



Central Bank of Kenya

BANK SUPERVISION ANNUAL REPORT 2019



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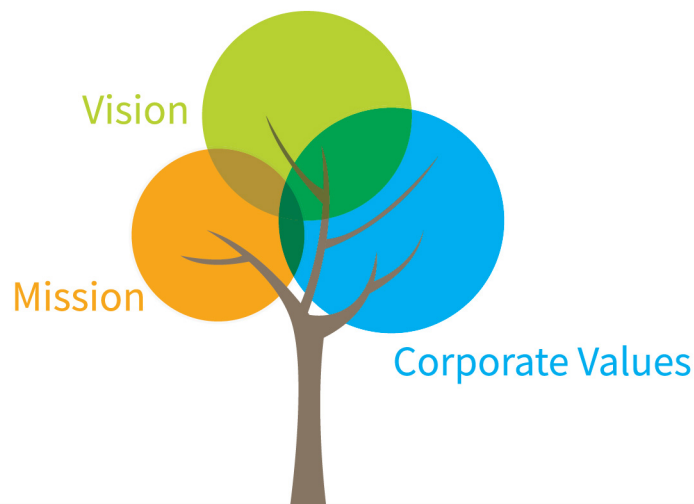
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Vision Statement

The Central Bank of Kenya's vision statement 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 practice.

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 objectives 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 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 and Engagement: the Board, Management and staff are committed to delivering the mission and the vision of the Bank.
- ii. Professionalism and Relevance: the Board, Management and staff will diligently offer quality services to all stakeholders while observing high professional standards and respecting the rules and regulations set by the Bank.
- iii. Efficiency and Effectiveness: the Board, Management and staff will at all times execute its mandate in the most efficient and effective manner.
- iv. Transparency, Accountability and Integrity: the Board, Management and staff will at all times act at the highest level of transparency, accountability and integrity.
- v. Innovativeness: the Board, Management and staff will nurture creativity to ensure continued improvement in organizational performance.
- vi. Mutual Respect and Teamwork: the Board, Management and staff will at all times uphold mutual respect and enhance teamwork.
- vii. Diversity and Inclusiveness: the Board, Management and staff shall treat all people equally and fairly without discrimination and shall uphold the principles of gender equity, regional and ethnic balance.

GOVERNOR'S MESSAGE

The year 2019 marked a decade since the peak of the global financial crisis in 2009. Since then, the global banking system has been significantly strengthened through global regulatory reform measures. These measures have resulted in stronger capital and liquidity buffers. Global regulatory reforms continued in 2019 focusing increasingly on data governance. This was informed by the continued influence of technology particularly data management, artificial intelligence and the growing adoption of cloud technology. Banks scaled up partnerships with fintechs and bigtechs to leverage their agility in the new age of technology. On the risk frontier, technology presented new opportunities for banks to leverage on data to identify and mitigate emerging risks, particularly cyber-security.

Economic growth in Sub-Saharan Africa took a dual path approach. Some countries exhibited robust growth driven by higher levels of public investment and diversity in their economies. On the other hand, resource dependent economies registered anaemic growth rates on the back of weaker commodity prices.

Kenya's economy expanded by 5.4 percent compared to 6.3 percent in 2018. This was a strong performance in light of the delayed onset and below average rainfall experienced in the first half of 2019 that affected the agricultural sector. The services sector supported the growth in 2019.

Kenya's banking sector remained stable and resilient in 2019, with a total capital adequacy ratio of 18.79 in December 2019 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 49.74 percent in the same period. Total net assets grew by 9.1 percent from Ksh.4,408 trillion in December 2018 to Ksh.4,809 trillion in December 2019. Customer deposits increased by 8.22 percent from Ksh.3.259 trillion in December 2018 to Ksh.3.53 trillion in December 2019.

On the regulatory front, the following key developments were achieved during the year: -

Kenya Banking Sector Charter

CBK's vision is for a banking sector that "works for and with Kenyans". To operationalize this vision, the Kenya Banking Sector Charter (the Charter) was issued in February 2019. The Charter is anchored on four pillars of customer centricity, transparency, risk based credit pricing and doing the right thing. Banks developed board approved implementation plans to integrate the Charter in their strategy and operations.

Mergers and Acquisitions

- i. The merger and acquisition between Commercial Bank of Africa Limited (CBA) and NIC Group PLC resulting in NCBA Group PLC was completed effective September 30, 2019. This transaction is expected to strengthen the institutions through leveraging on their combined market share of 9.9 percent and customer base of over 40 million in four East African countries of Kenya, Tanzania, Rwanda and Uganda.
- ii. The acquisition of 100 percent shareholding of National Bank of Kenya Limited by KCB Group PLC, which was completed in September 2019. The acquisition is expected to strengthen both institutions by leveraging on their respective well-established domestic and regional corporate, public sector and retail franchises.

The recent reforms by CBK will position the banking sector to play a more critical role in financing Kenya's development aspirations. More importantly, the reforms will enhance the resilience of the sector in the midst of an ever-changing domestic, regional and international arena. As institutions respond to these changes, their customers must remain at the centre of their strategies and operations.

Dr. Patrick Njoroge
Governor, Central Bank of Kenya

FOREWORD BY DIRECTOR, BANK SUPERVISION

The Kenyan banking sector remained stable and resilient in 2019. The sector's gross loans and advances increased by 8.80 percent from Ksh.2.488 trillion in December 2018 to Ksh.2.707 trillion in December 2019. All the economic sectors registered growth, with the highest proportion of the banking industry gross loans and advances being channeled to the Personal and Household, Trade, Real Estate and Manufacturing sectors.

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

- Total net assets grew by 9.1 percent from Ksh.4.408 trillion in December 2018 to Ksh.4.809 trillion in December 2019. This is attributable to increased investment in Government Securities and loans and advances supported by the increase in customer deposits.
- Customer deposits increased by 8.26 percent from Ksh.3.259 trillion in December 2018 to Ksh.3.53 trillion in December 2019. The growth was supported by mobilization of deposits through agency banking and mobile phones platforms.
- The pre-tax profit for the sector increased by 4.2 percent from Ksh.152.7 billion in December 2018 to Ksh.159.1 billion in December 2019. The growth in profitability in 2019 is attributed to a higher increase in total income by 6.6 percent as compared to increase in total expenses by 4.8 percent.
- The banking sector average liquidity ratio as at December 2019 stood at 49.7 percent as compared to 48.6 percent registered in December 2018. The increase in the 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 11.1 percent while total short-term liabilities grew by 8.5 percent. The banking sector's average liquidity in the twelve months to December 2019 was above the statutory minimum requirement of 20 percent.
- The ratio of gross non-performing loans to gross loans improved from 12.7 percent in December 2018 to 12.5 percent in December 2019. The decrease in gross non-performing loans to gross loans ratio in 2019 was mainly attributable to repayment of pending bills and recovery efforts by banks.

Licence Approvals

- Muungano Microfinance Bank was granted a licence to engage in microfinance banking business on October 30, 2019.

Regulatory Developments

- CBK issued the Kenya Banking Sector Charter on February 28, 2019. The Charter applies to all institutions carrying on banking business, financial business, mortgage finance business and microfinance banking business under the Banking Act and Microfinance Act. The Charter represents a commitment from the institutions in the banking sector to entrench responsible and disciplined banking sector that is cognizant of, and responsive to the needs of their customers and Kenyan populace at large.
- CBK issued an exposure draft of the revised Credit Reference Bureaus (CRB) Regulations to the public for review and comments in May 2019. CBK formulated the draft Credit Reference Bureau Regulations, 2019 to inter alia on-board Saccos, provide a framework for cross-border sharing of credit information and enhance corporate governance of credit reference bureaus.

The banking sector is projected to remain stable and to sustain its growth momentum in 2020 as the outcomes of various reform initiatives in the banking sector start to manifest. Some of the reforms and initiatives planned include;

- Issuance of a revised Microfinance Banking Act.
- Issuance of revised Credit Reference Bureaus (CRB) Regulations.
- Conducting an Anti-Money Laundering/Combating the Financing of Terrorism (AML/CFT) National Risk Assessment (NRA) of the banking sector and drafting of the AML/CFT National Risk Assessment report.

Gerald Nyaoma
Director, Bank Supervision Department

EXECUTIVE SUMMARY

“At the crossroads”: In the year 2019, the Kenyan banking sector witnessed the repeal of interest rates caps. This marked a watershed moment after three years of interest rate caps. The challenge to banks was to address public fears that they would revert to previous credit pricing regimes viewed as onerous by the public.

The global and regional economies. Global economic growth decelerated from 3.6 percent in 2018 to 2.6 percent in 2019. This was as a result of a confluence of factors that include trade tensions and tariff hikes between the United States and China, decline in business confidence, a tightening of financial conditions and heightened policy uncertainty. Similarly, the regional economy (Sub-Saharan Africa (SSA)) growth declined marginally from 3.0 percent in 2018 to 3.1 percent in 2019.

The domestic economy recorded strong performance in 2019 despite the delayed onset and below average rainfall experienced in the first half of the year, which affected the agriculture sector. Real GDP grew by 5.4 percent in 2019 compared to 6.3 percent in 2018 mainly supported by the services sector. Overall inflation remained within the Government target band. As measured by the Consumer Price Index (CPI), it increased to 5.2 percent in 2019 from 4.7 percent in 2018 mainly on account of significant increases in prices of selected key food items. Non-Food-Non-Fuel inflation remained low in 2019, reflecting muted demand pressures in the economy supported by prudent monetary policy.

Performance of the banking sector. The sector’s asset base grew by 9.1 percent in 2019 a slight decline from 10.1 percent growth in 2018. The increase in total assets was mainly attributed to growth in investment in government securities and loans and advances. The sector recorded a 4.2 percent growth in profitability. The growth in profitability in 2019 is attributed to an increase in total income. Over the same period, strong capitalization levels were recorded as a result of retention of profits and additional capital injections.

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 2020 as banks review their business models and delivery channels. Similarly, consolidation (mergers and acquisitions) experienced in 2019 are expected to continue in 2020 leading to stronger and resilient institutions.

CHAPTER 1

1 | CENTRAL BANK OF KENYA
BANK SUPERVISION ANNUAL 2019

STRUCTURE OF THE BANKING SECTOR

STRUCTURE OF THE BANKING SECTOR

1.1 The Banking Sector

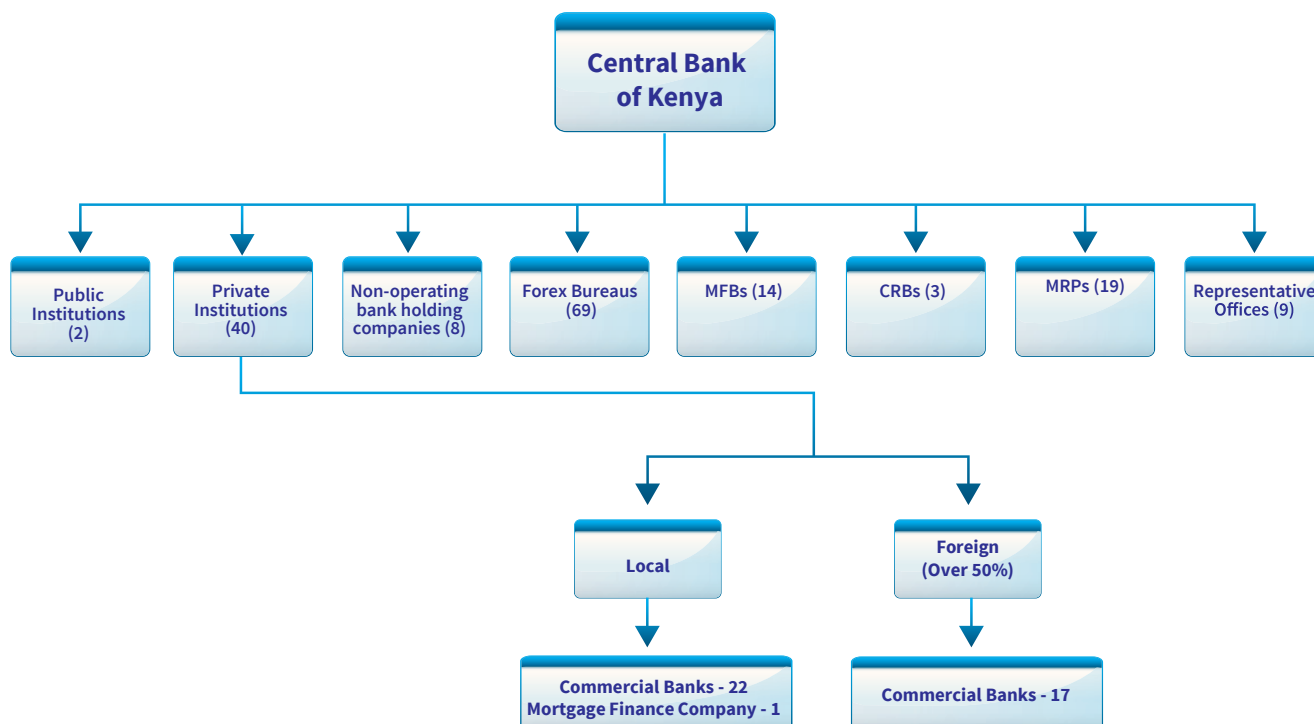
As at December 31, 2019, the Kenyan banking sector comprised of the Central Bank of Kenya (CBK), as the regulatory authority, 42 banking institutions (41¹ commercial banks and 1 mortgage finance company), 9 representative offices of foreign banks, 14 Microfinance Banks (MFBs), 3 Credit Reference Bureaus (CRBs), 19 Money Remittance Providers (MRPs), 8 non-operating bank holding companies and 69 foreign exchange (forex) bureaus. Out of the 42 banking institutions, 40 were privately owned while the Kenya Government² had majority ownership in 2 institutions. Of the 40 privately owned banks, 23 were locally owned (the

controlling shareholders are domiciled in Kenya) while 17 were foreign-owned. The 23 locally owned institutions comprised 22 commercial banks and 1 mortgage finance company. Of the 17 foreign-owned institutions, all were commercial banks with 14 being local subsidiaries of foreign banks and 3 being branches of foreign banks.

All licensed forex bureaus, microfinance banks, credit reference bureaus, money remittance providers, non-operating bank holding companies were privately owned.

Chart 1 below depicts the structure of the banking sector as at December 31, 2019.

Chart 1: Structure of the Banking Sector - December 2019



¹ Charterhouse Bank Limited is under Statutory Management while Imperial Bank Ltd and Chase Bank (K) Ltd are In Receivership.

² 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: -

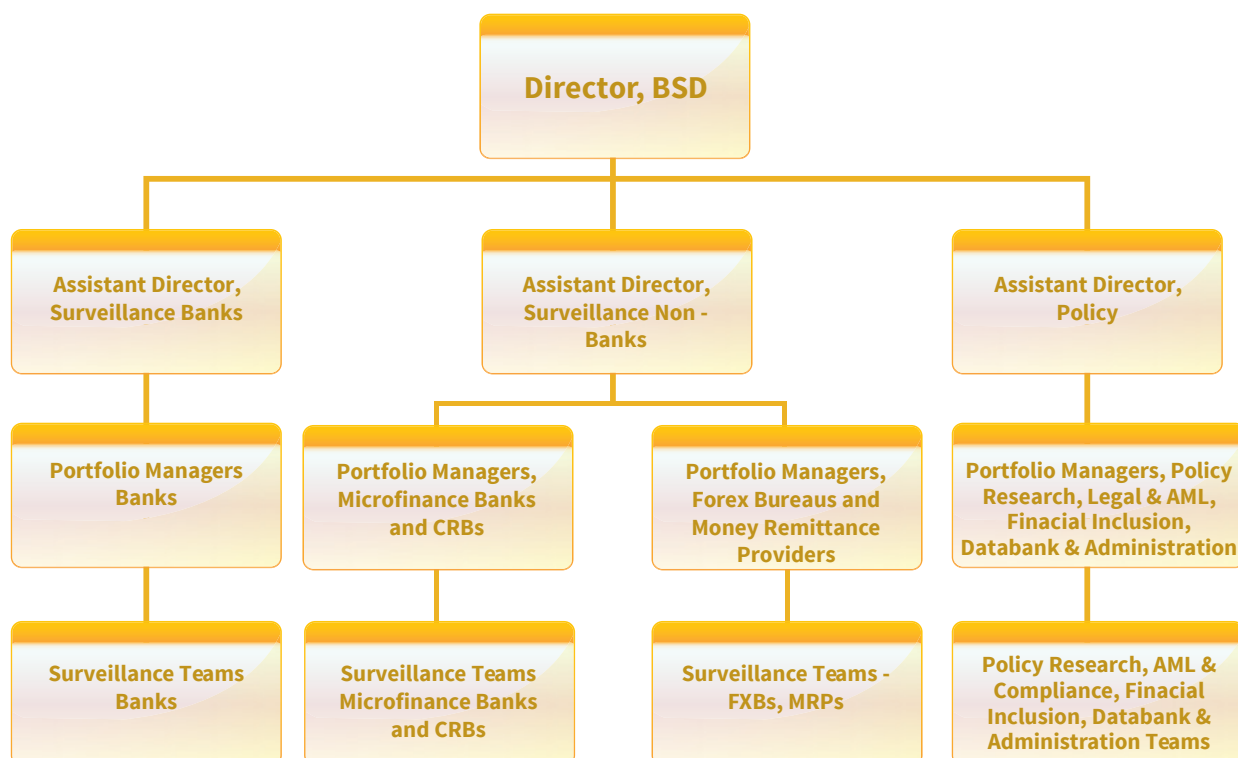
- i. Development of legal and regulatory frameworks to foster stability, efficiency and access to financial services. The Department achieves this objective through: -
 - Continuous review of the Banking Act, Microfinance Act, Building Societies Act, Regulations and Guidelines issued thereunder which 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 Credit Reference Bureaus licensed under the Banking Act.
- ii. Processing licenses of Commercial Banks, Non-Bank Financial Institutions, Mortgage Finance Institutions, Building Societies, 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 and Money Remittance Providers 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 and Money Remittance Providers

licensed under the Central Bank of Kenya Act through the receipt and analysis of returns received periodically. The Department also processes corporate approvals for banking institutions in regard to opening and closing of places of business, 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 Central Bank of Kenya and other local or foreign supervisory authorities.
- viii. As at December 31, 2019, the Bank Supervision Department had a staff complement of eighty seven (87) comprising eighty (80) technical staff and seven (7) support staff. The department is divided into three divisions as shown in **Chart 2**.

STRUCTURE OF THE BANKING SECTOR

Chart 2: Bank Supervision Organogram



1.2 Ownership and Asset Base of Commercial Banks

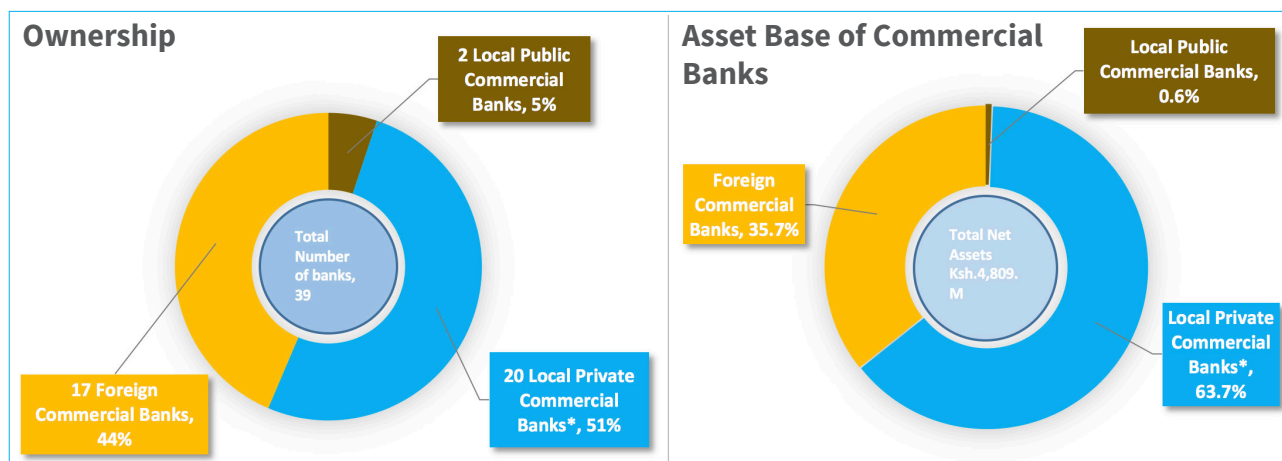
The total net assets in the banking sector stood at Ksh.4.8 trillion as at December 31, 2019. There were 20 local private commercial banks and 2 local public commercial banks, which accounted for 63.7 percent and 0.6 percent of total net assets, respectively. A total of 17 commercial banks were foreign owned and accounted for 35.7 percent of the sector's assets as indicated in **Table 1** and **Chart 3**.

Table 1: Ownership and Asset Base of Commercial Banks (Ksh.M)

Ownership	Number	% of Total	Total Net Assets	% of Total
Local Public Commercial Banks	2	5.1	27,224	0.6
Local Private Commercial Banks*	20	51.3	3,064,544	63.7
Foreign Commercial Banks	17	43.6	1,717,643	35.7
Total	39	100.0	4,809,410	100.0
*Charterhouse Bank Limited, which is under Statutory Management and Imperial Bank Ltd and Chase Bank (K) Limited, which are in Receivership, have been excluded.				
Source: Central Bank of Kenya				

STRUCTURE OF THE BANKING SECTOR

Chart 3: Ownership and Asset Base of Commercial Banks December 2018



*Charterhouse Bank Limited, which is under Statutory Management, and Imperial Bank Ltd and Chase Bank (K) Limited, which are in Receivership, have been excluded.

1.3 Distribution of Commercial Banks Branches

The number of bank branches decreased from 1,505 in 2018 to 1,490 in 2019, which translated to a decrease of 15 branches. Nairobi County registered the highest decrease in the number of branches by 8 branches (**Appendix XVI**). A total of 8 counties registered an increase of 10 bank branches while 14 counties registered a decrease of 25 bank branches. In 25 counties, there was no change in bank branches. The decrease in physical bank branches was mainly attributed to the adoption of alternative delivery channels such as mobile phone banking, internet banking and agency 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, 2019, there were 9 large banks with a combined market share of 74.68 percent, 9 medium banks with a combined market share of 17.10 percent and 21 small banks with a combined market share of 8.22 percent as shown in **Table 2, Chart 4** and **Appendix IV**.

STRUCTURE OF THE BANKING SECTOR

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-18	Dec-19	Dec-18	Dec-19	Dec-18	Dec-19	Dec-18	Dec-19	Dec-18	Dec-19	Dec-18	Dec-19
Large	70.28	74.68	9	9	3,103	3,607	2,367	2,710	470	538	130	143
Medium	21.22	17.10	10	9	929	805	713	623	148	130	23	18
Small	8.5	8.22	21	21	377	398	277	299	60	61	-0.1	-2
Total*	100	100	40	39	4,409	4,809	3,358	3,632	678	729	153	159

* Charterhouse Bank Ltd. under Statutory Management, Imperial Bank Ltd. and Chase Bank (K) Ltd. In Receivership have been excluded.

Source: Central Bank of Kenya

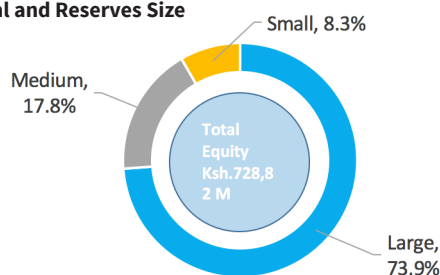
There were shifts in market share positions for the banks in the three peer groups: -

- Banks in large peer group increased their combined market share from 70.28 percent in December 2018 to 74.68 percent in December 2019. This was due to entry of NIC Bank Plc to the Large Peer group from Medium Peer group after the merger between Commercial Bank of Africa Ltd and NIC Bank Plc to form NCBA Bank Plc.

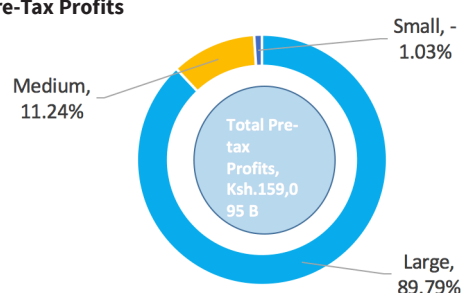
- The combined market share of banks in the medium peer group decreased from 21.22 percent in December 2018 to 17.10 percent in December 2019. This was due to exit of NIC Bank Plc from medium peer group to the Large Peer group after it merged with Commercial Bank of Africa Limited.
- Banks in Small Peer group decreased their combined market share from 8.50 percent in December 2018 to 8.22 percent in December 2019.

