mortgages.
- It will promote efficiency through competitive loan pricing.
- It will provide an opportunity for other financial institutions such as SACCOs and MFIs to enter the mortgage lending segment.

Some of the challenges associated with mortgage refinancing were highlighted as follows: -

- Lack of collateral to support the lending.
- The inability of the borrowers to meet the strict eligibility criteria.
- The requirement of replacing loans that go into default with performing ones could potentially increase the NPLs in the mortgage segment.
- Stringent requirements for post drawdown monitoring of the pledged book.
- Lack of adequate awareness on mortgage refinancing.
- Difficulties in converging KMRC's terms and conditions with those of the banks.
- The low mortgage loan limit for affordable housing.
- High cost of mortgage refinancing.

h) Mortgage outlook for 2022

The uptake of mortgages is expected to be subdued but steady as the country gets used to operating in the COVID-19 environment. Investors may also shy away from the mortgages market as they take a wait-and-see approach to the general elections, scheduled for August 2022. The mortgages market will however be supported by:

- Mass vaccinations against COVID-19.
- The implementation of the affordable housing programme (AHP) under the big four agenda.
- Infrastructural developments being undertaken in the country that will foster the shift of individuals to locations with affordable houses.
- Funding from Kenya Mortgage Refinance Company which is expected to increase mortgage uptake.

2.13.2 Innovation Survey 2021

In February 2022, CBK conducted an Innovation Survey, which was aimed at collecting present and forward-looking information on Fintech developments in the Kenyan financial sector as of December 31, 2021. The survey collected data on the state of innovation from 38 commercial banks, 1 mortgage finance institution, and 14 Micro Finance Banks (MFBs). The survey was a follow-up to the 2018, 2019, and 2020 Innovation Surveys.

The 2021 Innovation Survey was undertaken against the backdrop of continued digitalization of the financial sector following the onset of the Coronavirus pandemic (COVID-19) in 2020. Below is a summary of the survey results.

Customer-centricity: All the institutions noted that ideas for product innovation originate from customer feedback. This is aligned to the Kenya Banking Sector Charter, which identifies customer-centricity as one of its pillars. Other key factors considered by most institutions before innovating a product are scalability, business strategy, competition, regulation and return on investment.

Innovation Units: The survey noted that 75 percent of the respondents had a dedicated function that spearheaded innovation activities compared to 70 percent in the 2020 Innovation Survey. Consistent with the Charter, over 75 percent of the institutions noted that the main role of the innovation function is to align products and services being developed by the institution with customer needs. On average, innovation function teams constitute 62 percent male and 38 percent female staff.

Innovation Priorities: The survey noted that 87 percent of the commercial banks surveyed considered payments, clearing and settlement services as the most important operations and service areas to innovate in the short to medium term strategy. Conversely, 86 percent of MFBs considered credit, deposit and capital-raising service as the most important operations and service areas to innovate in the short to medium term.

Accordingly, payments, clearing, and settlement services was the functional area where most banks introduced an innovative product in the period January 1 to December 31, 2021, with 67 percent of the banks innovating in this area compared to 59 percent in 2020. On the other hand, credit, deposit, and capital-raising services was the functional area where most MFBs introduced an innovative product in the period January 1 to December 31, 2021. 57 percent of MFBs innovated in this area compared to 53 percent in the 2020.

While 92 percent of the institutions surveyed had adopted or developed a mobile banking solution for banking and customer-relationship services, 30 percent noted that credit business was the least digitised area of operations. The charts below highlight the percentage of institutions that developed new Fintech products within five functional areas of innovation.

Chart 5 (a): Classification of Fintech Products Introduced by Banks

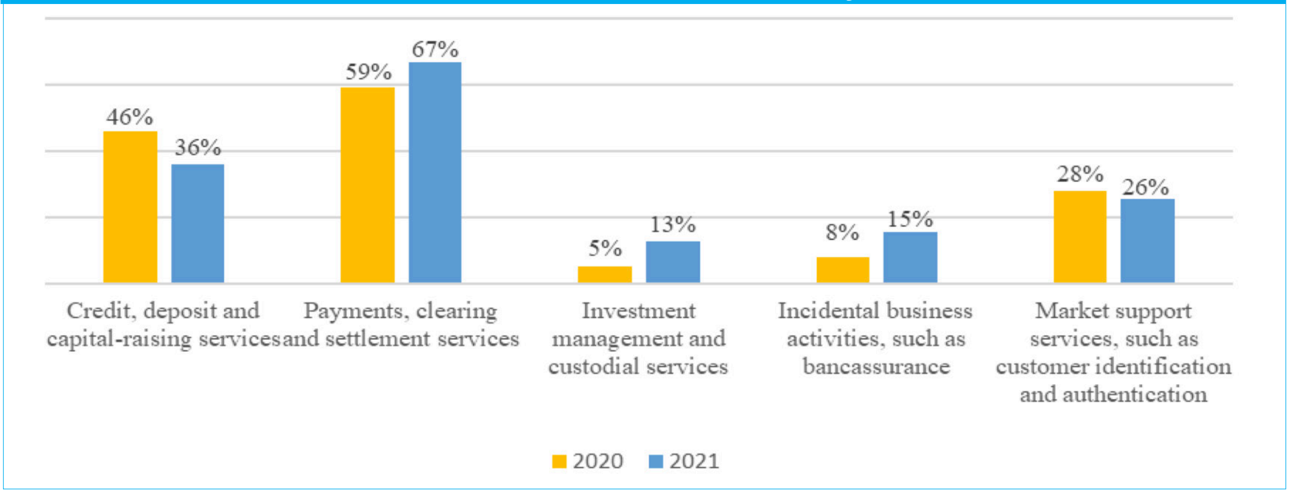
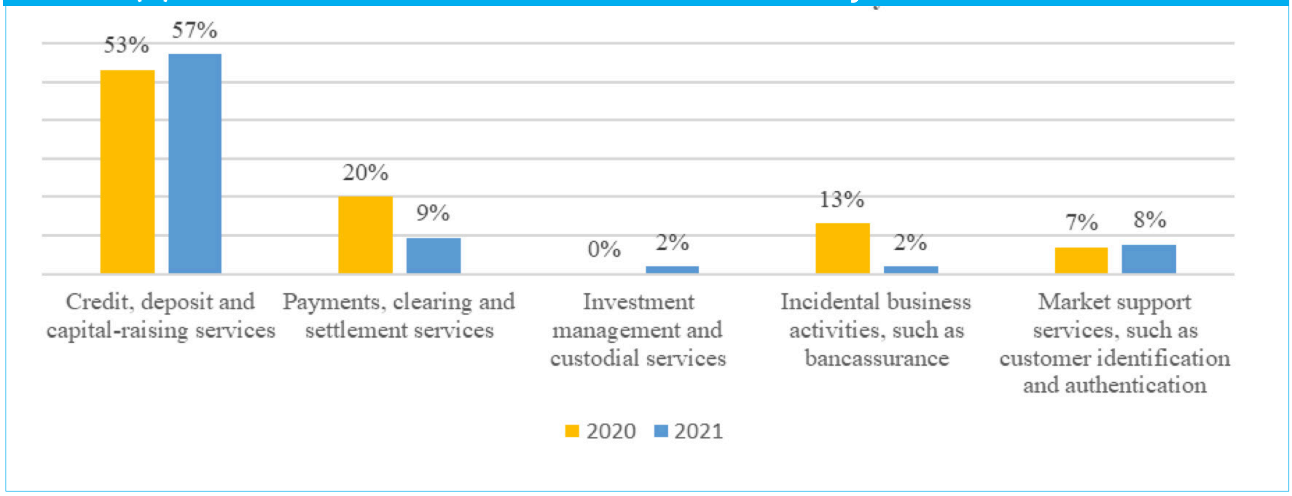


Chart 5 (b): Classification of Fintech Products Introduced by MFBs



Innovation Risks: Given the increased collaboration with partners and reliance on vendors to develop digital products, cyber-risk turned out to be the key risk area for institutions in their innovation endeavours. 92 percent of banks and 86 percent of MFBs identified it as one of the top three innovation related risks. Cyber risk was also the top risk identified in the 2018-2020 Innovation Surveys.

Further, 71 percent of MFBs and 67 percent of banks consider third party and vendor management risk as one of the key innovation related risks. This correlates with majority of the institutions who responded to using an outsourced or collaboration and partnership approach to development of innovative products.

Technological Developments: The institutions surveyed indicated that Application Programming Interfaces (APIs), Big Data and Data Analytics, Biometrics Technology, and Cloud-Computing continue to be the major innovations whose developments are considered important by financial institutions. Financial institutions indicated a high likelihood of ramping up their innovation efforts towards developments in APIs in the next four years.

Public Support, Policy and Regulation: Institutions indicated that the top three forms of public support were: direct funding support (58 percent), fiscal incentives (49 percent) and provision of infrastructure and services (43 percent).

Of the institutions surveyed, 50 percent of MFBs and 13 percent of banks listed data protection as one of the public policies that regulatory agencies need to focus on. This highlights the importance of the implementation of the Kenya Data Protection Act, 2019.

Based on the issuance of draft CBK (Digital Credit Providers) Regulations, 2022, 36 percent of the banks indicated that the Regulations would greatly impact their lending business strategies, compared with 79 percent of MFBs. This indicates that MFBs perceived DCPs as competitors.

Climate Action and Sustainability: Of the institutions surveyed, 67 percent of MFBs and 33 percent of commercial banks indicated that they had innovated or are in the process of innovating a climate change related product. This indicated an interest in innovation for sustainability and climate awareness, especially for the microfinance sector.

Some of the climate change-related solutions were focused on more digital solutions to reduce paper usage and carbon footprint; development of smart energy buildings; green climate fund lending to SMEs and corporates; and provision of digital loan products for clean energy systems and rainwater harvesting.

Afro-Asia Fintech Festival: The institutions surveyed recommended that the following solutions would transform the banking sector, and should be incorporated in the next Afro-Asia Fintech Festival:

- Data driven credit solutions.
- Big Data, data sharing and data security.
- Use of machine learning and artificial intelligence.
- Islamic banking product innovation.
- A formal platform for collaboration between financial institutions, SMEs, technology providers and government agencies.

The survey results provide CBK with an informed basis for evidence-based public policy decisions on Fintech going forward. Additionally, the survey findings inform the banking sector, technology service providers, investors, and the Fintech ecosystem as they craft their innovation strategies and identify opportunities for growth and investment.

2.14 Employment Trends in the Banking Sector

The banking sector staff levels increased by 835 (2.6 percent) from 31,605 in December 2020, to 32,440 in December 2021 **(Table 11)**. Clerical and Supervisory staff cadres increased by 658 and 168 respectively. The major reason for the increase was recruitment of additional staff in 2021, by a large bank to support and drive usage of the banks' payment channels.

Table 11: Employment in the Banking Sector

	2020	2021	Change	Percentage Change (%)
Management	10,390	10,396	6	0.1
Supervisory	7,582	7,750	168	2.2
Clerical	11,138	11,796	658	5.9
Secretarial and other Staff	2,495	2,498	3	0.0
Total	**31,605**	**32,440**	**835**	**2.6**
Source: CBK				

2.15 Future Outlook

The banking sector is expected to remain resilient as it seizes the opportunities from emerging innovations and technologies and minimizes the attendant risks. Beyond supporting the post COVID-19 recovery, greater emphasis will be placed on environmental, social and governance issues. In particular, there will be increased focus on greening the financial system as the world moves to mitigate and adopt to climate change.

CHAPTER 3

MACROECONOMIC CONDITIONS AND BANKING SECTOR PERFORMANCE

3.1 Global Economy

The IMF's World Economic Outlook (WEO) projects the global output to slow from an estimated 6.1 percent in 2021 to 3.6 percent in 2022 and 2023. The outlook is 0.8 percentage points and 0.2 percentage points lower for 2022 and 2023 respectively. The weaker growth is attributed to increased geopolitical tension emanating from the ongoing Ukraine-Russia war as well as the high uncertainty on the future path of the COVID-19 pandemic.

Growth in advanced economies is projected at 3.3 percent in 2022 before slowing to 2.4 percent in 2023. This is on account of tighter global financial conditions, negative terms-of-trade shock mostly in the Euro Area, continued supply chain disruptions, and limited fiscal support. Most economic activities in this group are forecast to slowdown in 2022, including the US (3.7 percent), Japan (2.4 percent), UK (3.7 percent), Germany (2.1 percent), France (2.9 percent), Italy (2.3 percent), and Spain (4.8 percent).

In the emerging market and developed economies (EMDEs) growth is expected at 3.8 percent in 2022 and 4.4 percent in 2023, reflecting limited policy support and slower vaccination efforts. Russian output is projected to contract significantly due to ongoing invasion of Ukraine that has resulted in financial and economic sanctions. Economic activity in China is expected to slow down due to the combination of more transmissible variants and a zero-COVID 19 strategy. However, the pace of economic growth across the region underscores the vulnerabilities, and the size of the policy response to combat the fallout.

3.2 Regional Economy

In the Sub-Saharan Africa (SSA), economic activity is projected to expand by 3.8 percent in 2022 and improve further to 4.0 percent in 2022. Nigeria and South Africa are expected to grow by 3.1 percent and 1.9 percent, respectively, in 2022 and in 2023, both are expected to grow by 3.1 percent (Nigeria) and 1.4 percent (South Africa). Food price increases will reduce consumers' purchasing power, particularly among low-income households, and will weigh on domestic demand. The rise in oil prices, on the other hand, has improved growth prospects for the region's oil exporters, such as Nigeria **(Table 12).**

Table 12: World Economic Outlook Projections

	Annual				Quartely		
	Year over Year				Q4 over Q4		
	Actual	Estimate	Projections		Estimate	Projections	
	2020	2021	2022	2023	2021	2022	2023
World Output	**–3.1**	**5.9**	**4.4**	**3.8**	**4.2**	**3.9**	**3.4**
Advanced Economies	**–4.5**	**5.0**	**3.9**	**2.6**	**4.4**	**3.5**	**1.8**
United States	–3.4	5.6	4.0	2.6	5.3	3.5	2.0
Euro Area	**–6.4**	**5.2**	**3.9**	**2.5**	**4.8**	**3.2**	**1.8**
Germany	–4.6	2.7	3.8	2.5	1.9	4.2	1.6
France	–8.0	6.7	3.5	1.8	5.0	1.9	1.7
Italy	–8.9	6.2	3.8	2.2	6.2	2.5	1.7
Spain	–10.8	4.9	5.8	3.8	4.9	5.0	2.5
Japan	–4.5	1.6	3.3	1.8	0.4	3.6	1.1
United Kingdom	–9.4	7.2	4.7	2.3	6.3	3.8	0.5
Canada	–5.2	4.7	4.1	2.8	3.5	3.9	1.9
Emerging Market and Developing Economies	**–2.0**	**6.5**	**4.8**	**4.7**	**4.0**	**4.3**	**4.8**
China	2.3	8.1	4.8	5.2	3.5	5.1	5.0
India	–7.3	9.0	9.0	7.1	4.3	5.8	7.5
Russia	–2.7	4.5	2.8	2.1	4.2	2.1	1.8
Brazil	–3.9	4.7	0.3	1.6	0.6	1.5	1.4
Mexico	–8.2	5.3	2.8	2.7	2.9	3.4	1.9
Saudi Arabia	–4.1	2.9	4.8	2.8	5.2	5.3	2.8
Sub-Saharan Africa	**–1.7**	**4.0**	**3.7**	**4.0**	**. . .**	**. . .**	**. . .**
Nigeria	–1.8	3.0	2.7	2.7	2.4	2.1	2.3
South Africa	–6.4	4.6	1.9	1.4	1.3	2.6	0.9
World Trade Volume (goods and services)	–8.2	9.3	6.0	4.9	. . .	. . .	. . .
Commodity Oil Prices (US dollars) **Consumer Prices**	–32.7	67.3	11.9	–7.8	79.2	–4.7	–6.8
Advanced Economies	0.7	3.1	3.9	2.1	4.8	2.8	2.0
Emerging Market and Developing Economies	5.1	5.7	5.9	4.7	5.9	5.1	4.3

Source: IMF, World Economic Outlook, January 2022 updates

Risks to the Outlook and Policy Direction

Uncertainties in the global economic outlook have increased due to heightened Russian-Ukraine crisis and evolution of the pandemic making it difficult to provide a quantitative assessment of the balance of risks around the baseline forecast. On the upside, risk transmission of the war shock will vary across countries, depending on trade and financial linkages. However, exposure to commodity price increases is expected to ease in the near term. Downside risk remain significant with the war in Ukraine, increasing the probability of a wider social tensions because of higher food and energy prices, which would further weigh on the outlook. The continued spread of the COVID-19 virus could give rise to more lethal variants that escape vaccines or immunity from past infections, prompting new lockdowns and production disruptions.

Policymakers should therefore ensure the global financial safety net operates effectively to help vulnerable economies adjust as interest rates rise in the fight against inflation. Effective national-level policies and multilateral efforts are expected to play a more important role in shaping economic outcomes.

3.3 Domestic Economy

The economy rebounded strongly in 2021, supported by recovery in non-agriculture activity following easing of COVID-19 restrictions. The economy grew by 7.5 percent, compared to a contraction of 0.3 percent in 2020. The growth was supported by recovery in services and industry sectors. Significant growth was recorded in manufacturing, wholesale and retail trade, real estate, transport and storage, and financial and insurance sectors. However, performance of the agriculture sector was subdued, following unfavorable weather conditions in most parts of the country, which affected crop production during the year **(Table 13)**.

Services sector rebounded strongly following easing of domestic and international COVID-19 restrictions. It grew by 9.8 percent compared to a contraction of 1.8 percent in 2020 and contributed 5.4 percentage points to real GDP growth. The strong rebound was witnessed across all sectors.

Industrial activity remained buoyant. It expanded by 7.2 percent compared to 3.3 percent in the previous year supported by strong growth of the manufacturing sector which rebounded to 6.9 percent compared to a contraction of 0.4 percent in 2020, supported by vibrant activity in both the food and non-food sub-sectors. Similarly, the construction sector grew by 6.6 percent compared to 10.1 percent in 2020, supported by public investment in road infrastructure projects.

Agriculture sector performance was subdued following unfavorable weather conditions in most parts of the country, which affected activity in the sector. It contracted by -0.2 percent compared to a growth of 4.6 percent in 2020. The performance is attributed to erratic and poor distribution of long rains, as well as inadequate short rains.

Table 13: Real GDP Growth Rates (Percent)

	Annual				
	2017	2018	2019	2020	2021
1. Agriculture	**-1.3**	**5.7**	**2.7**	**4.6**	**-0.2**
2. Non-Agriculture (o/w)	**5.1**	**5.7**	**5.7**	**-1.4**	**9.4**
2.1 Services	**5.8**	**6.2**	**6.5**	**-1.8**	**9.8**
Wholesale & Retail Trade	4.3	5.9	5.3	-0.5	7.9
Accommodation & Food Services	9.4	15.6	14.3	-47.7	52.5
Transport & Storage	3.5	6.0	6.3	-7.8	7.2
Information & Communication	8.1	7.9	7.0	6.3	8.8
Financial & Insurance	4.1	2.7	8.1	6.0	12.5
Public administration	3.9	7.9	8.4	7.0	5.6
Professional, Administration & Support Services	3.0	6.9	6.8	-13.7	5.7
Real estate	6.7	6.5	6.7	4.1	6.7
Education	8.7	6.8	5.7	-9.3	21.4
Health	6.4	5.4	5.5	5.7	6.0
Other services	4.4	3.3	4.3	-14.6	12.6
FISIM	-6.0	3.7	9.5	-1.8	5.5
2.2 Industry	**2.8**	**3.8**	**4.0**	**3.3**	**7.2**
Mining & Quarrying	3.2	-4.7	4.3	5.5	18.0
Manufacturing	0.7	3.6	2.6	-0.4	6.9
Electricity & water supply	3.0	3.6	1.7	0.6	5.0
Construction	6.3	6.1	7.2	10.1	6.6
2.3 Taxes on products	**5.7**	**5.9**	**3.9**	**-8.1**	**11.9**
Real GDP Growth	**3.8**	**5.6**	**5.1**	**-0.3**	**7.5**

Source: KNBS and CBK

Economic Outlook for 2022

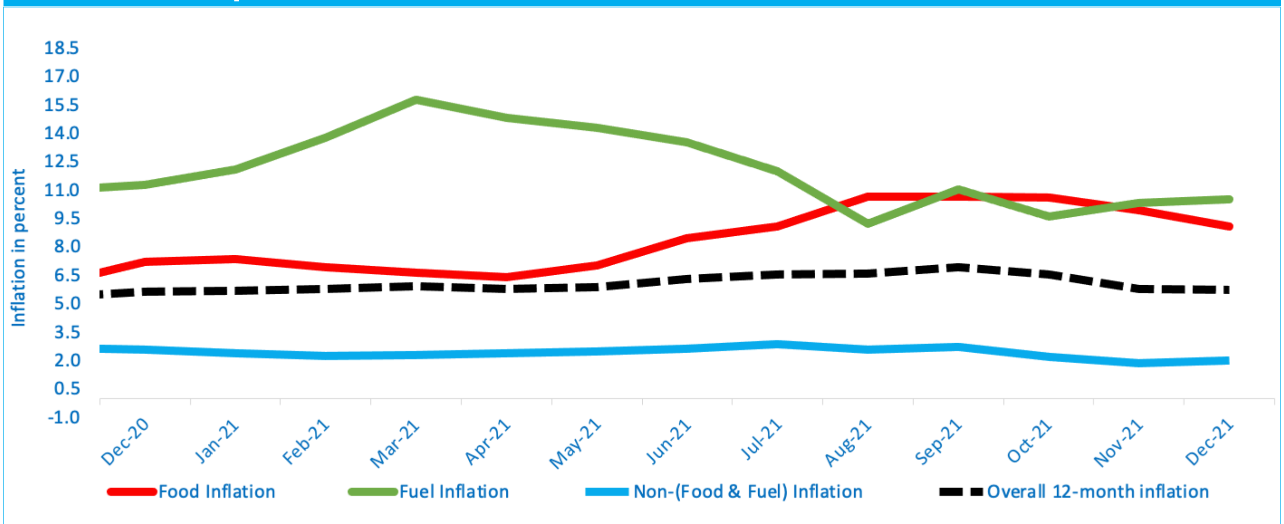
Economic growth is expected to remain strong in 2022, supported by recovery of the agriculture sector, continued government investment in infrastructure, robust performance of the services sector and recovery in global demand. However, there are downside risks to the outlook including emergence of new COVID-19 variants that could lead to tightening of containment measures and disruption of supply chains, the uneven pace of global economic recovery, and a faster than expected monetary policy tightening in advanced economies.

3.4 Inflation

Overall inflation remained well anchored within the medium-term target band in 2021. The increase in annual average inflation to 6.1 percent in December 2021 from 5.4 percent in December 2020 was mainly on account of increased fuel prices. Fuel inflation was elevated during the year due to rising international oil prices, reflected in high domestic prices of energy items. However, the prices of non-energy items eased on account of removal of COVID-19 containment restrictions in the transport sector and government intervention to stabilize pump prices.

Food inflation declined to 8.6 percent in December 2021 from 9.1 percent in December 2020, driven by improved weather conditions, during the last quarter of 2021. Meanwhile, Non-Food-Non-Fuel (NFNF) inflation remained low and stable. It stood at 2.4 percent in December 2021 compared to 2.1 percent in a similar month of 2020, reflective of minimal demand pressures in the economy. In the medium term, inflation is projected to remain stable within the target range, on account of muted demand pressures, continued decline in food prices following favorable weather conditions and the government interventions to stabilize pump and electricity prices **(Chart 6).**

Chart 6: Developments in inflation



Source: KNBS and CBK

3.5 Exchange rate

The Kenya Shilling exchange rate weakened against major international currencies as a result of the COVID-19 impact on global financial conditions. It exchanged at an average of KSh.109.6 in 2021, against the US dollar from an average of KSh.106.5 in 2020 **(Table 14).**

Table 14: Exchange rate developments

	USD Dollar	Sterling Pound	EURO	SA RAND	USHS	TSHS	RWF	BIF
2017	103.4	133.1	116.7	7.8	34.9	21.6	8.1	16.7
2018	101.3	135.3	119.7	7.7	36.8	22.5	8.6	17.5
2019	102.0	130.1	114.2	7.1	36.3	22.6	8.9	18.0
2020	106.5	136.8	121.7	6.5	34.9	21.8	9.0	18.0
2021	109.6	150.9	129.8	7.4	32.7	21.1	9.2	18.0

Source: CBK

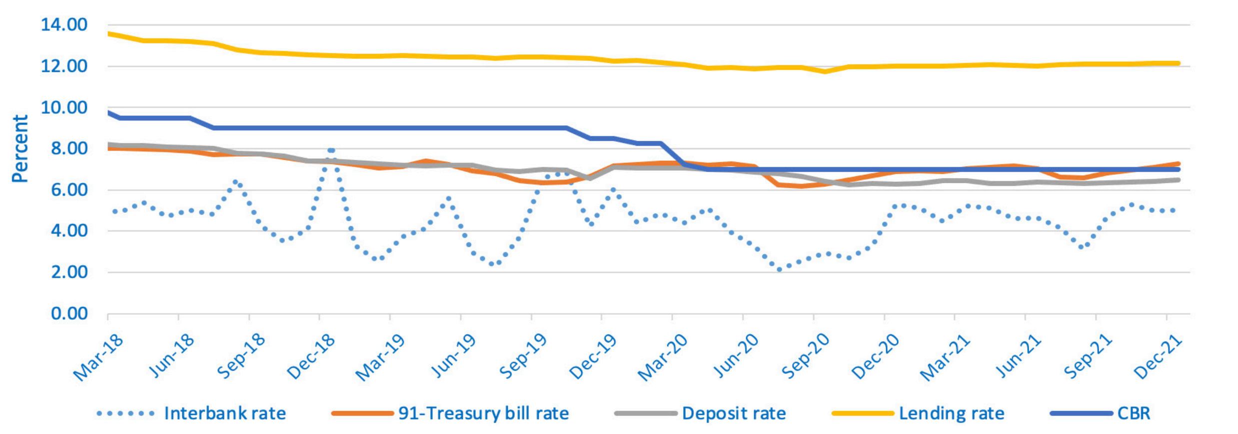
3.6 Interest Rates

Interest rates remained relatively stable in 2021, reflecting continuation of an accommodative monetary policy stance and ample liquidity conditions. The Monetary Policy Committee (MPC) maintained the Central Bank Rate (CBR) at 7.00 percent in 2021, noting that the accommodative monetary policy stance was appropriate as inflation expectations remained well anchored within the target range, and the economy was still operating below its potential level.

The weighted average interbank interest rate increased marginally to 4.71 percent in 2021 from 3.73 percent in 2020. The interest rates on Government securities remained stable, with the 91-day Treasury bill rate averaging 6.96 percent in 2021 compared to 6.85 percent in 2020, while the 182-day Treasury bill rate averaged 7.57 percent in 2021 compared to 7.51 percent the previous year.

Commercial banks' average lending rate also remained stable at 12.1 percent in 2021 compared to 12.0 in 2020, supported by accommodative monetary policy stance. The deposit rate declined to an annual average of 6.4 percent in 2021 from 6.7 percent in 2020. Consequently, the interest rate spread increased to 5.7 percent in 2021 from 5.3 percent in 2020 **(Chart 7).**

Chart 7: Interest Rates (percent)

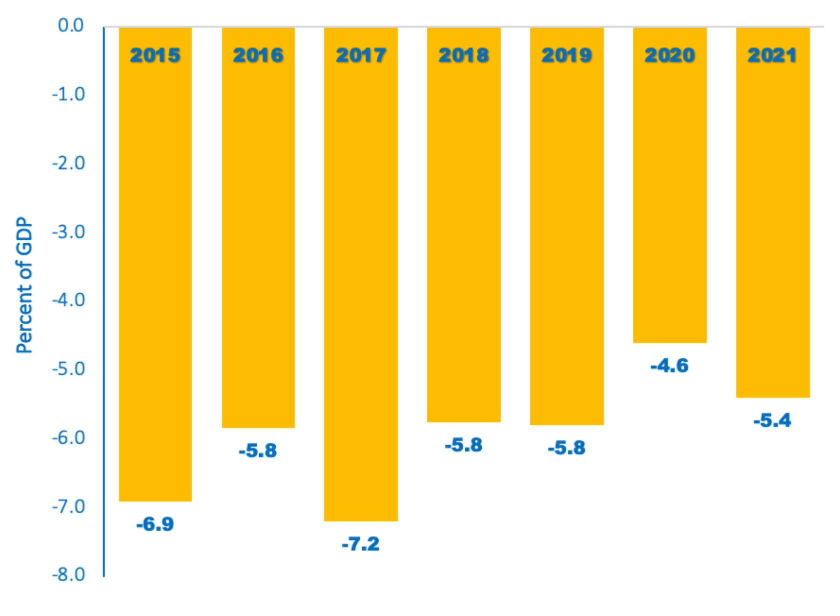


Source: CBK

3.7 Balance of Payments

The current account deficit widened to 5.6 percent of GDP in the 12 months to February 2022 from 4.3 percent of GDP in the 12 months to February 2021. The wider deficit reflects a higher import bill, particularly for oil, which more than offset increased receipts from agricultural and services exports, and remittances (**Chart 8).**

Chart 8: Developments in Current Account



Source: CBK

3.8 Fiscal Developments

Total government revenues and grants amounted to Ksh.1,015.1 billion in the period July-December 2021, representing a 23.9 percent increase from Ksh.819.1 billion collected in a similar period in 2020 **(Table 15)**. Tax revenue were above its set target in the first half FY 2021/22, indicating continued recovery of the economy following removal of the restrictions previously put in place to reduce the spread of COVID-19 pandemic. Total expenditure and net lending also increased by 7.5 percent during the first half of FY 2021/22 to Ksh.1,305.4 billion compared to Ksh.1,214.8 billion over a similar period in 2020. Consequently, Government budgetary operations during the period under review resulted in a lower deficit of Ksh.290.3 billion (2.3 percent of GDP) on a cash basis in the first half of FY 2021/22 compared to a deficit of Ksh.395.8 billion (3.5 percent of GDP) incurred over the same period in 2020. The deficit remained below the 3.5 percent of GDP target for first half of the FY2021/22.