Chart 4: Commercial Banks Market Share (%) December 2019

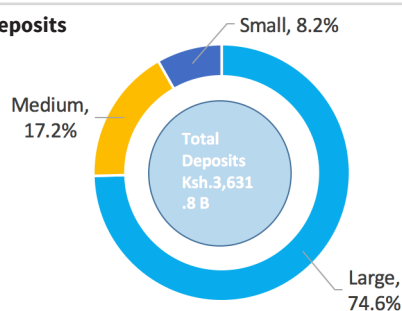
Capital and Reserves Size



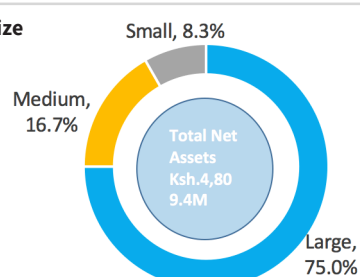
Pre-Tax Profits



Total Deposits



Asset Size



STRUCTURE OF THE BANKING SECTOR

In 2019, the banking sector capital and reserves increased by 7.44 percent from Ksh.678.34 billion in December 2018 to Ksh.728.82 billion in December 2019. The large peer group banks registered increased capital and reserves, while the medium peer group banks and small peer group registered a decrease. 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 improved performance in 2019 with profit before tax increasing by 4.2 percent to Ksh.159.1 billion in December 2019 from Ksh.152.7 billion in December 2018.

The increase in profitability is attributed to a higher increase in income (Ksh.27.1 billion) compared to increase in expenses (Ksh.7.6 billion).

The large peer group accounted for 89.79 percent of the total pre-tax profit, an increase from 84.99 percent recorded in 2018. The small peer group proportion of total pre-tax profit decreased from negative 0.07 percent in 2018 to negative 1.03 percent in 2018. This was attributable to 7 banks making losses at a higher magnitude in 2019 compared to 8 banks, which made losses at a lower magnitude in 2018. The medium peer group proportion of total pre-tax profit declined to 11.24 percent from 15.08 percent due to National Bank of Kenya Ltd, which made a loss of Ksh.821.2 million in December 2019, as compared to a profit of Ksh.587.5 million in December 2018.

Total deposits increased by 7.17 percent from Ksh.3.36 trillion in December 2018 to Ksh.3.60 trillion in December 2019. The growth was supported by mobilization of deposits through agency banking and mobile phones platforms.

1.5 Automated Teller Machines (ATMs)

The number of Automated Teller Machines (ATMs) decreased by 70 (2.77 percent) to 2,459 in December 2019 from 2,529 in December 2018 as indicated in **Table 3**. The

general decrease in ATMs in 2019 is as a result of increased rollout and adoption of digital banking. There has also been an increase in adoption of mobile phone banking platforms by banks.

Table 3: ATM Network

Month	No of ATMs	Monthly Increase	Percentage Growth (%)
Dec-18	2,529	-	-
Jan-19	2,519	-10	-0.4
Feb-19	2,515	-4	-0.16
Mar-19	2,510	-5	-0.2
Apr-19	2,510	0	0
May-19	2,523	13	0.52
Jun-19	2,522	-1	-0.04
Jul-19	2,573	51	2.02
Aug-19	2,556	-17	-0.66
Sep-19	2,464	-92	-3.6
Oct-19	2,463	-1	-0.04
Nov-19	2,463	0	0
Dec-19	2,459	-4	-0.16

Source: Central Bank of Kenya

1.6 Asset Base of Microfinance Banks

In November 2019, the Central Bank of Kenya granted a community microfinance bank licence to Muungano Microfinance Bank Ltd., increasing the number of regulated microfinance banks from thirteen (13) to fourteen (14) as at 31st December 2019. Out of these, eleven (11) held nationwide microfinance bank licences while three (3) held community microfinance bank licences.

The microfinance sector registered 8 percent growth in total assets in the year 2019. The total assets as at December 31, 2019 stood at Ksh.76.4 billion, in comparison to Ksh.70.8 billion reported in the year ended 2018. Net advances increased by 6 percent from Ksh.44.2 billion in 2018 to Ksh.46.7 billion in December 2019. The growth in loans was attributed mainly to increased demand for

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credit by the various economic sectors and the usage of technology as a lending platform. As highlighted in Table 4, lending remained the single largest activity undertaken by microfinance banks, as the net loan portfolio accounted for 61 percent of the microfinance bank's total assets.

Similarly, customer deposits increased by 7 percent from Ksh.41.0 billion in 2018 to Ksh.43.9 billion in 2019. The growth in deposits was due to deposit mobilization through agency banking and mobile phone platforms, as well as expansion of branch network across the country. Customer deposits and borrowings were the main sources of funding, accounting for 58 percent and 20 percent of the microfinance banks' total funding sources.

Table 4: Microfinance Banks Balance Sheet Analysis (Ksh.M)				
ASSETS	2018	% of Total	2019	% of Total
Cash Balance (Local & Foreign Notes & Coins)	3,371	5	3,494	5
Deposit Balances at Banks and Financial Institutions	9,497	13	9,587	13
Government Securities	1,886	3	3,484	4
Net Advances	44,179	62	46,652	61
Accounts Receivables	2,770	4	1,601	2
Net Fixed Assets	5,246	8	6,589	9
Other Assets	3,805	5	4,986	6
TOTAL NET ASSETS	70,754	100	76,353	100
LIABILITIES & EQUITY FUNDS				
Deposits	40,961	58	43,941	58
Borrowings	14,607	21	14,934	20
Other Liabilities	4,743	6	6,301	8
Capital and Shareholders Funds	10,443	15	11,177	15
TOTAL LIABILITIES AND EQUITY FUNDS	70,754	100	76,353	100

Source: Central Bank of Kenya

The microfinance banks registered improved performance in the year ended December 31, 2019. As shown in **Table 5**, the sector reported a combined loss before tax of Ksh.339 million as at December 31, 2019, compared to a loss of Ksh.1.4 billion reported as at December 31, 2018.

Four institutions reported profits, while the remaining nine institutions registered losses. The main contributor to the loss-making position was Kenya Women Microfinance Bank PLC., which reported a loss before tax of Ksh.525 million.

The improved performance of the sector was largely attributed to the increase in interest income of 8.0 percent

or Ksh.0.83 billion. Interest income accounted for 78.3 percent of the total income. The sector spent more to cover directors' emoluments, administrative expenses, and incurred more financial costs to attract deposits, with increases of Ksh.62 million, Ksh.218 million and Ksh.152 million, respectively. However, the increases were netted off by reduction in staff costs, rental charges and provisions for loan impairment by Ksh.285 million, Ksh.170 million and Ksh.142 million, respectively. Consequently, the sector reported an improved return on assets and equity ratio at negative 0.4 percent and negative 3.0 percent. The return on assets and equity ratio as at December 31, 2018 was negative 2.0 percent and negative 13.8 percent, respectively.

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Customer deposits increased by 7.3 percent, from Ksh.41.0 billion in 2018 to Ksh.43.9 billion. The growth in deposits was supported by mobilization of deposits as incentivized by higher returns and increased usage of alternative delivery channels.

Net loans similarly increased by 5.6 percent from Ksh.44.2 billion in 2018 to Ksh.46.7 billion. The upward trajectory was attributed to increased demand for credit by the various economic sectors, as well as increased adoption of technology as a lending platform.

Table 5: Performance of MFBs - Ksh. 'M'

Parameter	2018	2019	% Change
Pre-Tax Profits	-1,437	-339	-76.4
Customer Deposits	40,961	43,941	7.3
Loan Portfolio (Net)	44,179	46,652	5.6
Core Capital/Total Risk Weighted Assets (%)	17.2	15.2	-11.6
Total Capital/Total Risk Weighted Assets (%)	17.9	18.2	-1.69
Return on Assets (%)	-2	-0.4	-80.0
Return on Shareholder's funds (%)	-13.8	-3.0	-78.3
Number of Branches	118	123	4.2

Source: Central Bank of Kenya

The sector's capital levels declined in 2019 as a result of cumulative losses reported by the sector, coupled by increased provisioning in accordance with the requirements of International Financial Reporting Standard No. 9. As a result, the ratio of core capital to total risk weighted assets deteriorated from 17.2 percent to 15.2 percent in December 2019. The ratio of total capital to total risk weighted assets however, improved from 17.9 percent as at December 31, 2018 to 18.2 percent on account of increase in Tier II capital. While the sectors' capital ratios were above the minimum requirement of 10 percent and 12 percent, respectively, three institutions were non-compliant, as shown in **Appendix X**.

The microfinance sector established five new branches in the year under review, increasing the branch network to 123. Two of the new branches belong to Muungano MFB, a community microfinance bank licensed in November 2019. The sector established eight marketing offices bringing the total marketing offices to 119 from 111 in 2018. Similarly, the sector engaged 437 new specific third-party agents, increasing the number of agents from 2,010 in 2018 to 2,447.

As the sector continues to embrace the use of alternative delivery channels, it witnessed reduction in staff costs as the total number of staff declined by 34, from 3,969 to close at 3,935.

1.7 Microfinance Banks Market Share Analysis

The microfinance banks market share is based on a weighted composite index comprising assets, deposits, capital, number of active deposit and 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, 2019, there were three (3) large microfinance banks with an aggregate market share of 84.6 percent, five (5) medium microfinance banks with a combined market share of 13.8 percent and five (5) small microfinance banks with an aggregate market share of 1.6 percent as shown in **Table 6**. The newly licensed Muungano MFB was yet to commence operations by the end of the year.

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Table 6: Microfinance Banks Market Share Analysis - December 31, 2018 and December 31, 2019

2018		2019						
	Market Size Index (%)		Market Size Index (%)	Gross Assets	Total Deposits	Total Capital	Number of Active Deposit Accounts	Number of active Loan Accounts
Weighting	2018	Weighting	2019	0.33	0.33	0.33	0.005	0.005
Large		Large						
Kenya Women MFB	41.6	Faulu MFB	39.2	29,682	20,092	3,776	226	41
Faulu MFB	38.0	Kenya Women MFB	36.9	30,613	15,774	3,846	505	169
Rafiki MFB	8.0	Rafiki MFB	8.5	6,804	2,328	1,306	24	5
	87.6		84.6	67,099	38,194	8,928	755	215
Medium		Medium						
SMEP MFB	4.2	SMEP MFB	4.6	3,314	2,143	504	44	10
Caritas MFB	2.3	Maisha MFB	3.4	1,264	446	799	220	30
Sumac MFB	2.2	Caritas MFB	2.5	1,712	1,353	241	23	3
U & I MFB	1.1	Sumac MFB	2.3	2,013	631	329	9	3
		U & I MFB	1.1	686	356	173	6	0.5
	9.8		13.9	8,989	4,929	2,046	302	46.5
Small		Small						
Century MFB	0.7	Key MFB	0.7	406	99	147	4	0.6
Key MFB	0.7	Uwezo MFB	0.4	168	25	117	0.9	0.1
Uwezo MFB	0.6	Century MFB	0.4	336	256	22	4	0.8
Maisha MFB	0.5	Daraja MFB	0.1	133	107	-9	0.9	0.2
Daraja MFB	0.1	Choice MFB	0.0	94	81	-35	4	0.07
Choice MFB	-0.1							
	2.5		1.6	1,137	568	242	13.8	1.8
Grand Total	100.0		100.0	77,225	43,691	11,216	1,070.8	263.3

Source: Central Bank of Kenya

The market share analysis indicates that the large and small peer groups registered a decline of 3 percent and 0.9 percent, respectively, from the 2018 market share, whereas the medium peer group experienced a growth of 4.1 percent. In the large peer category, Faulu MFB overtook Kenya Women MFB as the largest MFB in 2019. Maisha MFB's market share index crossed the 1 percent mark from 0.5 percent in 2018 to 3.4 percent in 2019 and therefore joined the medium peer category whose number of institutions grew from four (4) in the previous year to five

(5) in 2019. The movement of the individual institution's market share is as follows:

- In the large peer category, Kenya Women MFB's market share declined by 4.7 percent while Faulu MFB's and Rafiki MFB's market share grew by 1.2 percent and 0.5 percent, respectively.
- In the medium peer group, all the institution's market share grew marginally except U & I MFB whose market share remained the same as that recorded in 2018.

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- In the small peer category, Century MFB's and Uwezo MFB's market share declined by 0.3 percent and 0.2 percent, respectively, while Key MFB's and Daraja MFB's market share remained unchanged at 0.7 percent and 0.1 percent, respectively. Choice MFB's market share improved by 0.1 percent.

1.8 Distribution of Foreign Exchange Bureaus

There were a total of sixty-nine (69) licensed forex bureaus as at December 31, 2019 having declined from seventy (70) in December 2018. The decline in the number of licensed forex bureaus was attributed to closure of three (3) forex bureaus and the licensing of one new bureau during the year. Out of the three (3) closed bureaus, two (2) were closed on voluntary basis while one (1) was closed due to non-compliance.

The forex bureaus operated a total of 107 outlets countrywide as at December 31, 2019. Most of the forex bureau outlets are located in Nairobi as shown in **Table 7**.

Table 7: Distribution of Forex Bureau outlets		
City/Town	Number of outlets	% of Total
Nairobi	88	82
Mombasa	11	10
Watamu	1	1
Nakuru	1	1
Eldoret	1	1
Kisumu	2	2
Busia	1	1
Namanga	1	1
Garissa	1	1
Total	107	100
Source: Central Bank of Kenya		

CHAPTER 2

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DEVELOPMENTS IN THE BANKING SECTOR

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2.1 Introduction

The Kenyan banking sector had an eventful year in 2019 that saw continued turbulence in the sector's strategic and operating environment. Significant developments took place during the year in the legislative, policy and technological spaces that are of strategic significance for the sector.

2.2 Banking Sector Charter

- **Launch of the Kenya Banking Sector Charter:** In February 2019, CBK issued the Kenya Banking Sector Charter (KBSC) to broaden and hasten the transformation process of the banking sector into a responsible and disciplined industry responsive to market needs. The Charter is premised on the banking sector's vision hinged on four pillars: **risk-based credit pricing, transparency, customer centricity, and entrenching an ethical culture in banks.** The Charter was launched following extensive consultations with industry. Under the Charter, commercial banks, and microfinance banks were required to submit to CBK board-approved and time bound implementation plans covering each of the Charter's four pillars. In the course of the year, institutions submitted their plans as required and also engaged closely with CBK on their implementation of the Charter.

2.3 Demonetization

- **Launch of new currency notes:** Pursuant to constitutional requirements on redesign of the national currency, the new national currency notes were launched in June 2019 following the launch of the new coins in December 2018. Alongside issuance of the new notes, a demonetization of the old Ksh.1,000 notes was launched in June 2019. The old generation Ksh.1,000 note was phased out on September 30, 2019. CBK worked closely with the banking sector in rolling out the new currency as well as mopping up the old generation currency.

2.4 Legal and Regulatory Framework

- **Repeal of interest rate caps:** Interest-rate caps were introduced in the banking sector in September 2016 under section 33B of the Banking Act. The

lending interest rates were capped at four percentage points above the central bank's benchmark rate. The interest rate caps were intended to alleviate the repayment burden on borrowers and improve financial inclusion as more individuals and firms would be able to borrow at the lower repayment rates. The interest rate caps were repealed in November 2019 through the Finance Act, 2019.

- **The Central Bank of Kenya (Mortgage Refinance Companies) Regulations, 2019** were gazetted on August 2, 2019 to provide a framework for the licensing and regulation of mortgage refinance companies by CBK. A mortgage refinance company (MRC) is a non-bank financial institution, whose primary objective is to provide affordable long-term funding to primary mortgage lenders such as banks to enable them provide affordable mortgage facilities to their customers.

As at the end of December 2019, CBK had received and was considering one licence application from the proposed Kenya Mortgage Refinance Company (KMRC).

2.5 Consolidations, Mergers and Acquisitions, New Entrants

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

- KCB Group PLC acquired 100 percent shareholding in National Bank of Kenya Limited on September 2, 2019. As part of the acquisition, NBK will continue operating as a separate player in the near term.
- Commercial Bank of Africa Limited and NIC Bank PLC merged to form NCBA Bank Plc effective September 30, 2019.
- Access Bank PLC of Nigeria commenced acquisition of Transnational Bank Limited. The transaction was in progress at the end of the year.
- Muungano Microfinance Bank PLC was granted a licence in November 2019 to carry out community-based microfinance banking business, bringing the total licensed microfinance banks to 14.

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2.6 Medium, Small and Micro-Enterprises (MSME) Support

In recognition of the significant role played by Medium, Small and Micro-Enterprises (MSMEs) in driving the economy and providing livelihoods, the banking sector launched an initiative aimed at addressing MSME financing challenges. A consortium of 5 commercial banks, jointly developed a credit solution tailored to the needs of MSMEs. The credit facility, dubbed Stawi, was launched to offer credit facilities entirely through digital platforms, of up to Ksh.250,000 at concessional terms to MSMEs. Following a pilot phase in the first half of the year, H.E. President Uhuru Kenyatta formally launched Stawi in November 2019. In launching the product, the President hailed Stawi as an innovative solution aimed at not just providing finance to MSMEs but also supporting them to enhance their credit worthiness, business skills and growth potential.

2.7 Developments in Information and Communication Technology

The financial services industry is continuously impacted by the ever-changing consumer needs, innovative financial products, technological advancement and the use of multiple delivery channels. Digital Financial Services (DFS) are creating new market opportunities, which can be leveraged, through emerging technologies, to provide “anytime-anywhere” digital services. Financial Institutions (FIs) are leveraging emerging technologies such as Artificial Intelligence (AI), Big Data and Application Programming Interfaces (APIs) to create customised products and services that are highly customer-centric.

In response to emerging technologies and digitization, CBK seeks to create an enabling environment for the introduction of innovative customer-centric products. In the deployment of relevant tools for the financial sector, CBK will also ensure that resultant risks are managed and mitigated. CBK remains committed to maximizing the opportunities and minimizing risks from innovation.

2.7.1 Afro-Asia Fintech Festival

In recognition of the emerging financial technologies and the need to collaborate to ensure the financial sector gains from fintech, CBK and Monetary Authority of Singapore (MAS) co-hosted the inaugural Afro-Asia Fintech Festival (AAFF) on July 13-14, 2019. The Festival was modelled after the Singapore Fintech Festival and targeted policy-makers, industry leaders, entrepreneurs and researchers across Asia, Africa and other parts of the world. The objective of the festival was to provide a platform to connect the participants from Africa and Asia to exploit opportunities arising from technology and innovation in meeting consumer’s financial needs.

The two-day Festival provided a valuable platform that boasted a combination of a fintech conference, fintech exhibition, and breakout sessions for deep-dives into applications of fintech in different sectors of the economy. The discussions were centred on three themes;

- **Technology for tomorrow**, which explored issues in Artificial Intelligence (AI) and big data; cyber security, technology risks and Regulatory Technology (RegTech);
- **Social Impact**, which looked at topics impacting the societal well-being such as Investing, financial literacy and democratizing the growth of Small and Medium Enterprises (SMEs) and Micro, Small and Medium Enterprises (MSME).
- **Spirit of Innovation**, exploring the evolution of mobile financial services, InsurTech and Digital Pension.

Participants in the Festival included more than 100 world experts in Fintech, 55 exhibitors, 111 speakers, 19 moderators, 65 workshop hosts, 88 media houses and 100 university students. Participants were drawn from 43 countries across all continents, with Kenya and Singapore having the highest representation. Key highlights of the Festival are listed below:

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a) Hackathon: The Global Fintech Hackcelerator @ Kenya (Hackathon) was launched on July 16, 2019 during the Festival. The Hackathon was held on August 9, 2019 and brought together fintechs from across the world to provide solutions for problems drawn from the Sustainable Development Goals (SDGs) and the financial sector. The problem statements focused on 10 key areas:

- Sustainable Farming.
- Financial Literacy.
- Women Empowerment.
- Insurance for the under insured.
- Education and Learning.
- Alternative Identity.
- Alternative Credit Scoring.
- Payments and Remittance.
- Fundraising.
- Banking and Finance.

There were 15 finalists from Africa, Europe and Asia. The winners, Kwara Limited of Kenya and Bureau Vente (U) Limited of Uganda proceeded to the Global Fintech Hackcelerator, which was held during the Singapore Fintech Festival (SFF) on November 11, 2019. Their solutions focused on banking, finance and sustainable farming, respectively.

b) Participation in SFF 2019: CBK, Safaricom, KCB Group and the East African fintechs, Kwara, Bureau Vente and Pula participated in the SFF as delegates and exhibitors. CBK's exhibition pavilion highlighted Kenya's fintech landscape, some of the scalable fintech solutions and CBK's role in championing fintech for the financial sector.

Being the first of its kind, the AAF 2019 received positive reviews, resulting in keen interest by participants, sponsors and investors in the 2020 edition. The Festival put Kenya on the global map as a Fintech hub. It showcased the potential and capability of fintechs in Africa in addressing the continent's unique challenges.

2.7.2 Innovations Redefining the Delivery of Financial Services

In recent years, the banking industry has adopted fintech to drive financial innovations within the industry. Banks are continuously changing the way they serve customers through improved products and services. Key factors determining the increased focus on innovations by banks include:

- To generate new revenue streams by offering new services;
- To differentiate their services by improving user experience;
- To optimise operational costs; and
- To effectively analyse risks and detect fraud.

In a bid to shape policies, which are integral to CBK's core functions, CBK carries out market surveys. The surveys enable CBK to refine their judgement on key financial system developments and understand how financial markets are functioning and evolving.

In February 2020, CBK conducted an Innovation Survey, which was aimed at collecting present and forward-looking information on FinTech developments in the Kenyan financial sector as at December 31, 2019. This survey served as a follow-up to the initial survey that was carried out in 2019 covering the period January 1, 2015 to December 31, 2018. The survey collected data on the state of innovation from 35 commercial banks and 7 Micro Finance Banks (MFBs). The survey questions were classified into 4 sections:

- Section A involved questions related to institution innovation activities;
- Section B built on the context for innovation;
- Section C sought feedback on public support for innovation; and
- Section D was an assessment of the inaugural Afro-Asia Fintech Festival (AAFF) 2019.

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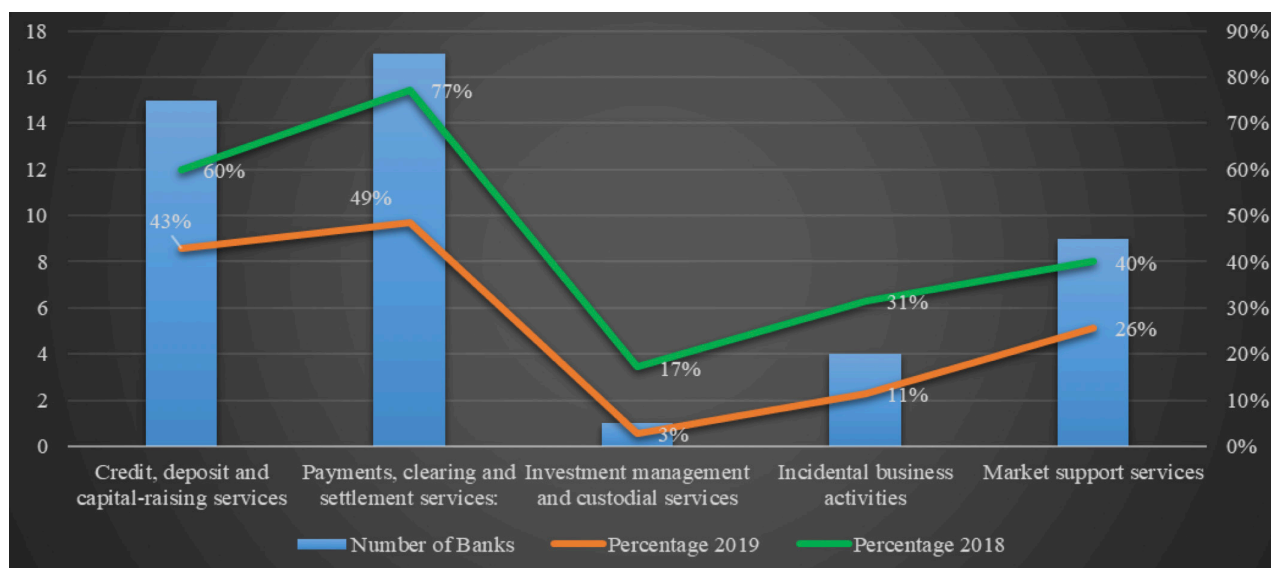
Uptake of technology in the banking sector has resulted in a significant shift in the strategies of banks. It is exciting to see the entrance of novel classifications of banks such as “distributed banks” and “new banks”¹. According to the 2018-2019 Innovation Survey conducted by CBK, 94 percent of Kenyan banks introduced a Fintech product between January 1, 2015 and December 31, 2019. Moreover, according to the 2019 Innovation Survey, 80 percent of the banks and 86 percent of Micro-Finance Banks (MFBs) introduced a new Fintech product between January 1, 2019 and December 31, 2019.

Functionally, the products can be classified into the following 5 clusters:

- Credit, deposit and capital-raising services;
- Clearing and settlement services;
- Investment management and custodial services;
- Incidental business activities; and
- Market support services.

Chart 5 below highlights the percentage of institutions that have developed products within the five functional areas of innovation.

Chart 5: Functional Areas of Innovation



Source: CBK 2019 Innovation Survey

¹ **New Bank** – An institution seeks to become a ‘new bank’ by creating a ‘built for digital’ banking platform. The institution shall apply advanced FinTech to provide banking services, minimize operational costs, improve customer experience, and market their products through social media. **Distributed Bank** – An institution seeks to become a ‘distributed bank’ through collaboration and partnership with FinTech startups. The institution seeks to compete for the ownership of the customer relationship by providing niche-banking services. Such joint ventures will allow consumers to use multiple financial service providers, through a ‘plug and play’ digital interface. Bank for International Settlements. (2018). Basel Committee on Banking Supervision Sound Practices: Implications of fintech developments for banks and bank supervisors.

Payments have been, and continue to be, the activity most affected by technological innovation (Petrulia et al, 2019). Based on the 2018 survey, payments related services had the highest number of products with 77 percent.

In the 2019 survey, payments-related services had the highest number of products for banks with 49 percent while credit, deposit and capital raising services had 43 percent.

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However, For MFBs, credit, deposit and capital raising services had the highest number of products with 57 percent while payments-related services had 29 percent.

Essentially, new modes of payment can have a profound impact on the economy, infrastructure and society by facilitating the flows of money. Today, remittances provide a greater source of foreign currency inflows to developing economies such as Kenya than foreign direct investment (Financial Times, 2019)².

New technologies influence innovation in the banking sector; 94 percent, 77 percent and 65 percent of the banks consider developments in Application Programming Interfaces (APIs³), Big Data Analytics and Cloud Computing, respectively, as very important innovations. Banks indicated an 86 percent, 83 percent and 71 percent high likelihood of adoption of the three developments, respectively, by 2022. In contrast, 74 percent of the respondents had low interest in developments in Augmented Reality.

Banks are cognizant of the risks accompanying innovation. Cyber risk, third-party risk and operational risk were considered the top three risks that should be addressed whilst advancing the innovation agenda.

2.7.3 Other Emerging Technological Trends in the Banking Industry

i) Cloud Services

The European Banking Authority defines cloud computing as “a model for enabling ubiquitous, convenient, on-demand network access to a shared pool of configurable computing resources (e.g., networks, servers, storage, applications and services) that can be rapidly provisioned and released with minimal management effort or service provider interaction.”⁴

²<https://ig.ft.com/remittances-capital-flow-emerging-markets/>

³A set of functions and procedures allowing the creation of applications that access the features or data of an operating system, application, or other service.

⁴Regulator's Friend or Foe? Cloud Computing in Financial Inclusion: <https://www.cgap.org/blog/regulators-friend-or-foe-cloud-computing-financial-inclusion>

The push for the integration of cloud computing services in the financial sector continues to be advanced by banks both locally and internationally. The value proposition of cloud services to the banks is to help them cope with increasing Information Technology (IT) demands with minimum capital investment. In order to offer better and more innovative remote and mobile services to clients, financial institutions have begun to turn from proprietary IT infrastructure to the cloud. Banks have begun using cloud services to support a variety of functions ranging from mobile banking applications to processing credit card transactions and other payments, loan applications, and insurance claims.

Financial Sector Regulators across the world, including CBK, recognise the benefits of cloud computing services and the positive impact on competition, efficiency and cost-cutting in financial services. Use of cloud services presents several advantages to banks, including:

- Convenience.
- Reduced capital and maintenance costs.
- Flexibility and mobility.
- Scalability.

Despite the advantages of cloud computing services, there are salient concerns raised by regulators globally:

c) Cloud Service Provider (CSP) due diligence:

Cloud infrastructure is still in its nascent stages. Due to the multiple locations of CSPs' infrastructure, it is difficult to conduct independent pre-requisite due diligence to verify the CSP's ability to meet key legal, regulatory, contractual and business requirements across multiple jurisdictions.

d) Liability: A key concern for regulators is the need for identification of internal controls that allow the banks to retain full responsibility and to manage risk throughout the outsourcing.

e) Data concerns and cybersecurity: Confidentiality and security of data is paramount and has far reaching consequences on a bank's reputation.

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Additionally, with the increase in cyber threats, cloud services further exacerbate the risk for the banks and subsequently regulators' concerns.

- f) Data access and transparency add to the regulatory concerns.** CSPs store data in various locations and it is necessary to ensure that the government policies, economic and legal conditions of the identified locations are safe and stable to prevent business disruptions.
- g) Business Continuity Planning:** The service models offered by CSPs are reliant on internet availability and connectedness. Consequently, service availability and recovery mechanisms/procedures are of key concern.
- h) Vendor lock in and contract termination:** Few vendors offer cloud services that meet global standards. Industry-wide use of such vendors creates a potential for systemic risk and vendor lock-in due to limitations of options. Additionally, exit terms require banks and CSPs to include in their contracts the return of the bank's data and permanent deletion of data held by the CSP.

CBK, as per its philosophy of ***“maximizing opportunities and minimizing risks”*** is keen to ensure that the financial sector remains robust despite the changes brought about by innovations and offerings related to cloud services.

ii) Data Governance

Digitalization of financial services is one of the key defining elements of the present financial ecosystem. Institutions are leveraging data in order to provide robust and targeted financial services to customers. Globally, economies are developing digital strategies and infrastructures in a bid to leverage technology for provision of services. Kenya's Digital Economy Blueprint proposes a framework for developing Kenya's digital economy. In light of the increased dependence on data and technology in the

financial sector. Drawing from the experience of India and Singapore, CBK has identified the following basic tenets of digital financial infrastructure:

- Digital identity.
- Data sharing and consent.
- Payments.
- Transactions.

In order for a digital financial economy to succeed, data governance is increasingly becoming a key focus area underlying digital financial infrastructure. Data governance cuts across all tenets and enables privacy of digital identity, appropriate consent mechanisms and data privacy with regards to data from payments and transactions. Data governance refers to a set of processes that ensure that data assets are formally managed throughout an institution. A data governance model establishes authority and management and decision-making parameters related to the data produced or managed by an entity.⁵ While data protection is about securing data against unauthorized access, data governance is about authorized access. In this regard, data privacy is a subset of data governance.

Financial institutions increasingly face data governance issues due to integration with multiple cross border players to provide services across different jurisdictions. As was the case in mobile-based payments, multiple innovations that call for adequate data governance regulations preceded regulation. It was only recently that the governance of data begun taking centre stage as demonstrated by the European Union's General Data Protection Regulation (GDPR), 2016/679 and Kenya's Data Protection Act, 2019. The GDPR is widely regarded as the benchmark for international best practice on data privacy laws. The Data Protection Act finds its genesis and borrows heavily from the principles contained in GDPR. These principles include data minimization, purpose limitation, storage limitation, confidentiality and integrity, accuracy, and fairness and lawfulness and transparency. Most notably, the Act includes:

⁵National Institute of Standards and Technology (NIST)

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- An empowered and well-resourced Data Protection Commission with a high degree of independence from the government.
- Strong obligations placed on Data Controllers and Processors requiring them to abide by principles of meaningful user consent, collection limitation, purpose limitation, data minimization, and data security.
- Robust protections for data subjects with the rights to rectification, erasure of inaccurate data, objection to processing of their data, as well as the right to access and to be informed of the use of their data, providing users with control over their personal data and online experiences.

The Data Protection Act will be pivotal in realizing a digital economy that affords the highest protection of privacy for Kenyans. Entities that use data to operate or enhance their business operation will need to review this legislation and align their data management systems accordingly. CBK is liaising with the Ministry of Information, Telecommunications and Technology to ensure coordinated implementation of the Data Protection Act within the financial sector.

As institutions acquaint themselves with the recently enacted Data Protection Act, 2019, it is important to consider the broader data governance issues that may arise out of their use of data, especially for cross-border provision of services. It is imperative that a new model of **Privacy by Design** be embedded in technical standards, protocols and algorithms, and deployed through new business models. In this regard, collaboration is necessary in order to implement **Governance by Design** over digital financial services, while considering specific requirements by multiple jurisdictions as well as the impact of digital financial services to customers.

2.7.4 Managing Cyber Risk in the Interconnected Financial Sector

Financial institutions are interconnected to each other, to Payment Service Providers (PSPs) and to fintechs and other third-party service providers. In 2019, financial institutions continued engaging services of third parties to provide services. Through mobile banking, agency banking and a high level of interconnectedness among multiple systems and applications through APIs enabling provision of diverse services to customers, financial inclusion increased from 75.3 in 2016 to 82.6 percent in 2019.

Given the rise in digital services, CBK noted that cyber-crime has the potential to cause unprecedented disruption in service delivery. According to the 2019 innovation survey, cyber risk was among the top three innovation related risks. In this regard, CBK issued a Guidance Note on Cybersecurity for commercial banks in 2017. Since then, and as mandated by the Guidance Note, commercial banks have proceeded to elevate cyber risk to board level through the IT Steering Committee and hiring Chief Information Security Officers (CISOs), who report directly to the board. Institutions have also increased investment in cybersecurity.

The financial sector has made great strides to address cyber risk. Conversely, an emerging risk, which is highlighted in the Risk Management Guidelines, 2013 and the Guidance Note on Cybersecurity, 2017, is the risk brought about by interconnectedness to third parties. A development in its incipient stages is that third party service providers are also connected to other parties that offer them critical services. These fourth party service providers present additional risks throughout the value chain.

CBK requires institutions to consider the entire value chain in their service delivery and each end point in conducting risk assessments. Institutions should ensure that every party involved in the process is held to the institution's cybersecurity standards. Additionally, institutions are required to implement end user training and awareness

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on basic cyber hygiene practices, strong password requirements, two-factor authentication, patching and phishing.

In order to enhance cybersecurity across the financial sector, CBK issued a Guideline on Cybersecurity for Payment Service Providers in July 2019.

Given that multi-sectoral collaboration is necessary to enhance cybersecurity, CBK collaborates with the Kenya National Computer Incidence Response Team – Coordination Centre (KE-CIRT/CC) Cybersecurity Committee (NKCC) on threat intelligence and information sharing. CBK participates in the bimonthly meeting of the NKCC where multi-sectoral cybersecurity information is shared. CBK also liaises directly with Communications Authority of Kenya (CA) to receive and share information related to cyber threats with an aim of protecting the financial sector.

CBK took steps to ensure that institutions are well equipped with relevant information through collaboration with several institutions in 2019 in cybersecurity industry events and campaigns as highlighted below.

- Visa Cybersecurity Breakfast Briefing for CEOs and Threat Workshop for IT operations, security and risk teams on February 27, 2019. The breakfast was aimed at sensitising bank CEOs and senior management on emerging cyber risks and response to such risks.
- Society for Worldwide Interbank Financial Telecommunication (SWIFT) Cybersecurity Workshop on April 4, 2019. The workshop sensitised attendees on trends in cyber threats targeting the SWIFT network and how to mitigate the threats.
- Cybersecurity awareness campaign to CEOs and IT operations teams of commercial banks ahead of the Easter Holidays, 2019. This was aimed at sensitising commercial banks to heighten cyber awareness during the Easter Holiday as cyber fraudsters often target days during which institutions allow key staff to go on holiday.

- Kaa Chonjo Safety Awareness Campaign by Kenya Bankers Association (KBA) and financial institutions under the umbrella of KBA in the month of May 2019. The campaign targeted customers and created awareness on password protection, phishing, and how to avoid falling prey to cyber criminals.
- MasterCard Cybersecurity and Fraud Forum on September 18, 2019, where CEOs and IT operations, security and risk teams were trained on practical response to cyber fraud.

2.7.5 RegTech and SupTech

Regulatory Technology (RegTech⁶) and Supervisory Technology (SupTech⁷) are combining to potentially transform the way financial institutions comply with regulations and how supervisory authorities oversee market participants.

A new regulatory landscape in response to the global financial crisis of 2007 has been a catalyst for greater use of technology. The use of new technology in this context evolves on a continuous basis and may soon lead to radical changes in compliance and supervision work. Foremost among the technological drivers are the widespread use of cloud computing, the increased acceptance of APIs and advances in the fields of Artificial Intelligence and Machine Learning (AI/ML).

2.7.5.1 CBK's Enterprise Data Warehouse

SupTech offers opportunities for automation, greater mobility, better data and data management and enhanced analytics. CBK is leveraging innovative technologies and systems to drive its mission in strengthening its supervisory and regulatory responsibilities. It is implementing a robust centralized repository for all its data, acquired from both internal and external sources.

⁶Regulatory Technology (RegTech) is the use of technologies to solve regulatory and compliance requirements more effectively and efficiently.

⁷Supervisory Technology (SupTech) is the use of innovative technology by supervisory agencies to support supervision. It helps supervisory agencies to digitize reporting and regulatory processes, resulting in more efficient and proactive monitoring of risk and compliance at financial institutions.

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This entails a centralized data lake environment encompassing an Enterprise Data Warehouse (EDW) system that will be integrated with Supervised Financial Institutions (SFIs) for collection of granular data. CBK has begun engaging SFIs under its remit in the second phase of its SupTech project which will enable automation of supervisory data submission. This has the benefit of improving timeliness, accuracy and the quality of source data, necessary for analysis to inform policymaking.

Upon integration with SFIs, the near-real-time reporting process will enhance efficiency at SFIs by eliminating manual interventions that are subject to human error. On the other hand, CBK's feedback on data issues will lead to improved data quality. Technology coupled with granular data will enable CBK to provide additional, timely and enriched industry statistics to SFIs and the general public.

2.7.5.2 Drivers of RegTech and SupTech

RegTech and SupTech are developing in response to various demand and supply drivers. Demand is linked to regulatory changes and the need of Supervised Financial Institutions (SFIs) and regulators to process large amounts of data. Supply factors primarily focus on advances in technology.

i) Demand drivers

- The regulatory requirements placed on SFIs have increased greatly over the past ten years. While many of these regulations came in response to known market failures that led to and exacerbated the financial crisis of 2007, others reflect the increasingly complex nature of global financial services. Failure to comply with the regulations has significant consequences, which has in turn led to investments on compliance and risk management programs by SFIs.
- There is a continued push for efficiencies and cost savings, particularly for back-end and legacy systems as well as for labour-intensive processes.
- As the financial services sector becomes increasingly

digitalized and data-driven, the advantages of technology-driven compliance monitoring compared to less automated alternatives have become more and more evident. The increased volume of information needed to monitor and evaluate regulatory compliance provides challenges for enterprise data governance, but also opportunities to use the information for better risk management. Examples include developments in stress testing and enhanced risk monitoring.

- Government-driven mandates in some countries have led SFIs to implement technologies such as APIs and more effective authentication methods as well as enhancing data management and governance. Examples are the Payment Services Directive 2 ('PSD2'), the General Data Protection Regulation (GDPR) in the EU and Data Protection Act in Kenya.
- CBK believes the move towards a more data-driven and pro-active approach will enhance monitoring of the financial sector and help ensure better outcomes for market participants and consumers. As we move to this more intense data driven supervisory process, supervisors and regulators need to adapt to new approaches to regulation and supervision of institutions.

ii) Supply drivers

- Recent years have seen a sharp drop in the costs of computing power and storage. This enormous increase in capacity is acting as an important catalyst for Artificial Intelligence (AI) and Machine Learning (ML) tools, which are extremely data-intensive. Many of these tools are at the heart of the RegTech/ SupTech renaissance and could not be deployed in a non-digital infrastructure. For example, cloud computing provides remote access to servers on which large amounts of data can be stored.
- Improved digitalised data architecture that minimizes interoperability, reduced redundancy and allows for improved communication among data centres.

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- Advances in AI and Big Data offer new capabilities. For example, pattern-recognition using machine learning algorithms has wide applications, including in monitoring markets for potential misconduct.

2.7.5.3 Technology and Employee Efficiency

In 2019, on average, one employee was serving 1,956 customers per employee compared to 1,733 customers per employee in 2018 (**Table 8**). This shows increased efficiency in customer service as a result of banks embracing technology.

Year	No. of Deposit Account Holders	Number of Staff	Efficiency Score
1996	1,000,000	16,673	60
2002	1,682,916	10,884	155
2006	3,329,616	15,507	215
2007	4,123,432	21,657	190
2008	6,428,509	25,491	252
2009	8,481,137	26,132	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	1,948

Source: Central Bank of Kenya

2.8 Mobile Phone Financial Services

With the continued global technological advancements, the Kenyan Banking Sector has had to continuously adopt and adapt to technologically driven service delivery channels. Mobile-phone Financial Services (MFS), which spans the full spectrum of financial services, is one such

delivery channel. MFS continues to propagate Kenya's digital banking ecosystem to cover not only money transfer but also credit and savings, payments for goods and services as well as e-commerce through linkages with various financial and non – financial institutions. The growth of MFS has been witnessed not only in the urban areas but also the rural areas. This is largely attributed to the convenience and affordability of financial services offered through MFS.

In addition to offering financial services, MFS is now being utilized for customer relations especially in enhancing communication as well as receiving feedback from customers. This has been driven by the continued changes in customers' expectations, which come about with the advancement in technology. The challenge that the banking sector then continues to face is ensuring it remains relevant in the market by continuously developing solutions that address the changing customer needs and preferences.

2.8.1 Summary of MFS Transactions Data

The number of active mobile subscriptions continues to grow. It stood at 54.5 million as at 31st December 2019, which translates to mobile penetration rate of 114.8 percent⁸. One of the reasons why mobile penetration in the country remains high is multiple Subscriber Identity Module (SIM) ownership by consumers. Since inception of MFS, there are now over 224,108 agents, over 58 million customers and 942.7 million transactions valued at over Ksh.2.1 trillion as at December 2019.

We continue to witness the growth in value of transactions with an increase of 4 percent from Ksh.367.77 billion in 2018 to Ksh.382.93 billion in 2019. While there was an increase in value of transactions, there was a slight decline in the number of transactions from 155.77 million in 2018 to 154.99 in 2019 million, a decline of 0.5 percent. These figures are captured in **Table 9**

⁸<https://ca.go.ke/wp-content/uploads/2020/03/Sector-Statistics-Report-Q2-2019-2020-1.pdf>

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Table 9: Mobile Transactions Data

Digital Financial Inclusion From 2007 To 2019	2007	2008	2012	2017	2018	2019
Mobile Subscribers (million)	11.34	16.23	30.73	42.8	49.5	54.5
Mobile Penetration (percent)	30.5	43.64	78	94.3	106.2	114.8
Mobile Money Subscriptions (million)	1.35	5.08	21.06	30	31.62	58.36
Number of Transactions (million)	1.28	10.2	55.96	139.93	155.77	154.99
Value of Transactions (Ksh.' billion)	3.8	26.99	150.16	332.622	367.77	382.93
Avg Value of Transactions (Daily) (Ksh.' million)	126.67	899.66	5,005.33	11,087.40	12,666.70	12,764.30
Active Mobile Money Agents	1,582	6,104	76,912	182,472	223,931	224,108

Source: Central Bank of Kenya

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; and
- 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 restructured 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.

During the year 2019, CBK noted the introduction of 31 new products in the market and approved the related charges. Most of the applications sought to introduce digital banking services.

2.10 Operations of Representative Offices of Authorized Foreign Financial Institutions

CBK may under section 43 of the Banking Act (Cap 488) authorize and supervise Representative Offices of foreign banks that wish to establish a presence in Kenya.

Representative Offices are only allowed to undertake marketing or liaison roles on behalf of their parent and affiliated entities. Further, they are expressly prohibited from undertaking banking business⁹ as defined in the Banking Act.

The rationale underlying the establishment of

⁹ *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.*

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Representative Offices in foreign jurisdictions lies in the significant growth in cross-border commerce witnessed in recent times. Financial institutions today seek to maintain long-term business relationships with their customers by availing services wherever and whenever these are required.

As at end of 2019, there were 9 Representative Offices (**Appendix XVII**) operating in Kenya. These Representative

Offices facilitated business worth an estimated Ksh.473.46 billion (USD4.67 billion) in 2019. The value of business activities facilitated in 2019 increased by 31.89 percent when compared to Ksh.359.21 billion (USD3.51 billion) facilitated in 2018. This is indicated in **Table 10** below. The activities facilitated largely comprised trade finance, term loans, working capital, bilateral receivable discounting and syndicated finance.

Table 10: Business Activities Facilitated by Representative Offices				
Year	2019		2018	
	Ksh. Billions	USD¹⁰ Billions	Ksh. Billions	USD Billions
Corporate finance	13.15	0.13	13.67	0.13
Syndicated Finance	86.45	0.85	42.84	0.42
Correspondent banking	36.68	0.36	28.29	0.28
Project financing	14.22	0.14	7.37	0.07
Specialized finance	11.89	0.12	-	-
Property Finance	13.91	0.14	19.99	0.02
Trade finance	155.65	1.54	109.25	1.07
Others (term loans, borrowing base, working capital and bilateral receivable discounting)	141.82	1.40	137.81	1.35
Total value of business facilitated	473.76	4.67	359.21	3.51

Source: Central Bank of Kenya

2.11 Surveys 2019

2.11.1 Residential Mortgages Market Survey 2019

The Central Bank of Kenya (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 2019. 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 repeal of interest capping law on residential mortgage loans.
- g) Impact of the implementation of International Financial Reporting Standards (IFRS) 16.
- h) Mortgage outlook for 2020.

Below are the highlights of the Residential mortgage survey as at December 31, 2019.

¹⁰ Exchange rate: 1 USD = 101.34 Ksh

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a) Size of Mortgage Portfolio

- i) The value of mortgage loan assets outstanding increased from Ksh.224.9 billion in December 2018 to Ksh.237.7 billion in December 2019, representing a growth of Ksh.12.8 billion or 5.71 percent due to increased appetite for home ownership.
- ii) About 76.4 percent of lending to the mortgage market was by 6 institutions that is, one medium sized bank (16.9 percent) and five banks from the large peer group (59.5 percent) as compared to one medium sized bank (15.0 percent) and five banks from the large peer group (61.1 percent) in December 2018.
- iii) The outstanding value of non-performing mortgages decreased from Ksh.38.1 billion in December 2018 to Ksh.31.0 billion in December 2019 due to repayments. The mortgage NPLs to gross mortgage loans was 13.0 percent in December 2019 as compared to 16.9 percent in December 2018. The ratios were above the industry gross NPLs to gross loans ratio of 12.7 percent in December 2018 and 12.5 percent in December 2019.
- iv) There were 27,993 mortgage loans in the market in December 2019 up from 26,504 in December 2018 an increase of 1,806 loan accounts or 6.90 percent.
- v) The average mortgage loan size increased from Ksh.8.48 million in 2018 to Ksh.8.49 million in 2019.
- vi) The number of institutions offering mortgages to customers were 31 in 2019 as compared to 32 in 2018. One bank in the small peer group stopped offering mortgage loans in 2019 as indicated in **Appendix XIII**.

b) Mortgage Risk Characteristics

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

- i) Ability of the borrower to repay the loan.
- ii) Collateral/security value - Nature and value of the collateral.
- iii) Caveats on the property.

- iv) Default/character risk of the borrower.
- v) Due diligence on the property.
- vi) Legitimacy of the property- it should be free of encumbrances.
- vii) Credit history and Credit Reference Bureau reports.
- viii) Property location and ease of sale in case of default.