Table 15: Fiscal Developments

	FY 2020/21			FY 2021/22				Over (+) /	%
	Q1	Q2	Cumulative	Q1	Q2	Cumulative	Target	Below (-)	Variance
Ksh Bn			to Dec-2020			to Dec-2021		Target	
1. TOTAL REVENUE & GRANTS	**382.9**	**436.2**	**819.1**	**513.0**	**502.1**	**1,015.1**	**1014.5**	**0.6**	**0.1**
Ordinary Revenue	**342.6**	**383.8**	**726.4**	**441.8**	**460.7**	**902.5**	**865.3**	**37.2**	
Tax Revenue	316.8	351.9	668.7	416.4	451.5	867.9	826.3	41.6	
Non Tax Revenue	25.8	31.9	57.7	25.4	9.2	34.6	39.0	(4.4)	
Appropriations-in-Aid	**36.1**	**48.0**	**84.1**	**64.5**	**39.4**	**103.9**	**123.5**	**(19.6)**	
External Grants	**4.2**	**4.3**	**8.5**	**6.7**	**2.1**	**8.8**	**25.8**	**(17.0)**	
2. TOTAL EXPENSES & NET LENDING	**510.4**	**675.4**	**1,214.8**	**631.7**	**673.7**	**1,305.4**	**1461.5**	**(156.1)**	**(10.7)**
Recurrent Expenses	359.5	424.5	823.4	453.7	478.9	932.5	972.1	(39.5)	
Development Expenses	122.1	150.3	262.8	117.0	110.9	227.8	291.7	(63.9)	
County Transfers	28.8	100.6	128.7	61.1	83.9	145.0	195.2	(50.2)	
Others	-	-	-	-	-	-	2.5	(2.5)	
3. DEFICIT (INCL. GRANTS) (1-2)	**(127.5)**	**(239.3)**	**(395.8)**	**(118.7)**	**(171.6)**	**(290.3)**	**(447.0)**	**156.8**	**(35.1)**
As percent of GDP	(1.1)	(2.1)	(3.5)	(0.9)	(1.4)	(2.3)	(3.5)	1.2	
4. ADJUSTMENT TO CASH BASIS	**-**	**30.1**	**-**	**13.4**	**-**	**-**	**-**	**-**	
5. DEFICIT INCL . GRANTS ON A CASH BASIS	**(127.5)**	**(209.1)**	**(395.8)**	**(105.3)**	**(171.6)**	**(290.3)**	**(447.0)**	**156.8**	**(35.1)**
As percent of GDP	(1.1)	(1.9)	(3.5)	(0.8)	(1.4)	(2.3)	(3.5)	1.2	
6. DISCREPANCY: Expenditure (+) / Revenue (-)	**2.3**	**20.7**	**(35.7)**	**6.6**	**16.5**	**9.7**	**-**	**9.7**	
7. FINANCING	**129.8**	**229.8**	**360.1**	**111.9**	**188.0**	**299.9**	**447.0**	**(147.1)**	**(32.9)**
Domestic (Net)	152.4	192.6	345.5	140.0	158.7	298.7	454.2	(155.5)	
External (Net)	(22.6)	37.2	14.5	(28.2)	29.4	1.2	(7.2)	8.4	
Other Dom. Financing (domestic loan receipts)	0.0	0.0	0.1	-	-	-	-	-	
Others	-	-	-	-	-	-	-		

GDP figures Provisional Dec 2021 BOT

Source: The National Treasury-Dec 2021 Provisional BOT

3.9 Performance of the Banking Sector

The banking sector recorded a strong performance in the year ended December 2021, mainly due to continued recovery from the COVID-19 pandemic. The sector's profit before tax increased by 75.7 percent from Ksh.112.1 billion in the year ended December 2020 to Ksh.197.0 billion in the year ended December 2021. The increase in profitability was mainly driven by a 9.3 percent increase in total income and to a 6.7 percent decrease in total expenses. The increase in total income was mainly attributed to a 17.1 percent increase in interest on government Securities.

3.10 Commercial Banks Balance Sheet Analysis

The banking sector registered improved financial strength in 2021, with total net assets recording an increase of 11.4 percent from Ksh.5,405.7 billion in December 2020 to Ksh.6,022.2 billion in December 2021 (**Table 16**). This is attributable to increased Investments in other securities/subsidiaries, investment in government securities, balances at Central Bank and loans and advances. Investments increased by 187.1 percent, government securities increased by 14.8 percent, balances at Central Bank increased by 12.9 percent, and net loans and advances registered an increase of 9.9 percent.

Net loans and advances, government securities and investments accounted for 48.5 percent, 30.5 percent, and 7.8 percent of the total net assets, respectively and remained the main components of the banks' balance sheet.

Table 16: GLOBAL BALANCE SHEET ANALYSIS (Ksh.M)

	Dec-20	Dec-21	% of Total Assets/Total Liabilities
Cash	72,107	77,635	1.3
Balances at Central bank	214,820	242,570	4.0
Placements	323,485	279,263	4.6
Government Securities	1,601,044	1,837,879	30.5
Investments	68,466	196,537	3.3
Loans and Advances (Net)	2,658,712	2,920,670	48.5
Other assets	467,112	467,594	7.8
Total Assets	**5,405,746**	**6,022,147**	**100**
Liabilities and Shareholders' Funds			
Customer Deposits	4,011,316	4,451,734	73.9
Other liabilities	586,966	676,668	11.2
Capital and Reserves	807,464	893,745	14.8
Total liabilities and Shareholders' Funds	**5,405,746**	**6,022,147**	**100**

Source: CBK

Customer deposits, which are the main source of funding for the banks grew by 11.0 percent from Ksh.4,011.3 billion in December 2020 to Ksh.4,451.7 billion in December 2021. The growth was supported by mobilization of deposits through agency banking and mobile phone platforms.

In 2021, the banking sector capital and reserves increased by 10.7 percent from Ksh.807.5 billion in December 2020 to Ksh.893.7 billion in December 2021. The increase in capital and reserves is attributable to increase in retained earnings and share premium. Retained earnings increased by Ksh.66.2 billion from Ksh.413.4 billion in December 2020 to Ksh.479.6 billion in December 2021. Proposed Dividends increased by Ksh.10.8 billion from Ksh.31.2 billion in December 2020 to Ksh.42.0 billion in December 2021.

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

The largest proportion of the banking industry gross loans and advances were channeled to the Personal and Household, Trade, Manufacturing and Real Estate Sectors. In total, these four economic sectors accounted for 73.79 percent of gross loans in December 2021, as indicated in **Table 17**. Personal and Household, Trade and Agriculture sectors accounted for the highest number of loan accounts with a total of 98.95 percent. Trade, Real Estate, Manufacturing and Personal and Household sectors accounted for the highest value of non-performing loans by registering 68.62 percent. This was mainly due to delayed payments from public and private sectors, slow uptake of housing units and challenges brought about by the COVID-19 pandemic.

The concentration of non-performing loans was mainly in Trade, Real Estate, Manufacturing and Personal and Household sectors in December 2021. CBK will closely monitor the four economic sectors to ensure that commercial banks make adequate provisions for the loans in the four economic sectors to mitigate risk of default.

Table 17: Sectoral Distribution of Loan Accounts, Gross Loans and NPLs-December 2021

	No. of Loan A/Cs	% of Total	Gross Loans Ksh. Million	% of Total	Gross NPLs Ksh. Million	% of Total
Agriculture	123,172	0.9	106,200.7	3.3	19,221.9	4.2
Manufacturing	24,114	0.2	466,426.6	14.3	74,646.8	16.2
Building and construction	13,465	0.1	121,174.5	3.7	33,730.6	7.3
Mining and Quarrying	1,783	0.0	25,760.1	0.8	2,468.4	0.5
Energy and water	3,428	0.0	120,380.2	3.7	16,473.0	3.6
Trade	300,231	2.3	574,525.3	17.6	100,107.5	21.8
Tourism, Restaurant and Hotels	7,050	0.1	108,895.9	3.3	24,373.6	5.3
Transport and Communication	44,542	0.3	252,367.1	7.8	42,500.2	9.2
Real Estate	29,937	0.2	458,534.2	14.1	74,932.3	16.3
Financial Services	11,925	0.1	118,444.4	3.6	5,565.0	1.2
Personal/Household	12,457,180	95.7	902,720.0	27.7	65,989.2	14.3
Total	**13,016,827**	**100**	**3,255,429.0**	**100.0**	**460,008.5**	**100.**

Source: CBK

3.11.1 Risk Classification of Assets, Provisioning and Limitation on Interest Recoverable on Non-Performing Loans

The CBK's Prudential Guideline on Risk Classification of Assets, Provisioning and Limitation on Interest Recoverable on Non-Performing Loans (CBK/ PG/ 04), requires commercial banks to classify loans and advances extended to their customers based on performance. The performance criteria is based on repayment capability of the borrowers. The loans are classified as either normal, watch, substandard, doubtful or loss.

- **Normal:** Loans performing in accordance with the contractual terms and are up to date on repayments and are expected to continue in this condition.
- **Watch:** Loans which are generally past due by between 30 days and 90 days.
- **Substandard:** Loans which are generally past due for more than 90 days but less than 180 days.
- **Doubtful:** Loans which are generally past due for more than 180 days but less than 360 days.
- **Loss:** Loans which are generally past due for 360 days or more.

The loans and advances in the normal and watch category increased by 6.7 percent and 24.8 percent respectively whereas it decreased in substandard category by 0.1 percent. The normal category accounted for 73.7 percent of the total loans in 2021, compared to 74.9 percent in 2020 whereas, the watch category accounted for 12.1 percent of the total loans in 2021, compared to 10.5 percent in 2020.

The loans and advances in the doubtful and loss categories increased by 6.7 percent and 13.0 percent respectively **(Table 18).** This is also reflected by the increased levels of these categories to the entire loan book. The substandard, doubtful and loss categories accounted for 2.9 percent, 8.1 percent, and 3.2 percent of the loan book in 2021, compared to 3.2 percent, 8.3 percent, and

3.1 percent in 2020. The increase in the non-performing loans under doubtful and loss categories were occasioned by deteriorating asset quality as a result of COVID-19 pandemic, enhanced reclassification and provisioning of loans, challenges in the business environment and increased default of digital loans.

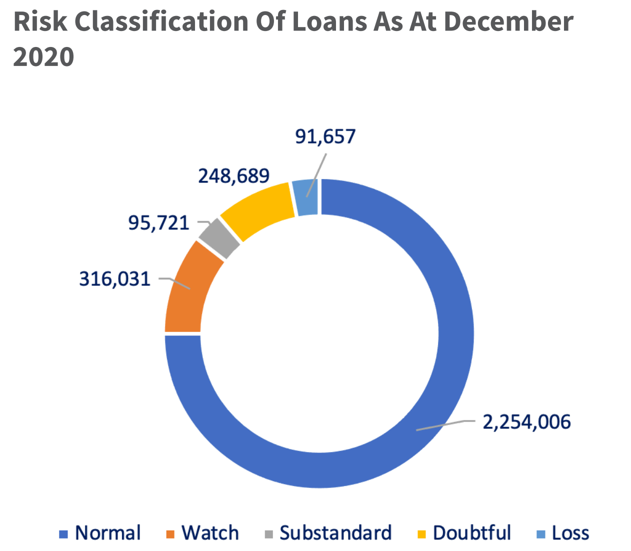
The amount of loans in all categories increased in 2021, with exception of substandard category as shown in **Table 18** and **Chart 9.**

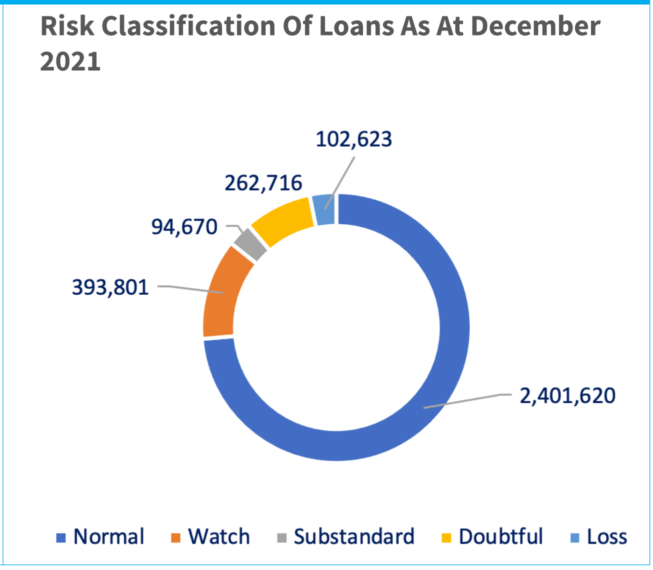
Table 18: Risk Classification of Loans and Advances

	2020		2021		Change Ksh' Million	% Change
	Amount Ksh' Million	% of Total	Amount Ksh' Million	% of Total		
	A		B		C=B-A	D=C/A
Normal	2,254,006	75.0	2,401,620	73.8	147,614	6.5
Watch	316,031	10.5	393,801	12.1	77,770	24.6
Substandard	95,721	3.2	94,670	2.9	-1,051	-1.1
Doubtful	248,689	8.3	262,716	8.1	14,027	5.6
Loss	91,657	3.0	102,623	3.2	10,966	12.0
Total	**3,006,104**	**100.0**	**3,255,429**	**100.0**	**249,325**	**8.3**

Source: CBK

Chart 9: Risk Classification of Loans and Advances





Source: CBK

3.12 Asset Quality

The stock of non-performing loans (NPLs) increased by 5.5 percent to Ksh.460.0 billion in December 2021, from Ksh.436.1 billion in December 2020. Asset quality, which is measured by the ratio of gross NPLs to gross loans improved to 14.1 percent in December 2021 from 14.5 percent in December 2020 as shown in **Table 19** and **Appendix III** mainly due to increase in gross loans by 11.7 percent as compared to increase gross non-performing loans by 5.5 percent.

Table 19: Asset Quality and Provisions (Ksh. M)

	20-Dec	21-Dec	% Change
Net Assets	5,405,746	6,022,147	11.4
Gross Loans and Advances	2,914,018	3,255,429	11.7
Total Loans	2,842,208	3,182,262	12.0
Net Loans	2,644,140	2,920,670	10.5
Gross Non-Performing Loans	436,067	460,008	5.5
Interest in Suspense	71,810	73,167	1.9
Total Non-Performing Loans	364,256	386,841	6.2
Total Provisions	198,067	287,550	45.2
Net Non- Performing Loans	166,189	172,464	3.8
Gross Loans/ Net Assets (%)	55.6	54.2	-1.4
Gross NPLs/ Gross Loans (%)	14.5	14.1	-0.4
Net NPLs/ Gross Loans (%)	5.5	5.3	-0.2

Source: CBK

3.13 Capital Adequacy

The CBK Prudential Guideline on Capital Adequacy (CBK/PG/04) requires banks to adhere to the prescribed capital adequacy ratios. The current minimum regulatory capital adequacy ratios for Core Capital to Total Deposits, Core Capital and Total Capital to Total Risk Weighted Assets are 8.0 percent, 10.5 percent, and 14.5 percent respectively. Core Capital to Total Risk Weighted Assets ratio remained the same at 16.6 percent in December 2021 and December 2020. The Total Capital to Total Risk Weighted Assets ratio increased from 19.0 percent in December 2020 to 19.5 percent in December 2021. However, the core capital to total deposits ratio decreased slightly from 17.1 percent in December 2020 to 16.9 percent in December 2021. The Kenyan banking industry was therefore fully compliant with the capital adequacy ratios in 2021. **Table 20** presents the Kenyan banking sector capital adequacy trend from 2017 to 2021.

Table 20: Capital Adequacy Ratios

	2017	2018	2019	2020	2021	Minimum Capital Adequacy Ratios (%)
Core Capital/TRWA (%)	16.5	16.6	16.6	16.6	16.6	10.5
Total Capital/TRWA (%)	18.8	19.5	18.8	19.0	19.5	14.5
Core Capital/Total Deposits (%)	18.9	17.9	17.9	17.1	16.9	8.0

Key: TRWA-Total Risk Weighted Assets
Source: CBK

3.14 Liquidity

Liquidity held by commercial banks depicts their ability to fund increases in assets and meet obligations as they fall due. Liquidity is one of the important financial stability indicators. Liquidity shortfall in one bank can cause systemic crisis in the banking sector due to their interconnected operations.

The average liquidity ratio as at December 2021, stood at 56.2 percent compared to 54.5 percent registered in December 2020. The increase in the liquidity ratio is mainly attributed to a higher growth in total liquid assets compared to the growth in total short-term liabilities. Total liquid assets grew by 11.9 percent while total short-term liabilities grew by 8.5 percent. The higher increase in liquid assets was mainly attributed to a 31.4 percent increase in investments in government treasury bonds. The banking sector's average liquidity in 2021 was way above the statutory minimum requirement of 20 percent.

3.15 Profit and Loss

The banking sector registered an increase in profitability in 2021 with profit before tax increasing by 75.7 percent to Ksh.197.0 billion in December 2021, from Ksh.112.1 billion in December 2020 as shown in **Table 21**. The increase in profitability was attributed to an increase in total income (Ksh.53.8 billion) and a decrease in total expenses (Ksh.31.2 billion).

3.15.1 Income

Total income for the banking sector increased by 9.3 percent from Ksh.576.4 billion in December 2020 to Ksh.630.2 billion in December 2021 as shown in **Table 21**. The increase in income was largely attributed to increase in interest on Government Securities which increased by 17.1 percent to Ksh.174.7 billion in 2021 from Ksh.149.2 billion in 2020.

Table 21: Income and Expenditure Items as a Percentage of Total Income/Total Expenses

	December 2020		December 2021	
Income	**Ksh.M**	**% of Total Income/ total expenses**	**Ksh.M**	**% of Total Income/ total expenses**
Interest on Advances	276,933	48.0	299,036	47.5
Fees and Commission for Loans and Advances	35,871	6.2	37,767	6.0
Other Fees and Commission Income	43,816	7.6	48,451	7.7
Interest on Government Securities	149,242	25.9	174,748	27.7
Interest on Placement	7,623	1.3	8,031	1.3
Other Income	62,961	10.9	62,118	9.9
Total Income	**576,446**	**100.0**	**630,151**	**100.0**
Expenses				
Interest Expenses	146,083	31.5	154,572	35.7
Bad Debts Charge	110,688	23.8	59,252	13.7
Salaries and Wages	97,123	20.9	103,774	24.0
Other Expenses	110,407	23.8	115,517	26.7
Total Expenses	**464,300**	**100.0**	**433,115**	**100.0**
Profit Before Tax	**112,145**			**197,036**
Source: CBK				

3.15.2 Expenses

As shown in **Table 21**, the banking sector expenses decreased by 6.7 percent to Ksh.433.1 billion in December 2021, from Ksh.464.3 billion in December 2020. The decrease in total expenses was largely attributed to decrease in loan loss provisions by Ksh.51.4 billion in 2021. Interest expenses accounted for 35.7 percent of the total banking sector expenses in 2021. Interest expense as a ratio of income decreased slightly from 25.3 percent in 2020 to 24.5 percent in 2021. Other expenses including training, advertising, printing and management fees increased by 4.6 percent to Ksh.115.5 billion in December 2021 from Ksh.110.4 billion in December 2020. Salaries and wages increased by 6.9 percent from Ksh.97.1 billion in December 2020 to Ksh.103.8 billion in December 2021. Salaries and wages as a ratio of income decreased to 16.5 percent in 2021 from 16.8 percent in 2020 reflecting a lower increase in staffing costs compared to the increase in income.

3.16 Performance Rating

The Central Bank of Kenya uses the Capital Adequacy, Asset Quality, Management Quality, Earnings strength, and Liquidity position (CAMEL) rating system in assessing the soundness of the commercial banks. Commercial banks are ranked in a 5-scale rating as shown in **Table 22**.

The banking sector was on overall rated satisfactory in 2021, as was in 2020.The institutions rated strong, satisfactory, fair, marginal, and unsatisfactory in December 2021 were 6, 19, 11, 2 and 1, respectively, as compared to 3, 23, 9, 3, and 1 in December 2020, respectively (**Table 22**). The number of institutions rated strong, and fair increased from 3 and 9 in December 2020 to 6 and 11 in December 2021, respectively. The number of institutions rated satisfactory decreased from 23 in December 2020 to 19 in December 2021. However, the market share for banks rated satisfactory decreased to 46.7 percent from 75.6 percent. The number of institutions rated fair increased from 9 in December 2020 to 11 institutions in December 2021 with market share decreasing by 3.02 percent.

Table 22: Banking Sector Performance Rating

Performance Rating	2020			2021		
	No. of Institutions	Total Net Assets (Ksh 'Million)	Market Share (%)	No. of Institutions	Total Net Assets (Ksh 'Million)	Market Share (%)
Strong	3	194,846	3.60	6	2,299,729	38.19
Satisfactory	23	4,085,672	75.60	19	2,812,306	46.70
Fair	9	908,182	16.80	11	829,895	13.78
Marginal	3	211,932	3.90	2	76,302	1.27
Unsatisfactory	1	5,114	0.10	1	3,914	0.06
Total		**5,405,746**	**100.00**		**6,022,147**	**100.00**
Overall Rating	**Satisfactory**			**Satisfactory**		

Source: CBK

3.17 Compliance with Supervisory and Regulatory Requirements

During the year ended December 31, 2021, nine commercial banks were in violation of the Banking Act and CBK Prudential Guidelines compared to thirteen commercial banks in the previous year 2020. Most of the violations were in respect to breach of single obligor limit mainly due to decline in core capital in some banks that have continued to report losses.

The specific incidences of non-compliance noted during the year ended December 31, 2021, were as follows:

i. Single Obligor Limit

Eight commercial banks were in violation of Section 10 (1) of the Banking Act as they exceeded the single obligor limit of 25 percent of core capital.

ii. Prohibited Business

- Five commercial banks were in violation of Section 12 (C) of the Banking Act and CBK Prudential Guideline on Prohibited Business (CBK/PG/07) which restricts investment in land and buildings to 20 percent of core capital.
- Two commercial banks were in violation of CBK/PG/07 on Prohibited Business that restricts aggregate large exposures to not more than 5 times of the Core Capital.

iii. Capital Adequacy Requirements

- Two commercial banks were in violation of Section 7(1) of the Banking Act due to failure to maintain the minimum core capital required of Ksh.1 billion.
- Five commercial banks were in violation of Section 18 of the Banking Act and CBK Prudential Guideline on Capital Adequacy, CBK/PG/03, Clause 4.1.2 due to failure to meet the minimum statutory required ratio for total capital to total risk weighted assets of 14.5 percent. Four banks failed to meet the statutory minimum required ratio for core capital to total risk weighted assets of 10.5 percent. While three banks failed to meet the statutory minimum required ratio for core capital to deposit ratio of 8 percent.

iv. Insider Lending

- Three commercial banks were in violation of Section 11(1) (f) of the Banking Act as they exceeded the single insider borrower limit of 20 percent of Core capital.
- Two commercial banks were in violation of Section 11(1) (g) of the Banking Act as they exceeded the total insider borrowing limit of 100 percent of Core Capital.

iii. Foreign Exchange Exposure

One bank was in violation of Central Bank of Kenya Prudential Guideline on Foreign Exchange Exposure (CBK/PG/06) that requires an institution to maintain foreign exchange exposure at not more than 10 percent of core capital.

iv. Liquidity Management

One bank was in violation of Section 19 (1) of the Banking Act due to failure to maintain the minimum statutory liquidity ratio of 20 percent.

v. Induplum Rule

One bank was in violation of Section 44A (1) of the Banking Act that restricts the amount of interest recoverable on non-performing loans and advances to the principal owing when the loan becomes non-performing.

Appropriate remedial actions were taken on the concerned institutions by the CBK in respect of the violations.

3.18 Performance of Microfinance Banks

Microfinance banks' performance improved in the year ended December 31, 2021. As shown in **Table 23**, the sector reported a combined loss before tax of Ksh.877 million as at December 31, 2021, compared to a loss of Ksh.2.2 billion as at December 31, 2020. Four institutions reported profits, while the remaining ten institutions registered losses. The main contributors to the loss position are Faulu Microfinance Bank Limited, Maisha Microfinance Bank Limited and Rafiki Microfinance Bank Limited which reported losses before tax of Ksh.522 million, Ksh.178 million and Ksh.153 million respectively.

The improvement in the performance of the sector is attributed to a decline in total expenses by 7 percent from Ksh.14 billion in 2020 to Ksh.12.9 billion in 2021. The decline in expenditure is largely attributed to a reduction in provisions for loan impairment by 52 percent from Ksh.1.7 billion in 2020 to Ksh.817 million in 2021, due to improved economic conditions following the easing of COVID-19 containment measures. Consequently, the sector reported an increase in return on assets and equity ratios by 2 percent and 18 percent respectively to stand at negative 1 percent and negative 10 percent respectively.

Customer deposits increased by 2 percent, from Ksh.49.3 billion in 2020 to Ksh.50.4 billion in 2021. The growth in deposits was as a result of deposit mobilization efforts and increased usage of alternative delivery channels in the period. Net loans decreased by 9 percent from Ksh.44.2 billion in 2020 to Ksh.40.1 billion in 2021. The decline was attributed to increased loan repayments in the period as the economy recovered from the devastating effects of COVID-19.

Table 23: Performance of Microfinance Banks - Ksh. 'M'

Parameter	2020	2021	Change (%)
Pre-Tax Profits	(2,240)	(877)	61
Customer Deposits	49,356	50,413	2
Loan Portfolio (Net)	44,179	40,115	-9
Core Capital/Total Risk Weighted Assets (%)	10	13	3
Total Capital/Total Risk Weighted Assets (%)	13	16	3
Return on Assets (%)	(3)	(1)	2
Return on Shareholders' Funds (%)	(28)	(10)	18
Number of Branches	**120**	**115**	**-4**
Source: CBK			

The sector's capital levels increased in 2021, owing to capital injection by shareholders of Faulu, Rafiki and Uwezo who contributed Ksh.1.1 billion, Ksh.500 million and Ksh.300 million respectively. As a result, the ratio of core capital to total risk weighted assets increased from 10 percent in December 2020 to 13 percent in December 2021, while the ratio of total capital to total risk weighted assets increased from 13 to 16 percent. While the sectors' capital ratios were within the minimum requirement of 10 percent and 12 percent respectively, 5 institutions were non-compliant, as shown in **Appendix XII**.

The sector's liquidity ratio stood at 78 percent as at December 31, 2021. One institution was non-compliant with the statutory minimum liquidity ratio of 20 percent.

The microfinance sector's branch network declined in the year under review, with the number of branches standing at 115. Faulu MFB closed six (6) branches and opened one (1) branch during the period. The sector established two marketing offices and closed 28 marketing offices during the period under review, bringing down the total marketing offices from 89 in 2020 to 63 in 2021. Similarly, the sector engaged 288 new specific third-party agents and closed 553 agents, leading to a decline of agents from 1,275 in December 2020 to 1,010 in December 2021.

3.19 Agency Banking

The delivery of financial services through the agent banking model continued to increase in 2021. During the year, 21 commercial banks and 5 microfinance banks (MFBs) had contracted 78,371 and 1,010 bank agents, respectively. As at December 2020, commercial banks recorded 72,617 bank agents, while MFBs agents were 1,275. The change was an increase of 5,754 commercial bank agents (7.9 percent) and a decrease of 265 MFB agents (20.8 percent).

The increase in the number of agents in banks is attributed to the growing confidence in bank agents, the need for banks to decongest banking halls and acceptability of the agency banking model by financial institutions and the general public. This is illustrated by an additional one commercial bank that rolled out the agency banking model during the year and the continued recruitment of specific agents by commercial banks (jointly recruited over 10,000 specific agents). Despite the increase in number of agents, a few commercial banks' agents closed their businesses. This was necessitated by business slowdown in 2020 and 2021 as a result of COVID-19, and low income earned by the agents rendering the agents inactive.

Over 90 percent of the approved bank agents were concentrated in 3 banks with the largest physical branch presence namely, Equity Bank with 42,000 agents, Cooperative Bank of Kenya Limited with 15,072 agents and KCB Bank Kenya Limited with 14,001 agents. On the other hand, for the MFBs, over 90 percent of the agents were contracted by the two largest MFBs – Kenya Women Microfinance Bank Limited (139 agents) and Faulu Microfinance Bank Limited (758 agents).

9 (a) Number of Transactions

The number of banking transactions undertaken through bank agents increased by 31.7 percent from approximately 113.7 million transactions recorded in 2020, to 156.4 million transactions in December 2021. A brief summary is provided in **Table 24 (a)** below:

Table 24 (a): Agency Banking Data for Banks- No. of Transactions				
Type of Transactions	**Number of Transactions**			
	2020	**2021**	**% Change**	**Cumulative (2010-2021)**
Cash Deposits	55,003,720	77,362,818	40.7	521,016,098
Cash Withdrawals	33,812,403	41,239,991	22.0	333,780,125
Payment of Bills	2,616,284	3,500,643	33.8	14,859,008
Payment of Retirement and Social Benefits	1,810,169	958,900	-47.0	12,262,497
Transfer of Funds	12,833	14,840	15.6	225,774
Account balance enquiries	23,571,720	32,637,126	38.5	169,612,636
Mini statement requests	1,802,733	541,809	-69.9	4,003,900
Collection of loan applications forms	56,395	-	-100	62,743
Collection of account opening application forms	19,354	17,844	-7.8	1,79.08,759
Collection of debit and credit card application forms	1,812	-	-100.0	119,876
Collection of debit and credit cards	-	-	0.0	60,580
Others	67,860	88,783	30.8	758,085
Total	**113,688,063**	**156,362,755**	**31.7**	**894,940,147**
Number of Agents	**72,617**	**78,371**	**7.9**	
Source: CBK				

The increase in total transactions was mainly as a result of increases in transactions relating to cash deposits, cash withdrawals, payment of bills, account balances inquiry, transfer of funds and others. The increase was attributed to continued recovery and opening of the economy in 2021.

Table 24 (b): Agency Banking Data for Banks- Value of Transactions (Ksh.'M')				
Type of Transactions				
	2020	**2021**	**% Change**	**Cumulative (2010 to 2021)**
Cash Deposits	814,732.9	1,269,049.8	26.7	6,019,770.5
Cash Withdrawals	236,767.0	276,934.3	17.3	1,875,702.9
Payment of Bills	12,280.7	38,414.0	56.9	111,033.6
Payment of Retirement and Social Benefits	9,280.9	6,463.9	-10.8	66,323.2
Transfer of Funds	806.1	907.2	38.5	5,846.2
Total	**1,073,867.6**	**1,591,769.2**	**24.5**	**8,078,676.4**
Source: CBK				

In 2021, the value of banking transactions undertaken through agents increased from Ksh.1.2 trillion (USD 9.8 billion) in December 2020 to Ksh.1.59 trillion (USD 14.5 billion) in December 2021. The increase was attributed to continued recovery and opening up of the economy in 2021.

3.20 Credit Reference Bureaus

The past five years have witnessed tremendous growth of credit reports requests by both banks and individual customers as shown in **Table 25**. This is an indication that Credit Information Sharing (CIS) mechanism is taking root and more users have started to appreciate its usefulness.

The Central Bank of Kenya (CBK) continues to refine the mechanism as evidenced by development of Data Submission Template (DST) and Data Validation Rules aimed at improving the quality of data exchanged between subscribing institutions and the Credit Reference Bureaus (CRBs). Additionally, CBK is continuously reviewing Risk Based Pricing models of licensed institutions to ensure CIS mechanism plays its integral role in credit risk pricing.

Another important development was the suspension of negative listing of borrowers for loan balances below Ksh.5 million for a period of twelve months from October 2021 to September 2022, in order to cushion borrowers from the adverse impacts of COVID-19. This follows the lapse of the six-month suspension of CRB listings in September 2020 as part of the measures to cushion borrowers hit by the pandemic. The move targeted Micro, Small and Medium Enterprises (MSMEs) aimed at providing space to turnaround their business as the economy recovers from negative effects of the pandemic.

The number of third-party data sources stood at 2,077 in the year 2021 having increased from 1,984 in the previous year. The distribution of the third-party data sources in 2021 included 1,359 non-deposits taking SACCOs, 647 trade companies, 57 insurance providers, 10 development finance institutions and 4 other public entities. The third-party data sources serve to complement information provided by mandatory CRB subscribers including commercial banks, microfinance banks and deposit taking SACCOs.

Despite the challenging business environment due to COVID 19, there was a noted growth in the number of credit reports requested by both individuals and subscribing institutions (commercial banks and microfinance banks) in 2021. The number of credit reports requested by subscribing institutions increased by 28 percent from 30.2 million in 2020 to 38.7 million in 2021. Similarly, the requests for credit reports by individual customers increased by 30 percent from 889,849 in 2020 to 1.2 million in 2021. The increase is a testament of the integral role played by the CIS mechanism in the credit market and the rise in awareness by the populace.

Table 25a: Number of credit reports requested since August 2015

Period	Banks*	% Change	Individual Customers	% Change
August - December 2015	3,088,523	-	43,440	-
January - December 2016	4,943,173	60	84,412	94
January - December 2017	4,404,654	-11	131,587	56
January - December 2018	12,404,219	182	149,558	14
January - December 2019	26,822,614	116	661,891	343
January - December 2020	30,220,808	13	889,849	34
January – December 2021	38,665,162	28	1,152,368	30
Total	**120,549,153**		**3,113,105**	

**Commercial and Microfinance banks*

Source: CBK

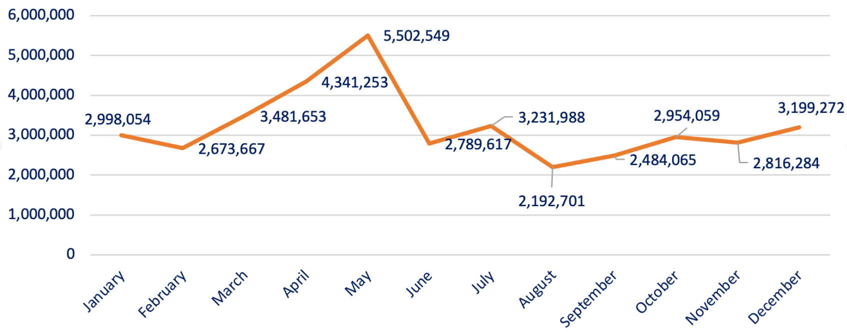
Table 25b and **Chart 10** below show monthly credit reports requests by banks in 2021. March to May was the peak report request period.