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

- i) Ability to pay from the cash flows.
- ii) Character of the business owner.
- iii) Profitability of the business.
- iv) Credit history.
- v) Length of business operation.
- vi) Other existing debts.
- vii) Economic sustainability of the business based on the sector outlook.
- viii) Experience of the management in the running the particular business.

c) Mortgage Loan Characteristics

- The interest rate charged on mortgages on average was 11.3 percent and it ranged between 7.0 percent to 13.0 percent in 2019 as compared to an average of 12.4 percent with a range of 10.0 percent to 13.2 percent in 2018.
- About 86.3 percent of mortgage loans were on variable interest rates basis in 2019 as compared to 88.8 percent in 2018.
- Loan to value (maximum loan as a percentage of property value) was pegged below 90 percent by majority of the banks in 2019 and 2018.
- The average loan maturity was 11.2 years with minimum of 5 years and a maximum of 20 years in 2019 as compared to average loan maturity of 10.6 years with a minimum of 4 years and a maximum of 22 years in 2018.

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d) Obstacles to Mortgage Market Development

The survey identified a number of the impediments to mortgage market development as indicated in **Table 11**.

Table 11: Residential Mortgages Market Survey – December 2019		
Mortgage Market Obstacles	Frequency of response	
	18-Dec	19-Dec
High cost of housing units	28	30
High cost of land for construction	26	29
High incidental costs (legal fee, valuation fee, stamp duty)	28	25
Limited access to affordable long-term finance	25	26
Difficulties with property registration/titling	24	23
Low level of income	20	21
Stringent land laws	19	20
Lengthy charge process timelines	17	19
Lengthy process of security realization by banks in case of default	14	16
Credit risk	9	8
<i>Source: Central Bank of Kenya</i>		

Based on the above ranking of mortgage market constraints, banks identified; high cost of housing units, high cost of land for construction units, high incidental costs (legal fee, valuation fee, stamp duty) and limited access to affordable long-term finance as the major impediments to the growth of their mortgage portfolios. Commercial banks identified similar constraints in 2018 and 2019 mortgage surveys.

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: -

- i. Digitizing the Land Registry for efficiency.
- ii. Streamlining and simplifying of the legal and regulatory process governing the mortgage sector, for transparency, efficiency and certainty.
- iii. Implementation of the affordable housing program by the government.
- iv. Availability of affordable long-term funds through initiatives such as the recently launched Kenya Mortgage Refinance Company (KMRC).
- v. Government incentives for low cost housing solutions.
- vi. Provision of basic infrastructure services to developers by national and county governments.
- vii. Establishment of a one-stop-shop for all the statutory approvals for development/construction.
- viii. Training youth on home ownership and inclusion of a home ownership savings plans.

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f) Impact of repeal of interest capping law on residential mortgage loans

Based on the responses to the Survey questionnaire it was noted that there is an expected increase in demand for mortgage loans due to the perceived affordability and availability of credit.

g) Impact of the implementation of International Financial Reporting Standard (IFRS) 16 on residential mortgage Loans

Based on the responses to the Survey questionnaire, it was noted that: the implementation of IFRS 16 in January 2019 will not impact the mortgage market as mortgage loans are not structured as leases but as loans with the subject property as security of the loan.

IFRS 16 is a new accounting standard on leases, which was published by the International Accounting Standards Board (IASB) in January 2016, and took effect on January 1, 2019. It replaced International Accounting Standard (IAS) 17 on Leases. IFRS 16 requires a lessee to recognise operating leases right of use (ROU) assets and lease liabilities on the balance sheet and depreciation on the lease asset and Interest expense on the lease liability on the statement of comprehensive income

h) Mortgage Outlook for 2020

Mortgage uptake is expected to increase with the implementation of affordable housing program and the formation of Kenya Mortgage Refinance Company by the government to offer affordable mortgage financing. The initiative by the government to provide low cost housing and repeal of interest capping law will also boost the mortgage uptake.

2.12 Innovative MSME Products by Banks

The contribution of Micro, Small and Medium Enterprises (MSMEs) to economic development cannot be overemphasized. In Kenya, MSMEs are the pillars of the economy contributing over 30 percent to the Gross Domestic Product (GDP). It is in this regard that the Central Bank of Kenya (CBK) is keen in enhancing financial access to the MSMEs in Kenya to boost their growth. CBK has through various initiatives encouraged the commercial banks to develop suitable products that are customized to meet the needs of MSMEs. Following this encouragement, various Commercial Banks have come up with products to serve the needs of the MSMEs, which had over the years been ignored.

One such product is **'Stawi'**, a credit product which rides on technology and innovation to provide a cost effective **'anytime anywhere'** credit facility that is tailored to meet the needs of MSMEs. Stawi was developed by a consortium of five banks convened by CBK following a listening tour to MSMEs hubs in Nairobi in January 2019. The findings of the tour indicated that MSMEs needed finance that is convenient, accessible and preserves their dignity. Stawi meets these needs and fills the apparent gap that existed in the MSMEs financing. Stawi was softly launched in May 2019 and officially launched at the Inaugural Inua Biashara Day in November 2019.

2.13 Employment Trend in the Banking Sector

The banking sector staff level marginally increased by 136 (0.43 percent) from 31,889 in December 2018 to 32,025 in December 2019 (**Table 12**). Management and supervisory staff increased by 2.1 percent and 7.2 percent, respectively, while clerical and Support staff reduced by 3.8 percent and 4.7 percent, respectively, thus leading to the overall increase in staff levels. The decrease in clerical and Secretarial staff was due to the emergence of more specialized roles in information technology and data as banks moved to digital platforms and market development roles.

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Table 12: Employment in the Banking Sector

	2018	2019	Change	% Change
Management	10,499	10,717	218	2.08
Supervisory	6,785	7,270	485	7.15
Clerical and Secretarial	12,431	11,965	-466	-3.75
Support Staff	2,174	2,073	-101	-4.65
Total	31,889	32,025	136	0.43

Source: Central Bank of Kenya

2.14 Future Outlook

Looking ahead, the banking sector remains fully cognizant of and ready to continue playing its role in driving the economy and impacting livelihoods. Beyond its traditional functions of financial intermediation and payments, the industry also continues keeping sight of longer-term issues such as climate-change, environmental sustainability and diversity, and integrating them in business decisions. The pursuit of profit in an ethical way is an increasingly central consideration in business decisions as the banking sector continually strives to 'do the right thing'.

On its part, the Central Bank of Kenya is committed to working with all stakeholders in the banking and wider financial sector to effectively navigate the dynamic operating environment and deliver on its commitments as laid down in the Kenya Banking Sector Charter. CBK will continue to engage closely with all players to realize this vision.

CHAPTER 3

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MACROECONOMIC CONDITIONS AND BANKING SECTOR PERFORMANCE

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3.1 Global Economy

Growth of the global economy is estimated to have decelerated to 2.9 percent in 2019 from 3.6 percent in 2018. The deceleration in growth was a result of a confluence of factors that include trade tensions and tariff hikes between the United States and China, a decline in business confidence, a tightening of financial conditions, and heightened policy uncertainty. Global growth is projected to contract by 3.0 percent in 2020, a downward revision of more than 6 percentage points relative to the October 2019 World Economic Outlook (WEO) and January 2020 WEO due to the impact of the Coronavirus (COVID-19) pandemic (**Table 13**). However, the rebound of global output activity in 2021 depends critically on the pandemic fading in the second half of 2020, allowing containment efforts to be gradually scaled back and restoring consumer and investor confidence.

Economic growth in the advanced economies declined to 1.7 percent in 2019 from 2.2 percent in 2018. The slowdown was occasioned by weaker growth in the Euro area, which declined to 1.2 percent in 2019 from 1.9 percent in 2018, partly attributed to prolonged Brexit deal resolution which weighed on investment spending within the Euro area. The IMF projects growth in the US and Euro area to contract by 5.9 percent and 7.5 percent in 2020, before rebounding to a similar growth of 4.7 percent in 2021, respectively, as the adverse effects on the COVID-19 wane in the second half of 2020. The pandemic has been extremely severe especially in Italy (-9.1 percent) and Spain (-8.0 percent), respectively (**Table 13**).

Table 13: World Economic Outlook Projections

Real GDP Growth (%): IMF								
Country/Region	Actuals		Projections					
	2018	2019	April 2020		October 2019		Difference	
			2020	2021	2020	2021	2020	2021
World Output	3.6	2.9	-3.0	5.8	3.4	3.6	-6.4	2.2
Advanced Economies	2.2	1.7	-6.1	4.5	1.7	1.6	-7.8	2.9
USA	2.9	2.3	-5.9	4.7	2.1	1.7	-8.0	3.0
Euro Area	1.9	1.2	-7.5	4.7	1.4	1.4	-8.9	3.3
Germany	1.5	0.6	-7.0	5.2	1.2	1.4	-8.2	3.8
France	1.7	1.3	-7.2	4.5	1.3	1.3	-8.5	3.2
Italy	0.8	0.3	-9.1	4.8	0.5	0.8	-9.6	4.0
Spain	2.4	2.0	-8.0	4.3	1.8	1.7	-9.8	2.6
Japan	0.3	0.7	-5.2	3.0	0.5	0.5	-5.7	2.5
UK	1.3	1.4	-6.5	4.0	1.4	1.5	-7.9	2.5
Emerging Market and Developing Economies	4.5	3.7	-1.0	6.6	4.6	4.8	-5.6	1.8
China	6.7	6.1	1.2	9.2	5.8	5.9	-4.6	3.3
India	6.1	4.2	1.9	7.4	7.0	7.4	-5.1	0.0
Russia	2.5	1.3	-5.5	3.5	1.9	2.0	-7.4	1.5
Brazil	1.3	1.1	-5.3	2.9	2.0	2.4	-7.3	0.5
Sub-Saharan Africa	3.3	3.1	-1.6	4.1	3.6	3.7	-5.2	0.4
Nigeria	1.9	2.2	-3.4	2.4	2.5	2.5	-5.9	-0.1
South Africa	0.8	0.2	-5.8	4.0	1.1	1.4	-6.9	2.6

Source: IMF World Economic Outlook (WEO) April 2020

MACROECONOMIC CONDITIONS AND BANKING SECTOR PERFORMANCE

In the Emerging markets and developing economies, activity was subdued reflecting spillover effects from global economic activities and financial market conditions in 2019 alongside country specific factors. Overall, the economic growth for this region was 3.7 percent in 2019 from 4.5 percent in 2018. According to IMF estimates, growth of the region is expected to worsen to 1.0 percent in 2020 before picking up to 6.6 percent in 2021, a markdown by 5.4 percentage points relative to the January WEO projection. It is expected to pick up to 6.6 percent in 2021. The significant downward revision to the 2020 growth projection reflects largely anticipated domestic disruptions to economic activity from COVID-19.

3.1.1 Risks to the Global Growth Outlook

There is however, a lot of uncertainty around the global growth forecast. This is because economic activity is being affected by factors that are difficult to predict. These include the pathway to the COVID-19 pandemic, intensity and efficacy of containment efforts, extent of supply disruptions, behavioral changes and spending patterns, confidence effects, and volatile commodity prices.

The balance of risks to global growth remain on the downside even after the severe downgrade. The downside risks include stronger and longer lasting effects of the health crisis on economic activity and financial markets thus testing the limits of central banks to backstop the financial system and further raising the fiscal burden.

3.2 Regional Economy

In Sub-Saharan Africa (SSA), growth declined marginally to 3.1 percent in 2019 from 3.3 percent in 2018, and is expected to contract by 1.6 percent in 2020 before rebounding by 4.1 percent in 2021, driven mainly by South Africa and Nigeria. The Nigerian and South African economies are projected to grow by 2.4 percent in 2020 and 4.0 percent in 2021, respectively, largely influenced by decline in commodity prices (**Table 13**).

3.3 Domestic Economy

The economy recorded strong performance in 2019 despite the delayed onset and below average rainfall experienced in the first half of the year which affected the agriculture sector. Real GDP grew by 5.4 in 2019 compared to 6.3 percent in 2018 mainly supported by the services sector (**Table 14**).

Agriculture sector growth was subdued. It grew by 3.6 percent compared to 6.0 percent in 2018. However, non-agriculture sector grew by 5.9 percent compared to 6.4 percent in 2018 on account of strong performance of the services sector. The services sector recorded robust and balanced growth of 6.7 percent compared to 7.0 percent in 2018. It was mainly driven by:

- Accommodation and Restaurant sector: This grew by 10.3 percent compared to 16.6 percent in 2018. The strong performance resulted from improved security and removal of travel advisories during the period.
- Information and Communication sector: Grew by 9.0 percent compared to 11.3 percent in the previous year, supported by the telecommunications sector following the introduction of new products as well as leveraging on economies of scale associated with high levels of cellular and internet services penetration.
- Finance and Insurance sector: Grew by 6.6 percent compared to 5.3 percent in 2018, largely supported by increased credit uptake by the private sector and life insurance premiums.
- Transport and Storage sector: Grew by 7.8 percent compared to 8.5 percent in 2018. The strong performance was underpinned by low international oil prices, the continued expansion of transport infrastructure and high air passenger flow. In addition, the volume of pipeline throughput and freight transported by SGR increased significantly during the period.
- Wholesale and Retail Trade sector: Grew by 6.6 percent compared to 6.9 percent in 2018.

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- Industry sector recorded slower growth despite strong performance of Construction sector. It grew by 4.7 percent compared to 5.5 percent in 2018.
- Manufacturing sector grew by 3.3 percent compared to 4.3 percent in 2018. The subdued performance was mainly occasioned by significant declines in tea processing, sugar production, processed and preserved fish and vegetables. However, these declines were counterbalanced by enhanced production of cooking fat, dairy products, bread, meat and meat products, beverages and grain mill products.
- Construction sector grew by 6.4 percent compared to 6.9 percent in 2018. Growth was strong on account of investments in road construction and development of housing projects under the affordable housing programme of the Big 4 Agenda.

Table 14: Real GDP Growth Rates (Percent)

	2017Q1	2017Q2	2017Q3	2017Q4	2018Q1	2018Q2	2018Q3	2018Q4	2019Q1	2019Q2	2019Q3	2019Q4	2018	2019
1. Agriculture	4.0	0.5	2.3	(1.3)	6.7	5.9	6.8	3.9	4.7	2.9	2.4	4.0	6.0	3.6
2. Non-Agriculture (o/w)	5.7	5.7	4.9	6.5	6.0	6.0	6.5	7.1	5.8	6.0	5.9	5.8	6.4	5.9
2.1 Industry	4.5	4.0	2.7	4.3	4.5	5.0	6.0	6.4	4.7	5.4	4.7	3.8	5.5	4.7
Mining & Quarrying	5.6	4.1	4.5	3.6	3.1	3.5	3.2	1.2	1.4	5.0	3.4	0.3	2.7	2.5
Manufacturing	1.9	0.4	0.4	0.1	3.2	3.9	5.1	5.2	3.5	4.0	3.2	2.3	4.3	3.3
Electricity & water supply	8.2	8.3	5.8	5.4	6.1	8.3	8.1	9.5	7.8	7.3	6.4	6.4	8.0	7.0
Construction	7.9	9.1	5.4	11.2	6.7	5.6	7.3	7.7	6.1	7.2	6.6	5.7	6.9	6.4
2.2 Services	6.5	6.3	5.8	7.2	6.6	6.4	6.8	8.0	6.4	6.8	6.7	6.8	7.0	6.7
Wholesale & Retail Trade	3.5	5.1	6.7	7.5	5.6	6.5	7.3	7.9	6.3	7.8	6.1	6.4	6.9	6.6
Accommodation & restaurant	24.0	12.4	12.1	8.9	13.3	15.1	15.5	21.5	11.0	12.1	9.9	9.0	16.6	10.3
Transport & Storage	7.8	6.9	5.2	9.0	6.5	6.6	8.5	11.8	6.4	7.6	7.6	9.2	8.5	7.8
Information & Communication	13.4	11.2	10.7	9.4	13.2	11.7	9.8	10.6	10.2	7.8	8.1	9.4	11.3	9.0
Financial & Insurance	3.9	3.3	2.1	1.4	4.0	3.5	5.1	8.5	6.3	5.2	8.1	6.6	5.3	6.6
Public administration	2.6	3.1	4.4	8.8	5.5	6.1	7.1	8.1	8.9	8.7	8.4	6.2	6.7	8.1
Professional, Administration & Support Services	3.4	5.1	2.1	4.3	6.2	7.5	6.6	3.5	5.5	4.2	4.8	4.9	5.9	4.9
Real estate	6.5	6.4	6.1	5.6	5.1	4.5	3.8	3.1	4.8	6.0	5.5	5.0	4.1	5.3
Education	5.1	5.2	4.7	5.8	5.1	5.1	5.5	7.3	4.2	6.0	6.1	5.4	5.8	5.4
Health	3.4	5.1	4.5	4.0	4.1	3.4	5.3	4.5	5.4	6.2	5.5	6.2	4.4	5.8
Other services	6.2	4.8	4.6	4.7	3.6	4.6	5.0	6.5	5.6	5.6	5.3	3.8	4.9	5.1
FISIM	(1.5)	(5.5)	(2.5)	(7.9)	(3.1)	(2.4)	1.9	7.4	4.6	7.3	6.8	5.7	0.9	6.1
2.3 Taxes on products	4.1	6.3	4.8	7.4	6.1	6.0	6.2	4.3	4.7	4.0	4.2	4.5	5.6	4.4
Real GDP Growth	5.2	4.4	4.4	5.1	6.2	6.0	6.6	6.5	5.5	5.3	5.2	5.5	6.3	5.4

Source: KNBS and Central Bank of Kenya staff computations

3.3.1 Economic Outlook for 2020

The strong economic outlook projected early in the year has waned following the devastating impact of the COVID-19 pandemic. Real GDP growth is expected to decelerate to 2.3 percent. Leading Economic Indicators point to a strong growth in the first quarter

of 2020 suggesting a delayed impact of COVID-19 on the economy. However, growth is expected to weaken in the second quarter, due to the adverse impact of the containment measures by Government and the International community, which have affected performance particularly in transport and storage, trade and accommodation and restaurants. In view of

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the strong government response to the pandemic, the cautious reopening of the global economy, it is expected that economic recovery will commence.

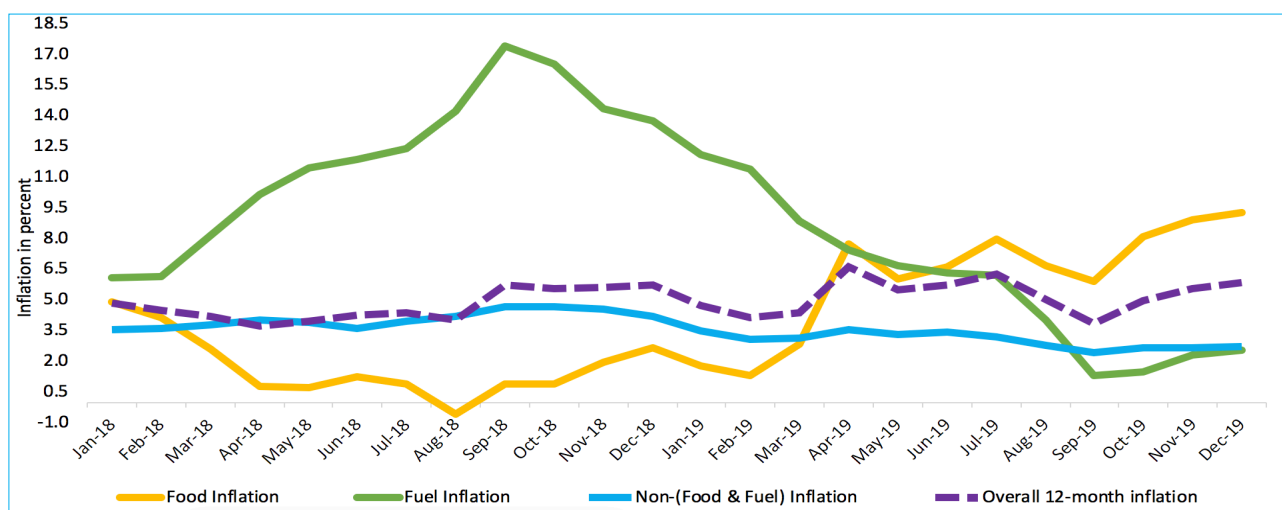
3.4 Inflation

Overall inflation has remained well anchored within the Government target band. As measured by the Consumer Price Index (CPI), it increased to 5.2 percent in 2019 from 4.7 percent in 2018 mainly on account of significant increases in the prices of selected key food items. Non-

Food-Non-Fuel (NFNF) inflation remained low in 2019, reflecting muted demand pressures in the economy supported by prudent monetary policy (**Chart 6**).

Inflation is projected to remain stable within the medium-term target band of 5 ± 2.5 percent on account of low international oil prices, muted demand pressures and improved food production supported by the good weather conditions.

Chart 6: Developments in inflation



Source: KNBS and Central Bank of Kenya staff computations.

3.5 Exchange Rate

The foreign exchange market remained stable supported by a continued narrowing of the current account deficit and balanced flows. The Kenya shilling strengthened against the US dollar to exchange at an average rate of 101.34 in 2019 from an average of 101.85 in 2018 (**Table 15**).

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Table 15: Exchange Rate Developments

	USD Dollar	Sterling Pound	EURO	SA RAND	USHS	TSHS	RWF	BIF
2017	103.23	138.75	123.28	8.35	35.21	21.70	8.32	17.10
2018	101.85	129.02	116.45	7.08	36.46	22.58	8.77	17.60
2019	101.34	132.94	113.37	7.19	36.17	22.68	9.36	18.54

Source: Central Bank of Kenya

3.6 Interest Rates

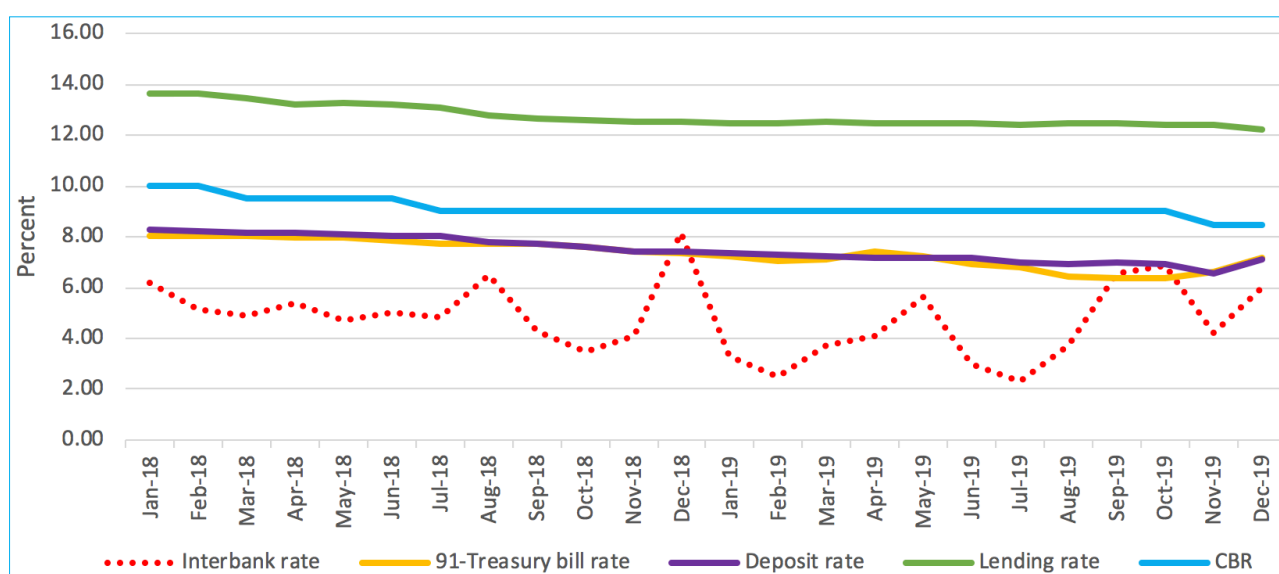
All interest rates generally declined in 2019, partly reflecting the reduction in the Central Bank Rate (CBR) during the last quarter of 2019. The MPC lowered the CBR from 9.0 percent in October 2019 to 8.50 percent in November 2019, noting that inflation expectations were well anchored within the Government target range and that economic output was below its potential level. The average 91-day Treasury bill rate declined to 6.92 percent in 2019 from 7.76 percent in 2018, while the average 182-day Treasury bill rate declined to 7.87 percent from 9.56 percent (**Chart 7**).

Commercial banks' average lending interest rates remained within the interest rate caps though the interest rate caps regime was repealed for new loans

in November 2019. The average commercial banks' lending rate declined to 12.44 in 2019 from 13.06 percent in 2018. The average commercial banks' deposit rate decreased from 7.91 percent to 7.07 percent in 2019, partly reflecting the repeal of minimum interest floor on deposits in 2018. The interest rate spread increased to an average of 5.38 percent in 2019 from 5.15 percent in 2018.

The average interbank rate declined to 4.32 percent in 2019 from 5.22 percent in 2018, largely reflecting improved liquidity conditions in the money market. However, the interbank rate was relatively volatile during the year; ranging from an average of 2.51 percent in February to a peak of 6.86 percent in October 2019, partly reflecting market segmentation.

Chart 7: Interest Rates (percent)



Source: Central Bank of Kenya

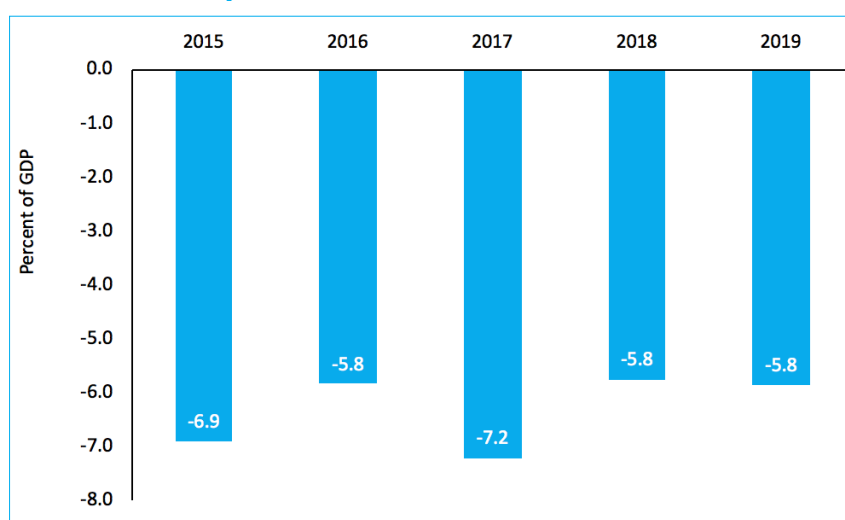
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3.7 Balance of Payments

The current account deficit remained stable at 5.8 percent of GDP in 2019, supported by improved receipts from exports mainly horticulture, transport and tourism services, resilient diaspora remittances, and lower food and oil imports (**Chart 8**).

percent of domestic and external debt, respectively. The ratio of public debt to GDP rose to 61.5 percent in December 2019 from 57.3 percent in the December 2018.

Chart 8: Developments in Current Account



3.8 Fiscal Developments

Total government revenues and grants amounted to Ksh.892.5 billion in the period July-December 2019, representing an increase of 11.1 percent from Ksh.803.5 billion collected in a similar period of FY 2018/2019 (**Table 16**). All taxes fell below set targets in the first half FY2019/20, due to a slowdown in the economy which adversely affected revenue collection. However, total expenditure and net lending increased by 13.3 percent during the first half of the FY 2019/20 to Ksh.1, 218.1 billion compared to Ksh.1, 075.5 billion in a similar period in 2018. Consequently, Government budgetary operations during the period under review, resulted in a deficit of Ksh.307.6 billion (3.0 percent of GDP) on cash basis compared with a deficit of Ksh. 272.0 billion (2.9 percent of GDP) incurred in the same period in 2018. The deficit was within the target of 3.0 percent of GDP.

Kenya's public and publicly guaranteed debt increased by 14.7 percent from Ksh.5,272.5 billion in December 2018 to Ksh.6,048.9 billion in December 2019, with both domestic and external debt increasing at 15.4 percent and 14.1 percent, respectively. Public debt profile comprised 48.6 percent and 51.4

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Table 16: Fiscal Developments

	FY 2018/2019		FY 2019/2020				Over (+) /	%
	Q2	Cumulative to Dec-2018	Q1	Q2	Cumulative to Dec-2019	Target	Below (-) Target	Variance
1. TOTAL REVENUE & GRANTS	428.7	803.5	424.0	468.4	892.4	999.0	(106.6)	(10.7)
Ordinary Revenue	423.6	794.7	421.2	461.1	882.2	982.5	(100.2)	
Tax Revenue	351.4	680.8	371.5	385.2	756.6	831.7	(75.1)	
Non Tax Revenue	38.6	52.1	18.4	46.3	64.7	51.7	13.0	
Appropriations-in-Aid	33.5	61.8	31.3	29.6	60.9	99.1	(38.2)	
External Grants	5.1	8.8	2.8	7.3	10.1	16.5	(6.4)	
2. TOTAL EXPENSES & NET LENDING	616.0	1075.5	544.6	673.5	1218.1	1309.5	(91.4)	(7.0)
Recurrent Expenses	317.8	643.9	391.2	436.6	827.7	798.2	29.5	
Development Expenses	206.6	311.9	95.9	172.2	268.1	348.8	(80.6)	
County Transfers	91.6	119.7	57.5	64.7	122.2	162.5	(40.3)	
Others	-	0.0	0.0	0.0				
3. DEFICIT (INCL. GRANTS) (1-2) (COMMITMENT BASIS)	(187.4)	(272.0)	(120.7)	(205.0)	(325.7)	(310.5)	(15.2)	4.9
As percent of GDP	(1.9)	(2.9)	(1.2)	(2.0)	(3.1)	(3.0)		
4. ADJUSTMENT TO CASH BASIS	-	0.0	4.1	14.0	18.1	-		
5. DEFICIT INCL. GRANTS ON A CASH BASIS	(187.4)	(272.0)	(116.5)	(191.1)	(307.6)	(310.5)	2.9	(0.9)
As percent of GDP	(1.9)	(2.9)	(1.1)	(1.8)	(3.0)	(3.0)		
6. DISCREPANCY: Expenditure (+) / Revenue (-)	-	4.3	(22.6)	-31.9	54.5	-	54.5	
7. FINANCING	213.4	(276.2)	93.9	159.2	253.2	233.7	19.5	8.3
Domestic (Net)	85.6	130.8	80.8	90.1	170.9	159.3	11.6	
External (Net)	126.9	144.4	13.1	67.5	80.7	72.9	7.8	
Other Dom. Financing (domestic loan receipts)	1.0	1.0	0.0	1.6	1.6	1.4	0.1	
Others	-		-		-	-	-	

Source: The National Treasury-Provisional BOT-

3.9 Performance of the Banking Sector

The banking sector recorded a strong performance in year ended December 2019 compared to 2018. The sector recorded a 4.2 percent growth in pre-tax profits during the year. The sector recorded strong capitalization levels as a result of retention of profits and additional capital injection with capital and reserves increasing by 7.4 percent in 2019 compared to a 5.3 percent. Over the same period, asset quality slightly improved with the non-performing loans (NPLs) ratio decreasing to 12.5 percent in December 2019 from 12.7 percent in December 2018.

3.10 Commercial Banks Balance Sheet Analysis

The banking sector registered improved financial strength in 2019, with total net assets recording an increase of 9.09 percent from Ksh.4,408.6 billion in December 2018 to Ksh.4,809.4 billion in December 2019 (**Table 17**). This is attributable to increased investment in Government securities and loans and advances. Government securities increased by 9.55 percent from Ksh.1,188.4 billion in December 2018 to Ksh.1,302.0 billion in December 2019. Net loans and advances registered an increase of 7.6 percent from Ksh.2,318.1 billion in December 2018 to Ksh.2,494.0 billion in December 2019.

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Net loans and advances, government securities and placements accounted for 51.9 percent, 27.1 percent and 4.5 percent of the total net assets, respectively and remained the main components of the banks' balance sheet.

Table 17: Global Balance Sheet Analysis (Ksh.M)

	Dec-18	Dec-19	% of Total Assets/ Total Liabilities
Cash	68,636	72,013	1.50
Balances at Central bank	247,581	257,786	5.36
Placements	199,793	214,854	4.47
Government Securities	1,188,438	1,301,979	27.07
Investments	32,981	46,396	0.96
Loans and Advances (Net)	2,318,071	2,494,006	51.86
Other assets	353,093	422,376	8.78
Total Assets	4,408,593	4,809,410	100.00
Liabilities and Shareholders' Funds			
Customer Deposits	3,259,484	3,531,373	73.43
Other liabilities	470,766	549,215	11.42
Capital and Reserves	678,343	728,822	15.15
Total liabilities and Shareholders' Funds	4,408,593	4,809,410	100.00

Source: Central Bank of Kenya

Customer deposits, which are the main source of funding for the banks grew by 8.3 percent from Ksh.3,259.5 billion in December 2018 to Ksh.3,531.4 billion in December 2019. The growth was supported by mobilization of deposits through agency banking and mobile phone platforms.

In 2019, the banking sector capital and reserves increased by 7.4 percent from Ksh.678.3 billion in December 2018 to Ksh.728.8 billion in December 2019. The increase in capital and reserves is attributable to increase in retained earnings and share premium. Retained earnings increased by Ksh.29.7 billion from Ksh.327.8 billion in December 2018 to Ksh.357.5 billion in December 2019. Share premium increased by Ksh.18.9 billion from Ksh.91.0 billion in December 2018 to Ksh.109.9 billion in December 2019.

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, Real Estate and Manufacturing Sectors. In total, these four economic sectors accounted for 74.54 percent of gross loans in December 2019 as indicated in **Table 18**. Personal and Household, Trade and Agriculture sectors accounted for the highest number of loan accounts with a total of 98.48 percent. Trade, Personal and Household Manufacturing and Real Estate sectors accounted for the highest value of non-performing loans by registering 72.63 percent. This was mainly due to delayed payments from public and private sectors and slow uptake of housing units.

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The concentration of non-performing loans was mainly in Trade, Personal and Household Manufacturing and Real Estate and economic sectors in December 2019. 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 18: Sectoral Distribution of Loan Accounts, Gross Loans and NPLs-December 2019

	No of Loan A/Cs	% of Total	Gross Loans Ksh. M	% of Total	Gross NPLs Ksh. M	% of Total
Personal and Household	7,861,097	93.81	745,047.97	27.69	56,953.91	16.95
Trade	276,206	3.30	512,314.00	19.04	88,453.23	26.33
Real Estate	28,055	0.33	396,349.63	14.73	48,065.11	14.31
Manufacturing	19,764	0.24	352,189.88	13.09	53,893.69	16.04
Transport and Communication	38,415	0.46	186,390.34	6.93	19,233.62	5.73
Building and construction	12,293	0.15	108,973.10	4.05	24,386.30	7.26
Financial Services	17,698	0.21	102,381.27	3.80	6,819.33	2.03
Energy and water	2,910	0.03	100,532.78	3.74	11,013.39	3.28
Agriculture	115,511	1.38	89,579.05	3.33	16,841.32	5.01
Tourism, Restaurant and Hotels	6,764	0.08	77,695.78	2.89	8,281.55	2.47
Mining and Quarrying	1,131	0.01	19,455.74	0.72	1,987.76	0.59
Total	8,379,844	100.00	2,690,910	100.00	335,929	100.00

Source: Central Bank of Kenya

3.12 Asset Quality

The stock of non-performing loans (NPLs) increased by 6.3 percent from Ksh.316.7 billion in December 2018 to Ksh.335.9 billion in December 2019. Asset quality, which is measured by the ratio of gross NPLs to gross loans improved from 12.7 percent in December 2018 to 12.5 percent in December 2019 as shown in **Table 19** and **Appendix III** mainly due to a higher increase in gross loans of 8.2 percent as compared to increase in gross non-performing loans of 6.1 percent.

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

	Dec-18	Dec-19	% Change
Net Assets	4,408,593	4,809,410	9.09
Gross Loans and Advances	2,488,117	2,690,910	8.15
Total Loans	2,433,670	2,628,302	8.00
Net Loans	2,318,071	2,494,006	7.59
Gross Non-Performing Loans	316,712	335,929	6.07
Interest in Suspense	54,447	62,607	14.99
Total Non-Performing Loans	262,265	273,322	4.22
Total Provisions	115,599	134,296	16.17
Net Non- Performing Loans	146,666	139,026	-5.21
Gross Loans/ Net Assets (%)	56.4	56.0	-0.4
Gross NPLs/ Gross Loans (%)	12.7	12.5	-0.2
Net NPLs/ Gross Loans (%)	5.9	5.2	-0.7

Source: Central Bank of Kenya

3.12.1 Risk Classification of Loans and

Advances

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CBK's Prudential Guideline on Risk Classification of Assets and Provisioning requires commercial banks to classify facilities extended to their customers based on performance. The performance criteria are based on repayment capability of the borrower. The Loans are classified as either normal, watch, substandard, doubtful or loss.

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

The loans and advances in the normal category increased by 10.89 percent from Ksh.1,866.0 billion in December 2018 to Ksh.2,069.2 billion in December 2019. The loans in the normal category accounted for 76.9 percent of the total loans in 2019 compared to 75.0 percent in 2018. The loans in the watch category decreased by 6.37 percent from Ksh.307.39 billion in December 2018 to Ksh.287.80 billion in December 2019. The loans in the watch category accounted for 10.70 percent of the total loans in 2019 compared to 12.35 percent in 2018.

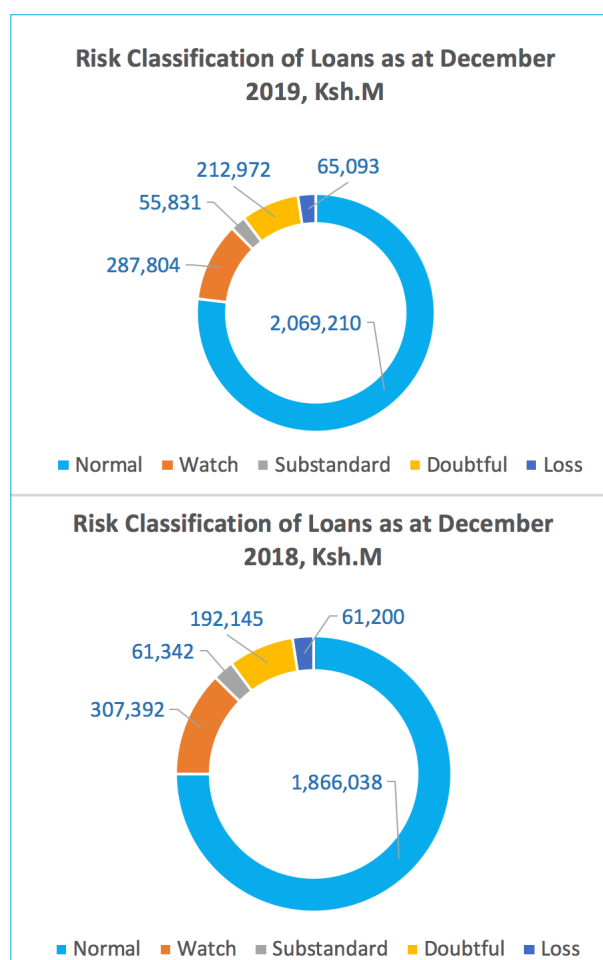
The loans in substandard, doubtful and loss categories accounted for 2.1 percent, 7.9 percent and 2.4 percent, respectively of the loan book in 2019, compared to 2.5 percent, 7.7 percent and 2.5 percent in 2018, respectively, as shown in **Table 20** and **Chart 9**.

Table 20: Risk Classification of Loans and Advances (Ksh.M)

	Dec-18	% of Total	Dec-19	% of Total
Normal	1,866,038	75.00	2,069,210	76.90
Watch	307,392	12.35	287,804	10.70
Substandard	61,342	2.47	55,831	2.07
Doubtful	192,145	7.72	212,972	7.91
Loss	61,200	2.46	65,093	2.42
Total	2,488,117	100.00	2,690,910	100.00

Source: Central Bank of Kenya

Chart 9: Risk Classification of Loans and Advances



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3.13 Capital Adequacy

The Central Bank of Kenya (CBK) Prudential Guideline on Capital Adequacy requires banks to comply with prescribed capital adequacy prudential ratios. The minimum capital adequacy ratios of Core Capital and Total Capital to Total Risk Weighted Assets are 10.5 percent and 14.5 percent respectively. The Core Capital to Total Risk Weighted Assets ratio increased from 16.5 percent to 16.8 percent in 2019. The Total Capital to Total Risk Weighted Assets ratio also increased from 17.8 percent in December 2018 to 18.8 percent in December 2019 as shown in **Table 21**. The increase in capital was higher than the increase in Total Risk Weighted Assets. Over the same period, the ratio of Core Capital to Total Deposits increased from 17.3 percent to 18 percent.

In 2019, the banking industry capital adequacy ratios were above the prescribed regulatory minimums.

Table 21: Capital Adequacy Ratios

	2016	2017	2018	2019	Minimum Capital Adequacy Ratios
Core Capital/TRWA (%)	15.6	16.0	16.5	16.8	10.5
Total Capital/TRWA (%)	18.6	18.5	17.8	18.8	14.5
Core Capital/Total Deposits (%)	18.1	18.3	17.3	18.0	8.0
*TRWA-Total Risk Weighted Assets					
Source: Central Bank of Kenya					

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 2019 stood at 49.7 percent compared to 48.6 percent registered in December 2018. 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 11.1 percent while total short-term liabilities grew by 8.5 percent. The banking sector's average liquidity in the twelve months to December 2019 was above the statutory minimum requirement of 20 percent.

3.15 Profit and Loss

The banking sector registered an increase in profitability in 2019 with profit before tax increasing by 4.2 percent to Ksh.159.1 billion in December 2019 from Ksh.152.7 billion in December 2018 as shown in **Table 22**. The increase in profitability was attributed to a higher increase in income (Ksh.24.7 billion) compared to increase in expenses (Ksh.6.4 billion).

3.15.1 Income

Total income for the banking sector increased by 4.2 percent from Ksh.513.5 billion in December 2018 to Ksh.537.3 billion in December 2019 as shown in **Table 22** below. The increase in income was largely attributed to increase in fees and commission for loans and advances which increased by Ksh.8.6 billion. Other income increased by 12.5 percent to Ksh.55.6 billion in 2019 from Ksh.49.4 billion in 2018.

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Table 22: Income and Expenditure Items as a Percentage of Total Income/Total Expenses

Income	Dec-18		Dec-19	
	Ksh.M	% of Total Income	Ksh.M	% of Total Income/total expenses
Interest on Advances	266,368	45.39	265,020	49.32
Fees and Commission for Loans and Advances	25,324	4.32	33,946	6.32
Other Fees and Commission Income	48,012	8.18	52,237	9.72
Interest on Government Securities	118,990	20.28	122,011	22.71
Interest on Placement	5,341	0.91	8,515	1.58
Other Income	49,419	20.92	55,578	10.34
Total Income	513,454	100.00	537,307	100.00
Expenses				
Interest Expenses	138,296	38.34	137,485	36.35
Bad Debts Charge	30,616	8.49	39,640	10.48
Salaries and Wages	91,090	25.25	96,055	25.40
Other Expenses	100,752	27.93	105,055	27.78
Total Expenses	360,754	100.00	378,236	100.00
Profit Before Tax	152,700		159,072	

Source: Central Bank of Kenya

3.15.2 Expenses

As shown in **Table 22** above, the banking sector expenses increased by 4.9 percent to Ksh.378.2 billion in December 2019 from Ksh.360.8 billion in December 2018. The increase in total expenses was largely attributed to increase in loan loss provisions by Ksh.9.02 billion in 2019. Interest expenses accounted for 36.4 percent of the total banking sector expenses in 2019. Interest expense as a ratio of income decreased from 26.9 percent in 2018 to 25.6 in 2019. Other expenses including training, advertising, printing and management fees increased by 4.3 percent to Ksh.105.1 billion in December 2019 from Ksh.100.8 billion in December 2018. Salaries and wages increased by 5.5 percent from Ksh.91.1 billion in December 2018 to Ksh.96.1 billion in December 2019. Salaries and wages as a ratio of income increased to 17.9 percent in 2019 from 17.4 percent in 2018 reflecting a higher 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 on a 5 scale rating as shown in **Table 23**.

The banking sector was on overall rated satisfactory in 2019 as was in 2018. The institutions rated strong, satisfactory, fair, marginal and unsatisfactory in December 2019 were 8, 20, 7, 2 and 2, respectively, as compared to 6, 20, 10, 3, and 1 in December 2018, respectively (**Table 23**). The number of institutions rated strong and unsatisfactory increased from 6 and 1 in December 2018 to 8 and 2 in December 2019, respectively. The number of institutions rated satisfactory did not change in December 2019 compared to December 2018. However, the market share for banks rated satisfactory increased to 68.64 percent from 62.74 percent. The number of institutions rated fair decreased from 10 in December 2018 to 7 institutions in December 2019 with market share decreasing by 1.29 percent.

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Table 23: Banking Sector Performance Rating

2018				2019		
Performance Rating	No. of Institutions	Total Net Assets (Ksh ‘Million)	Market Share (%)	No. of Institutions	Total Net Assets (Ksh ‘Million)	Market Share (%)
Strong	6	1,245,853	29.26	8	1,177,968	24.49
Satisfactory	20	2,774,838	62.74	20	3,301,374	68.64
Fair	10	235,650	5.11	7	183,831	3.82
Marginal	3	143,029	2.80	2	130,792	2.72
Unsatisfactory	1	9,223	0.09	2	15,445	0.32
Total*	40	4,408,593	100.00	39	4,809,410	100.00
Overall Rating	Satisfactory			Satisfactory		
* Charterhouse Bank Ltd in Statutory Management, and Imperial Bank Ltd and Chase Bank Ltd in Receivership have been excluded in the statistics						
Source: Central Bank of Kenya						

3.17 Compliance with Supervisory and Regulatory Requirements

During the year ended December 31, 2019, twelve banks were in violation of the Banking Act and CBK Prudential Guidelines compared to eleven banks in the previous year 2018. Most of the violations were in respect to violation 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, 2019 were as follows:

i. Single Obligor Limit

Nine 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

Seven 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.

iii. Capital Adequacy Requirements

Three 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. The same five banks were also in violation of Section 18 of the Banking Act and CBK Prudential Guidelines on Capital Adequacy, CBK/PG/03, Clause 4.1.2 due to failure to meet the minimum statutory required ratios for total capital and core capital to total risk weighted assets of 14.5 percent and 10.5 percent respectively and core capital to deposit ratio of 8 percent.

iv. Insider Lending

- Five 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.
- Four 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.

v. Foreign Exchange Exposure

Four banks were in violation of Central Bank of Kenya Prudential Guidelines 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.

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vi. Liquidity Management

Four banks were in violation of Section 19 (1) of the Banking Act due to failure to maintain the minimum statutory liquidity ratio of 20 percent.

vii. Restrictions on Advances, Credits and Guarantees

- Two banks were in violation of Section 11(1) (b) of the Banking Act that prohibits institutions from granting any facility to a company in which it has equity interest directly or indirectly that amounts to 25 percent or more of the share capital of that company.
- One institution was in violation of Section 11(1) (h) of the Banking Act that prohibits institutions from granting any credit facility, give guarantee, or incur any liability in a fraudulent or reckless manner.

viii. Restrictions on Advances for Purchase of Land

One institution was in violation of Banking Act, Section 14 (1) as it exceeded the limit on advances to real estate of 40 percent of total deposits.

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

3.18 Performance of Microfinance Banks

The microfinance banks registered improved performance in the year ended December 31, 2019. As shown in **Table 24** below, the sector reported a combined loss before tax of Ksh.339 million as at December 31, 2019, compared to a loss of Ksh.1.4 billion reported as at December 31, 2018.

Four institutions reported profits, while the remaining nine institutions registered losses. The main contributor to the loss-making position was Kenya Women Microfinance Bank PLC., which reported a loss before tax of Ksh.525 million.

The improved performance of the sector was largely attributed to the increase in interest income of 8.0 percent or Ksh.0.83 billion. Interest income accounted for 78.3 percent of the total income. The sector spent more to cover directors' emoluments, administrative expenses, and incurred more financial costs to attract deposits, with increases of Ksh.62 million, Ksh.218 million and Ksh.152 million, respectively. However, the increases were netted off by reduction in staff costs, rental charges and provisions for loan impairment by Ksh.285 million, Ksh.170 million and Ksh.142 million, respectively. Consequently, the sector reported an improved return on assets and equity ratio at negative 0.4 percent and negative 3.0 percent. The return on assets and equity ratio as at December 31, 2018 was negative 2.0 percent and negative 13.8 percent respectively.

Customer deposits increased by 7.3 percent, from Ksh.41.0 billion in 2018 to Ksh.43.9 billion. The growth in deposits was supported by mobilization of deposits as incentivized by higher returns and increased usage of alternative delivery channels.

Net loans similarly increased by 5.6 percent from Ksh.44.2 billion in 2018 to Ksh.46.7 billion. The upward trajectory was attributed to increased demand for credit by the various economic sectors, as well as increased adoption of technology as a lending platform.