Table 25b: Credit reports requests by banks in 2021

Month	Number of Credit Reports Requested
January	2,998,054
February	2,673,667
March	3,481,653
April	4,341,253
May	5,502,549
June	2,789,617
July	3,231,988
August	2,192,701
September	2,484,065
October	2,954,059
November	2,816,284
December	3,199,272

Source: CBK

Chart 10: Monthly Credit Report Requests by Banks from CRBs in 2021



3.21 Money Remittance Providers (MRPs)

Prior to 2013, remittance services were conducted through banking institutions. Given the growing importance of diaspora remittances in supporting the growth and development of an economy through the supply of foreign exchange, CBK established a framework in 2013 to enable stand-alone entities conduct money remittance business. Consequently, the Money Remittance regulations were published in 2013, paving way for the licensing and regulation of Money Remittance providers (MRPs).

As at December 31, 2021, there were a total of seventeen (17) licensed MRPs, the same number as at December 31, 2020. The MRPs have established a total of 41 outlets, out of which 33 are located in Nairobi and 4 each in Mombasa and Garissa. In addition, the MRPs have engaged 60 agents that are distributed across the country as shown in **Table 26.** Forty-eight (48) percent of the agents consist of licensed forex bureaus that provide the remittance service on behalf of the MRPs.

Table 26: Distribution of outlets and agents of MRPs

No.	City/Town	No. of Outlets		No. of Agents	
		December 2020	December 2021	December 2020	December 2021
1	Nairobi	33	33	19	31
2	Mombasa	4	4	2	3
3	Dadaab	-	-	4	4
4	Nakuru	-	-	2	3
5	Eldoret	-	-	2	2
6	Garissa	4	4	2	2
7	Kitale	-	-	1	1
8	Kajiado	-	-	1	1
9	Kakuma	-	-	1	1
10	Moyale	-	-	2	2
11	Mandera	-	-	2	2
12	Wajir	-	-	1	1
13	Isiolo	-	-	2	2
14	Malindi	-	-	1	1
15	Namanga	-	-	2	1
16	Kisumu	-	-	1	1
17	Malaba	-	-	1	1
18	Busia	-	-	1	1
	Total	**41**	**41**	**47**	**60**

Source: CBK

The increase in number of agents from 47 in December 2020, to 60 in December 2021, can be attributed to the appointment of 13 forex bureaus as agents by MRPs in 2021.

Remittance inflows continues to be a stable source of foreign exchange to the country's economy and amounted to Ksh.301 billion in 2021 while outflows amounted to Ksh.62 billion, as shown in **Table 27**.

Table 27: Total inflows and outflows for year 2020 and 2021

Month	2020		2021	
	Inflows	Outflows	Inflows	Outflows
January	9,830,679	4,839,472	16,026,568	4,613,597
February	7,772,509	4,093,252	19,427,500	4,086,056
March	8,053,274	4,602,182	26,715,053	13,404,614
April	8,553,088	4,657,321	23,254,270	5,434,763
May	9,513,140	4,920,314	32,345,447	4,061,517
June	12,801,851	4,928,165	30,271,914	3,853,260
July	15,959,952	5,367,620	34,268,275	4,261,293
August	15,817,444	5,445,440	32,347,822	4,121,703
September	15,940,096	5,421,962	25,232,044	4,662,292
October	16,199,432	5,659,096	19,041,915	3,906,664
November	13,911,028	4,781,943	17,197,465	4,597,596
December	14,951,518	5,824,682	24,549,213	4,652,370
Total	**149,304,011**	**60,541,449**	**300,677,487**	**61,655,726**

Source: CBK

Contrary to expectation, there was significant increase of inflows from Ksh.150 billion to Ksh.301 billion in the year 2021, during the COVID-19 period. The increase is largely attributed to the adoption of digital channels by the MRPs which enabled recipients to receive funds promptly through their mobile phones. The digital channels have proven to be efficient, fast and reliable, contributing to their increased usage in the year 2021.

The Diaspora Remittances Survey Conducted by CBK in 2021, confirms that remittance inflows are mainly directed at nuclear family members and largely cater for basic household needs such as food, household goods, medicine and payment of education expenses. Slightly over a half of the remittance amounts were allocated to three uses: investment in real estate (land and building) for recipients, mortgage payment for senders and purchase of food and household goods.

Although the Sustainable Development Goals sets a target of less than 3 percent by 2030, the Survey established that the average cost of sending funds stood between 4 to 5 percent of the amount sent. The cost of remittance is therefore considered relatively high. The most dominant and preferred service providers continue to be banks, money remittance providers and mobile money operators.

3.22 Mortgage Refinance Companies

A mortgage refinance company (MRC) is established with the principal objective being to provide long term finance to primary mortgage lenders (commercial banks, mortgage finance companies, microfinance banks and Savings and Credit Co-operatives) to increase the availability and affordability of mortgage loans to the public.

As part of its long-term development agenda over the five-year period, 2018-2022, the Kenya Government identified the provision of Affordable Housing as one of its main development priorities alongside manufacturing, Universal Health Care and food security. The Government seeks to realize the housing goal through, among other strategies, addressing challenges in the domestic mortgage market. It was in this regard, that the National Treasury proposed the establishment of a Mortgage Liquidity Facility (MLF) in Kenya aimed at developing an active secondary mortgage market for provision of long-term funding to primary mortgage lenders including commercial banks, microfinance banks and deposit taking Savings and Credit Co-operatives (SACCOs).

To operationalize the facility, the National Treasury initiated amendments to the Central Bank of Kenya (CBK) Act, through the Finance Act, 2018. The CBK Act was amended to provide for licensing and regulation of the mortgage refinance business in Kenya. The amendment also brought mortgage refinance business within the regulatory and supervisory purview of CBK. To effect the amendment, CBK formulated the CBK (Mortgage Refinance Companies) Regulations, 2019, to guide the operations of Mortgage Refinance Companies (MRCs) in Kenya. The CBK (Mortgage Refinance Companies) Regulations, 2019 were published as Legal Notice No. 134 of 2019 in the Kenya Gazette in August 2019.

Following the gazattement of the CBK (Mortgage Refinance Companies) Regulations, 2019, CBK licensed the first MRC namely, the Kenya Mortgage Refinance Company (KMRC) Plc on September 18, 2020. The license was granted pursuant to the CBK (Mortgage Refinance Companies) Regulations, 2019. The establishment of mortgage refinance companies in Kenya was aimed at developing an active secondary mortgage market in Kenya for provision of long-term funding to Primary Mortgage Lenders (PMLs) including commercial banks, microfinance banks and Savings and Credit Co-operatives (SACCOs). A brief on KMRC Plc since it commenced mortgage refinance business is as detailed below: -

Shareholders: KMRC currently has 23 shareholders: The National Treasury (25.3 percent), 2 Development Finance Institutions (DFIs) (22.9 percent), 8 commercial banks and one microfinance bank (44.3 percent) and 11 SACCOs (7.5 percent).

Objective: KMRC's principal objective is to provide cheaper long-term finance to primary mortgage lenders (commercial banks, mortgage finance companies, microfinance banks and Savings and Credit Co-operatives) to increase the availability and affordability of mortgages to the public. KMRC's role is to provide low interest, fixed rate, long-term finance to mortgage financiers so that they can transfer the same benefits to individual borrowers, thus making home loans more accessible and affordable for Kenyans. It is worth noting that KMRC neither takes deposits nor lends directly to individuals.

Funding of KMRC: KMRC is funded through a combination of **equity** from shareholders and **debt** from World Bank and the African Development Bank (AfDB).

Highlights of KMRC's Performance in the year 2021, is detailed below: -

- KMRC's total interest income in the year 2021, increased by Ksh.489.9 million to Ksh.710.9 million from Ksh.221.0 million reported in the year 2020. This was attributed to interest income on loans and advances issued to PMLs and interest income from financial assets.
- Profit before tax in the year 2021, increased by Ksh.183.7 million to Ksh.285.3 million from Ksh.101.6 million reported in the year 2020. The main source of income has been from loans and advances. In the year 2021, KMRC had disbursed loans amounting to Ksh.1.3 billion.

- KMRC registered a 55.6 percent growth in total assets in the year 2021. The total assets as at December 2021, stood at Ksh.9.8 billion, in comparison to Ksh.6.3 billion reported in the year ended 2020.

As part of KMRC's efforts in achieving its objectives, KMRC as at the end of the year was in the process of seeking approvals for its proposed issuance of Ksh.10.5 billion Medium Term Note programme. KMRC projects to issue Medium Term Notes within the first quarter of 2022.

CHAPTER 4

DEVELOPMENTS IN THE SUPERVISORY FRAMEWORK

DEVELOPMENTS IN THE SUPERVISORY FRAMEWORK

4.1 Introduction

A number of initiatives geared towards ensuring a stable and resilient banking sector were undertaken in 2021. These initiatives included:

(a) **Banking Circular Number 1 of 2021:** On March 23, 2021, CBK announced the expiry of the emergency measures on restructuring of loans arising from the COVID-19 pandemic that were contained in Banking Circular Number 2 of 2020 of March 23, 2020. The circular was intended to provide guidance on the loan classification and provisioning of the extended and restructured loans following the expiry of the one-year extension period that ended on March 2, 2021.

(b) **Banking Circular Number 2 of 2021:** On June 8, 2021, CBK communicated to institutions regarding CBK's review of the risk weight for mortgage loans. The Circular amended the CBK Prudential Guideline on Capital Adequacy (CBK/PG/03), by reviewing downwards the risk weights of residential mortgages that are fully secured by first charge from a risk weight of 50 to 35 percent. It is envisaged that this amendment will free capital for banks to increase their mortgage lending.

(c) **Banking Circular Number 4 of 2021:** On October 15, 2021, CBK issued to institutions the Guidance on Climate-Related Risk Management. The Guidance provided a roadmap with actions in the short and medium term to entrench climate risk management in the operations of banks and business models. Banks were expected to build the requisite capacity in the areas of governance, strategy, risk management and disclosures relating to climate change.

(d) **Banking Circular Number 6 of 2021:** On December 9, 2021, CBK issued a Guidance Note to institutions regarding the transition from the London Interbank Offered Rate (LIBOR). The Guidance Note provided commercial banks with a framework that they must consider ensuring that the transition is well managed, and that all risks are appropriately identified, assessed, and managed.

4.2 Host Country Assessments

In March 2015, as part of the implementation of Risk Based Supervision Framework on Consolidated Supervision, CBK in partnership with IMF's East AFRITAC developed a structured approach for the assessment of the quality of supervision undertaken by host countries where Kenyan banks have establishments. Assessment on the quality of host country supervision is required under Basel Core Principle (BCP) 12, on consolidated supervision.

The host country assessments entail review of the legal and regulatory frameworks, and supervisory practices of the host countries. The assessments assist CBK to; identify vulnerabilities in banking groups with cross border establishments, which is key in the development of effective supervision strategies for the banking groups. Assessments also assist CBK to develop structured supervisory mechanisms to assess the quality of host country supervision practices, legal and bank's resolution frameworks.

Currently, Kenyan banking groups have establishments in seven foreign jurisdictions, both in EAC and beyond. Five out of the seven jurisdictions where Kenyan banks have establishments belong to the East Africa Community. Since the assessment criterion was developed in 2015, BSD has conducted assessments in all the seven (7) jurisdictions. The assessments revealed that, amongst the seven jurisdictions, the supervisory practices, legal and regulatory frameworks in four (4) jurisdictions were largely adequate and could be relied upon by CBK in the supervision of the hosted subsidiaries. Although, gaps were identified in the legal and supervisory frameworks of two (2) jurisdictions, it was observed that considerable efforts were being undertaken by the host countries to improve the quality of their frameworks. Further, the assessments established that in one (1) jurisdiction, the legal and supervisory framework was inadequate. Therefore, CBK will continue monitoring developments in the legal and supervisory framework in this jurisdiction and undertake another assessment going forward.

In 2021, CBK convened Supervisory College meetings for supervisors in which Kenyan banking groups operates. The economies of the various countries represented in the Supervisory College remained resilient in 2020 and 2021 despite the negative effects of COVID-19. These economies continued to recover from the adverse impact of COVID-19 mainly due to extensive vaccination of the populace, relaxation of COVID-19 containment measures, strong policy measures that supported respective financial systems, opening of most sectors of the economy, recovery in global demand for goods and services and the gradual re-opening of borders. It was however noted that the rate of economic growth in these countries was lower than expected.

In 2021, BSD continued to monitor developments in the legal and regulatory frameworks and supervisory practices in the seven jurisdictions, of which assessments had been conducted. This was necessary, owing to external shocks brought about by the slowdown in economic activities in most of the countries as a result of the COVID-19 pandemic. For the EAC members, it was observed that Central Banks have strived to implement most of the aspects of the convergence criteria agreed amongst them to harmonize banking legal, regulatory and supervisory rules and practices in the region. It is expected that full harmonization of the legal, regulatory and supervisory rules and practices will strengthen supervisory standards for subsidiaries of Kenyan banks in the region.

4.3 Guidance on Climate-Related Risk Management

In the recent past, the adverse impact of climate change has manifested through droughts, floods, water scarcity, hurricanes, and wildfires. These have brought to the forefront, the urgent need for concerted global efforts to mitigate and adapt to climate change.

This informed the decision by countries to commit to enhanced climate action to address the increasingly dire consequences of climate change under the auspices of the Conference of the Parties (COP). Similarly, banks, regulators and policymakers across the globe have increasingly leveraged on the pivotal roles of banks in the global economy to advance climate mitigation and adaptation. Banks and their clients can also play an important signaling role as the world transits to a low carbon economy. As banks play these roles, it presents them with both opportunities and risks.

Opportunities abound in financing of renewable energy, resilient infrastructure, appropriate housing, and sustainable agriculture that will also create meaningful jobs. Conversely, climate-related risks are increasingly recognised as a source of financial risks for the financial sector. They can affect the safety and soundness of institutions and the entire financial system if not properly managed.

Taking cognizance of the opportunities and the pervasive nature of climate-related risks, CBK saw it opportune to draw the attention of the banking sector players to the need to pay close attention to climate-related risks as part of their comprehensive risk management frameworks. In view of this, CBK developed and issued *Guidance-on-Climate-Related-Risk-Management* to commercial banks on October 15, 2021. The *Guidance* sought to integrate climate-related risk management, in banks' governance, strategy, risk management and disclosure frameworks. The *Guidance* sets out some basic requirements that institutions should consider to effectively entrench climate-related financial risks in their risk management frameworks as outlined below.

- **Governance** - An effective climate governance structure is critical to ensure that an institution properly assesses climate-related risks and opportunities, takes appropriate strategic decisions on how to manage those risks and opportunities. Thus, institutions should develop a governance framework for climate resilience. The Board should oversee the development and implementation of the institution's climate strategy.
- **Strategy** - Institutions should embed climate con-

siderations throughout the strategy formulation process, while organisational structures, business policies, processes and resources availability should be reviewed and enhanced to ensure effective strategy implementation.

- **Risk management** – Institutions are expected to incorporate climate risk considerations into their existing risk management framework. They should identify the transmission channels and assess the impacts of physical and transition risks arising from climate change on their business. To this end, institutions should build capability over time to measure climate risks using various methodologies and tools. They should also implement processes to monitor and report exposures to climate risks and carry out measures to control and mitigate the exposures.
- **Disclosure** – Institutions should develop an approach to disclosing climate-related information to enhance transparency. When considering the information to be disclosed, Institutions should take the Task Force on Climate-related Financial Disclosures (TCFD) recommendations as the core reference.

The *Guidance* has been benchmarked to global best practices and pronouncements on climate-related risk management. These include pronouncements by the Financial Stability Board, Task Force on Climate-Related Financial Risk Disclosures, Basel Committee on Banking Supervision, Network for Greening the Financial System, as well as guidance and guidelines on climate-related risk management by Bank of England's Prudential Regulatory Authority, Hong Kong Monetary Authority, and Monetary Authority of Singapore.

Climate-related risks are generally classified into three broad categories.

- **Physical risks**, which refer to the impacts of climate and weather-related events and long-term progressive shifts of climate and weather-related events such as floods and drought.
- **Transition risks**, which are the financial risks related to the process of adjustment towards a lower-carbon economy which can be prompted by, for example, changes in climate policy, technological changes, or a change in market sentiment. An example is the abandonment of previously well-entrenched energy sources such as coal may lead to banks being left with obsolete stranded assets that were used to secure loans.
- **Liability risk**, which is associated with emerging legal cases related to climate change, including those seeking compensation from financial institutions that are held responsible for losses and damages resulting from the effects of climate change, or which finance companies with activities having negative environmental impacts.

Due to the complex nature of climate change, CBK gave reasonable time to the banking sector to entrench climate-related risk management into their comprehensive risk management frameworks. Sensitization of banks Chief Executive Officers (CEOs) took place in October 2021. The sensitization of bank staff and all other interested parties in the banking sector continued till March 2022. The banks are then required to submit their board approved implementation roadmaps to CBK by June 2022 and thereafter quarterly implementation status from the quarter ended September 2022. As from June 2023, all banks are expected to have rolled out disclosures of their climate-related risks benchmarked to the global best practices.

4.4 Reduction of Mortgages Risk Weight

On June 8, 2021, CBK reviewed the risk weight for all residential mortgages, for capital adequacy purposes, from 50 percent to 35 percent. This was aimed at **freeing up capital** for banks to expand their mortgage portfolios as part of supporting the Government's Housing Pillar in the Big 4 Agenda.

Since 2011, CBK conducts an annual residential mortgage survey to monitor developments and challenges in the mortgage market for residential housing. As at December 2020, the **number of mortgage loans** increased to 26,971 valued at Ksh.232.7 billion from 16,135 valued at Ksh.91.2 billion in December 2011. Although the number and value of mortgage loans have increased over the years, the increase has been marginal compared to the estimated annual demand of 200,000 housing units. Among the impediments cited by banks is lack of long-term funds for funding mortgage loans.

Under the CBK Prudential Guideline on Capital Adequacy, mortgages on residential houses had been assigned a risk weight of 50 percent. This means that banks were setting aside capital equivalent to 50 percent of their mortgage loan portfolio in compliance with this requirement. As part of efforts to free the banks' capital for mortgage lending, CBK reviewed the treatment of residential mortgages under the Basel III framework[14]. Under Basel III, lending that is fully secured by mortgages on residential property or that is occupied by the borrower, or that is rented, is assigned a risk weight of 35 percent. However, in applying the 35 percent risk weight, the supervisory authorities should satisfy themselves that the weight is applied restrictively for residential purposes and in accordance with strict prudential criteria, such as the existence of substantial margin of additional security over the amount of the loan based on strict valuation rules.

CBK also reviewed the risk weights assigned to residential mortgages in other jurisdictions including Singapore, Mauritius, Malaysia, and South Africa and noted that a minimum risk weight of 35 percent has been assigned to residential mortgages.

Based on the findings from review of the risk weights assigned to residential mortgages, CBK decided to reduce it to 35 percent from 50 percent effective July 1, 2021.

14 Basel III is a set of reform measures that were issued in December 2010 by the Basel Committee on Banking Supervision. These measures were introduced to mitigate the effects of the global financial crisis in 2007/2008

4.5 Developments in Digital Credit/Lending

Background

Kenya has been at the forefront of providing digital financial services for over a decade. The proliferation of mobile-based banking and lending platforms has provided the underserved and unbanked populations with access to a range of financial services and increased financial inclusion. The widespread uptake of mobile money services in recent years, and the subsequent creation of transactional data, has spurred access to digital credit for individuals and MSMEs who had been previously excluded from formal credit markets, to meet their household needs, handle financial shocks and capitalize on business opportunities.

Digital credit in Kenya was principally provided by regulated entities, particularly banks. However, in the last few years, unregulated credit markets have also expanded. The 2019 FinAccess Household Survey[15] further established that unregulated digital lending had grown in recent years with usage of informal digital loan apps having grown from 0.6 percent (200,000 people) of Kenya's adult population in 2016 to 8.3 percent (approx. 2 million people) in 2019.

On the other hand, the expansion of digital credit and the proliferation of unregulated digital lenders has increased attention to wider consumer protection concerns which includes high cost of products, lack of transparency in pricing, aggressive debt collection practices, personal data abuse and financial integrity concerns. Given the opportunities for financial inclusion, as well as the concerns regarding the operations and conduct of digital credit providers (DCPs). In 2021, CBK embarked on developing an appropriate and effective legal and regulatory framework for DCPs to gain a comprehensive picture of the DCPs activities and manage the risks that they pose to consumers and the financial system broadly.

15 https://www.centralbank.go.ke/uploads/financial_inclusion/2050404730_FinAccess%202019%20Household%20Survey-%20Jun.%2014%20Version.pdf

In December 2021, His Excellency, the President assented to the Central Bank of Kenya (Amendment) Bill No. 10 of 2021 (the Act). The Act was published on December 7, 2021 and became effective on December 23, 2021. Broadly, the Act empowered CBK to regulate digital lenders. The Act requires CBK to develop appropriate regulations for DCPs. Subsequently, CBK developed the first draft CBK (Digital Credit Providers) Regulations, 2021, and in line with the constitutional requirement for stakeholder and public consultation, the draft regulations were published for public comments on December 23, 2021. The public consultation window ran for a period of 28 days. Following the conclusion of the public consultation, CBK reviewed the comments and to the extent possible incorporated the comments into the revised draft DCP regulations. The revised draft DCP regulations will be finalized in the first quarter of the year 2022.

Highlights of the Draft Regulations

The draft Regulations are largely market conduct oriented. Some of the salient provisions include:

(a) **Licensing requirements –** The provisions *inter alia*, prohibit the carrying out of digital credit business without a license issued under the Regulations. They also set out the licensing process, as well as documents and information required from DCPs in support of licensing applications.

(b) **Consumer protection provisions -** These include obligations to treat customer information with utmost confidentiality, and prohibition against exploitative credit collection practices. In this regard, DCPs are *inter alia* prohibited from making unauthorized calls or messages to a customer's contacts.

(c) **Loan pricing parameters** – The Regulations require DCPs to submit their loan pricing models/parameters during licensing. They further provide that the loan pricing model/parameters can only be changed with CBK's prior approval.

(d) **Supervision of DCPs by CBK** – The Regulations contain provisions on CBK's supervisory and enforcement powers, including reporting requirements and CBK's powers to levy administrative penalties against DCPs for violating the law.

(e) **Credit information sharing by DCPs** – The Regulations authorize DCPs to share credit information with credit reference bureaus.

(f) **Anti-Money Laundering and Combating the Financing of Terrorism (AML/CFT)** – These include provisions requiring digital credit providers to comply with the Proceeds of Crime and Anti-Money Laundering Act, 2009 in conducting their business. The requirements include obligations on a DCPs to provide evidence of sources of funds invested in its business.

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

4.6.1 National Risk Assessment

As the global standard setter, the Financial Action Task Force (FATF) requires all countries to identify, assess and understand the money laundering (ML) and terrorist financing (TF) risks and to develop a risk-based approach (RBA) in addressing the identified ML/TF risks.

Through a gazette notice issued in 2019, a Taskforce on National Risk Assessment on ML and TF was established comprising of both public and private sector representatives. CBK was a joint Secretariat to the Taskforce together with the Financial Reporting Centre.

The main objective of the NRA was for Kenya to identify, assess and understand its ML/TF risks at both national and sectoral levels. In conducting the NRA, the Taskforce undertook a series of activities that culminated in the drafting of the NRA Report and the National Anti-Money

Laundering and Countering Financing of Terrorism and Proliferation Financing (AML/CFT/PF) Strategy and Action Plan. These activities included:

- Sensitizing stakeholders on the process including use of the World Bank NRA Tool.
- Preparation and dissemination of questionnaires to stakeholders to collect data.
- Data collection.
- Stakeholder interview workshops to collect their views on ML/TF situation/risks.
- Analysis of qualitative data collected through questionnaires at workshops.
- Drafting the NRA Report.
- Drafting the National AML/CFT/PF Strategy and Action Plan.

In June 2021, the NRA Taskforce held a validation workshop during which highlights of the draft NRA Report and draft AML/CFT/PF Strategy and Action Plan were shared with stakeholders. The Action Plan set out the action items to be taken to address deficiencies in Kenya's AML/CFT regime. It also assigns implementation responsibilities to the relevant agencies with specific timelines. As at December 31, 2021, the two draft documents had been submitted to the National Treasury for Approval. The report is scheduled to be launched and circulated to the public in the first half of 2022.

4.6.2 Mutual Evaluation

One of the key functions of the Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG) is to assess and monitor member countries' compliance with international FATF standards on AML/CFT/PF. This is through a peer review mechanism commonly referred to as Mutual Evaluation (ME). Kenya was previously evaluated in 2010, under the ESAAMLG's First Round of Mutual Evaluation, and the Mutual Evaluation Report (MER) published on the ESAAMLG website in 2011.

Under the ESAAMLG's calendar for the 2nd Round of Evaluations, Kenya's ME was scheduled to start in 2021. The whole process takes approximately 12 – 18 months from inception to completion. The assessment is conducted by a team comprised of experts from ESAAMLG member countries who are specialized in the following areas: legal, the financial sector, financial intelligence units (FIU) and law enforcement. Broadly it is broken down into:

Technical Compliance/Desk Review: This component of the ME considers:

  - The extent to which a country's institutional and legal framework, i.e., laws and regulations comply with the 40 FATF Recommendations on Combating ML/TF/PF.
  - The processes and powers of competent authorities including financial sector regulators, law enforcement agencies as well as the relevant Government agencies and ministries.

- **Effectiveness:** This component of the ME assesses the extent to which a country is able to demonstrate that it has achieved a defined set of eleven Immediate Outcomes (IOs) that are considered essential to the development of an effective AML regulatory and institutional framework.
- **On-site meetings**: The assessment team holds discussions / interviews with various institutions that have designated responsibilities under Kenya's AML/CFT regime. The main objective of the on-site visit is to gauge the level of effectiveness and to seek clarification on any aspects on technical compliance.

The ME of Kenya officially commenced in October 2021, when the Kenyan authorities submitted responses to the TC Questionnaire to the ESAAMLG Secretariat in October 2021, and the Effectiveness Questionnaire in November 2021. The assessors then sent to Kenyan Authorities their comments on the Technical Assessment in December 2021. The onsite visit assessment is scheduled for January – February 2022. In line with ESAAMLG mutual evaluation procedures, the assessors are expected to share the draft ME report with the Kenya authorities in April 2022. A second onsite visit is planned for July to resolve any outstanding issues from the draft report. Kenya's ME report is expected to be tabled at the ESAAMLG 22nd Council of Ministers and 44th Task Force of Senior Officials' Meetings in August 2022.

CHAPTER 5

REGIONAL AND INTERNATIONAL DEVELOPMENTS AND INITIATIVES

5.1 Introduction

In 2021, CBK participated in a number of regional and global initiatives that fall within its supervisory mandate, either by virtue of its membership in regional/global forums or by invitation. These engagements enable CBK to keep abreast with developments in the regional and international regulatory environment, emerging issues, broaden exposure to international developments, and provide capacity-enhancement opportunities to CBK staff.

CBK mainly hosted and participated in various meetings and training forums which were held virtually as a result of the outbreak of the COVID-19 pandemic. In the regional and global arena, BSD participated in forums hosted by the World Bank and the International Finance Corporation (IFC), Japan International Co-operation Agency (JICA), Financial Stability Board (FSB) in the Sub-Saharan Africa region, Alliance for Financial Inclusion (AFI), International Fund for Agricultural Development (IFAD) and the Centre for Financial Regulation and Inclusion (CENFRI) and Financial Stability Institute (FSI).

These forums discussed key issues affecting the global arena including sustainable finance, digital finance, innovation as well as the implications of COVID-19 pandemic on financial stability. BSD also participated in meetings under the auspices of the Monetary Affairs Committee (MAC) whose aim was to promote convergence of regulatory and supervisory frameworks as East African Community region moves towards the establishment of the proposed East African Monetary Union. Additionally, Bank Supervision staff continued to enhance their skills and knowledge on regulatory and supervisory matters through the Financial Stability Institute's (FSI) on-line learning tool, FSI Connect.

5.2 Regional and International Initiatives

Monetary Affairs Committee of the East African Community

The Monetary Affairs Committee (MAC) of the East African Community (EAC) is composed of the Governors of the Central Banks of the six EAC Partner States[16]. The main task of MAC is to coordinate efforts by EAC Central Banks towards greater regional financial integration, stability and harmonization of financial systems. MAC aims at facilitating the establishment of the envisaged East African Monetary Union (EAMU).

MAC initiatives focus on areas pertinent to financial stability, including bank supervision and emerging cross cutting issues, and are implemented through committees composed of technical officials. The technical officials are tasked with various assignments/initiatives which are then overseen by the Governors. In 2021, BSD participated in various MAC activities that were aimed and reviewing progress made in various activities as well as addressing challenges being faced in the process. These activities included the following regional technical workshops and MAC sub-committee meetings:

- The virtual meeting of MAC Macro-Prudential Analysis, Stress Testing and Statistics Technical Working Group (TWG) held on June 21-25, 2021. The meeting assessed the effectiveness of the emergency measures taken by Partner States' Central Banks to mitigate the impact of the COVID-19 pandemic, as well as the pandemic's impact on regional financial stability.
- The virtual meeting of the MAC Working Group on Crisis Management held from June 28 to July 2, 2021. The meeting reviewed progress made in implementing the Working Group Action Plan as well as progress made by the Partner States in developing their national crisis management frameworks that complies with the approved harmonization criteria.

16 Kenya, Uganda, Tanzania, Rwanda, Burundi and South Sudan.

- The virtual meeting of the Banking Supervision and Financial Stability Sub-Committee of the East African Community (EAC) Monetary Affairs Committee (MAC) on November 22, 2021. The meeting reviewed the progress made on various areas of convergence within the EAC Community namely licensing requirements, definitions of Financial Soundness Indicators, minimum supervisory standards on cloud computing; and minimum standards on shared services.

East African Monetary Union (EAMU)

Efforts to implement initiatives under the East African Monetary Union (EAMU) roadmap continued in 2021. The EAMU Protocol which was adopted in accordance with the EAC Treaty and signed on November 30, 2013, was ratified in January 2015. It lays down the various initiatives that need to be done and allows room for the EAC Partner States to progressively converge their currencies into a single currency in the EAC Community.

The Central Bank of Kenya continues to participate in forums organised by the Monetary Affairs Committee (MAC) of the EAC aimed at operationalizing the Protocol. Specifically, the Bank was represented at virtual meetings of MAC's Banking Supervision and Financial Stability Sub-Committee, which were aimed at developing harmonized definitions for prudential indicators, minimum standards for cloud computing and minimum standards for shared services, which cut across the region for supervisory purposes.

These activities were part of efforts by MAC to implement the agreed convergence criteria on macro-prudential indicators so as to make them comparable across the region, as a prerequisite for the establishment of the proposed East African Monetary Union (EAMU). The harmonized definitions are aimed at addressing regional disparities in domestic supervisory frameworks among member states which will ultimately facilitate a unified regional approach in the supervisory framework. The harmonisation effort was in progress at the end of the year.

Common Market for Eastern and Southern Africa

Efforts towards regional integration under the Common Market for Eastern and Southern Africa (COMESA) bloc continued in 2021, with CBK participating in capacity building and knowledge sharing initiatives.