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Table 24: Performance of MFBs - Ksh. 'M'

Parameter	2018	2019	% Change
Pre-Tax Profits	-1,437	-339	-76.4
Customer Deposits	40,961	43,941	7.3
Loan Portfolio (Net)	44,179	46,652	5.6
Core Capital/Total Risk Weighted Assets (%)	17.2	15.2	-2.0
Total Capital/Total Risk Weighted Assets (%)	17.9	18.2	0.3
Return on Assets (%)	-2	-0.4	2.4
Return on Shareholder's funds (%)	-13.8	-3	16.8
Number of Branches	118	123	4.2

Source: Central Bank of Kenya

The sector's capital levels declined in 2019 as a result of cumulative losses reported by the sector, coupled by increased provisioning in accordance with the requirements of International Financial Reporting Standard No. 9. As a result, the ratio of core capital to total risk weighted assets deteriorated from 17.2 percent to 15.2 percent in December 2019. The ratio of total capital to total risk weighted assets however, improved from 17.9 percent as at December 31, 2018 to 18.2 percent on account of increase in tier II capital. While the sectors' capital ratios were above the minimum requirement of 10 percent and 12 percent respectively, three institutions were non-compliant, as shown in **Appendix X**.

The microfinance sector established five new branches in the year under review, increasing the branch network to 123. Two of the new branches belong to Muungano MFB, a community microfinance bank licensed in November 2019. The sector established eight marketing offices bringing the total marketing offices to 119 from 111 in 2018. Similarly, the sector engaged 437 new specific third-party agents, increasing the number of agents from 2,010 in 2018 to 2,447.

As the sector continues to embrace the use of alternative delivery channels, it witnessed reduction in staff costs as the total number of staff declined by 34, from 3,969 to close at 3,935.

3.19 Agency Banking

The delivery of financial services through the agent banking model continued to increase in 2019 following a slight decline in 2018. During this period, 20 commercial banks and 5 microfinance banks (MFBs) had contracted 67,314 and 2,447 bank agents, respectively, recording an increase from 59,578 and 2,026 agents reported in December 2018. The change was due to a 13 percent (increase by 7,736 agents) and 20 percent (increase by 421 agents) growth

of the number of agents contracted by commercial banks and MFBs, respectively.

The increase in the number of agents is attributed to the growing confidence and acceptability of the agency banking model by financial institutions and the general public. This is illustrated by an additional one commercial bank that implemented the agency banking model during the period and the continued recruitment of specific agents by commercial banks (jointly recruited over 10,000 specific agents). Despite the increase, few commercial banks closed some of their agents, necessitated by lack of business and low income earned by the agents rendering the agents inactive.

Over 90 percent of the approved commercial bank agents were concentrated in 3 banks with the largest physical branch presence namely; Equity Bank with 33,341 agents, Cooperative Bank with 14,651 agents and Kenya Commercial Bank with 14,332 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 and Faulu Microfinance Bank Limited. During the same period, MFBs had established 119 deposit-taking marketing offices marking a slight improvement; up from 117 deposit-taking marketing offices in 2018.

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Number of Transactions

The number of banking transactions undertaken through bank agents increased by 3.6 percent from approximately 157.3 million transactions recorded in 2018 to 163.0 million in December 2019. A brief summary is provided in **Table 25 (a)** below;

Table 25 (a): Agency Banking Data for Banks- No. of Transactions

Type of Transactions	Number of Transactions			
	2018	2019	% Change	Cumulative (2010 -2019)
Cash Deposits	81,018,287	82,528,474	1.9	388,649,560
Cash Withdrawals	46,404,124	46,535,842	0.3	258,727,730
Payment of Bills	2,239,682	2,367,534	5.7	8,736,956
Payment of Retirement and Social Benefits	2,317,827	1,391,128	-40	9,267,541
Transfer of Funds	10,859	16,388	50.9	69,144
Account balance enquiries	24,738,964	29,304,050	18.5	113,403,790
Mini statement requests	381,619	789,500	106.9	1,659,358
Collection of loan applications forms	6,271	-	100	6,348
Collection of account opening forms	59,638	36,237	-39.2	1,761,561
Collection of debit and credit card application forms	-	-	-	-
Collection of debit and credit cards	-	-	-	-
Total	157,252,291	162,969,153	3.6	783,058,515
Number of Agents	59,578	67,314	13	67,314

Source: Central Bank of Kenya

The increase in total transactions was mainly as a result of increases in transactions relating to mini statements requests, transfer of funds, account balance enquiries and payments of bills, which increased by 106.9 percent, 50.9 percent, 18.9 percent and 5.7 percent, respectively. The growth in these transactions was due to aggressive agency banking campaigns carried out by some financial institutions to familiarize their agents with customers through stationing agents in the branches and encouraging customers to use agents for low value transactions below Ksh.100,000. In 2018, the increased transactions were attributable to mini statements requests, transfer of funds, account balance enquiries and cash withdrawals, which increased by 153.3 percent, 109.1 percent, 73.9 percent and 15.6 percent respectively.

On the other hand, transactions relating to payment of retirement and social benefits and collection of account opening application forms recorded a decline by 40.0 percent and 39.2 percent, respectively. The decline in transactions relating to 'payment of retirement and social benefits' was attributed to the delayed subsequent payments to beneficiaries due to the prolonged updates of the payment system for the cash transfer scheme and account details of the beneficiaries by the Government during the year. While the decline in collection of the account opening applications forms transactions was attributed largely to the increased prevalence of mobile phone banking accelerated by mobile phone penetration of over 100 percent during the period.

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Table 25 (b): Agency Banking Data for Banks- Value of Transactions (Ksh. 'M')

Type of Transactions				
	2018	2019	% Change	Cumulative (2010 to 2019)
Cash Deposits	906,044	897,903	-0.9	3,935,988
Cash Withdrawals	269,160	293,152	8.91	1,362,002
Payment of Bills	11,568	15,548	34.4	60,339
Payment of Retirement and Social Benefits	1,096	13,180	1,102	52,324
Transfer of Funds	376	436	-4.88	1,600
Total	1,188,327	1,220,218	2.68	5,412,252

Source: Central Bank of Kenya

Value of Transactions

In 2019, the value of banking transactions undertaken through agents increased from Ksh.1.18 trillion (USD 11.7 billion) in December 2018 to Ksh.1.22 trillion (USD 12.0 billion) in December 2019. The increase was attributed to the growth of transactions relating to payment of retirement and social benefits, payment of bills and cash withdrawals. These transactions experienced growth of 1,102.04 percent, 34.4 percent and 8.91 percent respectively, from the previous year. The payments of social benefits dubbed 'Inua Jamii' are normally paid by selected banks every two months in collaboration with the Government (Ministry of Labour and Social Protection). However, during this period, there were delays in the payments and the beneficiaries were paid in arrears resulting in high values of transactions relating to payment of retirement and social benefits.

Despite the overall increase in the value of transactions, there was a decline in transactions relating to transfer of funds and cash deposits in the year 2019 as highlighted in **Table 25 (b)** above, largely due to the continued preference of the mobile phone banking channel accelerated by high mobile phone penetration in Kenya.

3.20 Credit Reference Bureaus

The Credit Information Sharing (CIS) mechanism has become an integral part of the credit market in Kenya since its rollout in July 2010. While the number of licensed Credit Reference Bureaus (CRBs) remains three (3), namely: Transunion CRB, Metropol CRB and Creditinfo CRB, the bureaus have expanded their services beyond credit reports to include eKYC, fraud alerts and support for automated lending. The CIS mechanism continues to grow both in terms of data providers and usage of the bureau services.

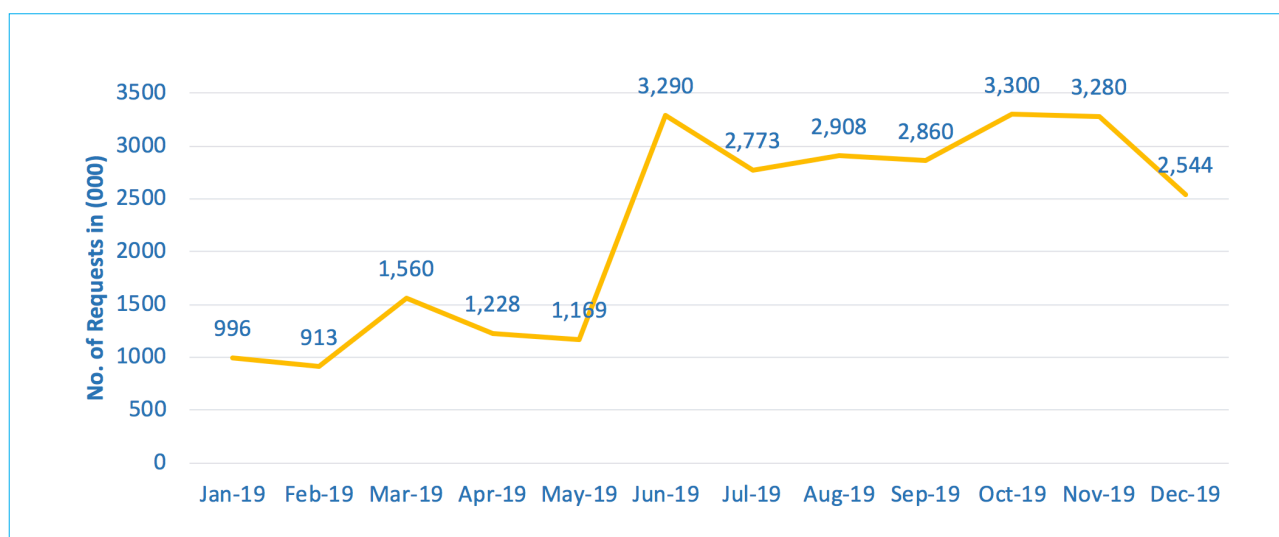
The number of credit reports requested by subscribing institutions (commercial banks and microfinance banks) increased significantly by 116 percent from 12.4 Million reports in 2018 to 26.8 Million reports in 2019. The increase is attributable to growth in mobile lending which is supported by customer credit reports accessed from bureaus. Similarly, the requests for credit reports by individual customers increased exponentially by 343 percent from 149,558 reports in 2018 to 661,891 reports in 2019. The increase is attributable to increasing customer awareness on their right to a free credit report every year and improvement in credit reports access channels provided by the bureaus using short message services, apps and emails. **Table 26 and Chart 10** below shows the credit reports accessed from the CRBs since the inception of the CIS mechanism in July 2010.

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Table 26: Number of credit reports requested since August 2010

Period	Banks*	% Change	Individual Customers	% Change
August - December 2010	284,722	-	434	-
January - December 2011	1,021,717	259	5,607	1,192
January - December 2012	1,015,327	-1	22,692	305
January - December 2013	1,275,522	26	26,361	16
January - December 2014	1,674,707	31	33,442	27
January - December 2015	5,966,729	256	75,078	125
January - December 2016	4,938,224	-17	84,412	12
January - December 2017	4,381,442	-11	131,587	56
January - December 2018	12,404,219	183	149,558	14
January - December 2019	26,822,614	116	661,891	343
Total	59,785,223		1,191,062	
*Commercial and Microfinance Banks				
Source: Central Bank of Kenya				

Chart 10: Total monthly credit report requests by banks to the three CRBs in 2019



The number of credit reports requested by banks increased gradually throughout the year, except for June, which experienced a surge in credit report requests due to increased demand for credit.

To enrich the credit information database, CRBs have made strides in collaborating with third party data providers (non-mandatory data providers) in information sharing. As at December 31, 2019, CBK had

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approved a total of 2,618 third party data providers, in accordance with Regulation 23(2) of the Credit Reference Bureau Regulations, 2013¹¹ compared to 2,118 data sources approved as at December 31, 2018. Most of the approved third-party data sources are Savings and Credit Cooperative Societies (SACCOs), credit-only microfinance institutions¹², trade institutions, and insurance companies. Further, CBK had approved a total of 262 specific third party agents for one CRB as at December 31, 2019.

CBK with Technical Assistance from the World Bank is currently implementing the ‘**Kenya Credit Reporting Strengthening Project**’. The project aims to strengthen the CIS mechanism by addressing various challenges facing the mechanism including low uptake of credit scores by banks, weaknesses in the quality of data, and negative public perception. The objectives of the project among others include, to promote the adoption of credit scoring, increase bureau usage, improve data quality, enhance supervisory capacity and raise the level of awareness and acceptance of credit reporting.

A Technical Working Group (TWG) comprising representatives from commercial banks, microfinance banks, Credit Information Sharing – Kenya (CIS-Kenya) and CBK was formed to implement the project work plan. Towards this end TWG developed a revised Data Specification Template (DST)¹³ aimed at improving the completeness, uniformity and comparability of shared data. DST version 4 was issued by CBK for use by all authorized credit information providers effective June 1, 2019. The changes introduced by the revised DST

include the introduction of daily submission of data to CRBs and standard validation checks to standardize the analysis of data by CRBs and enhance data acceptance rates among others.

3.21 Money Remittance Providers

As at December 31, 2019, there were a total of nineteen (19) licensed MRPs having increased from eighteen (18) in December 2018 following the licensing of one new MRP during the year. The licensed MRPs had a total of 46 outlets and 52 agents that were distributed across the country as shown in **Table 27**.

Table 27: Distribution of outlets and agents of MRPs

No.	City/Town	No. of outlets	% of Total	No. of agents	% of Total
1	Nairobi	36	78.20	24	46.20
2	Mombasa	5	10.90	2	3.80
3	Dadaab	-	-	4	7.70
4	Nakuru	-	-	2	3.80
5	Eldoret	-	-	2	3.80
6	Garissa	4	8.70	2	3.80
7	Kitale	-	-	1	1.90
8	Kajiado	-	-	1	1.90
9	Kakuma	-	-	1	1.90
10	Moyale	-	-	2	3.80
11	Mandera	-	-	2	3.80
12	Wajir	-	-	1	1.90
13	Isiolo	-	-	2	3.80
14	Malindi	-	-	1	1.90
15	Namanga	-	-	2	3.80
16	Kisumu	1	2.20	1	1.90
17	Malaba	-	-	1	1.90
18	Busia	-	-	1	1.90
	Total	46	100	52	100

Source: Central Bank of Kenya

¹¹ Credit Reference Bureau Regulations, 2013 were superseded by Credit Reference Bureau Regulations, 2020 on April 8, 2020 following the gazettment of the new CRB Regulations.

¹² On April 14, 2020 CBK withdrew approval granted to unregulated digital (mobile-based) and credit-only lenders as third party credit information providers to CRBs due to numerous public complaints over misuse of the CIS by the unregulated digital and credit-only lenders, and particularly their poor responsiveness to customer complaints.

¹³ The DST provides the detailed framework for data sharing, prescribing the required standardized format of data submission by credit providers to CRBs

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MRPs continue to play a significant role of facilitating remittance inflows and outflows through partnership with authorized international money remittance providers. Total remittances to the country processed through MRPs during the year 2019 amounted to Ksh.72,961 million having increased by 27 percent from Ksh.57,610 million in the year 2018 while the total remittances out of the country amounted to Ksh.50,411 million having decreased by 21 percent from Ksh.63,916 million in the year 2018.

CHAPTER 4

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DEVELOPMENTS IN SUPERVISORY FRAMEWORK

DEVELOPMENTS IN SUPERVISORY FRAMEWORK

4.1 Introduction

The Central Bank of Kenya undertook a number of initiatives geared towards enhancing the stability and resilience of the banking sector. These initiatives included:

- (a) **Kenya Banking Sector Charter:** CBK issued the Kenya Banking Sector Charter to banks in February 2019 binding them to practice customer centricity, transparency, risk-based credit pricing and ethical banking in their dealings with customers. All banks subsequently developed road maps towards compliance with the Charter, after which CBK engaged in discussions with the banks to ensure that their road maps are aligned with CBK's vision of a responsible and disciplined banking sector that works for and with all Kenyans.
- (b) **Banking Circular Number 15 of 2019** - Following the repeal of the interest rate caps, CBK vide Banking Circular Number 15 of 2019 reminded banks to adhere to the risk-based credit-pricing tenet of the Banking Sector Charter by *inter alia*, taking into account each customer's risk profile as well as information received from credit reference bureaus.
- (c) **Kenya Mortgage Refinance Companies Regulations, 2019:** In August 2019, CBK issued the Mortgage Refinance Companies Regulations, 2019 pursuant to the Central Bank of Kenya Act. The Regulations provide a framework for the licensing and regulation of mortgage refinance companies. The purpose of mortgage refinance companies is to secure long-term funding to primary mortgage lenders to increase availability and affordability of housing loans to Kenyans.
- (d) **Banking Circular Number 2 of 2019** - In March 2019, CBK issued Banking Circular Number 2 of 2019 that required each institution to nominate a competent external third party to undertake a

review of its anti-money laundering and combating the financing of terrorism (AML/CFT) program. The review was for purposes of providing assurance on the quality of banks' AML/CFT frameworks.

4.2 Amendments to the Banking Act, Central Bank of Kenya Act and Microfinance Act

- i) The Finance Act, 2019 amended the Banking Act by repealing the interest rate cap provisions under Section 33B of the Banking Act effective November 7, 2019, leaving market forces to determine interest rates.

The lending interest rates had been capped at four percentage points above the central bank's benchmark rate. The caps were intended to alleviate the repayment burden on borrowers and improve financial inclusion, as more individuals and firms would be able to borrow at the lower repayment rates.

- ii) In August 2019, CBK issued the Mortgage Refinance Companies Regulations, 2019 pursuant to the Central Bank of Kenya Act. The Regulations provide a framework for the licensing and regulation of mortgage refinance companies. The purpose of mortgage refinance companies is to secure long-term funding to primary mortgage lenders to increase availability and affordability of housing loans to Kenyans. The primary mortgage lenders are; banks, mortgage finance companies and SACCOs.
- iii) **Draft Microfinance Bill, 2019:** In order to address the changed financial services sector and enable microfinance banks who have been struggling to adjust to the new normal, CBK drafted and exposed the draft Microfinance Bill for public and stakeholder review and comments. These comments were received, considered and incorporated into the draft Bill to the extent possible. The draft Bill is currently with the Attorney General for legislative drafting.

DEVELOPMENTS IN SUPERVISORY FRAMEWORK

- iv) **Credit Reference Bureau Regulations, 2020:** CBK conducted a comprehensive review of the existing Credit Reference Bureau Regulations, 2013 and developed the Credit Reference Bureau Regulations, 2020 through a consultative process that began in 2018. The draft Regulations were exposed for stakeholder and public comments in 2019. The revised Regulations seek to promote a sound and inclusive banking sector, and support financial inclusion through transparent credit pricing. The Regulations have also incorporated the SACCOs, cooperative societies and public utility companies into the credit-information sharing framework, as well as cross-border credit information sharing.

4.3 Host Country Assessments

The Basel Core Principle (BCP) 12, on consolidated supervision, requires home regulators to assess the quality of host country supervision. In this regard, 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.

The assessments assist CBK to;

- Identify vulnerabilities to banking groups with cross border establishments, which might emanate from subsidiaries.
- Develop structured supervisory mechanisms to assess the quality of host country supervision practices, legal framework and bank's resolution frameworks.
- Establish agenda for bilateral discussions with the host country supervisors and where appropriate, Supervisory College agenda items.
- Develop the supervision strategies for Kenyan banks with foreign operations.

With Kenyan Banking Groups expanding in the region and beyond, Bank Supervision Department (BSD) conducts assessments on the reliability and effectiveness of the host country supervision frameworks. So far, BSD has conducted assessments in seven (7) jurisdictions both in EAC and beyond where Kenyan banks have establishments. Assessment in one of the jurisdictions was carried out in 2019.

Amongst the seven jurisdictions where assessments have been conducted, the supervisory practices, legal and regulatory frameworks in four (4) jurisdictions were found to be largely adequate and thus could be relied upon by CBK in the supervision of the hosted subsidiaries. Although during the assessments, gaps were identified in the legal and supervisory frameworks of two (2) jurisdictions, it was noted that considerable efforts were being undertaken by the hosts to improve on the quality of the frameworks.

Further, the assessments established that in one (1) jurisdiction, the legal and supervisory framework was inadequate, thus curtailing the effectiveness of supervision of Kenyan bank subsidiaries. Based on the assessment, CBK will conduct enhanced surveillance of Kenyan banks subsidiaries in this jurisdiction.

CBK will continue to monitor developments in the legal and regulatory framework in the jurisdiction and the likely implications to the hosted subsidiary. The developments will determine further supervisory measures to be undertaken by CBK on subsidiaries of Kenyan banking groups in the jurisdiction. Further, developments in the legal and regulatory frameworks in all jurisdictions hosting Kenyan banking subsidiaries will be reviewed to assess their likely impact on Kenyan banking groups.

DEVELOPMENTS IN SUPERVISORY FRAMEWORK

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

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 for its country and to develop a risk-based approach (RBA) in addressing the identified ML/TF risks. FATF could impose counter measures against the country for failing to undertake the national risk assessment. This could include issuing a public statement on Kenya's lack of adherence to international AML/CFT standards and eventual blacklisting.

Through a gazette notice issued in March 2019, CBK among other ministries, departments and agencies was appointed as members to the Task Force on National Risk Assessment on ML and TF. CBK together with the Financial Reporting Center constitute the Joint Secretariat to the Taskforce. A number of activities have been achieved on the NRA:

- **Sensitization Workshop for the NRA Taskforce:** On June 10-11, 2019, the NRA Secretariat in conjunction with the National Treasury with support from GIZ, the German development agency, conducted a sensitization workshop for NRA Taskforce including liaison officers. The workshop provided an overview of the international AML/CFT standards, Kenya's AML/CFT legal and institutional framework and FATF requirements for undertaking an NRA.
- **1st Meeting of the NRA Taskforce:** On June 17, 2019, the NRA Taskforce held its first meeting. Taskforce members were taken through the NRA Process including the basic workings of the World Bank NRA tool. The meeting also reviewed the terms of reference for the Taskforce and considered the modalities for communication regarding upcoming meetings and assignments.

The National Treasury also shared the Road Map or way forward in terms of completing the exercise.

- **NRA Secretariat:** The NRA Secretariat held several meetings and carried out preparatory work for upcoming events including preliminary talks with the World Bank regarding the provision of technical assistance on the NRA including availing the updated World Bank Tool to the Kenyan authorities.

Demonetization

CBK undertook a demonetization exercise in the period between June and September 2019. The exercise entailed withdrawal of high value Ksh.1,000 old generation notes, which were attractive for illicit financial and counterfeit flows. The exercise was aimed at addressing the grave concerns on illicit financial flows and the emerging risk of counterfeits. Financial institutions employed AML/CFT checks to all transactions and CBK closely monitored compliance. During the period, 3,172 suspicious transactions were flagged and investigated.

At the end of the exercise, KSh.7.386 billion was rendered worthless as a significant proportion of this amount represented cash that had been held by individuals who were unable or unwilling to be subjected to the checks that had been put in place.

The demonetization process was underpinned by:

- A robust AML/CFT framework: Financial institutions employed AML/CFT checks to all transactions and CBK closely monitored compliance.
- Co-ordination with national, regional and international regulators and other government agencies.
- Public sensitization and robust communication across multiple channels.

DEVELOPMENTS IN SUPERVISORY FRAMEWORK

International Financial Reporting Standards (IFRS)

IFRS 16 – Leases

The International Financial Reporting Standard (IFRS) 16 on Leases came into effect on January 1, 2019. IFRS 16 supersedes the previous standard relating to the accounting treatment of leases (IAS 17). IFRS 16 introduced a single lessee accounting model and requires a lessee¹⁴ to recognize assets and liabilities for all leases with a term of more than 12 months unless is of low value. A lessee is required to recognize a right of use asset representing its right to use the underlying leased asset and a lease liability representing obligation to make lease payments. Most banks in Kenya have adopted the modified retrospective approach¹⁵ in IFRS 16 implementation, therefore the comparative information has not been restated and continues to be reported under IAS 17. The significant judgements in IFRS 16 implementation were, determining whether banks will exercise extension options present in the lease contracts and determination of the incremental borrowing rate.

Adoption of IFRS 16 did not have material impact on the balance sheet and the statement of comprehensive income. Total assets and liabilities in the banking sector increased by an average of 1 percent from 2018 to 2019 resulting from introduction of right of use under assets and lease liability under liabilities. Similarly, total expenses increased by an average of 1 percent due to the introduction of depreciation of the right of use asset and

finance charge associated with the lease liability. There was a decline in operating lease expense between 2018 and 2019. In 2019, operating lease mainly relates to lease payments associated with low value items, short term leases and service charge. In 2018, all operating lease payments were recognised under operating expenses.