CBK was represented at the virtual training on *International Financial Reporting Standard 9 and Review of Internal Capital Adequacy Assessment Programme,* organized by COMESA from April 26 – 30, 2021. The programme reviewed member countries' progress in implementing IFRS 9 since the launch of the standard in 2018. It also reviewed member jurisdictions' progress in implementing their Internal *Capital Adequacy Assessment Programme* (ICAAP) policies since adoption of the framework. The training also reviewed changes in regional domestic regulatory & supervisory frameworks to accommodate both the IFRS 9 standard and ICAAP framework, as well as the implementation challenges faced.

CBK was also represented at the following events also organized by the COMESA Institute in November 2021:

- The validation Workshop for Studies on *"Impact of Financial Systems Development on Macroeconomic Stability."*
- 15th Meeting of the Financial System Development and Stability Sub-Committee which reviewed the status of implementation of the COMESA Assessment Framework for Regional Financial System Stability, pursuant to the Committee's 2021 Workplan.

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

ESAAMLG is among the eight (8) regional Financial Action Taskforce Style Regional Bodies (FSRBs) that form part of the Financial Action Task Force's (FATF) global network.

In 2021, BSD 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 ESAAMLG activities including the 41st ESAAMLG Taskforce of Senior Officials Meeting held virtually from April 15 to 30, 2021, the 42nd ESAAMLG Taskforce of Senior Officials and the 20th Council of Ministers' Meeting also held virtually from August 27, 2021, to September 7, 2021.

Member countries were directed to adequately prepare for assessments and to provide all necessary support and assistance to the ESAAMLG Secretariat and the Assessors to enable the second-round mutual evaluations. Kenya's second-round mutual evaluation was scheduled for the year 2021 with the desk top review commencing in October 2021, and the onsite review scheduled for February 2022. Kenya submitted responses to the Technical Compliance Questionnaire in October 2021 and the Effectiveness Questionnaire in November 2021.

A work programme of ESAAMLG Secretariat was developed in respect to the 5th ESAAMLG Strategic Plan for 2020 – 2023. The strategic objectives are as follows:

- Sustaining effective Post Evaluation Implementation of AML/CFT measures in member countries under the first round of assessments.
- Sustaining the second round of assessments and monitoring of ESAAMLG members' technical compliance with the FATF Recommendations and the effectiveness of individual AML/CFT systems.
- Increase and sustain the knowledge of ML/TF/ Proliferation Financing (PF) trends and techniques in the region to effectively contribute to regional and international AML/CFT policy formulation.
- Complete the expansion of ESAAMLG membership and increase the visibility of ESAAMLG in the region.
- Promoting the implementation of risk-based AML/CFT measures which support implementation of financial inclusion initiatives.

Kenya's Post Implementation Evaluation report that is used to gauge the effectiveness of the AML/CFT system in place was considered. Kenya was expected to make significant progress in designating advocates, notaries and other independent legal professionals as reporting institutions. Kenya committed to ensuring that this designation took place by end of December 2021, failure to which a Public Statement on Kenya would be put up on ESAAMLG's website in January 2022.

The Alliance for Financial Inclusion

The Alliance for Financial Inclusion (AFI) is a policy leadership alliance owned and led by member central banks and financial regulatory institutions. The objective of the alliance is to advance financial inclusion at country, regional and international levels. This is achieved through driving practical solutions and facilitating the implementation of impactful policy changes through a cooperative model that embeds peer learning, knowledge exchange and peer transformation.

AFI's work is member driven under the oversight of the AFI Board of Directors. In addition to providing the overall strategic guidance on the future direction of AFI, the Board of Directors offers innovative ideas, advise on meeting objectives, identifying new opportunities and building the AFI network. The Board is made up of sitting Governors of various central banks and the Executive Director, AFI. CBK is currently a Board Member and supports AFI in various initiatives including participating in working groups and other global initiatives.

a) The 12th AFI Global Policy Forum

The AFI Global Policy Forum (GPF) is an annual flagship event which provides a platform for sharing experiences, knowledge and initiatives. The GPF has impacted the 100 member-institutions of AFI, representing 90 countries through the creation of a supporting environment for financial inclusion policy initiatives. The discussions on this platform have ultimately contributed towards bringing financial services to the world's 1.7 billion unbanked population.

The GPF has been co-hosted by a different member institution in a different region of the world since 2009. The last GPF was held in September 2019, in conjunction with National Bank of Rwanda. The 12th GPF which was scheduled from September 7-11, 2020, is yet to kick off. This is due to the interruptions occasioned by the COVID-19 pandemic. In 2021, the AFI Management Unit conducted a detailed assessment across the AFI network to ascertain the impact of the pandemic and explore possible solutions for holding the GPF. Considering the tight travel restrictions and global health guidelines, it was concluded that holding the GPF either virtually or physically, would not be feasible. The GPF was therefore postponed to 2022.

The AFI Annual General Meeting (AGM), was however held virtually as planned on September 8, 2021. CBK participated in the AGM as a Principal member and member of the Board of Directors.

b) African Financial Inclusion Policy Initiative (AfPI)

The African Financial Inclusion Policy Initiative (AfPI) is a platform for AFI's African members whose aim is to support and develop financial inclusion policies, regulatory frameworks, and other knowledge products which are customized to their specific needs. The 2021 AfPI meeting was held virtually from August 9-12, 2021, in conjunction with the Bank of Tanzania (BoT). The objective of the meeting was for the leaders from AFI member institutions to;

- Examine the regulatory approaches that can be taken by policymakers in Africa to ensure that vulnerable groups (women, youth and MSMEs) continue to have access to financial services in the midst of COVID-19 challenges.
- Discuss partnerships, strategic cooperation and sustainability of program implementation.
- Discuss insights from the case studies conducted by AFI and the African Development Bank (AfDB) to showcase progress made in advancing women's financial inclusion.
- Discuss and agree on the 2022 host of the AfPI meeting.

To meet these objectives, several virtual events and trainings were held as part of the AfPI meeting including.

- The **AFI Public Private Dialogue Training and Member training** on Contactless Payment Innovations. This training highlighted the key issues related to the expansion of digital payments infrastructures, services and uses through contactless payments.

- The **Public-Private Dialogue (PPD)** on Increasing Access to Financial Services for Vulnerable Groups.

- **Developed-Developing Country Dialogue** on supervisory approaches and mechanisms to facilitate fintech innovations. The purpose of this event was to foster knowledge sharing between AFI members in Africa and their peers from developed countries on policy issues related to fintech supervision.

- **The AfPI Leaders Roundtable** on innovative regulatory approaches to counter de-risking/exclusion of women, youth and MSME from accessing financial services during the COVID-19 pandemic in Africa.

Financial Stability Board Regional Consultative Group for Sub-Saharan Africa

In 2021, CBK continued being a participant in activities of the Financial Stability Board (FSB) in the Sub-Saharan Africa region. The Bank was part of efforts to implement the FSB's priority areas for 2021, which included the following:

- Coordinating the financial policy response to COVID-19.
- Strengthening resilience of non-bank financial intermediation.
- Responding to the challenges of technological innovation.
- Enhancing cross-border payments and financial benchmarks.
- Addressing financial risks from climate change.

As part of its participation, CBK was represented at the FSB Regional Consultative Group meetings for Sub-Saharan Africa held in May and December 2021, which discussed global and regional macroeconomic and financial market developments, including the financial stability implications of the COVID-19 pandemic on the region.

The group also discussed the regulatory and supervisory challenges arising from the pandemic, particularly the specific adjustments members had made to their domestic regulatory and supervisory frameworks, in response to the pandemic. The group also discussed emerging topics of regional importance, including enhancement of cross-border payments, the transition away from LIBOR, strengthening cyber-resilience and addressing climate-related financial risks.

IMF's East Africa Technical Assistance Centre (East-AFRITAC)

IMF's East Africa Technical Assistance Centre (East-AFRITAC) is a Technical Assistance (TA) arm of the International Monetary Fund (IMF). The TA arm of the IMF's objective is to enhance financial sector capacity in seven Eastern Africa countries (Eritrea, Ethiopia, Kenya, Malawi, Rwanda, Tanzania and Uganda). In 2021, CBK benefited from East AFRITAC's Technical Assistance (TA) and capacity building in various areas aimed at developing robust banking sector regulatory and supervisory frameworks. Due to the COVID-19 pandemic, the following TA missions/capacity building trainings were undertaken virtually by East AFRITAC.

- Eighteen BSD officers attended an East AFRITAC Technical Assistance Mission on *Strengthening capital and liquidity measures post COVID-19* on March 15-19, 2021. During the Mission, the participants were mainly trained on implementation of Basel III liquidity and capital ratios specifically Liquidity Coverage Ratio (LCR), Net Stable Funding Ratio (NSFR) and leverage ratio.
- Three BSD officers participated in a regional course on *Strengthening Regional Framework for Conducting Basel Core Principles (BCP) Self-Assessment* on March 22-26, 2021. During the Course the participants were mainly trained on the preconditions for effective implementation of the Basel Core Principles (BCPs) as well as the Basel Committee on Banking Supervision's methodology for conducting BCP self-assessment.
- Two BSD officers attended an East AFRITAC webinar on *FinTech Innovations – Regulatory Considerations and Constraints on* June 28 – 30, 2021. Through the training, BSD staff sharpened their skills on the management of the ever-evolving digital financial services risks with the focus being cyber resilience.

African Rural & Agricultural Credit Association

The African Rural and Agricultural Credit Association (AFRACA) is a regional association of Sub-Saharan financial and non-financial institutions involved in promoting rural and agricultural finance. It was established in 1977 as a lead advocate and coordinator of rural and agricultural finance and its secretariat is currently based at the Kenya School of Monetary Studies (KSMS).

In 2021, AFRACA in conjunction with the World Bank hosted a webinar on **Long-Term Finance for Agriculture Transformation in Africa on June 8, 2021**. The aim of the webinar was to share insights on the World Bank's publication on '*Assessment of Long-term Finance Providers for Small and Medium Agribusinesses: Stocktaking, Lessons, and Case Studies*'. The case study was based on a review of the major players and types of long-term financing on the supply side. The webinar therefore provided a platform for different stakeholders to review the case studies and for partners to share in-depth insights on long-term financing in agriculture.

Bank Supervision Application (BSA)

a) **Background**

The Bank Supervision Application (BSA) is a web-based software, facilitating licensing, offsite surveillance and onsite examination of financial institutions, to ensure a safe and sound financial system. The system was developed through a joint initiative of Eastern, Central and Sothern Africa central banks to support the automation of Banking Supervision functions. Currently, the BSA application is being used by 17[17] (seventeen) central banks and one regulatory authority.

The BSA system is managed by Bank Supervision Application Support Office (BSO) domiciled at the Central Bank of Mozambique. BSO is responsible for the BSA development, maintenance and providing support to BSA users.

BSO, as the lead developer of BSA together with the central banks using the system have continuously improved the BSA software. The software has evolved from BSA Version 1.0 in 2003 to the current BSA Version 4.0 launched in 2018. BSO is currently in the process of developing BSA version 5.0, which is expected to be launched later in 2022.

b) **BSA Version 4.0**

The current BSA Version 4.0 (BSAV.4.0) is comprised of 4 modules: -

i) **The Bank Supervision System (BSS) Module**, which facilitates workflow management.

ii) **The Institution Information Submission System (IISS) Module**, which facilitates online compilation and submission of returns to central banks by licensed institutions.

iii) **The Risk Analysis Automation System (RAAS) Module** enables automated financial analysis and processing of returns from financial institutions. This includes storage of returns and generation of customized reports.

iv) **Customer Protection System (CPS) module**, which enables customers of commercial banks to lodge complaints online to the central banks. The module aims to improve the quality of services and products offered to bank customers as well as contribute to financial inclusion.

c) **BSA Governance**

The functioning of the BSA System is governed by the BSA Stakeholders and the BSA Executive Committee. The BSA Stakeholders are the Bank Supervision and Information Technology Directors from fourteen BSA founding Central Banks. The BSA Executive is composed of four central banks elected on rotational basis from among the BSA Stakeholders every three years. The BSA Stakeholders and the BSA Executive Committee are responsible for strategic management of all BSA related activities.

d) **BSA Activities in the year 2021**

BSO organized a virtual BSA Executive Committee meeting, on September 21 -22, 2021, and BSA Stakeholders meeting on September 24, 2021. The meetings reviewed and approved BSA Operational Plan for the year 2021/2022, ratified the Budget for 2021/2022, and approved the BSA Financial Audit Report for 2021.

BSO launched the BSA software system at the Bank of South Sudan in December 2021, which became the latest central bank to adopt the BSA Software.

17 Banque de la République du Burundi, Banco de Cabo Verde, Banque Centrale du Congo, Central Bank of the Republic of Djibouti, National Bank of Ethiopia, Central Bank of Haiti, Central Bank of Kenya, Central Bank of Lesotho, Central Bank of the Republic of Madagascar, Reserve Bank of Malawi, Banco de Moçambique, Bank of South Sudan, Bank of Uganda, Bank of Zambia, Reserve Bank of Zimbabwe, Central Bank of the Democratic Republic of Timor-Leste, Central Bank of Eswatini, and Financial Services Regulatory Authority from Kingdom of Eswatini

e) **BSA Version 5.0**

BSO together with central banks using the BSA software are currently developing BSA version 5.0(BSA v5.0). The BSA v5.0 is being developed based on changing requirements of BSA users. The proposed BSA v5.0 is a web/mobile application based on the current BSA v4.0, incorporating web APIs (Application Programming Interfaces) for real-time data submission.

BSA v 5.0 will introduce several innovations and enhancements in order to:

- support supervisory activities in the data collection and analysis of financial industry.
- ensure that the regulated institutions comply with regulatory standards, compliance and reporting requirements.
- Address user challenges reported on the current system.

The release of BSA v 5.0 is scheduled for 2022.

International Institute of Finance

CBK marked six years since joining the International Institute of Finance (IIF) as an Associate Member. Over the previous six years, the Bank has benefitted from access to IIF's wide research and publications that focus on a broad range of topical issues relevant to CBK's regulatory mandate. In 2021, the Bank continued accessing content from the IIF's portal on a wide range of emerging areas of supervisory significance, with a view to enhancing staff skills and competencies.

Financial Stability Institute

In 2021, CBK remained a subscriber to the Financial Stability Institute's (FSI) on-line learning tool, *FSI Connect*. Under *FSI Connect*, staff can pursue on-line courses in various areas of financial regulation. The courses apprise users of both the theoretical and practical aspects of financial regulation for continued learning and capacity development.

- **Utilisation of FSI Connect:** In 2021, 80 members of BSD's technical staff held user licences in *FSI Connect* and completed a wide range of tutorials covering various technical areas in financial services and regulation.

- **Proposed New FSI Connect Platform:** BSD also participated in the initial pilot runs of the proposed new online portal for FSI Connect, which FSI was testing for user feedback. The launch of the new portal was planned for April 2022.

- **BIS-IMF Supervisory and Regulatory Online Course (SROC) for Banking Supervisors**: 5 members of BSD's technical staff participated in this interactive on-line programme organised jointly between the Bank of International Settlements (BIS) and the International Monetary Fund from September 2021 through February 2022. The programme updated participants on the technical aspects of various relevant supervisory topics.

Islamic Financial Services Board (IFSB)

CBK joined the Institute Financial Services Board (IFSB) in 2019, as an Associate Member. IFSB is an international standard-setting organization based in Kuala Lumpur, Malaysia for the Islamic financial services industry. It promotes the soundness and stability of the industry, by issuing global prudential standards and guiding principles for Islamic banking, Islamic capital markets and Takāful (Insurance) sectors. Over the previous three years, the Bank has benefitted from participating in surveys and conferences that focus on Islamic banking which is relevant to CBK's regulatory mandate. The most recent survey CBK participated in focused on monitoring the implementation of IFSB Standards by member Regulatory and Supervisory Authorities (RSAs). The key areas included in the Survey were: -

- The implementation status of each of the IFSB standards in terms of whether complete, in progress, planning or do not plan to implement.
- Stress test analysis done by the banks in relation to the COVID-19 pandemic.
- Challenges faced in implementation of IFSB Standards in terms of human resources and capacity building factors.
- The technical support and strategies needed to effectively implement the standards and guidelines.
- The number of fully-fledged banks and conventional banks offering Islamic products and the amount of total assets arising from Islamic banking.

Knowledge Exchanges

BSD and Digital Payments Division held a virtual knowledge exchange programme with a team from the Central Bank of the Democratic Republic of Congo on July 19 and 21, 2021. The purpose of the programme was for CBK to share regulatory experiences on supervision of money remittance providers and payment service providers.

CBK hosted the Central Bank of Nigeria (CBN) for an in-country knowledge sharing visit from November 22 to 26, 2021. The purpose of CBN visit was to explore and gain insights into the financial inclusion initiatives and learn lessons from 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 formal arrangements for supervisory cooperation with other banking regulators. This was aimed at promoting cross border banking supervisory cooperation as recommended by the Basel Committee on Banking Supervision. The MOUs with these regulators govern areas of mutual cooperation and collaboration, help define and guide the working relationships between regulators and enable the smooth exchange of supervisory information.

CBK continues to establish contacts with more central banks from various countries with a view to negotiating MOUs.

5.3 Kenyan Banks Regional Footprint

Some Kenyan banks have expanded in the East African Community (EAC) Partner States and also in the Democratic Republic of Congo (DRC). These banks include, KCB Group Holdings Plc, Diamond Trust Bank Group, NCBA Group Plc, Guaranty Trust Bank Kenya Limited, Equity Group Holdings Plc, I&M Holdings Plc, African Banking Corporation Limited and The Co-operative Bank of Kenya Limited. They have positioned themselves to capitalize on the growing cross border trade flows. This has in turn not only contributed to the deepening of customer relationships, delivery of products and services but also utilization of host country resources, both capital and human that have positively impacted market development and social economics.

The year 2021 was a recovery year mainly supported by the rollout of vaccines and easing of COVID-19 restrictions. Despite uncertainties relating to emergence and spread of new COVID-19 variants, the regional economies rebounded back with increased economic activities. This led to growth in the total number of branches of Kenyan bank subsidiaries in EAC Partner States and DRC by 44 percent from 343 branches recorded as at December 31, 2020, to 494 recorded as at December 31, 2021. The growth was mainly driven by KCB Group Rwanda Plc's acquisition of BPR in Rwanda. The regional presence is as illustrated in **Table 28.**

Table 28: Branches of Kenyan Banks Subsidiaries in the Region

Country Presence	KCB Group Plc	Equity Group Holdings Plc	Diamond Trust Bank Group	NCBA Group Plc	I&M Holdings Plc	Guaranty Trust Bank	Co-operative Bank	ABC Bank	Total
Tanzania	14	14	28	12	8	-	-	-	**76**
Uganda	13	43	35	4	13	8	-	3	**119**
Rwanda	150	16	-	3	14	14	-	-	**197**
Burundi	6	-	4	-	-	-	-	-	**10**
South Sudan	13	5	-	-	-	-	4	-	**22**
Democratic Republic of Congo		70	-	-	-	-	-	-	**70**
Total 2021	**196**	**148**	**67**	**19**	**35**	**22**	**4**	**3**	**494**
Total 2020	**58**	**146**	**68**	**20**	**22**	**22**	**4**	**3**	**343**

Source: CBK

In addition to having presence within the EAC Partner States and DRC, some of the Kenyan banks such as I&M Holdings Plc and Prime Bank Limited have expanded beyond the EAC jurisdiction. I&M Holdings Plc has 50 percent shareholding in Bank One Limited in Mauritius, Prime Bank Limited has 11.24 percent shareholding of First Merchant Bank Limited in Malawi and 10.96 percent shareholding of Capital Bank of Botswana.

In order to serve their customers better and facilitate cross border financial transactions, Equity Group PLC introduced cross border banking services to its customers enabling them to transact seamlessly across all countries it has presence.

5.3.1 Performance Highlights

5.3.1.1 Number of Employees

The subsidiaries of Kenyan banks had a combined employee count of 8,712 as at December 31, 2021, an increase of 20 percent compared to 7,244 employees in the preceding year. The growth was primarily driven by the expansion of KCB Group Plc in Rwanda. The employee count in subsidiaries shows that Uganda had the highest number of employees at 2,644 as at December 2020, compared to 2,229 employees in 2020. Uganda accounted for 30.3 percent of the total number of employees and has the largest proportion of subsidiaries and branches in the region. **Table 29** shows regional employee count for subsidiaries of Kenyan banks.

Table 29: Regional employee count

Country Presence	KCB Group Plc	Equity Group Holdings Plc	Diamond Trust Bank Group	NCBA Group Plc	I&M Holdings Plc	Guaranty Trust Bank	Co-operative Bank	ABC Bank	Total
Tanzania	269	424	536	281	186	-	-	-	**1,696**
Uganda	256	1,154	579	141	314	150	-	50	**2,644**
Rwanda	1,110	433	-	79	416	113	-		**2,151**
Burundi	139	-	47	-	-	-	-	-	**186**
South Sudan	140	122	-	-	-	-	122		**384**
Democratic Republic of Congo	-	1,140	-	-	-	-	-	-	**1,140**
Mauritius	-	-	-	-	481	-	-	-	**481**
Total 2021	**1,914**	**3,273**	**1,162**	**531**	**1,397**	**263**	**122**	**50**	**8,712**
Total 2020	**991**	**3,022**	**1,205**	**531**	**1,033**	**281**	**132**	**49**	**7,244**

Source: CBK

5.3.1.2 Total Assets

Total assets of subsidiaries stood at Ksh.1,218 billion as at December 31, 2021, compared to Ksh.936 billion as at December 31, 2020. A significant contributor to the asset base was: Equity Group Plc's subsidiary in DRC, Banque Commerciale Du Congo-BCDC with total assets of Ksh.429 billion. Individual performance per country is as illustrated in **Table 30**.

Table 30: Total Assets of Subsidiaries in host country

Country presence	2020		2021		% Change of Total assets
	Total Assets (Ksh.'000')	% of Total Assets	Total Assets (Ksh.'000')	% of Total Assets	from 2020
Burundi	13,862,559	1.48	16,332,047	1.34	17.81
DRC	286,410,379	30.58	419,866,543	34.45	46.60
Mauritius	151,255,673	16.15	117,243,215	9.62	-22.49
Rwanda	128,273,589	13.69	203,665,060	16.71	58.77
South Sudan	33,594,663	3.59	31,242,024	2.56	-7.00
Tanzania	166,085,152	17.73	195,130,283	16.01	17.49
Uganda	157,198,236	16.78	235,273,389	19.30	49.67
Grand Total	**936,680,251**	**100**	**1,218,752,562**	**100.00**	**30.11**

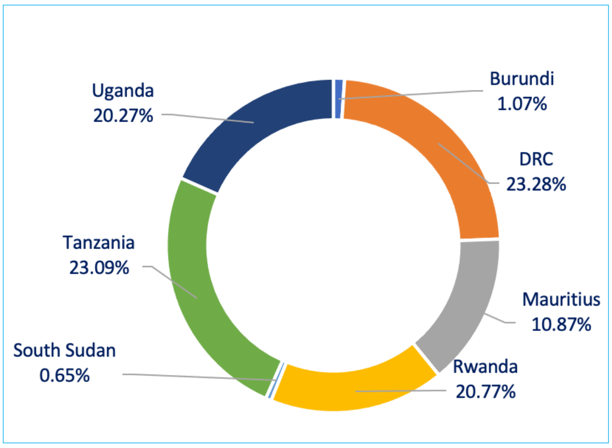
Source: CBK

As shown in **Table 30,** DRC now accounts for most regional assets at 34.5 percent in 2021 compared to 30.6 percent in 2020.

5.3.1.3 Gross Loans

The combined gross loans for the subsidiaries in the host countries stood at Ksh.510.3 billion as at December 31, 2020, an increase of 21.2 percent from Ksh.421.1 billion as at December 31, 2020. The Kenyan banks subsidiaries operating in DRC recorded the highest level of gross loans at Ksh.118 billion accounting for 23.28 percent of gross loans in all the subsidiaries outside Kenya. Followed by subsidiaries operating in Tanzania which accounted for 23.09 percent of the gross loans. Rwanda and Uganda accounted for 20.77 percent and 20.77 percent of the gross loans respectively. Mauritius recorded gross loans of Ksh.56 billion accounting for 10.87 percent of gross loans. **Chart 11** below shows the proportion of gross loans for subsidiaries in the host countries.

Chart 11: Percent of gross loans per host country



Source: CBK

5.3.1.4 Deposits

The Kenyan banks subsidiaries accounted for a combined deposit base of Ksh.970 billion in December 2021, compared to Ksh.746 billion in December 2020. The main contributor of deposits was Equity Group Plc's subsidiary in DRC, Banque Commerciale Du Congo-BCDC with total deposits of Ksh.361 billion or 37 per cent of the total deposits of subsidiaries in the host countries. The regional spread of deposits is as depicted in **Table 31**.

Table 31: Deposit distribution

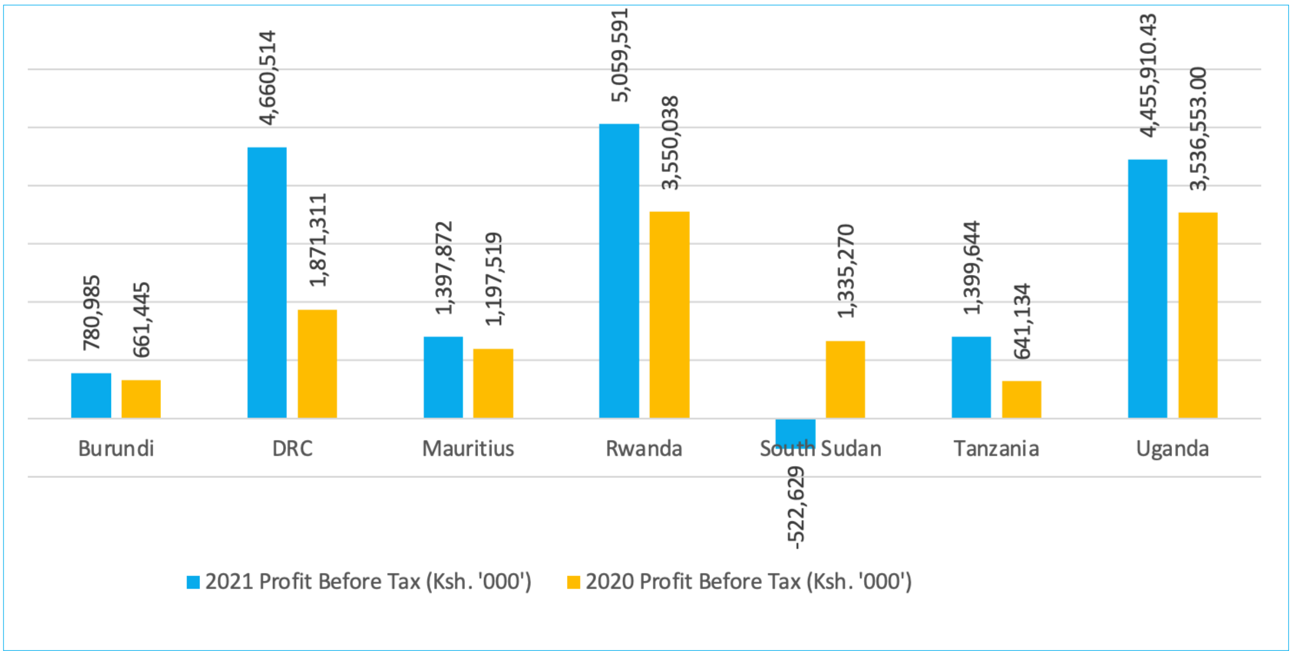
Country Presence	2021 Gross Deposits (Ksh.'000)	2021 % of Gross Deposits	2020 Gross Deposits (Ksh.'000)	2020 % of Gross Deposits
Burundi	11,181,267	1.15	10,111,090	1.36
DRC	361,705,058	37.27	243,329,559	32.62
Mauritius	97,064,629	10.00	129,613,843	17.37
Rwanda	145,758,072	15.02	93,056,595	12.47
South Sudan	20,990,879	2.16	22,120,241	2.96
Tanzania	149,277,319	15.38	127,611,824	17.11
Uganda	184,477,592	19.01	120,221,909	16.11
Grand Total	**970,454,815**	**100.00**	**746,065,061**	**100**

Source: CBK

5.3.1.5 Profitability

The regional subsidiaries profit before tax stood at Ksh.17.23 billion as at December 31, 2021, an increase of 34.7 percent from Ksh.12.79 billion reported in December 31, 2020. The increase is attributed to the continuing recovery of the regional economy supported by the deployment of vaccines, relaxation of COVID-19 containment measures, and strong policy measures. However, the pace of recovery of the regional economy remained uneven across countries due to a resurgence of new COVID-19 variants. Profitability of the banks in their respective host countries is as shown in **Chart 12**.

Chart 12: Regional profitability Ksh '000'



Source: *CBK*

With the exception of South Sudan, all other subsidiaries reported profit before tax for the year ended December 31, 2021. The subsidiaries had a combined profit of Ksh.17.2 billion.

Rwanda contributed the highest earnings capacity recording Ksh.5.05 billion in profits, translating to 29.36 percent of the total profits.

APPENDIX I: BANKING SECTOR BALANCE SHEET - DECEMBER 2021-KSH.M

		December 2020				December 2021			
A	ASSETS	BANKS	NBFIS	GRAND TOTAL	% OF TOTAL	BANKS	NBFIS	GRAND TOTAL	% OF TOTAL
1	Cash (both Local & Foreign)	71,345	761	72,107	1.33	77,096	539	77,635	1.29
2	Balances due from Central Bank of Kenya	214,064	757	214,820	3.97	240,764	1,805	242,570	4.03
3	Kenya Government and other securities held for dealing purposes	77,649	-	77,649	1.44	72,613	-	72,613	1.21
4	Financial Assets at fair value through profit and loss	14,757	-	14,757	0.27	18,042	-	18,042	0.30
5	Investment Securities:	-	-	-	0.00	-	-	-	0.00
	a) Held to Maturity:	-	-	-	0.00	-	-	-	0.00
	a. Kenya Government securities	781,367	1,942	783,308	14.49	837,907	1,825	839,733	13.94
	b. other securities	13,729	-	13,729	0.25	10,992	-	10,992	0.18
	b) Available for sale:	-	-	-	0.00	-	-	-	0.00
	a. Kenya Government securities	734,923	5,164	740,087	13.69	920,809	4,725	925,533	15.37
	b. other securities	29,248	-	29,248	0.54	126,922	-	126,922	2.11
6	Deposits and balances due from local banking institutions	68,487	205	68,692	1.27	63,256	90	63,346	1.05
7	Deposits and balances due from banking institutions abroad	254,030	764	254,793	4.71	215,609	307	215,917	3.59
8	Tax recoverable	7,146	233	7,380	0.14	3,297	222	3,519	0.06
9	Loans and advances to customers (net)	2,620,517	38,195	2,658,712	49.18	2,884,759	35,911	2,920,670	48.50
10	Balances due from banking institutions in the group	127,780	-	127,780	2.36	141,421	-	141,421	2.35
11	Investments in associates	6,843	-	6,843	0.13	5,029	-	5,029	0.08
12	Investments in subsidiary companies	18,438	-	18,438	0.34	19,178	-	19,178	0.32
13	Investments in joint ventures	-	208	208	0.00	-	198	198	0.00
14	Investment properties	6,673	560	7,232	0.13	15,478	699	16,177	0.27
15	Property and equipment	71,818	1,775	73,594	1.36	60,702	1,586	62,287	1.03
16	Prepaid lease rentals	983	-	983	0.02	928	-	928	0.02
17	Intangible assets	29,698	702	30,400	0.56	31,558	519	32,077	0.53
18	Deferred tax asset	75,580	1,095	76,674	1.42	90,610	1,390	92,000	1.53
19	Retirement benefit asset	72	-	72	0.00	-	-	-	0.00
20	Other assets	140,695	2,118	142,813	2.64	133,079	2,283	135,362	2.25
21	**TOTAL ASSETS**	**5,351,268**	**54,478**	**5,405,746**	**100.00**	**5,970,048**	**52,098**	**6,022,147**	**100.00**
B	**LIABILITIES**	-	-	-					
22	Balances due to Central Bank of Kenya	18,981	-	18,981	0.41	27,127	-	27,127	0.53
23	Customer deposits	3,971,310	40,006	4,011,316	87.24	4,413,941	37,793	4,451,734	86.81
24	Deposits and balances due to local banking institutions	57,344	1,190	58,534	1.27	58,559	602	59,161	1.15
25	Deposits and balances due to foreign banking institutions	46,984	-	46,984	1.02	46,989	-	46,989	0.92
26	Other money market deposits	5,675	-	5,675	0.12	3,751	-	3,751	0.07
27	Borrowed funds	209,824	3,681	213,505	4.64	243,102	4,351	247,453	4.83
28	Balances due to banking institutions in the group	106,949	-	106,949	2.33	107,256	-	107,256	2.09
29	Tax payable	1,515	-	1,515	0.03	15,277	-	15,277	0.30
30	Dividends payable	274	-	274	0.01	13,184	-	13,184	0.26
31	Deferred tax liability	27	-	27	0.00	54	-	54	0.00
32	Retirement benefit liability	418	-	418	0.01	925	-	925	0.02
33	Other liabilities	132,752	1,354	134,105	2.92	154,003	1,487	155,490	3.03
34	**TOTAL LIABILITIES**	**4,552,052**	**46,231**	**4,598,283**	**100.00**	**5,084,169**	**44,233**	**5,128,402**	**100.00**
C	**SHAREHOLDERS' FUNDS**		-						
35	Paid up /Assigned capital	203,416	5,000	208,416	25.81	208,896	5,000	213,896	3.55
36	Share premium/(discount)	109,073	3,514	112,587	13.94	112,242	3,514	115,756	1.92
37	Revaluation reserves	14,697	311	15,008	1.86	8,018	311	8,329	0.14
38	Retained earnings/Accumulated losses	417,621	(4,226)	413,395	51.20	483,919	(4,367)	479,552	7.96
39	Statutory loan loss reserves	17,540	3,654	21,194	2.62	30,378	3,414	33,791	0.56
40	Other Reserves	3,392	(5)	3,387	0.42	(1,858)	(5)	(1,863)	-0.03
41	Proposed dividends	31,168	-	31,168	3.86	41,966	-	41,966	0.70
42	Capital grants	2,310	-	2,310	0.29	2,317	-	2,317	0.04
43	**TOTAL SHAREHOLDERS' FUNDS**	**799,217**	**8,247**	**807,464**	**100.00**	**885,879**	**7,866**	**893,745**	**14.84**
44	Minority Interest	-	-	-		-	-	-	-
45	**TOTAL LIABILITIES AND SHAREHOLDERS' FUNDS**	**5,351,268**	**54,478**	**5,405,746**		**5,970,048**	**52,098**	**6,022,147**	**100.00**
	Source: Commercial Banks Published Financial Statements								

APPENDIX II: BANKING SECTOR PROFIT AND LOSS ACCOUNT –DECEMBER 2021 – KSH.M

		December 2020				December 2021			
		BANKS	NBFIS	GRAND TOTAL	% OF TOTAL	BANKS	NBFIS	GRAND TOTAL	% OF TOTAL
1	**INTEREST INCOME**								
1.1	Loans and advances	273,112	3,821	276,933	64.3	295,628	3,408	299,036	61.9
1.2	Government securities	148,687	555	149,242	34.7	174,084	664	174,748	36.2
1.3	Deposits and placements with banking institutions	7,582	41	7,623	1.8	8,010	22	8,031	1.7
1.4	Other Interest Income	1,591	-	1,591	0.4	1,250	-	1,250	0.3
1.5	**Total interest income**	**430,972**	**4,417**	**435,389**	**101.2**	**478,972**	**4,094**	**483,066**	**100.00**
2.0	**INTEREST EXPENSE**								
2.1	Customer deposits	125,469	1,806	127,275	27.4	134,776	1,529	136,305	41.5
2.2	Deposits and placement from banking institutions	6,891	154	7,045	1.5	6,574	168	6,743	2.1
2.3	Other interest expenses	11,317	445	11,763	2.5	11,117	407	11,524	3.5
2.4	**Total interest expenses**	**143,677**	**2,405**	**146,083**	**31.5**	**152,468**	**2,104**	**154,572**	**47.1**
3.0	**NET INTEREST INCOME/(LOSS)**	**287,294**	**2,012**	**289,307**		**326,504**	**1,989**	**328,494**	**100.00**
4.0	**NON-INTEREST INCOME**								
4.1	Fees and commissions on loans and advances	35,817	54	35,871	8.3	37,636	130	37,767	7.9
4.2	Other fees and commissions	43,698	118	43,816	10.2	48,317	133	48,451	10.2
4.3	Foreign exchange trading income/(Loss)	35,396	85	35,481	8.2	38,513	48	38,561	8.1
4.4	Dividend Income	3,391	-	3,391	0.8	1,441	-	1,441	0.3
4.5	Other income	22,395	103	22,498	5.2	20,784	82	20,866	4.4
4.6	**Total Non-interest income**	**140,697**	**360**	**141,057**	**32.8**	**146,691**	**394**	**147,085**	**30.9**
5.0	**TOTAL OPERATING INCOME**	**427,991**	**2,372**	**430,363**	**100.0**	**473,196**	**2,383**	**475,579**	**100.00**
6.0	**OTHER OPERATING EXPENSES**								
6.1	Loan loss provision	110,273	415	110,688	23.8	58,907	346	59,252	13.7
6.2	Staff costs	93,555	1,109	94,664	20.4	99,863	1,079	100,942	23.3
6.3	Directors' emoluments	2,452	7	2,459	0.5	2,814	18	2,832	0.7
6.4	Rental charges	5,481	146	5,628	1.2	5,147	147	5,295	1.2
6.5	Depreciation charge on property and equipment	16,537	165	16,703	3.6	15,313	213	15,526	3.6
6.6	Amortisation charges	8,451	227	8,678	1.9	7,707	231	7,938	1.8
6.7	**Other operating expenses**	**78,133**	**1,266**	**79,399**	**17.1**	**85,755**	**1,003**	**86,758**	**20.0**
6.8	**Total Other Operating Expenses**	**314,883**	**3,335**	**318,218**	**68.5**	**275,505**	**3,038**	**278,543**	**64.3**
	TOTAL EXPENSES (2.4+6.8)	**458,560**	**5,741**	**464,300**	**100.0**	**427,973**	**5,142**	**433,115**	**100.00**
7	**Profit/(loss) Before Tax and Exceptional Items**	**113,109**	**(963)**	**112,145**		**197,690**	**(654)**	**197,036**	
8.0	Exceptional Items	4,840	34	4,875		476	10	486	
9.0	**Profit/(Loss) After Exceptional Items**	**108,268**	**(997)**	**107,271**		**197,214**	**(664)**	**196,550**	
10.0	Current Tax	42,361	-	42,361		64,295	12	64,307	
11.0	Deferred Tax	(22,096)	(66)	(22,161)		(10,796)	(295)	(11,091)	
12.0	**Profit/(Loss) After Tax and Exceptional Items**	**88,003**	**(932)**	**87,071**		**143,714**	**(381)**	**143,333**	
13.0	Minority Interest			-				-	
14.0	**Profit/(loss) after tax, exceptional items and Minority Interest**	**88,003**	**(932)**	**87,071**		**143,714**	**(381)**	**143,333**	
15.0	**Other Comprehensive Income**								
15.1	Gains/(Losses) from translating the financial statements of foreign operations	(176)	-	(176)		(1,288)	-	(1,288)	
15.2	Fair value changes in available for sale financial assets	6,582	(76)	6,507		(12,128)	(0)	(12,129)	
15.3	Revaluation surplus on Property, plant and equipment	196	137	333		287	-	287	
15.4	Share of other comprehensive income of associates	-	-	-		376	-	376	
15.5	Income tax relating to components of other comprehensive income	(502)	16	(486)		798	0	798	
16.0	**Other Comprehensive Income for the year net of tax**	**6,101**	**77**	**6,178**		**(11,955)**	**(0)**	**(11,956)**	
17.0	**Total comprehensive income for the year**	**94,104**	**(855)**	**93,249**		**131,759**	**(382)**	**131,378**	
	Source: Commercial Banks Published Financial Statements								

APPENDIX III: BANKING SECTOR OTHER DISCLOSURES – DECEMBER 2021, Ksh. Millions

	December 2020			December 2021			
	BANKS	NBFIS	GRAND TOTAL	BANKS	NBFIS	GRAND TOTAL	ANNUAL PERCENTAGE CHANGE
NON-PERFORMING LOANS AND ADVANCES							
(a) Gross Non-performing loans and advances	425,268	10,799	436,067	451,341	8,673	460,008	5.5
(b) Less: Interest in Suspense	68,523	3,288	71,810	70,333	2,817	73,150	1.9
(c)Total Non-Performing Loans and Advances (a-b)	**356,745**	**7,511**	**364,256**	**381,008**	**5,856**	**386,859**	**6.2**
(d) Less: Loan Loss Provision	194,503	3,564	198,067	210,833	3,567	214,400	8.2
(e) Net Non-Performing Loans and Advances(c-d)	**162,242**	**3,947**	**166,189**	**170,175**	**2,289**	**172,459**	**3.8**
(f) Discounted Value of Securities	148,488	3,947	152,435	160,929	2,289	163,218	7.1
(g) Net NPLs Exposure (e-f)	**13,754**	**0**	**13,754**	**9,246**	**0**	**9,241**	**(32.8)**
INSIDER LOANS AND ADVANCES							
(a) Directors, Shareholders and Associates	46,732	2,212	48,943	46,107	2,323	48,430	(1.0)
(b) Employees	77,713	794	78,507	80,169	772	80,941	3.1
(c)Total Insider Loans and Advances and other facilities	**124,444**	**3,006**	**127,450**	**126,276**	**3,095**	**129,371**	**1.5**
OFF-BALANCE SHEET ITEMS							
(a) Letters of credit, guarantees, acceptances	586,922	822	587,743	643,002	1,146	644,148	9.6
(b) Forwards, swaps and options	452,430	665	453,095	438,693	915	439,607	(3.0)
(c) Other contingent liabilities	14,154	-	14,154	18,545	-	18,545	31.0
(d) Total Contingent Liabilities	**1,053,505**	**1,487**	**1,054,992**	**1,100,240**	**2,061**	**1,102,300**	**4.5**
CAPITAL STRENGTH							
(a) Core capital	683,048	3,622	686,669	747,348	3,172	750,519	9.3
(b) Minimum Statutory Capital	1,000	1,000	1,000	1,000	1,000	1,000	-
(c) Excess/(Deficiency)(a-b)	683,048	2,622	685,669	747,348	2,172	749,519	9.3
(d) Supplementary Capital	98,991	579	99,569	131,426	1,480	132,906	33.5
(e) Total Capital (a+d)	**782,038**	**4,200**	**786,239**	**878,773**	**4,652**	**883,425**	**12.4**
(f) Total risk weighted assets	4,090,000	46,280	4,136,280	4,490,860	38,441	4,529,301	9.5
(g) Core Capital/Total deposits Liabilities	**17.2**	**9.1**	**17.1**	**16.9**	**8.4**	**16.9**	
(h) Minimum statutory Ratio	8.0	8.0	8.0	8.0	8.0	8.0	
(i) Excess/(Deficiency) (g-h)	9.2	1.1	9.1	8.9	0.4	8.9	
(j) Core Capital / total risk weighted assets	**16.7**	**7.8**	**16.6**	**16.6**	**8.3**	**16.6**	
(k) Minimum Statutory Ratio	10.5	10.5	10.5	10.5	10.5	10.5	
(l) Excess (Deficiency) (j-k)	6.2	-2.7	6.1	6.1	-2.2	6.1	
(m) Total Capital/total risk weighted assets	**19.1**	**9.1**	**19.0**	**19.6**	**12.1**	**19.5**	
(n) Minimum statutory Ratio	14.5	14.5	14.5	14.5	14.5	14.5	
(o) Excess/(Deficiency) (m-n)	**4.6**	**-5.4**	**4.5**	**5.1**	**-2.4**	**5.0**	
LIQUIDITY							
(a) Liquidity Ratio	54.9	18.2	54.5	56.5	22.5	56.2	
(b) Minimum Statutory Ratio	20.0	20.0	20.0	20.0	20.0	20.0	
(c) Excess (Deficiency) (a-b)	34.9	-1.8	34.5	36.5	2.5	36.2	
Performance Indicators							
Yield on Earning Assets	9.0	8.3	9.0	8.9	8.2	8.8	
Cost of Funding Earning Assets	3.0	4.5	3.0	2.8	4.2	2.8	
Interest Margin on Earning Assets	6.0	3.8	6.0	6.1	4.0	6.0	
Yield on Advances	9.5	8.5	9.5	9.3	8.1	9.2	
Cost of Deposits	3.5	5.8	3.5	3.4	5.5	3.4	
Return on Assets (ROA)	1.7	-1.5	1.7	3.3	-1.3	3.3	
Return on Equity (ROE)	14.2	-11.7	13.9	22.3	-8.3	22.0	
Overheads to Earnings	55.1	69.8	55.2	44.0	67.7	44.2	
Gross NPLs/Gross Loans	14.3	25.8	14.5	14.3	20.5	14.1	
RATINGS							
Capital Adequacy	2	4	2	1	3	1	
Asset Quality	2	4	2	2	3	2	
Earnings	3	5	3	2	5	2	
Liquidity	1	4	1	1	4	1	
Composite Score	2	4	2	2	4	2	
Performance Category	**Satisfactory**	**Marginal**	**Satisfactory**	**Satisfactory**	**Marginal**	**Satisfactory**	
Ratings	**PERFORMANCE CATEGORY**	**CAPITAL ADEQUACY (Total Capital/ TRWA) (%)**	**ASSET QUALITY (NPLs-Provisions)/ Gross Loans (%)**	**EARNINGS Net Profits/Total Assets (%)**	**LIQUIDITY (Total Liquid Assets/ Total Short-term Liabilities) (%)**	**MANAGEMENT (Total weighted Score)**	**COMPOSITE SCORE (Average Score)**
1	Strong	19.50 and above	0 - 5	Over 3	Over 34	1.0 - 1.4	1.0 - 1.4
2	Satisfactory	15.60 - .49	5.1 - 10.0	2.0-2.9	26 - 34	1.5 - 2.4	1.5 - 2.4
3	Fair	12.00 - .59	10.1 - 15.0	1.0-1.9	20 - 25	2.5 - 3.4	2.5 - 3.4
4	Marginal	8.31 - 1.99	15.1 - 20.0	0.0-0.9	15 - 19	3.5 - 4.4	3.5 - 4.4
5	Unsatisfactory	8.30 and below	Over 20	Net Loss	Under 15	4.5 - 5.0	4.5 - 5.0

Source: Commercial Banks Published Financial Statements (December 2021)

APPENDIX IV: BANKING SECTOR MARKET SHARE - DECEMBER 2021

		Market size index	Market Rank index (%)	Total Net Assets	% of the market	Total Deposits	% of the market	Total Shareholders' funds	% of the market	Number Deposit accounts (Millions)	% of the market	Number of loan accounts (Millions)	% of the Market
				Ksh.M		Ksh.M		Ksh.M					
	Weighting			0.33		0.33		0.33		0.005		0.005	
	Large Peer Group >5%												
1	KCB Bank Kenya Ltd	13.81	1	826,395	13.72	634,258	13.90	123,823	13.85	9.80	14.78	1.22	9.38
2	Equity Bank Kenya Ltd	13.57	2	877,415	14.57	652,204	14.30	106,400	11.90	11.97	18.04	0.73	5.59
3	NCBA Bank Kenya PLC	9.72	3	546,734	9.08	443,820	9.73	78,643	8.80	32.46	48.95	9.41	72.27
4	Co-operative Bank of Kenya Ltd	9.42	4	540,387	8.97	399,441	8.76	94,920	10.62	3.73	5.63	0.89	6.86
5	Absa Bank Kenya Plc	6.37	5	428,746	7.12	275,546	6.04	54,353	6.08	1.94	2.93	0.26	2.01
6	Standard Chartered Bank (K) Ltd	5.70	6	335,111	5.56	265,852	5.83	52,479	5.87	0.27	0.41	0.05	0.38
7	Diamond Trust Bank Kenya Limited	5.64	7	326,377	5.42	237,455	5.21	57,567	6.44	0.55	0.82	0.01	0.11
8	I M Bank Limited	5.31	8	307,802	5.11	235,557	5.16	51,920	5.81	0.19	0.29	0.02	0.15
9	Stanbic Bank Kenya Ltd	5.22	9	319,199	5.30	242,384	5.31	46,512	5.20	0.24	0.36	0.06	0.47
	Sub-Total	**74.76**		**4,508,166**	**74.86**	**3,386,517**	**74.24**	**666,617**	**74.59**	**61.16**	**92.22**	**12.65**	**97.21**
	Medium Peer Group (1-5%)												
1	Bank of Baroda (Kenya) Limited	3.14	10	180,381	3.00	149,920	3.29	28,832	3.23	0.06	0.09	0.00	0.03
2	Prime Bank Ltd	2.43	11	126,482	2.10	97,222	2.13	28,111	3.15	0.04	0.06	0.00	0.03
3	National Bank of Kenya Ltd	2.31	12	146,543	2.43	124,113	2.72	16,365	1.83	0.82	1.24	0.04	0.31
4	Citibank N.A. Kenya	2.30	13	130,940	2.17	103,206	2.26	22,536	2.52	0.00	0.00	0.00	0.00
5	Family Bank Ltd.	1.81	14	111,683	1.85	84,712	1.86	15,164	1.70	2.46	3.71	0.18	1.40
6	Bank of India	1.72	15	86,867	1.44	65,776	1.44	20,708	2.32	0.01	0.02	0.00	0.00
7	Ecobank Kenya Ltd	1.49	16	103,388	1.72	94,549	2.07	6,426	0.72	0.18	0.27	0.01	0.07
8	SBM Bank Kenya Ltd	1.21	17	81,958	1.36	61,503	1.35	8,596	0.96	0.21	0.31	0.02	0.14
	Sub-Total	**16.41**		**968,243**	**16.08**	**781,001**	**17.12**	**146,738**	**16.42**	**3.78**	**5.71**	**0.26**	**1.97**
	Small Peer Group < 1%												
1	HFC Ltd	0.86	18	52,098	0.87	38,395	0.84	7,866	0.88	0.41	0.62	0.01	0.09
2	Victoria Commercial Bank Limited	0.74	19	43,471	0.72	34,048	0.75	6,988	0.78	0.01	0.01	0.00	0.01
3	Guaranty Trust Bank	0.71	20	34,301	0.57	22,315	0.49	9,747	1.09	0.02	0.03	0.00	0.01
4	Bank of Africa Ltd	0.65	21	43,350	0.72	27,796	0.61	5,621	0.63	0.08	0.12	0.01	0.07
5	Gulf African Bank	0.62	22	37,678	0.63	29,171	0.64	5,473	0.61	0.10	0.15	0.02	0.17
6	Sidian Bank Ltd	0.60	23	41,410	0.69	27,576	0.60	4,746	0.53	0.18	0.27	0.02	0.15
7	African Banking Corporation Ltd	0.57	24	36,341	0.60	31,449	0.69	3,920	0.44	0.03	0.05	0.00	0.01
8	Habib Bank AG Zurich	0.46	25	28,554	0.47	24,583	0.54	3,327	0.37	0.01	0.01	0.00	0.00
9	Credit Bank Ltd	0.41	26	25,893	0.43	20,365	0.45	3,328	0.37	0.04	0.06	0.00	0.01
10	First Community Bank Ltd	0.38	27	24,701	0.41	21,513	0.47	2,467	0.28	0.08	0.12	0.00	0.02
11	Guardian Bank Limited	0.31	28	17,736	0.29	14,348	0.31	2,989	0.33	0.01	0.01	0.00	0.01
12	Development Bank of Kenya Ltd	0.30	29	17,289	0.29	8,937	0.20	3,823	0.43	0.00	0.00	0.00	0.01
13	Mayfair CIB Bank Limited	0.29	30	13,461	0.22	8,903	0.20	4,153	0.46	0.00	0.00	0.00	0.00
14	Kingdom Bank Limited	0.29	31	31,691	0.53	6,380	0.14	1,884	0.21	0.20	0.31	0.01	0.11
15	DIB Bank Kenya Ltd	0.29	32	15,523	0.26	11,926	0.26	3,163	0.35	0.00	0.01	0.00	0.01
16	M-Oriental Commercial Bank	0.26	33	13,657	0.23	10,343	0.23	3,118	0.35	0.00	0.01	0.00	0.00
17	Consolidated Bank of Kenya Limited	0.22	34	14,283	0.24	11,386	0.25	1,533	0.17	0.05	0.07	0.00	0.03
18	Paramount Bank Ltd	0.22	35	12,448	0.21	10,197	0.22	2,059	0.23	0.01	0.01	0.00	0.02
19	Access Bank (Kenya) PLC	0.21	36	13,211	0.22	10,899	0.24	1,549	0.17	0.11	0.16	0.00	0.03
20	UBA Kenya Bank Ltd	0.19	37	13,598	0.23	12,240	0.27	823	0.09	0.01	0.01	0.00	0.01
21	Middle East Bank (K) Ltd	0.18	38	11,186	0.19	9,565	0.21	1,400	0.16	0.00	0.00	0.00	0.00
22	Spire Bank Limited	0.05	39	3,855	0.06	1,781	0.04	413	0.05	0.02	0.03	0.00	0.03
	Sub-Total	**8.82**		**545,738**	**9.06**	**394,117**	**8.64**	**80,389**	**8.99**	**1.37**	**2.07**	**0.11**	**0.81**
	Grand-Total	**100**		**6,022,147**	**100.00**	**4,561,635**	**100**	**893,745**	**100.00**	**66.32**	**100.00**	**13.02**	**100.00**

Source: Commercial Banks Published Financial Statements (December 2021)

Appendix V: BANKING SECTOR PROFITABILITY - DECEMBER 2021

			Return on Assets		Return on Equity	
		Profit/(Loss) Before Tax (Ksh.M)	Total Assets (Ksh.M)	(1/2) (%)	Total Shareholder's Funds (Ksh.M)	(1/4) (%)
		1	2	3	4	5
1	Equity Bank Kenya Ltd	41,042	877,415	4.7	106,400	38.6
2	KCB Bank Kenya Ltd	40,503	826,395	4.9	123,823	32.7
3	Co-operative Bank of Kenya Ltd	21,325	540,387	3.9	94,920	22.5
4	NCBA Bank Kenya PLC	16,820	546,734	3.1	78,643	21.4
5	Absa Bank Kenya Plc	14,725	428,746	3.4	54,353	27.1
6	Standard Chartered Bank Kenya Ltd	12,142	335,111	3.6	52,479	23.1
7	I&M Bank Ltd	10,587	307,802	3.4	51,920	20.4
8	Stanbic Bank Kenya Ltd	9,568	319,199	3.0	46,512	20.6
9	Bank of Baroda (Kenya) Limited	6,683	180,381	3.7	28,832	23.2
10	Citibank N.A. Kenya	5,839	130,940	4.5	22,536	25.9
11	Diamond Trust Bank Kenya Ltd	4,415	326,377	1.4	57,567	7.7
12	Bank of India	3,452	86,867	4.0	20,708	16.7
13	Family Bank Ltd	3,145	111,683	2.8	15,164	20.7
14	Prime Bank Ltd	2,903	126,482	2.3	28,111	10.3
15	National Bank of Kenya Ltd	1,387	146,543	0.9	16,365	8.5
16	Guaranty Trust Bank	902	34,301	2.6	9,747	9.2
17	Sidian Bank Ltd	700	41,410	1.7	4,746	14.7
18	Gulf African Bank Ltd	687	37,678	1.8	5,473	12.6
19	Ecobank Kenya Ltd	612	103,388	0.6	6,426	9.5
20	First Community Bank	602	24,701	2.4	2,467	24.4
21	Habib AG Zurich	542	28,554	1.9	3,327	16.3
22	Victoria Commercial Bank Limited	522	43,471	1.2	6,988	7.5
23	Kingdom Bank Ltd	512	31,691	1.6	1,884	27.2
24	Bank of Africa (K) Ltd	290	43,350	0.7	5,621	5.2
25	SBM Bank Kenya Ltd	227	81,958	0.3	8,596	2.6
26	Credit Bank Ltd	205	25,893	0.8	3,328	6.2
27	Paramount Bank Ltd	153	12,448	1.2	2,059	7.4
28	Middle East Bank (K) Ltd	151	11,186	1.3	1,400	10.8
29	Guardian Bank Ltd	135	17,736	0.8	2,989	4.5
30	African Banking Corporation Ltd	126	36,341	0.3	3,920	3.2
31	Access Bank Plc	92	13,211	0.7	1,549	5.9
32	Mayfair CIB Bank Ltd	78	13,461	0.6	4,153	1.9
33	M-Oriental Commercial Bank Ltd	67	13,657	0.5	3,118	2.2
34	Development Bank of Kenya	65	17,289	0.4	3,823	1.7
35	Consolidated Bank of Kenya	(286)	14,283	-2.0	1,533	-18.7
36	HFC Ltd	(654)	52,098	-1.3	7,866	-8.3
37	DIB Bank Kenya Ltd	(681)	15,523	-4.4	3,163	-21.5
38	Spire Bank Limited	(1,166)	3,855	-30.2	413	-282.6
39	UBA Kenya Bank Ltd	(1,382)	13,598	-10.2	823	-167.9
	Total	**197,036**	**6,022,147**	**3.3**	**893,745**	**22.0**

APPENDIX VI: BANKING SECTOR GROSS LOANS AND NON-PERFORMING LOANS-DECEMBER 2021

	BANKS	Gross Loans and Advances, Ksh. M		Gross Non-Performing Loans, Ksh. M	
		Dec-20	Dec-21	Dec-20	Dec-21
1	KCB Bank Ltd	544,837	584,441	66,810	92,193
2	Equity Bank Ltd.	355,630	420,774	42,825	35,470
3	Co-operative Bank of Kenya Ltd	307,324	334,274	51,781	43,312
4	NCBA Bank Kenya Plc	259,698	255,664	35,995	40,909
5	Absa Bank Kenya Plc	229,677	256,465	17,099	19,817
6	Stanbic Bank (Kenya) Ltd	176,597	200,941	25,038	22,504
7	Diamond Trust Bank (K) Ltd	165,948	171,866	19,747	27,151
8	I&M Bank Ltd	160,665	172,615	20,178	18,563
9	Standard Chartered Bank (K) Ltd	152,711	147,917	22,337	23,283
10	National Bank of Kenya Ltd	74,774	79,236	26,438	26,542
11	Family Bank Ltd.	63,111	73,529	9,391	11,056
12	Bank of Baroda (K) Ltd	51,151	58,165	6,342	6,088
13	HFC Ltd	41,836	39,339	10,799	8,673
14	Prime Bank Ltd	44,531	47,577	4,838	5,199
15	SBM Bank (Kenya) Ltd	36,760	37,408	16,225	12,850
16	Citibank N.A. Kenya	39,726	53,765	1,120	1,020
17	Gulf African Bank Ltd	22,928	22,486	4,028	3,623
18	Victoria Commercial Bank Ltd	25,442	31,291	1,679	4,342
19	Ecobank Kenya Ltd	26,884	27,223	4,377	4,389
20	Bank of Africa (K) Ltd	21,850	26,337	8,689	8,352
21	African Banking Corporation Ltd	21,961	23,654	3,425	4,665
22	Sidian Bank Ltd	20,409	23,834	2,337	2,820
23	Credit Bank Ltd	17,512	17,784	2,017	5,022
24	Guaranty Trust Bank Ltd	15,714	18,332	3,269	2,528
25	Bank of India	20,980	22,552	996	627
26	First Community Bank Ltd	14,572	19,037	5,258	5,487
27	Kingdom Bank Limited	8,907	8,072	6,787	6,010
28	Guardian Bank Ltd	9,248	7,665	1,181	1,257
29	Development Bank of Kenya Ltd	10,149	10,218	3,420	2,995
30	Consolidated Bank of Kenya Ltd	10,130	9,858	2,436	2,712
31	M-Oriental Commercial Bank Ltd	7,742	7,212	1,812	1,934
32	Access Bank (Kenya) PLC	3,481	3,128	159	202
33	Paramount Bank Ltd	7,883	7,934	1,346	1,518
34	Habib Bank A.G. Zurich	6,847	6,359	836	739
35	Middle East Bank (K) Ltd	7,639	6,648	790	524
36	Spire Bank Ltd	3,827	3,405	2,711	2,587
37	DIB Bank Kenya Ltd	8,789	9,965	125	1,492
38	Mayfair Bank Ltd	5,056	5,649	129	212
39	UBA Kenya Ltd	3,178	2,808	1,295	1,342
	Total	**3,006,104**	**3,255,429**	**436,067**	**460,008**
	Source: Banks Published Financial Statements				

APPENDIX VII: BANKING SECTOR CAPITAL AND RISK WEIGHTED ASSETS -DECEMBER 2021

	Banks	Core Capital (Ksh. million)	Total Capital (Ksh. million)	Overall Risk Weighted Assets (Ksh. million)	Core Capital/ TRWA (%)	Total Capital/ TRWA (%)	Core Capital/ Total Deposits (%)
1	KCB Bank Ltd	109,467	138,433	676,511	16.2	20.5	17.4
2	Equity Bank Kenya Ltd	93,843	132,496	704,636	13.3	18.8	14.5
3	Co-operative Bank of Kenya Ltd	78,843	85,952	502,186	15.7	17.1	15.7
4	NCBA Bank Kenya PLC	64,567	64,658	351,787	18.4	18.4	15.0
5	Diamond Trust Bank Kenya Limited	49,790	53,031	250,695	19.9	21.2	22.1
6	Absa Bank Kenya Plc	47,870	56,357	328,712	14.6	17.1	17.7
7	Stanbic Bank Kenya Ltd	44,136	49,835	288,178	15.3	17.3	18.4
8	Standard Chartered Bank (K) Ltd	40,822	46,670	262,840	15.5	17.8	15.4
9	I M Bank Ltd	38,325	52,850	247,142	15.5	21.4	16.8
10	Bank of Baroda (Kenya) Limited	28,679	28,679	95,644	30.0	30.0	19.2
11	Prime Bank Ltd	24,286	24,639	59,274	41.0	41.6	25.0
12	Bank of India	20,010	20,184	38,666	51.8	52.2	38.1
13	Citibank N.A. Kenya	17,888	18,546	98,723	18.1	18.8	18.2
14	Family Bank Ltd.	12,985	17,354	83,080	15.6	20.9	15.8
15	National Bank of Kenya Ltd	10,288	11,605	81,309	12.7	14.3	9.7
16	SBM Bank Kenya Ltd	7,437	8,053	49,250	15.1	16.4	12.4
17	Victoria Commercial Bank Limited	6,423	6,834	41,194	15.6	16.6	19.8
18	Ecobank Kenya Ltd	6,359	7,669	44,481	14.3	17.2	7.0
19	Guaranty Trust Bank	5,606	5,896	23,226	24.1	25.4	25.1
20	Gulf African Bank	4,844	5,910	30,962	15.6	19.1	16.6
21	Mayfair Bank Ltd	4,100	4,100	10,170	40.3	40.3	49.4
22	Sidian Bank Ltd	4,028	6,491	34,874	11.6	18.6	15.6
23	HFC Ltd	3,172	4,652	38,441	8.3	12.1	8.4
24	Guardian Bank Limited	2,755	2,989	11,324	24.3	26.4	19.2
25	Habib Bank AG Zurich	2,750	3,070	8,902	30.9	34.5	11.6
26	M-Oriental Commercial Bank	2,594	2,708	9,117	28.4	29.7	25.3
27	Bank of Africa Ltd	2,543	3,755	21,403	11.9	17.5	9.6
28	African Banking Corporation Ltd	2,519	3,313	20,448	12.3	16.2	8.2
29	Development Bank of Kenya Ltd	2,283	2,584	13,232	17.3	19.5	31.4
30	Paramount Bank Ltd	1,878	1,878	6,721	27.9	27.9	18.4
31	DIB Bank Kenya Ltd	1,793	1,793	11,379	15.8	15.8	15.0
32	Credit Bank Ltd	1,673	3,360	21,234	7.9	15.8	8.2
33	Access Bank Limited	1,549	1,549	7,499	20.6	20.6	16.4
34	Middle East Bank (K) Ltd	1,311	1,334	5,128	25.6	26.0	13.8
35	First Community Bank Ltd	1,116	1,912	21,511	5.2	8.9	5.2
36	Kingdom Bank Limited	1,051	1,051	7,058	14.9	14.9	16.5
37	UBA Kenya Bank Ltd	823	823	6,545	12.6	12.6	7.5
38	Consolidated Bank of Kenya Limited	433	699	13,179	3.3	5.3	3.8
39	Spire Bank Limited	(319)	(286)	2,638	(12.1)	(10.9)	(17.9)
	Total	**750,519**	**883,425**	**4,529,301**	**16.6**	**19.5**	**16.9**