The adoption of IFRS 16 in 2019 did not have significant impact on banks' balance sheet, CBK will continue to monitor its impact on banks regulatory capital ratios.

¹⁴ A lessee is the party that makes one-time payment or a series of periodic payments to the lessor in return for the use of an asset or property. The lessee upholds specific obligations as defined in the lease agreement. A lessor is the owner of an asset that is leased under an agreement to a lessee.

¹⁵ Modified retrospective approach: This is IFRS 16 transmission approach where the cumulative impact of applying IFRS 16 is accounted for as an adjustment to equity at the start of the current accounting period in which it is first applied, known as the 'date of initial application'. Banks are therefore not required to restate the comparative periods.

CHAPTER 5

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REGIONAL AND INTERNATIONAL DEVELOPMENTS AND INITIATIVES

REGIONAL AND INTERNATIONAL DEVELOPMENTS AND INITIATIVES

5.1 Introduction

In 2019, CBK participated in a number of regional and global initiatives that fall within its supervisory mandate. CBK participates in these initiatives either by virtue of its membership in regional/global forums or by invitation.

In 2019, CBK hosted and participated at several meetings and training forums arranged by the Monetary Affairs Committee (MAC) of the East African Community, the Common Market for Eastern and Southern Africa (COMESA), IMF's East Africa Technical Assistance Centre and the Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG). The meetings were aimed at promoting convergence in Partner States' supervisory frameworks as we move towards the establishment of the proposed East African Monetary Union. In addition, Bank Supervision Staff continued to equip themselves on regulatory and supervisory matters through the Financial Stability Institute's (FSI) on-line learning tool, FSI Connect.

These engagements enable CBK to keep abreast with developments in the regional and international regulatory environment, broaden exposure to international developments, and provide capacity-enhancement opportunities to CBK staff.

5.2 Regional and International Initiatives

5.2.1 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 States¹⁶. The main task of MAC is to coordinate efforts by EAC Central Banks towards greater regional financial integration, stability and harmonization of financial systems. Ultimately, 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 are implemented through committees composed of technical officials whose work is overseen by the Governors. In 2019, the Bank Supervision Department participated in various MAC activities, including the following:

- A high-level meeting of MAC and microfinance regulators held in Arusha, Tanzania on June 26 - 28, 2019. The aim of the meeting was to consider the draft EAC Microfinance Policy and Implementation Strategy before subjecting them to in-country consultations. The proposed policy aims at providing a strategic direction for various stakeholders in addressing challenges and constraints facing the regional microfinance sector.
- The 23rd Ordinary Meeting of MAC held in Kigali, Rwanda from July 24 - 30, 2019. The meeting reviewed the progress of implementation of the action plan for priority areas towards operationalization of the EAMU Protocol. It also reviewed the progress on implementation of the decisions of the 22nd MAC meeting. In reference to activities under the purview of BSD, the meeting reviewed the progress of implementation of IFRS 9 by the EAC Central Banks; development of a framework for independent peer review of compliance with the Basel Core Principles; development of national crisis management frameworks for banking groups with regional operations as well as mechanisms to mitigate adverse effects of financial and economic crisis.
- A meeting of the MAC Banking Supervision and Financial Stability Sub-Committee held in Arusha, Tanzania from October 21 - 25, 2019. The meeting developed a proposed convergence criteria of various cross cutting prudential requirements including licensing requirements, minimum standards for prudential returns, vetting requirements, minimum standards for Consolidated Supervision and Information Technology Systems.

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

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- The meeting of the MAC Working Group on Crisis Management held in Kampala, Uganda from November 25 - 29, 2019. The objectives of the Working Group meeting was to compare National Crisis Management Frameworks as well as review and update the status of the implementation of the Working Group Action Plan.
- The Macro Prudential Analysis, Stress Testing and Statistics Working Group meeting held in Kampala, Uganda from December 2 - 6, 2019. The meeting assessed the progress on implementation of the Basel III and G20 recommendations by the Partner States Central Banks as well as cross border interlinkages in the EAC through network analysis. The participants were also taken through a presentation on developing a framework to identify regional systemically important banks in line with initiatives by Financial Stability Board and the Basel Committee on Banking Supervision.

5.2.2 East African Monetary Union (EAMU)

Efforts to implement the East African Monetary Union (EAMU) roadmap continued in 2019. Progress continued towards attaining the prerequisites required under the EAMU Protocol namely integration of regional financial systems and adoption of common frameworks for the regulation and supervision of the financial system. Efforts to harmonize monetary policy frameworks, exchange rate policies, supervisory rules and practices governing bank supervision, financial accounting principles, as well as payment systems went on.

Negotiations continued towards implementation of the agreed convergence criteria on supervisory rules and practices, particularly on coordination among member countries in implementing International Financial Reporting Standard (IFRS) 9 which introduced a new approach in loan provisioning and loss recognition.

EAC Central Bank Governors reviewed progress at the 23rd MAC Meeting held on July 30, 2019 in Kigali, Rwanda and noted the significant strides made towards operationalization of EAMU.

5.2.3 Common Market for Eastern and Southern Africa

The Common Market for Eastern and Southern Africa (COMESA) was formed in December 1994 and has 20-member countries. The vision of COMESA is to create a common market in the region with a single currency. To achieve this vision, COMESA hosts periodic forums for member countries to discuss progress and modalities of harmonization of monetary and supervisory practices.

CBK participated in the 24th Meeting of the COMESA Committee of Central Banks Governors held on December 13, 2019 in Lusaka, Zambia. The Governors meeting was preceded by a Symposium on the Role of the Central Banks in Advancing African Continental Free Trade Area (AfCFTA), and Tripartite Free Trade Area (TFTA) on December 12, 2019 and a meeting of the Committee of Experts on Finance and Monetary affairs on December 9 - 11, 2019.

During the meetings, the following issues were noted:

- i. The Central Banks play a role in advancing the African Continental Free Trade Area¹⁷ (AfCFTA) and Tripartite Free Trade Area (TFTA)¹⁸. This include formulating reforms and policies that reduce information asymmetry, create a conducive macroeconomic environment as well as innovative environment.
- ii. The need for Central Banks to support initiatives aimed at interconnecting the various Regional Payment and Settlement Systems for increased trade in the AfCFTA.

¹⁷The main objectives of the AfCFTA are to create a single continental market for goods and services, with free movement of business persons and investments, and thus pave the way for accelerating the establishment of the Customs Union.

¹⁸ A proposed African free trade agreement between the Common Market for Eastern and Southern Africa (COMESA), Southern African Development Community (SADC) and East African Community (EAC).

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- iii. The existing Bureau comprising Djibouti (Chairperson), Sudan (First Vice Chairperson), Burundi (Second Vice Chairperson), Egypt (First Rapporteur), and Zimbabwe (Second Rapporteur) will continue their roles till 2020. A New Bureau will be elected during the COMESA Committee of Governors meeting in Egypt in 2020.

The meetings also reviewed the status of implementation of the COMESA Assessment Framework for Financial System Stability and noted that: -

- Member states are at different levels of compliance with the revised Basel Core Principles on Effective Banking Supervision;
- Most COMESA member states have set up Financial Stability Units and the Financial Stability Committees;
- Implementation of Forward-looking Financial Stability Reports and implementation of macro-prudential policies were still work in progress for most member countries.

CBK also participated in the following training and workshops conducted by COMESA Monetary Institute (CMI): -

- COMESA training on Application of Econometric Software to Cross Sectional Data Using Financial Inclusion Data organised by the COMESA Monetary Institute on July 22-26, 2019 at the Kenya School of Monetary Studies (KSMS). During the training, the participants were trained how to use econometric software called strata to carry out analysis of large data for reports and surveys.
- COMESA Validation Workshop on “Early Warning Models for Banks in Financial Distress: An Application for Multinomial Panel Data Analysis Using Stata” at KSMS on November 4 -8, 2019. The participants noted that the increasing interconnectedness of banks and non-banks in the COMESA member countries could lead to systemic

risk. It is therefore imperative for the banking sector to undertake banking system interconnectedness and systemic risk assessment especially for cross-border banks taking root in the region.

- COMESA Validation Workshop on “Impact of Macroeconomic Developments on Financial Stability” at KSMS on November 11 – 13, 2019. During the Workshop, researchers made presentations on the impact of macroeconomic developments on financial stability for the participants’ feedback.

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

The Eastern and Southern Africa Anti-Money Laundering Group (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 2019, the Bank Supervision Department being the host of the Secretariat to the National Taskforce on Anti-Money Laundering and Combating the Financing of Terrorism (NTF), continued to coordinate Kenya’s participation in ESAAMLG activities including the 37th ESAAMLG Taskforce of Senior Officials Meeting held in Arusha, Tanzania from 2nd to 7th April 2019, the 38th ESAAMLG Taskforce of Senior Officials Meeting and the 19th Council of Ministers’ Meeting both held in Eswatini from 3rd to 7th September 2019. Some of the outcomes of the meetings included the following:

- i) The approval of the de-risking report which highlighted a number of negativities de-risking brings into the financial system; undermining financial system resilience; hindering competition; creating obstacles to trade; causing financial exclusion; and promoting underground financial channels that could be misused by criminals or terrorists.
- ii) A consideration to organize a risk-based supervision workshop.

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- iii) A consideration to organize the Public/Private Sector Dialogue (PPSD) at the next Council meeting.
- All 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 is to be assessed in 2021 under the revised program.
- Review Group D that has membership comprising of experts from 6 countries including Kenya reviews and assists countries in the FATF International Cooperation Review Group (ICRG) monitoring process.
- A work programme of ESAAMLG Secretariat was developed for the financial year 2019/2020 to cover:
 - i) Strengthening and enhancing regional and international cooperation among member countries.
 - ii) Enhancing ESAAMLG's cooperation and participation in AML/CFT regional and international initiatives.
 - iii) Increase and sustain the knowledge of money laundering and terrorist and proliferation financing trends and techniques in the region in order to effectively contribute to regional and international AML/CFT policy formulation.
 - iv) Sustaining effective Post Evaluation Implementation of AML/CFT measures in member countries under the first round of assessments.
 - v) Sustaining the second round of assessments and monitoring of ESAAMLG members' technical compliance with the FATF Recommendations and the effectiveness of the AML/CFT systems.
 - vi) Prioritizing and consolidating regional AML/CFT capacity building, particularly for assessing ML/TF risks and adopting risk-based approach to implementation of AML/CFT Standards.
 - vii) Promoting the Implementation of risk-based AML/CFT measures, which support implementation of financial inclusion initiatives.
 - viii) Expansion of ESAAMLG membership and increase the visibility of ESAAMLG in the Region
- Kenya's Post Implementation Evaluation report that is used to gauge the effectiveness of the AML/CFT system in place was considered. It was noted that Kenya having recorded positive progress in the previous years, needed to make sufficient progress in addressing the non-core and non-key Recommendations namely;
 - a) Preventive Measures – Designated Non-Financial Businesses and Professionals (DNFBPs);
 - b) Statistics;
 - c) Legal persons and beneficial ownership; and
 - d) Legal arrangements and beneficial ownership.

5.2.5 Alliance for Financial Inclusion (AFI)

The Alliance for Financial Inclusion (AFI) is a policy leadership network that empowers policymakers to increase access to quality financial services for the poorest populations. AFI is led by its members and partners, central banks and other financial regulatory institutions from developing countries. So far, AFI has 100-member institutions (84 Principal members and 16 Associate members) representing 89 countries. AFI members are heavily engaged in advancing financial inclusion policy at national, regional and international levels. Through the use of unique knowledge and experience, the network offers regulatory guidance, provides insights on innovative policy development and highlights proven solutions in various fields. CBK, being a principal member of AFI continues to participate in AFI activities through various platforms including working groups as well as other global initiatives. CBK is currently a Board Member of the AFI Board of Directors.

a) The 11th AFI Global Policy Forum

AFI has since 2009 held the Global Policy Forum (GPF), a platform for AFI members and other stakeholders to share experiences, knowledge and initiatives that have an impact in bringing financial services to the world's unbanked population. The 11th GPF was held in Kigali,

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Rwanda from September 11-13, 2019 in conjunction with the National Bank of Rwanda (BNR). The theme for the event was, “**Using Technology for Inclusion of Women and Youth.**” This was in line with the Denarau Action Plan adopted in 2016 where AFI members committed to cut the gender gap by half by 2021 within their respective jurisdictions. The objective of the 2019 GPF was therefore to showcase Rwanda’s experience and highlight how the use of technology can progress financial inclusion for the most vulnerable groups especially women and youth.

Over the years, AFI has provided an environment for historic financial inclusion policy initiatives and declarations during GPFs. The 11th GPF bore the **Kigali Statement** dubbed “Accelerating financial Inclusion for the Disadvantaged”. The Kigali Statement is a collective commitment by members to accelerate the achievement of their financial inclusion targets and leave no one behind. The members committed to do this by;

- Reinforcing and consolidating AFI’s actions targeting those who are disadvantaged from formal financial systems through financial inclusion policy interventions that respond to their specific needs.
- Promoting and implementing financial education and consumer protection policies, regulations and programs suitable for the disadvantaged groups.
- Designing financial inclusion policy interventions, which promote access to finance for entrepreneurs from disadvantaged groups.
- Strengthening partnerships with key stakeholders to promote and facilitate the design of appropriate products and services that ensure no one is left behind.
- Enhancing the benefits of evidence-based practical peer-to-peer knowledge exchanges to reinforce in-country implementation of financial inclusion policies.
- Sharing practical policy implementation experiences and knowledge through the network to accelerate implementation across the network.

- Reaffirming AFI’s commitment to accelerate the achievement of targets made under the Maya Declaration and the Five Financial Inclusion Accords (Sasana Accord, Maputo Accord, Denarau Action Plan, Sharm El Sheikh Accord and Sochi Accord).
- Ensuring that the AFI Data Portal is regularly updated to track implementation and share progress for the benefit of the wider network.

The 2020 GPF will be hosted by the Central Bank of Jordan. This will however be postponed to 2021 due to the Coronavirus (COVID-19) global pandemic.

b) African Financial Inclusion Policy Initiative (AfPI)

Originally known as African Mobile-Phone Financial Services Policy Initiative (AMPI), the African Financial Inclusion Policy Initiative (AfPI) is the primary platform for AFI’s African members to support and develop financial inclusion policy and regulatory frameworks in Africa. In addition, AfPI coordinates regional peer learning efforts among the AFI African Members. The activities of AfPI are supported by the AFI Management Unit through a governance structure that comprises of the Leaders Roundtable and an Expert Group on Financial Inclusion Policy (EGFIP).

The **Leaders Roundtable** is a gathering of AfPI leaders and high-level policymakers and regulators to discuss policy issues and provide strategic guidance. The 7th Annual Roundtable of the Leaders of AfPI was held in Abidjan, Cote d’Ivoire, from February 27-28, 2019. The two-day event was co-hosted by the Ministry of Economy and Finance of Cote d’Ivoire, Central Bank of West African States (BCEAO) and AFI. The objective of the event was to, inter alia, uncover insights from the private sector representatives and other stakeholders on practical ways to implement in Africa, the two policy frameworks, adopted during the AFI GPF in September 2018. These frameworks were on innovative cross-border remittances and digital financial services interoperability.

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In addition, and as part of the agenda, high level representatives from AFI member institutions in Africa celebrated the official opening of the AFI Regional Office for Africa, based in Abidjan. The Regional Office seeks to ensure AFI's greater proximity to its members in Sub-Saharan Africa (SSA) and Middle East and North Africa (MENA) and respond efficiently to their needs.

The **EGFIP** is a group, which is made up of senior officials from AFI member institutions, that undertakes the technical implementation of AfPI activities. The team also provides insights on policy and regulatory approaches to help address pertinent regional and sub-regional challenges of enhancing financial inclusion in Africa. The team held its 6th meeting on February 26, 2019 in Abidjan a day before the Leaders Roundtable Meeting. The objective of the meeting was to develop an implementation plan for the two policy frameworks adopted during the 2018 GPF as well as finalize the work on responsible digital credit framework.

The meeting brought together 11 experts from 13 AFI member countries who worked towards meeting the laid down objectives of the meeting. One of the outcomes of the meeting was the Regulatory and Supervisory Framework for Digital Credit, which was adopted during the 2019 GPF in Rwanda.

c) The AFI/CBK Training on Supervision of Digital Credit

AFI and CBK co-hosted the AFI's member training on Supervision of Digital Credit from November 6-8, 2019 at KSMS. The training was targeted at senior officials from National Payments System, Bank Supervision and Market Conduct Departments as well as Data Protection agencies and Securities and Exchange Commissions of AFI member institutions who are involved in developing policies/frameworks on digital credit.

The objective of the training was to enable participants identify the key criteria to be considered while developing a supervisory framework for the responsible

use of digital credit based on a Regulatory and Supervisory Framework for digital credit developed by AFI. The framework was developed following the discussions held during the AfPI meeting held in Abidjan in February 2019. It was then adopted by the AfPI leaders during the AFI GPF held in Rwanda. The training attracted about 60 participants drawn from 32 countries. The outcome of the training was a gender inclusive action plan developed by participants for their countries, or institutions, taking into account the main takeaways from the training.

5.2.6 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 aim of East AFRITAC is to enhance financial sector capacity in seven Eastern Africa countries (Eritrea, Ethiopia, Kenya, Malawi, Rwanda, Tanzania and Uganda). CBK has benefited from East AFRITAC's Technical Assistance (TA) and capacity building in various areas aimed at developing stronger and effective banking sector regulatory and supervisory frameworks. The TA missions undertaken by East AFRITAC at BSD and capacity building attended by BSD staff in 2019 are outlined below;

i) Technical Assistance Missions

An IMF - East AFRITAC mission provided Technical Assistance to eighteen BSD officers on Internal Liquidity Adequacy Assessment Process (ILAAP)¹⁹ framework for banks in March 2019. The aim of the mission was to build the capacity of BSD staff to enable them assess the adequacy and quality of the bank's liquidity management frameworks. CBK is in the process of adopting ILAAP as part of benchmarking its banking sector supervisory framework to global best practices.

¹⁹ ILAAP is a liquidity management framework issued by the Basel Committee for Banking Supervision for banking institutions to develop common methodologies of liquidity risk management.

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ii) Capacity Building Workshops/Trainings

The East AFRITAC consultants facilitated trainings for BSD staff as follows: -

- a) One BSD officer participated in a Regional Seminar on “Emerging Financial Technologies (Fintech): Balancing Innovation and Regulation”, in March 2019 in Pretoria, South Africa. The seminar was jointly organized by the East and South AFRITAC. The seminar provided a platform for the participants to share views and experience on the regulation and supervision of Fintechs, as well as their impact on financial services.
- b) In-house training on Stress Testing for 5 BSD officers in April 2019. Stress testing is a risk management technique used to evaluate the potential effects on an institution’s financial condition of specific events and/or movement in a set of financial variables. The Central Bank has adopted stress testing to facilitate regulatory monitoring and mitigation of systemic risk in the banking sector with a view to maintaining financial stability.
- c) Three BSD officers participated at the IMF-East ARITAC Workshop on Strengthening Consolidated Supervision, Domestic Systemically Important Banks Oversight and Basel II/III implementation in East Africa in December 2019 in Arusha Tanzania.

Part of CBK’s strategic objectives is to enhance the skills of its staff. In this regard, CBK and East AFRITAC have scheduled the following training missions and workshops for 2020:

- a) Advisory mission on implementation of International Financial Reporting Standards (IFRS) 9 for the banking sector. This TA will equip the supervisors with technical competence on assessing compliance with IFRS 9 for the banking sector (Expected Credit Loss model on credit provisioning).

- b) Capacity building of BSD staff on the implementation of Internal Liquidity Adequacy Assessment Process (ILAAP) by banks. This will be a continuation of the ongoing TA on the development of an ILAAP framework.
- c) Training on the development of Basel Core Principles (BCPs) EAC regional Peer Review Mechanism. This is a TA mission for EAC Central Banks, which will play a key role in developing and implementing a regional BCP Peer Review Mechanism. Given that there is no framework in place for conducting peer review of the EAC Central Banks’ self-assessment on compliance with BCPs, TA from East AFRITAC will provide guidance on the design and development of the proposed framework. The TA will also provide insights on how the framework can be used as tool for evaluating the individual EAC Central Banks’ self-assessments on compliance with BCPs during the peer reviews.
- d) Training on deployment of Regulatory Technology (Reg-Tech) and Supervisory Technology (Sup-Tech) in CBK’s surveillance processes as part of CBK’s initiatives aimed at enhancing banking sector stability. A wave of FinTech innovation is sweeping the globe, introducing risks related to new technology, business models and new products and services. Nevertheless, FinTech also has significant potential to contribute to objectives such as increasing the efficiency of financial sectors, and promoting competition and financial inclusion. This new reality requires regulators to review their regulations and assessing whether current supervisory and regulatory approaches remain adequate, or whether an overhaul is needed.
- e) Enhancement of BSD staff’s supervisory capacity in ascertaining the adequacy of cyber risk mitigating measures put in place by the banks. Further, the supervisors will be able to review responses by banks to emerging global technologies and innovations that are disruptive to the financial sector.

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- f) National Risk Assessment (NRA) on Anti-Money Laundering (AML) and Combating Financing of Terrorism (CFT) for the banks and deposit taking microfinance institutions. This is will play a key role in enhanced financial sector integrity.

5.2.7 Financial Stability Board's Regional Consultative Group for Sub-Saharan Africa

In 2019, CBK continued participating in activities of the Financial Stability Board (FSB) in the Sub-Saharan Africa region. The Bank was part of efforts to implement the FSB 2019 agenda, which had the following areas of focus:

- addressing new and emerging vulnerabilities in the financial system;
- finalizing, operationalizing and evaluating the effects of reforms adopted over the past 10 years following the 2008-10 global financial crisis;
- developing policy guidance on deployment of financial technology (FinTech) and entry of non-bank technology players (BigTech) in the financial sector, and
- mitigating cybersecurity risks posed to the financial system.

As part of its participation, CBK was represented at the FSB Regional Consultative Group meeting for Sub-Saharan Africa held in May 2019, which discussed, among others, the FSB's ongoing efforts to develop a toolkit of effective practices for both service providers and regulators in managing cyber-incidents. The meeting also reviewed regional progress and challenges faced by members in implementing the Basel framework in developing countries.

5.2.8 African Rural and Agricultural Credit Association (AFRACA)

The African Rural and Agricultural Credit Association (AFRACA) is a regional association of financial and non-financial institutions involved in promoting rural and agricultural finance in Africa. The 130-member

association has its secretariat based at KSMS, Nairobi. In its quest to promote inclusive finance in Africa, AFRACA held the following events in 2019;

- a. The AFRACA Best Practice Conference on Rural and Agricultural Finance held from September 20 to October 3, 2019, in Nairobi, Kenya. The Conference brought together: representatives from financial institutions, policy makers, regulators, international, regional and local experts as well as practitioners in rural and agricultural finance to share their best practices and experiences. The discussions were premised on the theme **"Innovative Agricultural & Inclusive Finance in Africa: Are we walking the Talk?"**. The event explored among other topics; the use of blended finance to support agriculture in Africa. CBK participated in this event with the Governor delivering opening remarks during the official opening of the conference.
- b. The 6th World Congress on Rural and Agricultural Finance which was held from November 12-13, 2019 in New Delhi, India. The conference was co-hosted by AFRACA, the Asian-Pacific Rural and Agricultural Credit Association (APRACA), the National Bank for Agriculture and Rural Development (NABARD) and the Ministry of Agriculture Farmers Welfare and Cooperation. The objective of the event was to provide pathways to all stakeholders for extending improved and efficient financial services to rural and agricultural sector. In addition, the conference provided a platform to tackle the opportunities, gaps and priority actions for developing sustainable and viable financial services and investments with actionable insights on rural financial services.

These events provided an opportunity for AFRACA members to forge strategic partnerships and synergies, which are important in shaping AFRACA's future activities.

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5.2.9 Bank Supervision Application

The Bank Supervision Application (BSA) is a web-based software developed to support bank supervision operations. The BSA Project was initiated in 1997 driven by the Southern African Development Community (SADC) Central Banks Information Technology Forum, Kenya and Uganda. The software supports the automation of bank supervision functions to ensure safety and soundness of the banking sector. Currently, the BSA application is being used by 16 (sixteen) central banks and one regulatory authority. These are Banco de Cabo Verde, Banco de Moçambique, Bank of Namibia, Bank of Uganda, Bank of Zambia, Banque Centrale du Congo, Banque de la République du Burundi, Central Bank of Kenya, Central Bank of Lesotho, Central Bank of Eswatini, Reserve Bank of Malawi, Reserve Bank of Zimbabwe, National Bank of Ethiopia, Central Bank of the Republic of Madagascar, Central Bank of the Republic of Djibouti and Central Bank of the Democratic Republic of Timor-Leste and the Financial Services Regulatory Authority from Kingdom of Eswatini.