APPENDIX VIII: BANKING SECTOR ACCESS TO FINANCIAL SERVICES - NUMBER OF DEPOSIT ACCOUNTS - DECEMBER 2021

	Commercial Banks	Peer Group - 2021	December 2020 < 100,000	December 2020 >100,000	December 2020 Total	December 2021 < 100,000	December 2021 >100,000	December 2021 Total	% change
1	NCBA Bank Kenya Ltd.	Large	38,608,821	122,535	38,731,356	32,329,476	132,972	32,462,448	-16.2
2	Equity Bank Kenya Ltd	Large	10,355,380	377,148	10,732,528	11,570,447	394,641	11,965,088	11.5
3	KCB Bank Kenya Ltd	Large	8,677,330	280,186	8,957,516	9,505,449	297,610	9,803,059	-100.0
4	Co-operative Bank of Kenya Ltd	Large	3,359,864	262,614	3,622,478	3,460,903	272,837	3,733,740	3.1
5	ABSA Kenya Plc	Large	1,722,587	112,265	1,834,852	1,826,334	115,089	1,941,423	5.8
6	Diamond Trust Bank (K) Ltd	Large	468,471	56,852	525,323	488,259	58,568	546,827	4.1
7	Stanbic Bank Kenya Ltd	Large	169,528	41,931	211,459	196,243	44,295	240,538	13.8
8	Standard Chartered Bank (K) Ltd	Large	162,193	74,423	236,616	198,491	74,042	272,533	15.2
9	I & M Bank Ltd.	Large	118,764	57,176	175,940	131,973	59,036	191,009	8.6
10	Family Bank Ltd	Medium	2,280,069	60,389	2,340,458	2,399,526	63,026	2,462,552	5.2
11	National Bank of Kenya Ltd	Medium	734,115	43,108	777,223	773,997	45,236	819,233	5.4
12	Ecobank Kenya Ltd	Medium	174,315	8,409	182,724	173,098	8,850	181,948	-0.4
13	Bank of Africa Kenya Ltd	Medium	83,377	9,555	92,932	69,616	9,220	78,836	-15.2
14	Bank of Baroda Ltd	Medium	19,777	34,228	54,005	20,740	36,681	57,421	6.3
15	Prime Bank Ltd	Medium	19,950	19,040	38,990	19,933	20,248	40,181	3.1
16	Bank of India	Medium	6,008	9,765	15,773	5,137	9,722	14,859	-5.8
17	Citibank N.A. Kenya	Medium	678	1,426	2,104	523	1,454	1,977	-6.0
18	HFC Limited	Small	262,926	13,799	276,725	400,656	13,281	413,937	49.6
19	Sidian Bank Limited	Small	184,669	9,633	194,302	168,600	10,762	179,362	-7.7
20	SBM Bank (Kenya) Ltd.	Small	187,091	14,277	201,368	194,933	11,393	206,326	2.5
21	Kingdom Bank Limited	Small	166,567	2,003	168,570	200,673	2,408	203,081	20.5
22	Access Bank (Kenya) PLC	Small	101,458	6,287	107,745	100,275	6,142	106,417	-1.2
23	Gulf African Bank Ltd	Small	88,229	16,953	105,182	83,335	17,426	100,761	-4.2
24	First Community Bank Ltd	Small	72,739	9,720	82,459	68,351	10,064	78,415	-4.9
25	Consolidated Bank of Kenya Ltd	Small	39,971	5,118	45,089	40,006	5,196	45,202	0.3
26	Credit Bank Ltd	Small	37,918	4,351	42,269	37,800	4,412	42,212	-0.1
27	African Banking Corporation Ltd	Small	29,688	6,157	35,845	24,214	6,082	30,296	-15.5
28	Spire Bank Limited	Small	21,149	1,669	22,818	20,732	1,195	21,927	-3.9
29	Guaranty Trust Bank (Kenya) Ltd	Small	13,008	6,014	19,022	14,638	6,335	20,973	10.3
30	Guardian Bank Limited	Small	6,304	3,150	9,454	6,497	3,179	9,676	2.3
31	Paramount Bank Ltd	Small	6,218	1,493	7,711	6,592	1,627	8,219	6.6
32	UBA Bank Kenya Ltd	Small	4,044	800	4,844	7,050	965	8,015	65.5
33	M-Oriental Commercial Bank Ltd	Small	2,705	1,529	4,234	2,433	1,572	4,005	-5.4
34	DIB Bank Kenya Ltd	Small	2,827	1,057	3,884	2,866	1,252	4,118	6.0
35	Habib Bank A.G. Zurich	Small	1,885	3,144	5,029	1,926	3,248	5,174	2.9
36	Middle East Bank Ltd	Small	1,904	1,090	2,994	2,022	1,230	3,252	8.6
37	Victoria Commercial Bank Ltd	Small	1,360	3,980	5,340	1,404	4,228	5,632	5.5
38	Mayfair Bank Ltd	Small	1,548	1,380	2,928	1,679	1,491	3,170	8.3
39	Development Bank of Kenya Ltd	Small	758	1,000	1,758	757	1,100	1,857	5.6
	Sub-Totals		**68,196,193**	**1,685,654**	**69,881,847**	**64,557,584**	**1,758,115**	**66,315,699**	**-19.1**
	Microfinance Banks								
1	Kenya Women Microfinance Bank Limited	Large	984,851	9,850	994,701	1,034,157	9,868	1,044,025	5.0
2	Faulu Microfinance Bank Limited	Large	365,033	8,961	373,994	359,041	8,503	367,544	-1.7
3	Rafiki Microfinance Bank Limited	Large	127,518	2,000	129,518	97,569	1,849	99,418	-23.2
4	SMEP Microfinance Bank Limited	Medium	544,132	1,911	546,043	554,307	2,026	556,333	1.9
5	Sumac Microfinance Bank Limited	Medium	10,780	343	11,123	12,379	575	12,954	16.5
6	KEY Microfinance Bank Limited	Medium	10,288	88	10,376	9,224	82	9,306	-10.3
7	Maisha Microfinance Bank Ltd	Small	451,952	101	452,053	486,459	125	486,584	7.6
8	Caritas Microfinance Bank Limited	Small	26,195	1,226	27,421	33,924	1,520	35,444	29.3
9	Century Microfinance Bank Limited	Small	23,391	160	23,551	24,268	198	24,466	3.9
10	U & I Microfinance Bank Limited	Small	6,696	119	6,815	7,221	171	7,392	8.5
11	Uwezo Microfinance Bank Limited	Small	6,063	15	6,078	6,082	8	6,090	0.2
12	Choice Microfinance Bank Limited	Small	8,103	113	8,216	8,350	113	8,463	3.0
13	Daraja Microfinance Bank Limited	Small	4,394	71	4,465	4,486	69	4,555	2.0
14	Muungano Microfinance Bank Limited	Small	1,124	44	1,168	2,453	114	2,567	119.8
	Sub-Totals		**2,569,396**	**24,958**	**2,594,354**	**2,639,920**	**25,221**	**2,665,141**	**2.7**
	Grand Total		**70,765,589**	**1,710,612**	**72,476,201**	**67,197,504**	**1,783,336**	**68,980,840**	**-4.8**

Source: CBK

APPENDIX IX: BANKING SECTOR PROTECTED DEPOSITS - DECEMBER 2021

	BANKS		December 2020		December 2021			
			Insured Deposits Ksh M	Customer Deposits Ksh. M	Insured Deposits Ksh M	Customer Deposits Ksh. M	Change in Insured Deposits	% Change In Customer Deposits
1	ABSA Bank Kenya Plc	Large	44,333	253,630	32,329,476	132,972	32,462,448	-16.2
2	Access Bank Plc	Small	1,884	7,826	11,570,447	394,641	11,965,088	11.5
3	African Banking Corporation Ltd	Small	2,618	27,299	9,505,449	297,610	9,803,059	9.4
4	Bank of Africa (K) Ltd	Small	3,835	27,977	3,460,903	272,837	3,733,740	3.1
5	Bank of Baroda (Kenya) Limited	Medium	14,791	135,000	1,826,334	115,089	1,941,423	5.8
6	Bank of India	Medium	4,345	48,874	488,259	58,568	546,827	4.1
7	Citibank N.A. Kenya	Medium	676	79,193	196,243	44,295	240,538	13.8
8	Consolidated Bank of Kenya Limited	Small	2,025	9,224	198,491	74,042	272,533	15.2
9	Credit Bank Ltd	Small	1,834	17,638	2,399,526	63,026	2,462,552	5.2
10	Development Bank of Kenya Ltd	Small	439	6,202	773,997	45,236	819,233	5.4
11	Diamond Trust Bank Kenya Limited	Large	23,807	207,984	400,656	13,281	413,937	49.6
12	DIB Bank Kenya Ltd	Small	356	10,149	173,098	8,850	181,948	-0.4
13	Ecobank Kenya Ltd	Medium	3,389	80,233	131,973	59,036	191,009	8.6
14	Equity Bank Kenya Ltd	Large	144,726	496,748	69,616	9,220	78,836	-15.2
15	Family Bank Ltd.	Medium	22,695	70,125	20,740	36,681	57,421	6.3
16	First Community Bank Ltd	Small	3,900	18,819	19,933	20,248	40,181	3.1
17	Guaranty Trust Bank (Kenya) Ltd	Small	1,594	21,314	5,137	9,722	14,859	-5.8
18	Guardian Bank Limited	Small	1,286	13,238	523	1,454	1,977	-6.0
19	Gulf African Bank Ltd	Small	6,716	29,972	168,600	10,762	179,362	-7.7
20	Habib Bank AG Zurich	Small	1,333	21,749	194,933	11,393	206,326	2.5
21	HFC Ltd	Medium	5,443	40,006	200,673	2,408	203,081	20.5
22	I & M Bank Ltd	Large	38,191	218,153	100,275	6,142	106,417	-1.2
23	KCB Bank Kenya Ltd	Large	116,106	588,628	83,335	17,426	100,761	-4.2
24	Kingdom Bank Ltd	Small	870	5,081	68,351	10,064	78,415	-4.9
25	Mayfair Bank Ltd	Small	615	8,069	40,006	5,196	45,202	0.3
26	Middle East Bank (K) Ltd	Small	470	9,523	37,800	4,412	42,212	-0.1
27	M-Oriental Commercial Bank Ltd	Small	646	9,749	24,214	6,082	30,296	-15.5
28	National Bank of Kenya Ltd	Medium	17,218	99,229	20,732	1,195	21,927	-3.9
29	NCBA Bank Kenya Limited	Large	52,384	389,484	14,638	6,335	20,973	10.3
30	Paramount Bank Ltd	Small	648	9,265	6,497	3,179	9,676	2.3
31	Prime Bank Ltd	Medium	8,471	88,548	6,592	1,627	8,219	6.6
32	SBM Bank Kenya Ltd	Medium	5,870	56,033	7,050	965	8,015	65.5
33	Sidian Bank Limited	Small	3,860	22,768	2,433	1,572	4,005	-5.4
34	Spire Bank Limited	Small	683	4,793	2,866	1,252	4,118	6.0
35	Stanbic Bank Kenya Ltd	Large	16,804	216,805	1,926	3,248	5,174	2.9
36	Standard Chartered Bank Kenya Ltd	Large	29,877	256,498	2,022	1,230	3,252	8.6
37	The Co-operative Bank of Kenya Ltd	Large	100,384	369,430	1,404	4,228	5,632	5.5
38	UBA Kenya Bank Ltd	Small	341	7,772	1,679	1,491	3,170	8.3
39	Victoria Commercial Bank Limited	Small	1,721	28,286	757	1,100	1,857	5.6
	Sub-Totals		**687,182.5**	**4,011,315.7**	**64,557,584**	**1,758,115**	**66,315,699**	**-5.1**
	Microfinance Banks							
1	Faulu Microfinance Bank Ltd	Large	3,804.10	22,931.3	21,052	21,074	17,247	-8.1
2	Kenya Women Microfinance Bank Ltd	Large	8,644	16,335		17,737	-8,644	8.6
3	Rafiki Microfinance Bank Ltd	Large	850	3,027	796	3,336	-54	10.2
4	Century Microfinance Bank Ltd	Medium	80	270	-	388	-80	43.6
5	SMEP Microfinance Bank Ltd	Medium	1,129	2,398	1,042	2,345	-87	-2.2
7	Sumac Microfinance Bank Ltd	Medium	11	978	1,266	1,266	1,255	29.5
6	Muungano Microfinance Bank PLc	Small	19	47	-	94	-19	100.1
8	Caritas Microfinance Bank Ltd	Small	501	1,943	621	2,501	120	28.7
9	Choice Microfinance Bank Ltd	Small	33	98	0	115	-33	16.9
10	Daraja Microfinance Bank Ltd	Small	33	97	-	101	-33	3.8
11	KEY Microfinance Bank Ltd	Small	42	74	-	80	-42	8.2
12	Maisha Microfinance Bank Ltd	Small	48	781	-	478	-48	-38.8
13	U & I Microfinance Bank Ltd	Small	55	368	-	423	-55	14.9
14	Uwezo Microfinance Bank Ltd	Small	509	10	-	20	-509	96.7
	Sub-Totals		**15,758**	**49,357**	**24,777**	**49,958**	**9,019**	**1.2**
	Grand total		**702,942**	**4,060,671**	**819,172**	**3,865,086**	**116,230**	**-4.8**

Source: Banks Published Financial Statements (December 2020 and December 2021)

APPENDIX X: MICROFINANCE BANKS BALANCE SHEET - DECEMBER 2021

		KENYA WOMEN Ksh.M	FAULU Ksh.M	RAFIKI* Ksh. M	SMEP Ksh. M	CARI-TAS Ksh. M	SUMAC Ksh. M	KEY Ksh. M	U & I Ksh. M	UWEZO Ksh. M	DARA-JA* Ksh. M	MAISHA Ksh. M	CEN-TURY Ksh. M	MUUN-GANO Ksh. M	CHOICE* Ksh. M	TOTAL Ksh. M
A) STATEMENT OF FINANCIAL POSITION																
1.0	**ASSETS**															
1.1	Cash and bank balances	1,977	388	65	46	31	14	24	5	0	0	1	2	2	0	2,556
1.2	Short term deposits with banks	3,990	2,651	1,130	843	643	1,114	62	102	322	4	143	163	19	6	11,192
1.3	Government securities	-	4,997	612	-	124	-	-	-	-	-	-	-	-	-	5,733
1.4	Advances to customers (net)	15,129	15,378	3,484	1,500	1,952	1,348	62	872	-	1	152	113	118	7	40,115
1.5	Due from related organi-sations															
1.6	Other receiv-ables	456	528	139	432	63	419	50	4	15	31	62	60	6	3	2,269
1.7	Tax recover-able	242	284	66	29	-	-	4	-	0	1	-	2	6	-	634
1.8	Deferred tax Asset	475	1,025	-	90	-	8	76	-	64	71	24	38	12	26	1,908
1.9	Other invest-ment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1.10	Investment in associate companies	1	63	27	-	-	-	-	-	-	-	113	-	-	-	203
1.11	Intangible assets	493	1,348	60	157	32	63	12	4	18	3	23	0	17	11	2,240
1.12	Property and equipment	4,198	1,116	307	286	106	70	(1)	19	13	8	963	24	9	(7)	7,112
	TOTAL ASSETS	**26,961**	**27,780**	**5,889**	**3,382**	**2,951**	**3,037**	**289**	**1,006**	**433**	**120**	**1,480**	**402**	**189**	**45**	**73,963**
2.0	**LIABILITIES**															
2.1	Cash collater-als held	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2	Customer deposits	17,737	21,524	3,336	2,366	2,504	1,266	80	401	20	103	478	388	93	115	50,413
2.3	Borrowings	5,385	692	676	423	-	1,144	126	357	-	-	274	-	-	5	9,082
2.4	Deposit & balances due to banking institutions	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.5	Deferred tax liability	-	-	-	-	-	-	-	1.34	-	-	-	-	-	-	1
2.6	Due to related organisations	-	-	-	-	-	-	-	-	-	-	-	-	1	-	1
2.7	Other liabil-ities	1,274	2,013	1,212	206	100	265	27	25	45	53	43	60	26	16	5,365
	TOTAL LIABIL-ITIES	**24,396**	**24,229**	**5,224**	**2,995**	**2,605**	**2,676**	**232**	**785**	**65**	**156**	**794**	**448**	**119**	**136**	**64,861**
3.0	**SHARE CAPITAL & RESERVES**															
3.1	Share capital	186	660	3,000	545	683	205	230	151	533	180	1,017	373	100	154	8,016
3.2	Share pre-mium	2,851	3,770	-	2	-	123	16	-	-	27	20	-	-	5	6,815
3.3	Retained earnings	(519)	(1,155)	(2,392)	(339)	(371)	33	(189)	70	(164)	(247)	(350)	(422)	(30)	(251)	(6,328)
3.4	Revaluation reserve	-	275	-	154	0	-	-	-	-	2	-	-	-	-	432.2
3.5	Statutory reserve	47	-	57	26	34	-	0	-	-	-	-	3	-	-	167.1
3.6	**Total Share-holders' funds**	**2,564**	**3,550**	**665**	**387**	**347**	**361**	**57**	**221**	**368**	**(37)**	**686**	**(46)**	**70**	**(91)**	**9,102**
	TOTAL LIA-BILITIES AND EQUITY	**26,961**	**27,780**	**5,889**	**3,382**	**2,951**	**3,037**	**289**	**1,006**	**433**	**120**	**1,480**	**402**	**189**	**45**	**73,963**

Unaudited Financial Statements

Source: MFBs Published Financial Statements

APPENDIX XI: MICROFINANCE BANKS PROFIT AND LOSS ACCOUNT - DECEMBER 2021

1.0	Income	KENYA WOMEN Ksh. M	FAULU Ksh.M	RAFIKI* Ksh. M	SMEP Ksh. M	CARI-TAS Ksh. M	SUMAC Ksh. M	KEY Ksh. M	U & I Ksh. M	UWEZO Ksh. M	DARA-JA* Ksh. M	MAISHA Ksh. M	CEN-TURY Ksh. M	MUUN-GANO Ksh. M	CHOICE* Ksh. M	TOTAL Ksh. M
1.1	Interest on Loan Portfolio	4,294	3,648	645	494	304	385	14	146	1	2	89	33	18	1	10,074
1.2	Fees and Commission on Loan Portfolio	688	393	36	59	41	26	1	35	0	0	5	6	8	0	1,296
1.3	Government Securities	-	549	53	-	1	-	-	-	-	-	-	-	-	-	603
1.4	Deposit and Balances with Banks and Financial Inst.	324	64	56	38	49	25	5	1	-	-	11	7	2	-	580
1.5	Other Invest-ments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1.6	Other Operating Income	325	164	110	67	21	17	2	0	2	0	88	37	2	1	839
1.7	Non- Operating Income	-	3	-	-	0	-	-	-	-	-	-	-	-	-	4
	Total Income	**5,631**	**4,821**	**901**	**658**	**415**	**453**	**21**	**182**	**3**	**2**	**193**	**83**	**30**	**2**	**13,395**
2.0	**Expenses**															
2.1	Interest and Fee Expense on Deposits	969	1,849	181	134	96	136	6	37	0	8	75	29	4	6	3,530
2.2	Other Fees and Commissions expense	57	236	24	-	3	13	0	-	-	-	-	-	1	-	334
2.3	Provision for Loan Impair-ment	27	518	6	75	53	24	3	5	1	(1)	104	0	3	(0)	817
2.4	Staff Costs	1,707	999	354	200	99	65	22	28	9	6	38	28	13	9	3,576
2.5	Director's Emoluments	126	15	7	7	5	15	0	7	7	1	2	3	1	-	195
2.6	Rental Charges	302	117	110	63	7	18	7	5	0	4	6	1	0	4	645
2.7	Depreciation Charges	387	337	84	40	34	10	1	2	6	2	4	7	4	2	921
2.8	Amortization Charges	63	80	2	12	6	5	0	0	1	1	9	2	2	0	184
2.9	Other Adminis-trative Expense	1,075	914	234	136	89	48	18	20	19	10	125	21	16	5	2,731
2.1	Non-Operating Expense	-	-	-	-	-	-	-	6	-	-	-	-	-	-	6
	Total Expenses	**4,712**	**5,065**	**1,002**	**668**	**392**	**334**	**58**	**111**	**43**	**32**	**362**	**90**	**45**	**26**	**12,938**
3.0	**Operating Profit**	**919**	**(243)**	**(102)**	**(10)**	**23**	**120**	**(36)**	**71**	**(40)**	**(30)**	**(169)**	**(7)**	**(16)**	**(24)**	**457**
4.0	Interest and Fee Expense on Borrowings (Finance Costs)	788	279	51	48	6	102	14	35	-	-	9	0	1	-	1,334
5.0	**Profit/(Loss) before tax**	**131**	**(522)**	**(153)**	**(58)**	**17**	**17**	**(51)**	**36**	**(40)**	**(30)**	**(178)**	**(8)**	**(16)**	**(24)**	**(877)**
6.0	Current Tax	(26)	140	-	-	-	11	0	11	-	-	-	-	-	-	136
6.1	Deferred Tax	-	(255)	-	(12)	-	-	-	0	(9)	-	-	-	(3)	-	(279)
7.0	**Net Profit (After Taxes and Before Donations)**	**157**	**(407)**	**(153)**	**(46)**	**17**	**6**	**(51)**	**24**	**(31)**	**(30)**	**(178)**	**(8)**	**(13)**	**(24)**	**(734)**
8.0	Donations for Operating Expense	46	-	-	-	-	-	-	-	-	-	-	-	-	-	-
9.0	**Net Profit After Taxes**	**204**	**(407)**	**(153)**	**(46)**	**17**	**6**	**(51)**	**24**	**(31)**	**(30)**	**(178)**	**(8)**	**(13)**	**(24)**	**(734)**
	Other Compre-hensive Income	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Surplus on revaluation of building	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Deferred tax on revaluation surplus	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Total com-prehensive income	**204**	**(407)**	**(153)**	**(46)**	**17**	**6**	**(51)**	**24**	**(31)**	**(30)**	**(178)**	**(8)**	**(13)**	**(24)**	**(734)**

***Unaudited Financial Statements**

Source: MFBs Published Financial Statements

APPENDIX XII: MICROFINANCE BANKS OTHER DISCLOSURES - DECEMBER 2021

		KENYA WOMEN	FAULU	RAFIKI*	SMEP	CARITAS	SUMAC	KEY	U & I	UWEZO	DARAJA*	MAISHA	CENTURY	MUUNGANO	CHOICE*	TOTAL
1	NON-PERFORMING LOANS AND ADVANCES	Ksh. M	Ksh. M	Ksh. M	Ksh. M	Ksh. M	Ksh. M	Ksh. M	Ksh. M	Ksh. M	Ksh. M	Ksh. M	Ksh. M	Ksh. M	Ksh. M	Ksh.M
(a)	Gross Non-Performing Loans and Advances	4,959	3,917	3,262	542	120	468	86	40	-	15	286	93	2	7	13,798
(b)	Less: Interest in Suspense	703	675	1,155	173	6	-	-	12	-	23	-	35	0	4	2,786
(c)	Total Non-Performing Loans and Advances (a-b)	4,255	3,243	2,107	369	114	468	86	28	-	(7)	286	58	2	4	11,012
(d)	Less: Impairment Loss Allowance	615	3,319	647	379	48	109	45	21	-	15	272	31	1	8	5,511
(e)	**Net Non-Performing Loans (c-d)**	**3,641**	**(77)**	**1,460**	**10)**	**65**	**359**	**41**	**6**	**-**	**(22)**	**13**	**28**	**1**	**(4)**	**5,502**
2	**INSIDER LOANS AND ADVANCES**															
(a)	Directors, Shareholders and Associates	124	20	-	6	2	9	1	10	-	-	1	-	0	1	172
(b)	Employees	190	309	30	5	63	17	5	13	-	0	11	5	1	2	652
(c)	**Total Insider Loans, Advances and Other Facilities**	**314**	**329**	**30**	**11**	**65**	**26**	**6**	**23**	**-**	**0**	**11**	**5**	**2**	**2**	**824**
3	**OFF-BALANCE SHEET ITEMS**															
(a)	Guarantees and Commitments	145	515	2,683	-	-	-	-	-	-	-	21	-	-	-	3,364
(b)	Other Contingent Liabilities	30	57	-	-	-	-	-	-	-	-	-	-	-	-	88
(c)	**Total Contingent Liabilities**	**175**	**572**	**2,683**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**21**	**-**	**-**	**-**	**3,451**
4	**CAPITAL STRENGTH**															
(a)	**Core Capital**															
(b)	Minimum Statutory Capital	2,041	2,187	608	89	312	342	(19)	221	304	(139)	662	(49)	78	(119)	6,518
(c)	Excess/(Deficiency) (a-b)	60	60	60	60	60	60	60	60	60	20	60	60	20	20	720
(d)	Supplementary Capital	1,981	2,127	548	29	252	282	(79)	161	244	(159)	602	(109)	58	(139)	5,798
(e)	**Total Capital (a+d)**	**1,070**	**469**	**66**	**39**	**34**	**-**	**35**	**-**	**-**	**2**	**-**	**-**		**-**	**1,715**
(f)	**Total Risk Weighted Assets**	**3,111**	**2,655**	**674**	**128**	**347**	**342**	**16**	**221**	**304**	**(137)**	**662**	**(49)**	**78**	**(119)**	**8,233**
(g)	Core Capital/ Total Deposit Liabilities (%)	19,313	17,885	3,849	2,272	2,260	2,120	219	710	110	43	1,359	266	164	88	50,659
(h)	Minimum Statutory Ratio (%)	12	10	18	4	12	27	-24	55	1,545	-135	139	-13	84	-103	13
(i)	Excess/(Deficiency) (g-h) (%)	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8
(j)	Core Capital/ Total Risk Weighted Assets (%)	4	2	10	-4	4	19	-32	47	1,537	-143	131	-21	76	-111	5
(k)	Minimum Statutory Ratio (%)	11	12	16	4	14	16	-9	31	276	-322	49	-18	48	-135	13
(l)	Excess/(Deficiency) (j-k) (%)	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10
(m)	Total Capital/ Total Risk Weighted Assets (%)	1	2	6	-6	4	6	-19	21	266	-332	39	-28	38	-145	3
(n)	Minimum Statutory Ratio (%)	16	15	18	6	15	16	7	31	276	-317	49	-18	48	-135	16
(O)	Excess/(Deficiency) (m-n) (%)	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12
5	**LIQUIDITY**															
(a)	Liquidity Ratio (%)	26	34	40	24	32	41	27	27	720	4	30	42	22	29	78
(b)	Minimum Statutory Ratio (%)	20	20	20	20	20	20	20	20	20	20	20	20	20	20	20
(c)	Excess/(Deficiency) (a-b) (%)	6	14	20	4	12	21	7	7	700	-16	10	22	2	9	58

***Unaudited Financial Statements**

Source: MFBs Published Financial Statements

APPENDIX XIII: RESIDENTIAL MORTGAGES MARKET SURVEY DECEMBER 2021

	Institution	Peer Group	December' 2020					December' 2021				
			Mortgage Out-standing (Ksh. M)	% of the Mortgage Market (%)	Number of Mortgage Accounts	Value of Mortgage Loans NPLs (Ksh. M)	Number of Accounts for Mortgage Loans NPLs	Mortgage Outstand-ing (Ksh. M)	% of the Mort-gage Market (%)	Num-ber of Mortgage Accounts	Value of Mortgage Loans NPLs (Ksh. M)	Number of Ac-counts for Mortgage Loans NPLs
1	KCB Bank Kenya Ltd	Large	69,063	29.7	8,837	6,040	795	76,327	31.1	8,290	8,924	547
2	Stanbic Bank Kenya Limited	Large	30,541	13.1	2,344	2,597	258	31,357	12.8	2,531	3,096	291
3	HFC Ltd	Large	26,092	11.2	4,101	4,398	209	24,103	9.8	4,065	3,133	245
4	Standard Chartered Bank Kenya Limited	Large	21,422	9.2	1,942	1,142	120	20,170	8.2	1,901	1,321	134
5	Absa Bank Kenya Limited	Large	14,298	6.1	1,371	449	63	15,768	6.4	1,475	671	84
6	The Co-operative Bank of Kenya Limited	Large	11,884	5.1	1,285	2,071	142	13,825	5.6	823	2,008	109
7	Equity Bank Ltd	Large	11,529	5.0	1,898	1,225	212	12,544	5.1	1,855	760	142
8	NCBA Bank Ltd	Large	11,102	4.8	1,371	1,640	177	11,057	4.5	1,376	1,329	146
9	Family Bank Ltd	Large	7,656	3.3	965	1,212	105	5,796	2.4	785	684	94
10	First Community Bank Ltd	Small	2,416	1.0	221	699	37	5,690	2.3	474	1,096	62
11	DIB Bank Kenya Ltd	Medi-um	3,716	1.6	90	60	6	4,318	1.8	121	655	15
12	I&M Bank Ltd	Medi-um	2,866	1.2	307	537	39	4,020	1.6	352	464	38
13	Development Bank of Kenya Limited	Medi-um	3,092	1.3	473	807	62	3,102	1.3	542	767	57
14	Gulf African Bank Ltd	Medi-um	386	0.2	61	39	9	2,315	0.9	411	158	15
15	Bank of Baroda Ltd	Medi-um	1,563	0.7	142	91	6	2,305	0.9	196	54	5
16	National Bank of Kenya Ltd	Medi-um	2,163	0.9	342	189	25	2,217	0.9	363	127	21
17	SBM Bank Kenya Limited	Medi-um	3,049	1.3	149	2,427	89	1,741	0.7	174	915	81
18	Bank of Africa Ltd	Small	2,285	1.0	182	123	28	1,313	0.5	151	223	47
19	Diamond Trust Bank of Kenya Ltd	Small	1,118	0.5	100	68	9	1,125	0.5	95	84	10
20	Kingdom Bank Ltd	Small	1,194	0.5	203	854	109	949	0.4	184	798	95
21	Consolidated Bank of Kenya Limited	Small	869	0.4	153	170	36	944	0.4	160	269	40
22	Credit Bank Ltd	Small			-	-	-	830	0.3	91	70	9
23	African Banking Corpora-tion Ltd	Small	765	0.3	92	96	7	659	0.3	87	106	7
24	Bank of India	Small	289	0.1	23	-	-	584	0.2	45	8	1
25	Ecobank Kenya Ltd	Small	533	0.2	70	56	14	535	0.2	74	80	15
26	Guardian Bank Ltd	Small	793	0.3	27	299	3	436	0.2	38	164	4
27	Spire Bank Ltd	Small	323	0.1	20	248	8	313	0.1	16	243	5
28	Paramount Bank Ltd	Small	246	0.1	21	22	3	251	0.1	14	26	3
29	Prime Bank Ltd	Small	164	0.1	17	9	1	237	0.1	18	8	2
30	Victoria Commercial Bank Ltd	Small	276	0.1	11	90	3	193	0.1	6	72	2
31	Sidian Bank Ltd	Small	984	0.4	149	135	28	95	0.0	6	8	1
32	Middle East Bank Kenya Limited	Small	22	0.0	4	13	1	21	0.0	4	13	1
	Banks not offering Mortgage Loans											
33	Citibank N.A. Kenya	Medi-um	-	-	-	-	-	-	-	-	-	-
34	Guaranty Trust Bank Ltd	Small	-	-	-	-	-	-	-	-	-	-
35	Habib Bank A.G. Zurich	Small	-	-	-	-	-	-	-	-	-	-
36	M-Oriental Commercial Bank Ltd	Small	-	-	-	-	-	-	-	-	-	-
37	Access Bank Ltd	Small	-	-	-	-	-	-	-	-	-	-
38	Mayfair Bank Kenya Ltd	Small	-	-	-	-	-	-	-	-	-	-
39	UBA Kenya Bank Ltd	Small	-	-	-	-	-	-	-	-	-	-
	Total		**232,700**	**100**	**26,971**	**27,808**	**2,604**	**245,140**	**100**	**26,723**	**28,333**	**2,328**
	Average Mortgage Loan Size (Mortgage out-standing loans/Number of mortgage accounts)		**8.5**					**9.2**				
	Source: Commercial Banks and Mortgage Finance Companies											

APPENDIX XIV: BANKING CIRCULARS ISSUED IN 2021

Circular No.	Date	Title	Purpose
1.	March 23, 2021	Expiry of the emergency measures on restructuring of loans for bank borrowers	To inform the financial institutions on the expiry of the emergency measures and provide guidance on loan classification of the extended and restructured loans.
2.	June 7, 2021	Commencement of operations at CBK Kisii Centre	To inform the financial institutions on the commencement of operations at Kisii Centre.
3.	June 8, 2021	Amendment of risk weight for mortgage loans	To inform financial institutions of the capital adequacy risk weight review for all residential mortgages from 50 to 30 per cent.
4.	July 29, 2021	Commencement of full operations at CBK Kisii Centre	To inform the financial institutions on the commencement of full cash operations at Kisii Centre.
5.	October 15, 2021	Issuance of guidance on climate-related risk management	To issue guidance to institutions on climate-related risk management that informs the development of implementation plans for climate risk management frameworks.
6.	December 9, 2021	Issuance of guidance on LIBOR transition	To issue guidance to institutions on the LIBOR transition to ensure that the transition is well managed and that all risks are appropriately identified, assessed and managed.

APPENDIX XV: A SUMMARY OF SIGNED MOUS

No.	Memorandum of Understanding (MOU)	Date of Signing
1.	Multilateral MOU by the Central Banks of the East African community member states (Bank of the Republic of Burundi (BRB), Central Bank of Kenya (CBK), National Bank of Rwanda (NBR), Bank of Uganda (BOU) and Bank of Tanzania (BOT)	28.01.2009 Amended in March 2016
2.	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 Amended on 28.08.2013
3.	Bilateral MOU between South Africa Reserve Bank (SARB) and Central Bank of Kenya (CBK)	01.07.2010
4.	Bilateral MOU between Central Bank of Nigeria (CBN) and Central Bank of Kenya (CBK)	23.06.2011
5.	Bilateral MOU between Bank of Mauritius (BoM) and Central Bank of Kenya (CBK)	08.08.2011
6.	Bilateral MOU on Technical Cooperation between the Bank of Southern Sudan and the Central Bank of Kenya	19.12.2012
7.	Bilateral MOU between Reserve Bank of Malawi (RBM) and Central Bank of Kenya (CBK)	23.04.2013
8.	Bilateral MOU between Reserve Bank of Zimbabwe (RBZ) and Central Bank of Kenya (CBK)	15.05.2013
9.	Bilateral MOU between Bank of Zambia (BoZ) and Central Bank of Kenya (CBK)	12.06.2013
10.	Bilateral MOU between the Financial Reporting Centre and Central Bank of Kenya (CBK)	30.09.2013
11.	Bilateral MOU between the Reserve Bank of India and Central Bank of Kenya (CBK)	16.10.2014

APPENDIX XVI: BANK BRANCH NETWORK PER COUNTY				
No.	**County**	**December 2020**	**December 2021**	**Increase/Decrease**
1	Baringo	9	10	1
2	Bomet	9	9	0
3	Bungoma	16	17	1
4	Busia	10	11	1
5	Elgeyo/Marakwet	6	6	0
6	Embu	10	12	2
7	Garissa	9	7	-2
8	HomaBay	9	9	0
9	Isiolo	7	10	3
10	Kajiado	44	44	0
11	Kakamega	18	17	-1
12	Kericho	17	19	2
13	Kiambu	76	76	0
14	Kilifi	35	33	-2
15	Kirinyaga	17	17	0
16	Kisii	21	21	0
17	Kisumu	40	39	-1
18	Kitui	15	15	0
19	Kwale	12	11	-1
20	Laikipia	20	17	-3
21	Lamu	9	8	-1
22	Machakos	29	30	1
23	Makueni	16	16	0
24	Mandera	3	3	0
25	Marsabit	7	6	-1
26	Meru	40	40	0
27	Migori	14	14	0
28	Mombasa	121	112	-9
29	Murang'a	20	20	0
30	Nairobi City	597	564	-33
31	Nakuru	61	61	0
32	Nandi	12	13	1
33	Narok	15	14	-1
34	Nyamira	6	6	0
35	Nyandarua	9	9	0
36	Nyeri	29	31	2
37	Samburu	3	3	0
38	Siaya	8	7	-1
39	Taita/Taveta	9	11	2
40	Tana River	3	3	0
41	Tharaka-Nithi	7	7	0
42	Trans Nzoia	14	17	3
43	Turkana	7	6	-1
44	Uasin Gishu	49	44	-5
45	Vihiga	6	6	0
46	Wajir	4	4	0
47	West Pokot	4	4	0
	Totals	**1,502**	**1,459**	**-43**

APPENDIX XVII: DIRECTORY OF COMMERCIAL BANKS, MORTGAGE FINANCE COMPANIES, KENYA BANKERS' ASSOCIATION, NON-OPERATING BANK HOLDING COMPANIES AND AUTHORISED REPRESENTATIVE OFFICES	
1	**Absa Bank Kenya Plc** Managing Director: Mr. Jeremy Awori Postal Address: P.O. Box 30120 - 00100 Telephone numbers: +254 (20) 4254000 Fax: +254 (20) 4455491 Email: absa.kenya@absa.africa Website: www.absabank.co.ke Physical Address: ABSA Bank, Westend Building, Off Waiyaki Way, Nairobi Date Licensed: 1916 Peer Group: Large Number of Branches: 107
2	**Access Bank (Kenya) Plc** Managing Director: Mr. David Aluko Postal Address: P.O. Box 34353 - 00100 Nairobi Telephone: 020-2252188/91, 0780022224, 0720081772 Fax: +254-20-2252225 Email: info@accessbankplc.co.ke Website: www.accessbankplc.com Physical Address: The Address Building, Waiyaki Way, Westlands. Date Licensed: 8/1/1985 Peer Group: Small Branches: 28
3	**African Banking Corporation Limited** Group Managing Director: Mr. Shamaz Savani Postal Address: P.O. Box 46452-00100, Nairobi Telephone: +254-20- 4263000, 223922, 2251540/1, 217856/7/8. Fax: +254-20-2222437 Email: headoffice@abcthebank.com; talk2us@abcthebank.com Website: http://www.abcthebank.com Physical Address: ABC Bank House, Woodvale Grove, Westlands, Nairobi Date Licensed: 08-12-1984 Peer Group: Small Branches: 12
4	**Bank of Africa Kenya Limited** Managing Director: Mr. Ronald Marambii Postal Address: P.O. Box 69562-00400 Telephone numbers: +254 20 3275000 Email: yoursay@boakenya.com Website: www.boakenya.com Facebook: Bank of Africa Kenya Twitter: BankofAfrica_Ke Physical Address: BOA House, Karuna Close, Off Waiyaki Way, Westlands, Nairobi Date Licensed: 22-07-2004 Peer Group: Small Number of Branches: 31
5	**Bank of Baroda (Kenya) Ltd** Managing Director: Mr. Vinay Kumar Rathi Postal Address: P.O. Box 300333 - 00100 Nairobi Telephone numbers: +254(20)2248402/2248412/2226416 Fax: +254(20)3316070/310439 Email: ho.kenya@bankofbaroda.com Website: kenya@bankofbaroda.com Physical Address: Baroda House, Muthithi Road, Westlands Date Licensed: 01-07-1953 Peer Group: Medium Number of Branches: 13

APPENDIX XVII: DIRECTORY OF COMMERCIAL BANKS, MORTGAGE FINANCE COMPANIES, KENYA BANKERS' ASSOCIATION, NON-OPERATING BANK HOLDING COMPANIES AND AUTHORISED REPRESENTATIVE OFFICES	
6	**Bank of India** Chief Executive Officer: Gowri Shankar Rao Sailda 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.boikenya.com Physical Address: Bank of India Building, Kenyatta Avenue, Nairobi Date Licensed: 05-06-1953 Peer Group: Medium Branches: 5
7	**Citibank N.A Kenya** Chief Executive Officer: Mr. Martin Mugambi Postal Address: P.O. Box 30711-00100 Nairobi, Kenya Telephone numbers: +254 020 2754444 Email: citiservice@citi.com Website: https://citigroup.com/citi/about/countrypresence/kenya.html Physical Address: Citibank House, Upper Hill, Nairobi Date Licensed: 01-07-1974 Peer Group: Medium Number of Branches: 3
8	**Consolidated Bank of Kenya Ltd** Ag. Chief Executive Officer: Mr. Japheth Kisilu Postal Address: P.O. Box 51133-00200, Nairobi. Telephone numbers: +254 20 3215000, +254 703 016 000 Email: tellus@consolidated-bank.com Website: www.consolidated-bank.com Physical Address: Consolidated Bank House, 6th Floor, Koinange Street, Nairobi Date Licensed: 18-12-1989 Peer Group: Small Number of Branches: 17
9	**Co-operative Bank of Kenya Limited** Group Managing Director: Dr. Gideon Muriuki, CBS Postal Address: P.O. Box 48231-00100 Telephone numbers: 020-3276000, 0703027000 Email: Customerservice@co-opbank.co.ke Website: www.co-opbank.co.ke Physical Address: Co-operative Bank House, Haile Selassie Avenue, Nairobi Date Licensed: 1968 Peer Group: Large Branches: 156
10	**Credit Bank Limited** Chief Executive Officer: Ms. Betty C. Maritim-Korir Postal Address: P.O. Box 61064, Nairobi Telephone: +254 20 2283000 /+254 709072000 / +254 738 222300 Fax: +254-20-2216700 Email: customerservice@creditbank.co.ke Website: www.creditbank.co.ke Physical Address: 14^{th} One Africa Place, Westlands Date Licensed: 30-11-1994 Peer Group: Small Branches: 18

APPENDIX XVII: DIRECTORY OF COMMERCIAL BANKS, MORTGAGE FINANCE COMPANIES, KENYA BANKERS' ASSOCIATION, NON-OPERATING BANK HOLDING COMPANIES AND AUTHORISED REPRESENTATIVE OFFICES	
11	**Development Bank of Kenya Ltd.** Ag. Chief Executive Officer: Mr. Johnson Kiniti Postal Address: P.O. Box 30483 - 00100, Nairobi Telephone: +254-20-340401/2/3, 340416, 2251082, 340198 Fax: +254-20-2250399 Email: dbk@devbank.com Website: www.devbank.com Physical Address: Finance House, 16th Floor, Loita Street, Nairobi Date Licensed: 20-09-1996 Peer Group: Small Branches: 2
12	**DIB Bank Kenya Limited** Chief Executive Officer: Mr. Peter M. Makau Postal Address: P.O. Box 6450 – 00200 Nairobi Telephone numbers: +254 20 513 1300 / +254 709 913 000 Fax: N/A Email: contact@dibkenya.co.ke Website: www.dibkenya.co.ke Physical Address: Upper Hill Building, Bunyala/Lower Hill Rd Junction, Nairobi Date Licensed: 13-4-2017 Peer Group: Small Number of Branches: 5
13	**Diamond Trust Bank (K) Ltd.** Group CEO and Managing Director: Mrs. Nasim M. Devji Postal Address: P.O. Box 61711 – 00200, Nairobi Telephone: +254-20-2849000, +254 719 031 888, +254 732 121 888 Fax: +254-20-2245495 Email: contactcentre@dtbafrica.com Website: https://dtbk.dtbafrica.com Physical Address: DTB Centre, Mombasa Road, Nairobi Date Licensed: 1-1-1946 Peer Group: Large Branches: 70
14	**Ecobank Kenya Limited** Managing Director: Mr. Cheikh Mohamed Travaly Postal Address: P.O. Box 49584 - 00100 Nairobi, Kenya Telephone numbers: (+254) 719 098 000, Toll Free 0800 221 2218 Fax: +254 020 2883304 Email: Kenya@ecobank.com Website: www.ecobank.com Physical Address: Fortis Office Park, Muthangari Drive Off Waiyaki Way, Nairobi Date Licensed: 16-06-2008 Peer Group: Medium Number of Branches: 18
15	**Equity Bank Kenya Limited** Managing Director: Mr. Gerald Warui Postal Address: P.O. Box 75104-00200, Nairobi Telephone numbers: +254 (0) 763 063 000 Fax: +254 020-2711439 Email: info@equitybank.co.ke Website: www.ke.equitybankgroup.com Physical Address: Equity Centre, Upper Hill, Hospital Road, Nairobi Date Licensed: 28-12-2004 Peer Group: Large Branches:190
16	**Family Bank Limited** Managing Director and CEO: Ms. Rebecca Mbithi Postal Address: P.O. Box 74145-00200, Nairobi Telephone numbers: +254 703 095 445 / +254 705 325 325 / +254 703 095 000 Email: info@familybank.co.ke Website: www.familybank.co.ke Physical Address: Family Bank Tower, Muindi Mbingu Street, Nairobi Date Licensed: 01-05-2007 Peer Group: Medium Number of Branches: 92

APPENDIX XVII: DIRECTORY OF COMMERCIAL BANKS, MORTGAGE FINANCE COMPANIES, KENYA BANKERS' ASSOCIATION, NON-OPERATING BANK HOLDING COMPANIES AND AUTHORISED REPRESENTATIVE OFFICES	
17	**First Community Bank Ltd** Chief Executive: Dr. Hussein Assad Ahmed Hassan Postal Address: P.O. Box 26219-00100, Nairobi Telephone numbers:020-2843000 Fax: N/A Email: queries@fcb.co.ke Website: www.first communitybank.co.ke Physical Address: FCB Mihrab, Mezzanine 1 Lenana Road/Ring Road Kilimani, Nairobi Date Licensed: 29-04-2008 Peer Group: Small Number of Branches:18
18	**Guaranty Trust Bank (Kenya) Limited** Managing Director: Mr. Olubayo Veracruz Postal Address: P.O. Box 20613-00200, Nairobi Telephone numbers: +254 020 3284000 / 0703084000 Fax: N/A Email: customercareke@gtbank.com Website: www.gtbank.co.ke Physical Address: Plot 1870/IX/167, Sky Park, Westlands, Nairobi Date Licensed: 13-01-1995 Peer Group: Small Number of Branches: 9
19	**Guardian Bank Limited** Chief Executive Officer: Mr. Narayanamurthi Sabesan Postal Address: P.O. Box 67437 – 00200, Nairobi Telephone numbers:(+254) 020 2226771/4 Mobile:0722282213 / 0733888060 Email: Headoffice@guardian-bank.com Website:www.guardian-bank.com Physical Address: Guardian Centre, Biashara Street, Nairobi Date Licensed: 20-12-1995 Peer Group: Small Number of Branches: 10
20	**Gulf African Bank Limited** Chief Executive Officer: Mr. Anuj Mediratta Postal Address: P.O. Box 43683 - 00100 Nairobi, Kenya Telephone numbers: Tel: +254-20-2740000/0711-075000 Fax: N/A Email: info@gab.co.ke Website: http://www.gulfafricanbank.com Physical Address: Geminia Insurance Plaza, Upper Hill, Nairobi Date Licensed: 01-11-2007 Peer Group: Small Number of Branches: 17
21	**Habib Bank AG Zurich** Chief Executive Officer: Mr. Asim Basharullah Postal Address: P.O. Box 30584 - 00100, Nairobi Telephone numbers: 020-3341172/6/7 Fax: 020- 2218699 Email: info.ke@habibbank.com Website: www.habibbank.com Physical Address: Habib House, Koinange Street, Nairobi Date Licensed: 01-07-1978 Peer Group: Small Number of Branches: 4
22	**I&M Bank Ltd** Chief Executive Officer: Mr. Christopher M. Kihara Postal Address: P.O. Box 30238 – 00100, Nairobi Telephone: +254 20 322 1000, +254 719 088 000, +254 732 100 000 Fax: +254-20-2713757 / 2716372 Email: customercare@imbank.co.ke Website: http://www.imbank.com Physical Address: 1 Park Avenue, First Parklands Avenue Date Licensed: 1-1-1974 Peer Group: Large Branches: 40

APPENDIX XVII: DIRECTORY OF COMMERCIAL BANKS, MORTGAGE FINANCE COMPANIES, KENYA BANKERS' ASSOCIATION, NON-OPERATING BANK HOLDING COMPANIES AND AUTHORISED REPRESENTATIVE OFFICES	
23	**Kingdom Bank Kenya Ltd** Chief Executive Officer: Mr. Anthony Mburu Postal Address: P.O. Box 22742 - 00400, Nairobi Telephone numbers: 0709881000 Fax: N/A Email: info@kingdombank.co.ke Website: www.kingdombank.co.ke Physical Address: Kingdom Bank Towers, Argwings Kodhek Rd, Nairobi Date Licensed: 02-03-2010 Peer Group: Small Number of Branches: 20
24	**KCB Bank Kenya Limited** Chief Executive Officer: Mr. Joshua Oigara Postal Address: P.O. Box 48400 – 00100, Nairobi Telephone numbers: +254 20 3270000, 2852000, 2851000, +254 711012000/ 734 108200 Email: contactus@kcbgroup.com Website: www.kcbgroup.com Physical Address: Kencom House, Moi Avenue, Nairobi Date Licensed:01-01-1896 Peer Group: Large Branches: 203
25	**Mayfair CIB Bank Limited** Managing Director: Mr. Joram Kiarie Postal Address: P.O. Box 2051-00606, Nairobi Telephone numbers: +254 20 3951 000/ + 254 709 063 000 Fax: N/A Email: jkiarie@mayfair-bank.com Website: www.mayfair-bank.com Physical Address: KAM House, Mezzanine Floor, Mwanzi Road, Westlands, Nairobi Date Licensed: 20-06-2017 Peer Group: Small Branches: 5
26	**Middle East Bank Kenya Limited** Managing Director: Mr. Isaac Mwige Postal Address: P.O. Box 47387-00100, Nairobi Telephone numbers: +254 020 2723130 Fax: N/A Email: ho@mebkenya.com Website:www.mebkenya.com Physical Address: Mebank Tower, Jakaya Kikwete Road (formerly Milimani Road), Nairobi Date Licensed:15-12-1980 Peer Group: Small Branches: 4
27	**M Oriental Bank Limited** Ag. Managing Director: Mr. Nitin S. Shendye Postal Address: P.O. Box 44080-00100 Telephone numbers: 0722 209 585/ 0734 333 291 Email: info@moriental.co.ke Website: www.moriental.co.ke Physical Address: Finance House, 7 Koinange Street, Nairobi Date Licensed: 08-02-1991 Peer Group: Small Number of Branches: 7
28	**National Bank of Kenya Ltd** Managing Director and CEO: Mr. Paul Russo Postal Address: P.O. Box 72866 - 00200 Nairobi Telephone: 020 282 8900, 0703 088 900, 0732 118 900 Fax: +254-20-311444/2223044 Email: callcentre@nationalbank.co.ke Website: www.nationalbank.co.ke Physical Address: National Bank Building, Harambee Ave, Nairobi Date Licensed:01-01-1968 Peer Group: Medium Branches: 78

APPENDIX XVII: DIRECTORY OF COMMERCIAL BANKS, MORTGAGE FINANCE COMPANIES, KENYA BANKERS' ASSOCIATION, NON-OPERATING BANK HOLDING COMPANIES AND AUTHORISED REPRESENTATIVE OFFICES	
29	**NCBA Bank Plc** Chief Executive Officer: Mr. John Gachora Postal Address: P.O. Box 30437-00100, Nairobi, Kenya Telephone numbers: 020-2884000 Email: contact @ncbagroup.com Website: www.ncbagroup.com Physical Address: NCBA Center, Mara/Ragati Roads, Upper Hill, Nairobi Date Licensed: 1-1-1967 Peer Group: Large Branches: 82
30	**Paramount Bank Limited** Chief Executive Officer: Mr. Ayaz A. Merali Postal Address: P.O. Box 14001-00800, Nairobi Telephone numbers: 020 4449266/7 or 0709 935000 Fax: 020-4449265 Email: info@paramountbank.co.ke Website: www.paramountbank.co.ke Physical Address: Sound Plaza, Woodvale Grove Road, Nairobi Date Licensed:05-07-1995 Peer Group: Small Number of Branches: 8
31	**Prime Bank Ltd** Chief Executive Officer: Mr. Bharat Jani Postal Address: P.O. Box 43825- 00100 Telephone numbers: (020) 4203000/4203116/4203148 Fax: 020-4451247 Email: headoffice@primebank.co.ke Website: www.primebank.co.ke Physical Address: Prime Bank Building – Riverside Drive, Nairobi Date Licensed: 03-09-1992 Peer Group: Medium Number of Branches: 22
32	**SBM Bank (Kenya) Ltd** Managing Director: Mr. Moezz Mahmood Mir Postal Address: P.O. Box 34886, Nairobi Telephone: (254) (20) 2242348 / 2248842 / 2244187 Fax: +254-20-2243389/2245370 Emailsbm@sbmgroup.mu Web: https://www.sbmgroup.mu/ Physical Address: Riverside Mews, Nairobi Date Licensed:07-03-1996 Peer Group: Medium Branches: 53
33	**Sidian Bank Limited** Chief Executive Officer: Mr. Chege Thumbi Postal Address: P.O. Box 25363 – 00603, Nairobi Telephone: (+254)0711-058000, (+254)0732-158000, +254)020-3906000 Fax: +254-20-3873178 / 3568998 Email: talktous@sidianbank.co.ke Website: www.sidianbank.co.ke Physical Address: K-Rep Centre Wood Avenue, Kilimani, Nairobi Date Licensed: 23-03-1999 Peer Group: Small Branches: 42
34	**Spire Bank Ltd** Ag. Managing Director: Mr. Brian Kilonzo Postal Address: P.O. Box 52764 - 00200 Telephone numbers: +254 -020- 4981000 Email: letstalk@spirebank.co.ke Website: spirebank.co.ke Physical Address: Mwalimu Towers, Hill Lane, Upper Hill, Nairobi Date Licensed: 23-06-1995 Peer Group: Small Branches: 12

APPENDIX XVII: DIRECTORY OF COMMERCIAL BANKS, MORTGAGE FINANCE COMPANIES, KENYA BANKERS' ASSOCIATION, NON-OPERATING BANK HOLDING COMPANIES AND AUTHORISED REPRESENTATIVE OFFICES	
35	**Stanbic Bank Kenya Limited** Chief Executive Officer: Mr. Charles Mudiwa Postal Address: P.O. Box 72833 - 00200 Nairobi Telephone: +254-20-36380000 /11 /17 /18 /20 /21, 0711-0688000 Fax: +254-20-3752905/7 Email: customercare@stanbic.com Website: https://www.stanbicbank.co.ke Physical Address: Stanbic Bank Centre, Westlands Road, Chiromo, Nairobi Date Licensed: 5/14/1955 Peer Group: Large Branches: 26
36	**Standard Chartered Bank Kenya Limited** Chief Executive Officer: Mr. Kariuki Ngari Postal Address: P.O. Box 30003 - 00100, Nairobi, Kenya Telephone numbers: +254 (0)20 3293000 Fax: +254 (0)20 3747880 Email: Ke.Service@sc.com Website:www.sc.com/ke Physical Address: Standard Chartered Building, Chiromo 48, Westlands Road, Nairobi Date Licensed: 10-1-1910 Peer Group: Large Number of Branches: 26
37	**UBA Kenya Bank Limited** Chief Executive Officer: Mr. Chike Isiuwe Postal Address: P.O. Box 34154 - 00100 Nairobi Telephone numbers: +254 711027099 / +254 203612099 Fax: N/A Email: cfckenya@ubagroup.com Website: https://www.ubagroup.com/countries/ke Physical Address: 2nd Floor, Imperial Court, Westlands Road, Westlands Date Licensed: 25-09-2009 Peer Group: Small Number of Branches: 3
38	**Victoria Commercial Bank Limited** Managing Director: Dr. Yogesh Pattni Postal Address: P.O. Box 41114-00100 Telephone numbers: 0709 876100 Fax: N/A Email: yogesh@vicbank.com Website: www.victoriabank.co.ke Physical Address: Victoria Towers, Upper Hill, Nairobi Date Licensed: 11-01-1996 Peer Group: Small Number of Branches: 5
B: MORTGAGE FINANCE COMPANIES	
1	**HFC Limited** Chief Executive Officer: Mr. Peter Mugeni Oduori Postal Address: P.O. Box 30088 – 00100, Nairobi Telephone numbers: 020 326 2000/ 0709 438 000 Fax: (+254 20) 2250858 Email: customer.service@hfgroup.co.ke Website: https://www.hfgroup.co.ke/ Physical Address: Rehani House, Kenyatta Avenue/Koinange Street, Nairobi Date Licensed: 07.05.1965 Peer Group: Medium Number of Branches: 22
C. KENYA BANKERS ASSOCIATION	
1	Chief Executive Officer: Dr. Habil Olaka Postal Address: P.O. Box 73100-00200, Nairobi Tel: +254-20-2221704/2224014/2224015/2217757 Fax: +254-20-2221792 Email: ceo@kba.co.ke Website: www.kba.co.ke Physical Address: 13th floor, International House, Mama Ngina Street, Nairobi

APPENDIX XVII: DIRECTORY OF COMMERCIAL BANKS, MORTGAGE FINANCE COMPANIES, KENYA BANKERS' ASSOCIATION, NON-OPERATING BANK HOLDING COMPANIES AND AUTHORISED REPRESENTATIVE OFFICES	
D. NON-OPERATING BANK HOLDING COMPANIES	
1	**Bakki Holdco Limited** Licensed Subsidiary: Sidian Bank Ltd Postal Address: P.O. Box 10518 -00100, Nairobi Telephone: 0709902000 E-mail: info@centum.co.ke Website: www.centum.co.ke (NB: Bakki Holdco is a subsidiary of Centum Ltd) Physical Address: 8th Floor, Two Rivers Office Towers Street, Nairobi Date Authorised: 31st December 2014
2	**Equity Group Holdings Limited** Licensed Subsidiary: Equity Bank Kenya Ltd Postal Address: P.O. Box 75104 – 00200, Nairobi Telephone: +254 763 3026000 Contact Centre: +254 763 063 000 E-mail: info@equitygroupholdings.com Website: www.equitygroupholdings.com Physical Address: Equity Centre, 9th Floor, Hospital Road, Upper Hill, Nairobi
3	**HF Group Limited** Licensed Subsidiary: HFC Ltd Postal Address: P.O. Box 30088 – 00100, Nairobi Telephone: +254(20)-3262000, 0722715256, 0722708660, 0722201175, 0733617682 E-mail: housing@hfgroup.co.ke Website: www.hfgroup.co.ke Physical Address: Rehani House, Kenyatta Avenue/ Koinange Street. Junction, Nairobi. Date Authorised: 3rd June, 2015
4	**I&M Holdings PLC** Licensed Subsidiary: I&M Bank Kenya Ltd Postal Address: P.O. Box 30238-00100, Nairobi Telephone: +254 20 322 1000, +254 719 088 000, +254 732 100 000, +254 753 221 000 E-mail: invest@imbank.co.ke Website: www.imbank.com Physical Address: 1 Park Avenue, First Parklands Avenue. Date Authorised: 13th May 2013
5	**KCB Group Plc** Licensed Subsidiary: KCB Bank Kenya Ltd Postal Address: P.O. Box 48400 – 00100, Nairobi Telephone: +254 20 3270000/2851000/2852000/+254 711012 000 /0734 108200 / Sms: 22522 E-mail: contactus@kcbbankgroup.com Website: www.kcbbankgroup.com Physical Address: Kencom House, Nairobi Date Authorised: 1st November, 2015
6	**M Holdings Limited** Licensed Subsidiary: M-Oriental Bank Ltd Postal Address: P.O. Box 73248-00200 |Nairobi, Kenya Telephone: +254 20 2149923 E-mail address: mholdings2014@gmail.com Physical address: Jadala Place, 3rd Floor, Ngong Lane, Ngong Road, Nairobi Date Authorised: 18th February, 2015
7	**NCBA Group PLC** Licensed Subsidiary: NCBA Bank Kenya Plc Postal Address: P.O. Box 44599-00100 |Nairobi, Kenya Telephone: +254 20 2888000 E-mail address: info@nic-bank.com Physical address: NCBA Centre, Mara/Ragati Road Date Authorised: 30th September 2019

APPENDIX XVII: DIRECTORY OF COMMERCIAL BANKS, MORTGAGE FINANCE COMPANIES, KENYA BANKERS' ASSOCIATION, NON-OPERATING BANK HOLDING COMPANIES AND AUTHORISED REPRESENTATIVE OFFICES	
8	**Stanbic Holdings PLC** Licensed Subsidiary: Stanbic Bank Kenya Ltd Postal Address: P.O. Box 72833-00200, Nairobi Telephone: + 254 20 3638000 E-mail: customercare@stanbic.com Website: http://www.stanbicbank.co.ke Physical Address: Stanbic Bank Centre, 1st Floor, Westlands Road, Chiromo Nairobi Date Authorised: 21st June 2013
E. AUTHORISED REPRESENTATIVE OFFICES	
1	**Bank of China Limited - Kenya Representative Office** Chief Representative Officer: Mr. Chen Tao Address: P.O. Box 21357 - 00505 – Nairobi, Kenya Telephone No.: +254 - 20 - 3862811 / 2 Mobile: +254 788808600 E-mail: chentao19@bankofchina.com Physical Address: Unit 1, 5th Floor, Wing B, Morningside Office Park, Ngong Road, Nairobi Date Authorised: 29th June 2012
2	**Bank of Kigali PLC- Kenya Representative Office** Acting Chief Representative Officer: Ms. Christa Sangwa Postal Address: P.O. Box 73279-00200 GPO – Nairobi, Kenya Telephone No.: +254 (20) 2711076 E-mail: csangwa@bk.rw lmukuha@bk.rw Physical Address: Ground Floor, Capitol Hill Square, Off Chyulu Road, Upper Hill, Nairobi Date Authorised: 12th February 2013
3	**FirstRand Bank Limited - Kenya Representative Office** Chief Representative Officer: Mrs. Alfetta Koome Mungai Postal Address: P.O. Box 35909, 00200 – Nairobi, Kenya Telephone No.: +254 20 4908201 / 4908206 Cell: +254790469978 E-mail : Alfetta.Koome@rmb.co.za Physical Address: Ground Floor, Eaton Place, UN Crescent, Gigiri, Nairobi Date Authorized: 29th November 2011
4	**HDFC Bank Limited - Kenya Representative Office** Chief Representative Officer: Mr. Rajesh Kumar Saboo Postal Address: P.O. Box 38807 – 00623 – Nairobi, Kenya Mobile No.: +254 713597593 / +254 705750491 Telephone No: +254 20 3749857/63/ Mobile: E-mail address: Rajesh.Saboo@hdfcbank.com Physical Address: Park Suites, 4th Floor, Parklands Road, Opposite Parklands Police Station, Nairobi Date Authorised: 26th June 2008
5	**Mauritius Commercial Bank Limited - Kenya Representative Office** Chief Representative Officer: Mr. Murray van Rossom Telephone No: +254 709 796 000 Mobile No: +254 794 66 93 15 E-mail address : murray.vanrossom@mcb.mu Physical Address: 7th Floor, Pramukh Towers, 52 Westlands Road, Westlands, Nairobi Date Authorised: 27th November 2014
6	**Nedbank Limited - Kenya Representative Office** Chief Representative Officer: Mr. Jaap van Luijk Postal Address: P.O Box 39218 - 00623, Nairobi, Kenya Telephone: +254-20 - 8045102 E-mail: kenyacontact@nedbank.co.ke Physical Address: The Exchange Building, 3rd Floor, 55 Westlands Road, Nairobi Date Authorised: 18th June 2010

APPENDIX XVII: DIRECTORY OF COMMERCIAL BANKS, MORTGAGE FINANCE COMPANIES, KENYA BANKERS' ASSOCIATION, NON-OPERATING BANK HOLDING COMPANIES AND AUTHORISED REPRESENTATIVE OFFICES	
7	**Co-operatieve Rabobank U.A - Kenya Representative Office** Chief Representative Officer: Mr. Wouter Marinus Kool Postal Address: P.O. Box 1105-00606, Nairobi, Kenya Telephone: +254 202 955 000/1/2 | Mobile : 254 +254 799 434 963 E-mail: Wouter. Kool@ Rabobank.com Website Address: www.rabobank.com Physical Address: 17th Floor, Delta Corner Tower, Waiyaki Way, Nairobi Date Authorised: 5th June 2014
8	**Société Générale - Kenya Representative Office** Chief Representative Officer: Mr. George Mutua Postal Address: P.O. Box 1795-00606, Nairobi, Kenya Telephone: +254 774995860 | Mobile: 254 710764933 E-mail: George.Mutua@sgcib.com Website Address: www.societegenerale.com Physical Address: Unit 2, 8th Floor, Tower 3, The Mirage, Chiromo Road, Westlands, Nairobi Date Authorised: 28th August 2017
9	**BAHL - Representative Office** Chief Representative Officer: Mr. Hasnain Muhammad Postal Address: P.O. Box 2445-00606, Nairobi, Kenya Telephone: +254 799743776 | Mobile: +254 758 727 124 E-mail: bahl.kenyaro@bankalhabib.com / Hasnain.13535@bankalhabib.com Website Address: www.bankalhabib.com Physical Address: Unit 5, 8th Floor, The Mirage Tower, Waiyaki Way, Nairobi Date Authorised: 9th April, 2018

APPENDIX XVIII: DIRECTORY OF MICROFINANCE BANKS	
1	**Caritas Microfinance Bank Limited** Chief Executive Officer: Mr. David Mukaru Postal Address: P.O. Box 15352 – 00100, Nairobi Telephone: +254 – 020 – 5151500 Email: info@caritas-mfb.co.ke Website: www.caritas-mfb.co.ke Physical address: Cardinal Maurice Otunga Plaza, Kaunda Street, Nairobi Date Licensed: 02.06.2015 Branches: 5
2	**Century Microfinance Bank Limited** Ag. Chief Executive Officer: Ms. Florence Mugure Muchiri Postal Address: P.O. Box 38319 – 00623, Nairobi Telephone: +254 – 020 – 2664282, 0722168721, 0756305132 Email: info@century.co.ke Website: www.century.co.ke Physical address: Bihi Towers, 8th Floor, Moi Avenue, Nairobi Date Licensed: 17.09.2012 Branches: 3
3	**Choice Microfinance Bank Limited** Chief Executive Officer: Mr. Joseph Kung'u Ndung'u Postal Address: P.O Box 18263 – 00100, Nairobi Telephone: +254 – 020 – 3882206/207, 0736662218, 0724308000 Email: info@choicemfb.com Website: www.choicemfb.com Physical address: Siron Place, Ongata Rongai, Magadi Road, Kajiado Date Licensed: 13.05.2015 Branches: 2
4	**Daraja Microfinance Bank Limited,** Ag. Chief Executive Officer: Ms. Jane Mwangi Postal Address: P.O Box 100854 - 00101, Nairobi Telephone: +254 – 020 – 3879995, 0733988888, 0707444888, 0718444888 Email: info@darajabank.co.ke Website: www.darajabank.co.ke Physical address: Daraja House, Karandini Road, off Naivasha Road, Nairobi Date Licensed: 12.01.2015 Branches: 2
5	**Faulu Microfinance Bank Limited** Managing Director: Mr. Apollo Nderitu Njoroge Postal Address: P. O. Box 60240 – 00200, Nairobi Telephone: +254 – 020 – 3877290/3/7; 3872183/4; 3867503, 0711074074, 0708 111000 Fax: +254 – 020 – 3867504, 3874875 Email: info@faulukenya.com, customercare@faulukenya.com, contact@faulukenya.com Website: www.faulukenya.com Physical address: Faulu Kenya House, Ngong Lane - Off Ngong Road, Nairobi Date Licensed: 21.05.2009 Branches: 37
6	**Kenya Women Microfinance Bank PLC.** Managing Director: Mr. James Mwangi Githaiga Postal Address: P.O Box 4179 – 00506, Nairobi Telephone: +254 – 020 – 3067000, 2470272-5/2715334-5, 0729 920920, 0732633332, 0703067000 Email: info@kwft.com Website: www. kwft.com Physical address: KWFT House, Kiambere Road/Masaba Road Junction, Upper Hill, Nairobi Date Licensed: 31.03.2010 Branches: 28

APPENDIX XVIII: DIRECTORY OF MICROFINANCE BANKS	
7	**Key Microfinance Bank Limited** Chief Executive Officer: Mr. Gregory Siro Odongo Postal Address: P. O. Box 20833 – 00100, Nairobi Telephone: +254 – 020 – 2214483/2215384/5/7/8/9, 2631070, 2215380, 0733554555 Email: g.siro@keymicrofinancebank.com Website: www.remu.co.ke Physical address: Finance House, 14th Floor, Loita Street, Nairobi Date Licensed: 31.12.2010 Branches: 3
8	**Maisha Microfinance Bank Limited** Chief Executive Officer: Mr. Ireneus Gichana Postal Address: P.O Box 49316 - 00100, Nairobi Telephone: +254 – 020 – 2220648, 0736028982, 0792002300 Email: info@maishamfbank.co.ke Website: www.maishabank.com Physical address: Chester House, 2nd Floor, Koinange Street, Nairobi Date Licensed: 21.05.2016 Branches: 2
9	**Muungano Microfinance Bank Limited** Chief Executive Officer: Ms. Lydia Kibaara Postal Address: P.O. Box 355 – 10218, Muranga Telephone: +254 725454762 Email: info@muunganomfbank.com Website: www.muunganomfbank.com Date Licensed: 30.10.2019 Branches: 2
10	**Rafiki Microfinance Bank Limited** Chief Executive Officer: Mr. Joseph Njuguna Postal Address: P.O. Box 12755 – 00400, Nairobi Telephone: +254 – 020 – 2166401, 0730170000/500 Email: info@rafiki.co.ke Website: www.rafiki.co.ke Physical address: Rafiki House, Biashara Street, Nairobi Date Licensed: 14.06.2011 Branches: 17
11	**SMEP Microfinance Bank Limited** Chief Executive Officer: Mr. Symon Kamore Postal Address: P.O. Box 64063 – 00620, Nairobi Telephone: +254 – 020 – 3572799, 2055761, 2673327/8, 0711606900 Email: info@smep.co.ke Website: www.smep.co.ke Physical address: SMEP Building - Kirichwa Road, Off Argwings Kodhek Road, Nairobi Date Licensed: 14.12.2010 Branches: 7
12	**Sumac Microfinance Bank Limited** Chief Executive Officer: Mr. John Njihia Postal Address: P.O. Box 11687 – 00100, Nairobi Telephone: +254 – 020 – 2212587, 2210440, 2249047, 0738637245, 0725223499 Fax: +254 – 020 –2210430 Email: info@sumacmicrofinancebank.co.ke Website: www.sumacmicrofinancebank.co.ke Physical address: Consolidated Bank House, 2nd Floor, Koinange Street, Nairobi Date Licensed: 29.10.2012 Branches: 5

APPENDIX XVIII: DIRECTORY OF MICROFINANCE BANKS	
13	**U & I Microfinance Bank Limited** Chief Executive Officer: Mr. Simon Mwangi Ngigi Postal Address: P.O. Box 15825 – 00100, Nairobi Telephone: +254 – 020 – 2367288, 0713112791 Email: info@uni-microfinance.co.ke Website: www.uni-microfinance.co.ke Physical address: Asili Complex, 1st Floor, River Road, Nairobi Date Licensed: 08.04.2013 Branches: 2
14	**Salaam Microfinance Bank Limited** Chief Executive Officer: Mr. Jaafar Sheikh Abdulkadir Postal Address: P.O. Box 1654 – 00100, Nairobi Telephone: +254 720 – 350808, 0729 - 211829 Email: info@uwezomfbank.com Website: www.uwezomfbank.com Physical address: Park Plaza Building, Ground Floor, Moktar Daddah Street, Nairobi Date Licensed: 08.11.2010 Branches: 3

APPENDIX XIX: DIRECTORY OF CREDIT REFERENCE BUREAUS	
1	**Credit Reference Bureau Africa Limited (Trading as TransUnion)** Chief Executive Officer: Mr. Morris Muriithi Maina Postal Address: P.O Box 46406 – 00100, Nairobi Telephone: +254 - 742 258478, +254 768 617074, +254 768 253748, +254 768 262495, +254 706 565285 Email: info@transunionafrica.com Website: www.transunionafrica.com Physical address: Delta Corna Annex, 2nd Floor, Ring Road, Westland, Nairobi Date Licensed: 09.02.2010
2	**Creditinfo Credit Reference Bureau Kenya Limited** Chief Executive Officer: Mr. Stephen Kamau Kunyiha Postal Address: P.O Box 38941 – 00623, Nairobi Telephone: +254 - 020 – 3757272/0735880880 Email: cikinfo@creditinfo.co.ke or consumercare@creditinfo.co.ke Website: www.creditinfo.co.ke Physical address: Standard Chartered Building, 48 Westlands Rd, Nairobi Date Licensed: 29.04.2015
3	**Metropol Credit Reference Bureau Limited** Managing Director: Mr. Gideon Kipkoech Kipyakwai Postal Address: P.O. Box 35331 – 00200, Nairobi Telephone: +254 - 020 – 2713575 Email: info@metropol.co.ke Website: www. Metropolcorporation.com Physical address: KCB Towers, 15th Floor - Kenya Road, Upper Hill, Nairobi Date Licensed: 06.04.2011

APPENDIX XX: 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	alphaforexbureau@hotmail.com Fax: 254-2-4451436
2	Aristocrats Forex Bureau Ltd P. O. Box 10884 -00400 Nairobi Tel: (020) 2228080	Rosslyn Riviera Mall, Limuru Road.	aristoforex@nbi.ispkenya.com aristocrats-forex@gmail.com Fax: 254-2-213794
3	Avenue Forex Bureau Ltd P. O. Box 1755 - 80100 Mombasa Tel: (041) 2319749/50	Motor Mart Building, Moi Avenue, Mombasa	avenueforex@gmail.com info@avenueforex.com
4	Bamburi Forex Bureau Ltd P. O. Box 97803 - 80102 Mombasa Tel: 041-4477004, 0722-412649/ 0733-466729	City Mall Nakumatt Nyali, Mombasa - Malindi Road	bamburiforex@hotmail.com Fax: 254-41-5486948
5	Bay Forex Bureau (Nairobi) Ltd P. O. Box 46154 - 00100 Nairobi Tel: 0704482421/0700-510000	280 Annex Building, Eastle-igh, Nairobi	bayforex@yahoo.com Fax: 254-2-229665/248676
6	Boston Forex Bureau Ltd P.O. Box 11076 - 00400 Nairobi Tel: 0205249664/ 0732622429/ 0702022429	Ameer Centre, Westlands, Nairobi	marioshah_101@hotmail.com
7	CBD Forex Bureau Ltd P. O. Box 30840 - 00100 Nairobi Tel: 020 – 316123/2250853	Sound Plaza, Woodvale Groove, Nairobi	cbdforex@gmail.com Fax: 254-2-318895
8	Central Forex Bureau Ltd P. O. Box 43966 - 00100 Nairobi Tel: (020) 317217/2226777	I. P. S. Building, Ground Floor, Kaunda Street, Nairobi	centralforex2012@gmail.com Fax: 254-2-249016
9	Classic Forex Bureau Ltd P. O. Box 76694 - 00508 Nairobi Tel: 3862343/4	Prestige Plaza, 1st Floor, Ngong Road, Nairobi	info@classicforex.co.ke Fax No. 3862346
10	Commercial Forex Bureau Ltd P. O. Box 47452 - 00100 Nairobi Tel. 020-2210307/8	KCS House, Mama Ngina Street, Nairobi	info@commercialforex.co.ke
11	Conference Forex Bureau Company Ltd P. O. Box 32268 - 00600 Nairobi Tel. (020) 2219677, 2219518, 2219069	KICC, Ground Flour, Haram-bee Avenue, Nairobi	cfbltd@akarim.net Fax: 254-2-224126
12	Continental Forex Bureau Ltd P. O. Box 49580 - 00400 Nairobi Tel: (020) 5101078	Old Mutual Building, Ground Floor, Kimathi Street, Nairobi	continentalforex@yahoo.com Fax: 254 2-216163
13	Cosmos Forex Bureau Ltd P. O. Box 10284 - 00100 Nairobi Tel: 2250582/5; 0701666622	Rehema House, Ground Floor, Standard/Kaunda Street, Nairobi	cosmosforex@yahoo.com Fax: 254-2-250591
14	Forex Bureau Afro Ltd P. O. Box 14353 - 00800 Nairobi Tel: 2222950/2250676/222950	Jamia Plaza Kigali Street Nairobi	forexafro@gmail.com Fax: 254-2-2251078
15	Gala Forex Bureau Ltd P. O. Box 35021- 00100 Nairobi Tel: 020-2210346 Mobile: 0717729772/ 0712095004	20th Century, 1st Floor Mama Ngina/ Kaunda Street, Nairobi	galaforexbureau@gmail.com Fax: 254 20 310261

APPENDIX XX: DIRECTORY OF FOREIGN EXCHANGE BUREAUS			
No.	**Name of Bureau**	**Location**	**E-mail Address & Fax**
16	Gateway Forex Bureau Ltd P. O. Box 11500 - 00100 Nairobi Tel: 020-2212945/55	Town House, Kaunda Street, Nairobi	info@gatewayforex.co.ke Fax: 254-20-2212942
17	Giant Forex Bureau de Change Ltd P. O. Box 56947 - 00200 Nairobi Tel: 020-2680516	Terminal 1A, Jomo Kenyatta International Airport, Nairobi	giantforex@mitsuminet.com Fax: 254-2-825327
18	Give and Take Forex Bureau Ltd P. O. Box 51463 - 00200 Nairobi Tel: 020-3562152/0738157274	China Garden, United Nations Avenue, Nairobi	info@giventakeforex.co.ke Fax: 254-2-7120046
19	Glory Foreign Exchange Bureau Ltd P. O. Box 42909 - 00100 Nairobi Tel: 2244333/2241164/2243115	Norwich Union House Kimathi Street, Nairobi	gloryforex@yahoo.com Fax: 254-2-245614
20	GNK Forex Bureau Ltd P. O. Box 14297 - 00100 Nairobi Tel: 890303/2461598	The Great Jubilee Shopping Centre, Ground Floor, Langata Road, Nairobi	gnkforex@swiftkenya.com Fax: 254-2-892266
21	Green Exchange Forex Bureau Ltd P. O. Box 20809 - 00100 Nairobi Tel: 0202214547/8/9	Emperor Plaza, Ground Floor, Koinange Street, Nairobi	greenexchangeforexbureau@hotmail.com Fax: 254-2-2214550
22	Industrial Area Forex Bureau Ltd P. O. Box 45746 - 00100 Nairobi Tel: 020-3755456/0711768786	Diamond Plaza, Parklands, Nairobi.	indafx@gmail.com Fax: 254-2-551186
23	Island Forex Bureau Ltd P. O. Box 84300- 80100 Mombasa Tel: 041-2223988/ 2229626	Abdulrasul Inst. Building, Makadara Road, Moi Avenue, Mombasa	islandforex@hotmail.com Fax: 254-41-2227057
24	Junction Forex Bureau Ltd P. O. Box 43888 - 00100 Nairobi Tel: 3861268/9, 0725-852840	The Junction Shopping Mall, Ngong Road/ Dagoreti Corner, Nairobi	junctionforexbureaultd@yahoo.com
25	Karama Forex Bureau Ltd P. O. Box 12544 - 00100 Nairobi Tel: 020 2020134	Uhuru Highway Mall, located along the Uhuru Highway	karamalimited2020@gmail.com
26	Kenza Exchange Bureau Ltd P. O. Box 21819 - 00400 Nairobi Tel: 0710320345, 0735320345	Jomo Kenyatta International Airport, Arrival Unit 1 Nairobi	okambua@gmail.com, rokora@yahoo.com
27	La'che Forex Bureau Ltd P. O. Box 13464 - 00800 Nairobi Tel: (020) 2221305/6	Mirage Towers, Chiromo Road, Nairobi.	lachekenya@gmail.com Fax: 254-2-2733485
28	Leo Forex Bureau Ltd P. O. Box 3073 - 80100 Mombasa Tel: 041-2230396/7/8; 2230399	T. S. S. Towers Nkrumah Road, Mombasa	info@leoforex.com Fax: 254-41-230399
29	Link Forex Bureau Ltd P. O. Box 11659 - 00400 Nairobi Tel: 0734-542903	Uganda House – Arcade, Kenyatta Avenue, Nairobi	Link-forex@yahoo.com Fax: 254-2-213620
30	Magnum Forex Bureau De Change Ltd P. O. Box 46434 - 00100 Nairobi Tel: 652532/0732736575	Southfield Mall, Airport North Road, Nairobi	magnumkenya@gmail.com

APPENDIX XX: DIRECTORY OF FOREIGN EXCHANGE BUREAUS			
No.	**Name of Bureau**	**Location**	**E-mail Address & Fax**
31	Maritime Forex Bureau Ltd P. O. Box 43296 - 80100 Mombasa Tel: 041- 319175/6/7/0734244644	Hassanali Building, Nkrumah Road, Mombasa	info@maritimeforex.com Fax: 254-41-2319178
32	Middletown Forex Bureau Ltd P. O. Box 41830 – 00100 Nairobi Tel: 2211227/2211798	Westminister House Kaunda Street Nairobi	mtforex@iconnect.co.ke Fax: 254-2-332534
33	Mona Bureau De Change Ltd P. O. Box 46180 – 00100 Nairobi Tel: 828111/2, Cell: 0733-744348	Panari Centre, Mombasa Road Nairobi	monaraj@ymail.com Fax: 254-2-828113
34	Moneypoint Forex Bureau Ltd P. O. Box 3338 - 00100 Nairobi Tel No. 0720-393049	Immigrations Department, Customs Yard Busia	moneypointforex@gmail.com Fax:+254-20-2211342
35	Morgan Forex Bureau De Change Ltd P. O. Box 79012 – 00400 Nairobi Tel No. 020-4444072/3	Kipro Centre, Sports Street, Westlands, Nairobi	morgankenya@gmail.com Fax: 254 -2-4444074
36	Mustaqbal Forex Bureau Ltd P. O. Box 100745 – 00101 Nairobi Tel: 020-2497344	Mosque House, 6th Street, Eastleigh, Nairobi	mustaqbalforex@yahoo.com Fax: 254-2-6766650
37	Muthaiga-ABC Forex Bureau Ltd P. O. Box 63533 – 00619, Tel: 020-2135761 Cell: 0721/0736 - 123456	Triad Building, Muthaiga Road, Nairobi	mfbfx@mafxgroup.com; adminoffice@mafxgroup.com
38	Nairobi Bureau De Change Ltd P. O. Box 644 – 00624, Village Mkt, Nairobi Tel: 822158	Unit 2 Jomo Kenyatta International Airport, Nairobi	info@nairobibureau.com Fax: 254-2-241307
39	Namanga Forex Bureau Ltd P. O. Box 12577 – 00100 Nairobi Tel: 0721466737/0732412157	Immigration Building, Namanga Town	namangaforexbureaubranch@gmail.com
40	Nawal Forex Bureau Ltd P. O. Box 10715 – 00100 Nairobi Tel: 2720111/0720242578	Chaka Place, Chaka Road, Nairobi	nawalforexbureau@yahoo.com Fax: 254-2-272011
41	Offshore Forex Bureau Ltd P. O. Box 26650 – 00100 Nairobi Tel: 020 – 310837/8	Cianda House, Ground Floor, Koinange Street, Nairobi	offshoreforex@hotmail.com Fax: 254-02-310839
42	Pacific Forex Bureau Ltd P. O. Box 24273 – 00100 Nairobi Tel. 020-5100940/310882	Lonhro House, Standard Street, Nairobi	pacific@sahannet.com, pacificbc@yahoo.com
43	Peaktop Bureau De Change Ltd P. O. Box 13074 - 00100 Nairobi Tel: 020-254371, 0722 - 332518	20th Century, Mama Ngina/ Kaunda Streets, Nairobi	info@peaktop.co.ke, peaktopbureau@gmail.com Fax: 254-2-210210
44	Pearl Forex Bureau Ltd P. O. Box 58059 – 00200 Nairobi Tel: 2724769/ 2724778	Hurlingham Shopping Centre, Unipen Flats, Nairobi	pearlforex@rocketmail.com Fax: 254-2-2724770
45	Pel Forex Bureau Ltd P. O. Box 957 - 40100 Kisumu Tel: 057-2024134/2044425	Allmamra Plaza Oginga Odinga Road, Kisumu	41472pelforex@gmail.com Fax: 254-57-2022495

APPENDIX XX: DIRECTORY OF FOREIGN EXCHANGE BUREAUS			
No.	**Name of Bureau**	**Location**	**E-mail Address & Fax**
46	Pwani Forex Bureau Ltd P. O. Box 87200 - 80100 Mombasa Tel: 041-2221727/2221734/ 2221845	Mombasa Block 404 XV11/ M1 Abdel Nasser	pwaniforex@yahoo.com Fax: 254-41-2221870
47	Rand Forex Bureau Ltd P. O. Box 30923 - 00100 Nairobi Tel: 0722200815	The Waterfront Mall, Karen, Nairobi	info@randforex.co.ke
48	Regional Forex Bureau Ltd P. O. Box 634 – 00100, Nairobi Tel. 020-3311953	Kimathi House, Kimathi Street, Nairobi	regionalfx@gmail.com Fax: 254-20-312296
49	Rift Valley Forex Bureau Ltd P. O. Box 12165 Nakuru Tel: 051-2212495/2210174	Merica Hotel Building, Court Road, Nakuru	riftvalleyforex@yahoo.com
50	Satellite Forex Bureau Ltd P. O. Box 43617- 00100 Nairobi Tel: 2218140/1, Cell: 0721-411300	City House, Standard Street, Nairobi	satelliteforexbureaultd2@hotmail.com Fax: 254-20-230630
51	Simba Forex Bureau Ltd P. O. Box 66886 – 00800 Nairobi Tel. 020 - 445995, 0723598662	Moi International Airport, Mombasa	simbaforexmombasa@gmail.com Fax No: 020 – 4443706
52	Sisi Forex Bureau Ltd P.O. Box 60770 - 00200 Nairobi Tel: 2445846/0722-382995	Agip House, Haile Selasie Avenue, Nairobi	sisiforex@sisi.co.ke.
53	Sky Forex Bureau Ltd P. O. Box 26150 - 00100 Nairobi Tel: 020-2242062/3	20th Century, Mama Ngina/ Kaunda Street, Nairobi	info@skyforexbureau.com Fax No. 020-2242064
54	Solid Exchange Bureau Ltd P. O. Box 19257- 00501 Nairobi Tel: 822922/0722-853769	Jomo Kenyatta International Airport -Unit 2, Nairobi	solidexchangebureau@yahoo.com Fax: 254-2-822923
55	Southend Forex Bureau Ltd P. O. Box 3321 - 00506 Nairobi Tel: 0722844598, 0719806999	Freedom Heights Mall, Langata Road, Nairobi	southendforexbureaultd@gmail.com
56	Springs Forex Bureau Ltd P.O. Box 15913 - 00100 Nairobi Tel: 0711796625	Medina Mall, Ground Floor, Eastleigh, Nairobi.	springsforex@gmail.com
57	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
58	Sunny Forex Bureau Ltd P. O. Box 41257 - 00100 Nairobi Tel: 2252013/252079	Uniafric House, Koinange Street, Nairobi	sunnyfoexbureau@yahoo.com Fax: 254-2-252076
59	Taipan Forex Bureau Ltd P. O. Box 42909 - 00100 Nairobi Tel: 0722 397661/7122901	The Village Market, Nairobi	Info@taipanforex.com Fax: 254-2-229665/248676
60	Trade Bureau De Change Ltd P. O. Box 102214 - 00101 Nairobi Tel: (020) 8000700/0715518999	St. Eliss House, City Hall Way, Nairobi	tradebureau1@gmail.com Fax: 254-2-317759
61	Travellers Forex Bureau Ltd P. O. Box 13580 - 00800 Nairobi Tel: 447204/5/6	The Mall, Ring Road Westlands, Nairobi	bmawjee@hotmail.com Fax: 254-2-443859

APPENDIX XX: DIRECTORY OF FOREIGN EXCHANGE BUREAUS			
No.	**Name of Bureau**	**Location**	**E-mail Address & Fax**
62	Travel Point Forex Bureau Ltd P. O. Box 75901 - 00200 Nairobi Tel. 020-2532065/2306479	Jomo Kenyatta International Airport, International Arrivals Terminal, Nairobi	info@travelpoint.com Fax: 254-2-827872
63	Union Forex Bureau Ltd P. O. Box 430- 00606 Nairobi Tel: 4441855/4448327/4447618	Sarit Centre, Lower Kabete Road, Westlands, Nairobi	unionforex@hotmail.com Fax: 254-2-4441855
64	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: 254-57-202536
65	View Forex Bureau Ltd P.O Box 1428 - 00610 Nairobi Tel: 0729232380	Postbank House, Market street, Nairobi	mohamudhaji28@gmail.com
66	Wallstreet Bureau De Change Ltd P. O. Box 6841- 30100 Eldoret Tel: 053-2062907/0733665555	Bargetuny Plaza, Uganda Road, Eldoret	wallstreet756@gmail.com Fax: 254- 53-2062907
67	Westlands Forex Bureau Exchange Ltd P. O. Box 45746 - 00100 Nairobi Tel: 4442385/6	Westgate Mall, Nairobi	info@westforex.co.ke
68	Yaya Centre Exchange Bureau Ltd P. O. Box 76302 - 00508 Nairobi Tel: 02-3862881/0722349746	Yaya Centre Towers, Argwings Kodhek Road, Nairobi	info@yayaforex.co.ke Fax: 254-2-3870869

APPENDIX XXI: DIRECTORY OF MONEY REMITTANCE PROVIDERS			
No.	**Name of MRP**	**Location**	**Email Address**
1	Airtel Money Transfer Limited P.O. Box 73146 – 00200 NAIROBI Tel: 0734110000	Parkside Towers, Mombasa Road, Nairobi.	IMT@ke.airtel.com
2	Amal Express Money Transfer Limited P.O.BOX 3165 – 00100 Nairobi Tel: 0722878597 / 0723281122	Amal Plaza, 1st Avenue Eastleigh, Nairobi	info@amalexpress.co.ke
3	Amana Money Transfer Ltd P.O. Box 68578 – 00622 Nairobi Tel : 6761296 / 2379824	Amana Shopping Complex, Captain Mungai Street, Eastleigh, Nairobi.	amanamnytransfer@gmail.com/ amanaforex@hotmail.com
4	Bakaal Express Money Transfer Ltd P.O.BOX 71248 – 00610 Nairobi Tel: 2394513 / 0717399039	Amco Shopping Mall, 1st Avenue Eastleigh, Nairobi	nbiinfo@bakaal.com
5	Dahabshiil Money Transfer Company Limited. P.O. Box 68991 – 00622 Nairobi Tel:2222728/9 / 0720169999	Sanlam House, Kenyatta Avenue, Nairobi	ken.dmtc@dahabshiil.com
6	Flex Money Transfer Limited P.O. Box 23786-00100 Nairobi Tel: 020-3861100/ 0715919391	Green House, 4th Floor, Suit 13, Ngong Road, Nairobi	info@flex-money.com www.flex-money.com
7	Hodan Global Money Remittance and Exchange Limited P.O. Box 68811 – 00622 Nairobi Tel:2084862	Ecobank Towers, Ground Floor, Kaunda street, Nairobi	info@hodanglobal.net hodan-forex2008@hotmail.com
8	Iftin Express Money Transfer Limited P.O. Box 100184 – 00101 Nairobi Tel: 2629818 / 0713105944	Portal Place, Muindi Mbingu Street, Nairobi	iftinforex@gmail.com
9	Juba Express Money Transfer Limited P.O.BOX 16567 – 00100 Nairobi Tel: 2240540, 0727699669 / 0772699669	Hamilton House, Kaunda Street Nairobi	info@jubaexpress.co.ke
10	Kaah Express Money Transfer Limited P.O.BOX 10327 – 00400 Nairobi Tel: 0206767494/604 / 0724710153	Kaah Building, 2th Avenue, 8th Street, Eastleigh, Nairobi	kaahexpress.kenya@gmail.com
11	Mobex Money Transfer Services Ltd P.O. Box 1956 - 00621 NAIROBI Tel: 0733701243 / 0731005504	4th Floor, Woodlands Office Park, Woodlands Road, Nairobi.	contactus@terrapay.com regulatory@terrapay.com
12	Mukuru Money Transfer Limited P. O. Box 764 – 00606 Sarit Centre, Nairobi Tel:0736219056, 0708047188/9	ALN House, Eldama Ravine Close, Westlands, Nairobi	andre@mukuru.com

APPENDIX XXI: DIRECTORY OF MONEY REMITTANCE PROVIDERS			
No.	**Name of MRP**	**Location**	**Email Address**
13	Real Value Money Transfer Limited P.O. Box 26530-00100 Nairobi Tel:0721297906	Shariff Complex, 5th Avenue, Eastleigh, Nairobi	realvaluemtransfer@gmail.com
14	Safaricom Money Transfer Services Limited P. O. Box 66827 – 00800 Nairobi Tel: 20 4273272, 0722003272 /0722000000	Safaricom House, Waiyaki Way, Westlands, Nairobi	ceo@safaricom.co.ke
15	Taaj Money Transfer Limited P.O. Box 47583 – 00100 Nairobi Tel: 020-2321972 / 0700420700 / 0732420777	1st Floor Shariff Centre, Eastleigh Nairobi	globalfrx@gmail.com
16	Tawakal Money Transfer Limited P.O. BOX 71623 – 00610 Nairobi Tel : 6766171, 0722146643	City House, Ground Floor, Nairobi.	info@tawakalmoneytransfer.com
17	Upesi Money Transfer Limited P.O Box 60776-00200 Nairobi Tel:0726499656 / 0726500404	Morning Side Office Park, Ngong Roadl, Nairobi	info@upesi.co.ke

XXII: DIRECTORY OF MORTGAGE REFINANCE COMPANIES	
1.	**Kenya Mortgage Refinance Company Plc** Chief Executive Officer: Mr. Johnstone Oltetia Address: P.O. Box 15494 – 00100 – Nairobi, Kenya Telephone No.: +254 - 20 - 3862811 / 2 Mobile: +254 111 022 400 E-mail: info@kmrc.co.ke Physical Address: UAP Old Mutual Tower, 27th Floor Upperhill Road, Upperhill Nairobi Date Authorised: September 18, 2020

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