Central Bank of the Republic of Djibouti and Central Bank of the Democratic Republic of Timor-Leste, implemented the Bank Supervision Application (BSA) solution in November 2019.

The Bank of Mozambique currently hosts the BSA Support Office (BSO), which is responsible for development, maintenance, upgrade and support for the users of the BSA software. The BSA system has undergone three upgrades (BSA V.1.0, V2.0 and V 3.0) and is currently running on BSA Version 4.0. BSO and the participating Central Banks upgraded the BSA software from version 3.0 to version 4.0 in 2018. BSO is collating BSA User needs for development of BSO Version 5.0 by 2021.

The BSA V.4.0 is composed of 4 modules namely;

- i) **The Bank Supervision System (BSS) Module.** This module facilitates workflow management.

- ii) **The Institution Information Submission System (IISS) Module.** The module facilitates online compilation of returns by commercial banks and submission of the returns to the central bank.
- iii) **The Risk Analysis Automation System (RAAS) Module.** RAAS enables automated financial analysis and processing of statistical returns from financial institutions. This includes storage of returns and generation of customized reports.
- iv) **Customer Protection System (CPS) module.** This feature enables commercial bank customers to lodge customer complaints online to the central bank. The module aims to improve the quality of services and products offered to bank customers as well as contribute to financial inclusion. This has enhanced consumer protection through online submission of complaints and tracking of the resolution status.

The Central Bank of Kenya hosted the Bank Supervision Application Executive Committee (BEC) meeting on September 24 - 25, 2019 and BSA Stakeholders meeting on September 26, 2019 at the Kenya School of Monetary Studies.

The purpose of the meetings was to;

- Review and approve BSA Operational Plan for the year 2019/2020.
- Ratify the Budget for 2019/2020.
- Approve the BSA Financial Audit Report for 2018.
- Review status of implementation of the latest version of BSA version 4.0.

5.2.10 Institute of International Finance (IIF)

CBK marked four years in 2019 since joining the International Institute of Finance (IIF) as an Associate Member. Over the previous three years, the Bank has benefitted from access to IIF's wide research and publications that focus on a broad range of topical issues

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relevant to CBK's regulatory mandate. In 2019, the Bank continued exploring options towards participation in IIF's capacity building programmes for enhancement of staff skills and competencies.

5.2.11 Financial Stability Institute (FSI) Connect

In 2019, 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 2019, 75 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.

- **BIS-IMF Supervisory and Regulatory Online Course (SROC) for Banking Supervisors:** Five 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 August 2019 through January 2020. The programme updated participants on the technical aspects of various relevant supervisory topics.

5.2.12 Knowledge Exchanges

The Central Bank of Kenya continued to host delegations from Africa in 2019 for study tours and knowledge exchange visits aimed at enriching cross-border relationships and sustaining long-term partnerships. The knowledge exchange visits that took place in 2019 are as indicated below:

Table 28: Knowledge Exchanges Undertaken in 2019

	Period	Institution(s)	Area(s) of Interest
1.	June 2019	Reserve Bank of Zimbabwe	Microfinance Banking in Kenya
2.	July 2019	Financial Services Regulatory Authority (FSRA) of the Kingdom of Eswatini	Implementation of Risk Based Anti-Money Laundering/ Combatting the Financing of Terrorism Supervisory Framework

Source: Central Bank of Kenya

5.2.13 Memoranda of Understanding

In an effort to enhance its relationship with foreign banking regulators, the Central Bank of Kenya continued to explore the possibility of entering into formal arrangements for supervisory cooperation with other banking regulators. This 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

The number of Kenyan banks/institutions with subsidiaries operating in the East African Community (EAC), Partner States and South Sudan were eight as at December 31, 2019. This represented a decline from nine banks as at December 31, 2018, which was attributed to the acquisition of NIC Bank Limited by Commercial Bank of Africa Limited to form NCBA Kenya Bank Plc. The banks comprise KCB Group Holdings Plc; Diamond Trust Bank Kenya Limited;

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Commercial Bank of Africa Limited; Guaranty Trust Bank Ltd; Equity Group Holdings Plc; I&M Bank Limited, African Banking Corporation Limited, NIC Bank Limited and the Co-operative Bank of Kenya Limited. The total number of branches of subsidiaries of Kenyan banks in EAC as at December 31, 2019 stood at 316, an increase from 307 as at December 31, 2018. The regional presence is as illustrated in **Table 29**.

Table 29: Branches of Kenyan Banks Subsidiaries

	Institution	Uganda	Tanzania	Rwanda	Burundi	South Sudan	DRC	Total	Total
								2019	2018
1	KCB Group Plc	15	14	14	6	11	-	60	56
2	Equity Group Holdings Plc	39	14	14	-	5	44	116	110
3	The Co-operative Bank	-	-	-	-	4	-	4	4
4	Diamond Trust Bank Group (DTB)	36	28	-	4	-	-	68	70
5	NIC	3	6	-	-	-	-	9	8
6	CBA	2	6	3	-	-	-	11	11
7	I&M Holdings Plc	-	8	14	-	-	-	22	22
8	ABC Bank	3	-	-	-	-	-	3	4
9	Guaranty Trust Bank	9	-	14	-	-	-	23	22
	Total	107	76	59	10	20	44	316	307

Source : Central Bank of Kenya

Four of the Kenyan banks with presence in the region, namely KCB Group, Equity Group, NCBA and Guaranty Trust Bank increased their branch network. On the other hand, Co-operative Bank and I&M Holdings Plc maintained status quo while DTB and ABC scaled down their branch network in the Region.

In addition to having presence within the EAC Partner States, some of the Kenyan banks such as I&M Holdings Plc, Prime Bank Limited and Equity Group Holdings Plc 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 while Equity Group Holdings Plc holds 79 percent ownership of Equity Bank Congo in the Democratic Republic of Congo (DRC).

5.3.1 Performance Highlights

5.3.1.1 Number of Employees

The subsidiaries of Kenyan banks had a combined total of 6,706 employees as at December 31, 2019, an increase of 6.4 percent compared to 6,301 employees in the previous year. The increase was attributed to the upscaling of branches in Uganda in 2018. Uganda had the highest number of subsidiaries' bank employees at 2,266 compared to 2,073 in 2018. This accounted for 33.8 percent of the total number of employees as Uganda has the largest proportion of subsidiaries' branches in the region.

5.3.1.2 Total Assets

Total assets of subsidiaries stood at Ksh.665.18 billion as at December 31, 2019 compared to Ksh.579.9 billion as at December 31, 2018. Significant contributors to the asset base were: Equity Bank Congo (Ksh.80.3 billion), Diamond Trust Bank Tanzania and Uganda (Ksh.55.2 billion and Ksh.47.3 billion respectively), Equity Bank

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Uganda (Ksh.45.1 billion), I&M Rwanda (Ksh.34.4 billion) and Equity Bank Rwanda Limited (Ksh.30.3 billion).

Individual performance per region is as illustrated in **Table 30** below:

Table 30: Assets of Subsidiaries		
Country presence	Total Assets (Ksh. '000')	% of Total Assets
Burundi	11,837,557	1.8
DRC	80,315,464	12.1
Mauritius	151,222,691	22.7
Rwanda	99,660,206	15
South Sudan	30,386,798	4.6
Tanzania	150,559,866	22.6
Uganda	141,199,944	21.2
Grand Total	665,182,526	100

Source: Central Bank of Kenya

5.3.1.3 Gross Loans

Gross loans for the subsidiaries stood at Ksh.336.4 billion as at December 31, 2019, an increase of 10 percent compared to Ksh.305.7 billion as at December 31, 2018. The Kenyan banks subsidiaries operating in Tanzania recorded the highest level of gross loans at Ksh.96 billion accounting for 28.5 percent of gross loans. Subsidiaries operating in Uganda and Rwanda accounted for 18.5 percent and 17.5 percent of the gross loans respectively. Mauritius recorded gross loans of Ksh.80.6 billion accounting for 24 percent of the total loans.

5.3.1.4 Deposits

The Kenyan subsidiaries gross deposits stood at Ksh.514.4 billion in December 2019 compared to Ksh.442.4 billion in December 2018. The regional spread was as follows:

- Mauritius recorded gross deposits of Ksh.131 billion accounting for 25.5 percent of total deposits.
- Subsidiaries operating in Tanzania accounted for 21.4 percent of the total deposits.
- Subsidiaries operating in Uganda accounted for 21 percent of the total deposits.

- Subsidiaries operating in Rwanda accounted for 14.2 percent of the total deposits.
- DRC, South Sudan and Burundi accounted for 12.5 percent, 3.9 percent and 1.6 percent, respectively.

5.3.1.5 Profitability

The regional subsidiaries profit before tax stood at Ksh.12.72 billion as at December 31, 2019, an increase of 9.9 percent from Ksh.11.57 billion reported in December 31, 2018. The improvement in profitability was attributed to business growth.

Generally, profitability performance was as follows:

- Rwanda contributed the highest earnings capacity despite having fewer subsidiaries compared to Uganda and Tanzania. Its subsidiaries contributed Ksh.3.2 billion in profits, translating to 25.7 percent of the total profits.
- Subsidiaries operating in Tanzania contributed 16.9 percent of the total profits while subsidiaries in Uganda contributed 17.6 percent of the total profits.
- Four subsidiaries registered a combined loss of Ksh.709 million. Out of the four loss-making subsidiaries, two were operating in Tanzania, one in Uganda and one in Rwanda. The performance of Tanzania subsidiaries was attributed to low business due to increased competition in a market dominated by established local players. CBA Rwanda, the only loss-making subsidiary in Rwanda, reported a loss of Ksh.187.77 million compared to Ksh.291.42 million reported in previous year. The loss-making subsidiary, Crane Bank acquired in November 2018, is yet to break even. NIC Bank Tanzania recorded a loss of Ksh.402.57 million compared to Ksh.176.49 million loss reported in 2018.

Appendix I: BANKING SECTOR BALANCE SHEET - DECEMBER 2019-Ksh.M

A	ASSETS	Dec-18				Dec-19			
		BANKS	NBFIS	GRAND TOTAL	% OF TOTAL (%)	BANKS	NBFIS	GRAND TOTAL	% OF TOTAL (%)
1	Cash (both Local & Foreign)	68,279	-	658	0.0	71,454	559	72,013	1.5
2	Balances due from Central Bank of Kenya	245,157	774	108,858	2.5	255,498	2,288	257,786	5.4
3	Kenya Government and other securities held for dealing purposes	66,321	57,083	4,408,593	100.0	71,604	-	71,604	1.5
4	Financial assets at fair valuethrough profit and loss	15,204				17,220	-	17,220	0.4
5	Investment Securities:	-	-	18,622	0.5	-	-	-	0.0
	a) Held to maturity:	-	34,867	3,259,484	87.4	-	-	-	0.0
	a. Kenya Government securities	466,376	578	47,917	1.3	566,238	427	566,665	11.8
	b. Other securities	10,946	-	50,360	1.4	16,341	-	16,341	0.3
	b) Available for sale:	-	-	160	0.0	-	-	-	0.0
	a. Kenya Government securities	603,601	11,521	159,881	4.3	659,534	4,176	663,710	13.8
	b. Other securities	37,983	-	97,490	2.6	30,055	-	30,055	0.6
6	Deposits and balances due from local banking institutions	56,803	-	1,941	0.1	62,469	870	63,340	1.3
7	Deposits and balances due from banking institutions abroad	140,948	-	27	0.0	151,445	69	151,514	3.2
8	Tax recoverable	5,233	-	980	0.0	3,558	63	3,621	0.1
9	Loans and advances to cus-tomers (net)	2,273,456	-	327	0.0	2,454,071	39,935	2,494,006	51.9
10	Balances due from banking institutions in the group	90,360	952	93,061	2.5	91,966	-	91,966	1.9
11	Investments in associates	6,014	47,918	3,730,250	100.0	4,270	-	4,270	0.1
12	Investments in subsidiary companies	25,519	-	6,014	0.6	25,900	-	25,900	0.5
13	Investments in joint ventures	-	-	25,519	0.0	-	242	242	0.0
14	Investment properties	1,212	237	237	0.0	5,864	538	6,402	0.1
15	Property and equipment	54,060	-	1,212	1.3	68,629	1,805	70,434	1.5
16	Prepaid lease rentals	1,029	1,340	55,399	0.0	1,358	38	1,395	0.0
17	Intangible assets	27,298	38	1,067	0.6	31,228	862	32,090	0.7
18	Deferred tax asset	46,969	1,007	28,305	1.1	54,838	1,013	55,850	1.2
19	Retirement benefit asset	658	855	47,824	0.0	-	1,647	1,647	0.0
20	Other assets	108,085	-	658	2.5	111,337	-	111,337	2.3
21	TOTAL ASSETS	4,351,510	774	108,858	100.0	4,754,878	54,532	4,809,410	100
B	LIABILITIES								
22	Balances due to Central Bank of Kenya	18,622	-	18,622	0.5	19,275	-	19,275	0.5
23	Customer deposits	3,224,618	34,867	3,259,484	87.4	3,493,897	37,476	3,531,373	86.5
24	Deposits and balances due to local banking institutions	47,339	578	47,917	1.3	54,553	528	55,081	1.3
25	Deposits and balances due to foreign banking institutions	50,360	-	50,360	1.4	44,861	-	44,861	1.1
26	Other money market deposits	160	-	160	0.0	534	-	534	0.0
27	Borrowed funds	148,361	11,521	159,881	4.3	155,993	5,804	161,797	4.0
28	Balances due to banking institutions in the group	97,490	-	97,490	2.6	116,419	-	116,419	2.9
29	Tax payable	1,941	-	1,941	0.1	4,021	-	4,021	0.1
30	Dividends payable	27	-	27	0.0	8,517	-	8,517	0.2
31	Deferred tax liability	980	-	980	0.0	570	-	570	0.0
32	Retirement benefit liability	327	-	327	0.0	349	-	349	0.0
33	Other liabilities	92,109	952	93,061	2.5	136,219	1,571	137,791	3.4
34	TOTAL LIABILITIES	3,682,332	47,918	3,730,250	100.0	4,035,209	45,379	4,080,588	100
C	SHAREHOLDERS' FUNDS								
35	Paid up /Assigned capital	196,421	5,000	201,421	31.0	196,319	5,000	201,319	27.6
36	Share premium/(discount)	87,446	3,514	90,960	12.2	106,345	3,514	109,858	15.1
37	Revaluation reserves	12,454	180	12,634	1.5	11,163	180	11,343	1.6
38	Retained earnings/Accumulated losses	329,176	(1,440)	327,735	47.2	359,846	(2,309)	357,538	49.1
39	Statutory loan loss reserves	10,887	1,885	12,773	4.2	20,455	2,668	23,123	3.2
40	Other reserves	866	(25)	841	-0.1	(864)	48	(816)	-0.1
41	Proposed dividends	29,535	-	29,535	3.7	24,032	-	24,032	3.3
42	Capital grants	2,393	51	2,444	0.4	2,374	51	2,425	0.3
43	TOTAL SHAREHOLDERS' FUNDS	669,178	9,165	678,343	100.0	719,669	9,152	728,822	100
44	Minority interest					-	-	-	
45	TOTAL LIABILITIES AND SHAREHOLDERS' FUNDS	4,351,510	57,083	4,408,593		4,754,878	54,532	4,809,410	

Source: Central Bank of Kenya

Appendix II: BANKING SECTOR PROFIT AND LOSS ACCOUNT - DECEMBER 2019-Ksh.M

		Dec-18				Dec-19			
		BANKS	NBFIS	GRAND TOTAL	% OF TOTAL	BANKS	NBFIS	GRAND TOTAL	% OF TOTAL
1	INTEREST INCOME								
1.1	Loans and advances	260,707	5,662	266,368	71.0	260,341	4,679	265,020	66.3
1.2	Government securities	118,651	339	118,990	31.7	121,591	419	122,011	30.5
1.3	Deposits and placements with banking institutions	5,296	45	5,341	1.4	8,497	19	8,515	2.1
1.4	Other interest income	1,332	-	1,332	0.4	1,207	-	1,207	0.3
1.5	Total interest income	385,986	6,046	392,031	104.5	391,635	5,117	396,752	99.2
2.0	INTEREST EXPENSE								
2.1	Customer deposits	114,809	2,173	116,982	32.4	114,146	1,788	115,933	30.7
2.2	Deposits and placement from banking institutions	8,643	127	8,770	2.4	8,108	99	8,208	2.2
2.3	Other interest expenses	11,232	1,312	12,544	3.5	12,367	977	13,344	3.5
2.4	Total interest expenses	134,684	3,612	138,296	38.3	134,622	2,864	137,485	36.3
3.0	NET INTEREST INCOME/(LOSS)	251,301	2,434	253,735		257,014	2,253	259,267	
4.0	NON-INTEREST INCOME								
4.1	Fees and commissions on loans and advances	25,261	63	25,324	6.8	33,763	184	33,946	8.5
4.2	Other fees and commissions	47,900	112	48,012	12.8	52,074	164	52,237	13.1
4.3	Foreign exchange trading income/(Loss)	28,104	38	28,142	7.5	30,836	50	30,886	7.7
4.4	Dividend income	1,022	-	1,022	0.3	1,785	-	1,785	0.4
4.5	Other income	18,833	90	18,922	5.0	21,582	119	21,701	5.4
4.6	Total Non-interest income	121,120	303	121,423	32.4	140,039	517	140,555	35.2
5.0	TOTAL OPERATING INCOME	372,421	2,737	375,158	100.0	397,053	2,770	399,822	100.0
6.0	OTHER OPERATING EXPENSES								
6.1	Loan loss provision	30,240	376	30,616	8.5	39,289	351	39,640	10.5
6.2	Staff costs	87,748	930	88,678	24.6	92,325	924	93,249	24.7
6.3	Directors' emoluments	2,405	8	2,413	0.7	2,798	8	2,805	0.7
6.4	Rental charges	11,352	115	11,467	3.2	5,046	136	5,181	1.4
6.5	Depreciation charge on property and equipment	11,238	166	11,403	3.2	15,884	160	16,044	4.2
6.6	Amortisation charges	6,247	200	6,447	1.8	7,342	212	7,554	2.0
6.7	Other operating expenses	70,096	1,338	71,434	19.8	75,274	1,003	76,276	20.2
6.8	Total Other Operating Expenses	219,326	3,132	222,458	61.7	237,957	2,793	240,750	63.7
	TOTAL EXPENSES (2.4+6.8)	354,010	6,744	360,754	100.0	372,579	5,657	378,236	100.0
7	Profit/(Loss) Before Tax and Exceptional Items	153,096	(395)	152,700		159,095	(23)	159,072	
8.0	Exceptional items	988	(14)	974		3,635	(6)	3,629	
9.0	Profit/(Loss) after exceptional items	152,108	(382)	151,726		155,460	(18)	155,443	
10.0	Current tax	46,925	13	46,939		55,437	126	55,563	
11.0	Deferred tax	(3,924)	34	(3,891)		(10,086)	(150)	(10,236)	
12.0	Profit/(Loss) after tax and exceptional Items	105,719	(429)	105,290		110,110	6	110,116	
13.0	Minority interest			-				-	
14.0	Profit/(Loss) after tax, exceptional items and Minority Interest	105,719	(429)	105,290		110,110	6	110,116	
15.0	Other Comprehensive Income								
15.1	Gains/(Losses) from translating the financial statements of foreign operations	(346)	-	(346)		(1,172)	-	(1,172)	
15.2	Fair value changes in available for sale financial assets	6,068	60	6,128		(2,197)	104	(2,093)	
15.3	Revaluation surplus on property, plant and equipment	326	1	326		(494)	-	(494)	
15.4	Share of other comprehensive income of associates	-	-	-		316	-	316	
15.5	Income tax relating to components of other comprehensive income	(1,763)	(18)	(1,781)		1,196	(31)	1,164	
16.0	Other comprehensive income for the year net of tax	4,285	43	4,328		(2,351)	73	(2,278)	
17.0	Total comprehensive income for the year	110,003	(386)	109,618		107,758	79	107,838	

Source: Central Bank of Kenya

Appendix III : BANKING SECTOR OTHER DISCLOSURES – DECEMBER 2019

	Figures in Ksh. Millions						
	2018			2019			ANNUAL PERCENTAGE CHANGE (%)
	BANKS	NBFIS	GRAND TOTAL	BANKS	NBFIS	GRAND TOTAL	
NON-PERFORMING LOANS AN ADVANCES							
(a) Gross Non-performing Loans and Advances	303,378	13,334	316,712	324,272	12,316	336,588	6.28
(b) Less: Interest in suspense	51,946	2,502	54,447	59,376	3,231	62,607	14.99
(c)Total Non-Performing Loans and Advances (a-b)	251,432	10,833	262,265	264,896	9,085	273,980	4.47
(d) Less: Loan loss provision	113,501	2,098	115,599	131,640	2,656	134,296	16.17
(e) Net Non-performing Loans and Advances(c-d)	137,931	8,735	146,666	133,255	6,429	139,684	-4.76
(f) Discounted value of securities	125,252	8,735	133,987	121,208	6,429	127,637	-4.74
(g) Net NPLs exposure (e-f)	12,679	0	12,679	12,047	0	12,047	-4.98
INSIDER LOANS AND ADVANCES							
(a) Directors, shareholders and associates	32,139	1,549	33,688	41,323	1,411	42,734	26.85
(b) Employees	70,217	869	71,086	72,661	814	73,475	3.36
(c)Total Insider Loans and Advances and other facilities	102,356	2,418	104,774	113,983	2,226	116,209	10.91
OFF-BALANCE SHEET ITEMS							
(a) Letters of credit, guarantees, acceptances	513,966	185	514,150	544,379	92	544,471	5.90
(b) Forwards, swaps and options	416,929	972	417,901	548,606	1,238	549,843	31.57
(c) Other contingent liabilities	21,385	-	21,385	18,903	-	18,903	-11.61
(d) Total Contingent Liabilities	952,279	1,157	953,436	1,111,888	1,330	1,113,217	16.76
CAPITAL STRENGTHH							
(a) Core capital	575,464	6,926	582,390	626,393	5,813	632,206	8.55
(b) Minimum statutory capital	1,000	1,000	1,000	1,000	1,000	1,000	
(c) Excess/(Deficiency)(a-b)	575,464	5,926	581,390	626,393	4,813	631,206	8.57
(d) Supplementary capital	102,825	685	103,510	82,260	558	82,818	-19.99
(e) Total Capital (a+d)	678,289	7,611	685,899	708,653	6,371	715,024	4.25
(f) Total Risk Weighted Assets	3,464,064	48,940	3,513,005	3,752,476	44,679	3,797,156	8.09
(g) Core capital/otal deposits liabilities (%)	17.85	19.86	17.87	17.93	15.51%	17.90	
(h) Minimum statutory Ratio (%)	8.00	8.00	8.00	8.00	8.00	8.00	
(i) Excess/(Deficiency) (g-h) (%)	9.85	11.86	9.87	9.93	7.51	9.90	
(j) Core Capital / Total risk weighted Assets (%)	16.61	14.15	16.58	16.69	13.01	16.65	
(k) Minimum statutory ratio (%)	10.50	10.50	10.50	10.50	10.50	10.50	
(l) Excess (Deficiency) (j-k) (%)	6.11	3.65	6.08	6.19	2.51	6.15	
(m) Total Capital/Total Risk Weighted Assets	19.58	15.55	19.52	18.88	14.26	18.83	
(n) Minimum Statutory Ratio (%)	14.50	14.50	14.50	14.50	14.50	14.50	
(o) Excess/(Deficiency) (m-n) (%)	5.08	1.05	5.02	4.38	-0.24	4.33	
LIQUIDITY							
(a) Liquidity ratio (%)	48.91	18.42	48.60	50.08	17.85	49.74	
(b) Minimum Statutory Ratio (%)	20.00	20.00	20.00	20.00	20.00	20.00	
(c) Excess (Deficiency) (a-b)	28.91	-1.58	28.60	26.20	0.80	25.54	
Performance Indicators							
Yield on Earning Assets (%)	10.19	11.05	10.20	9.40	9.99	9.40	
Cost of Funding Earning Assets (%)	3.56	6.60	3.60	3.23	5.59	3.26	
Interest Margin on Earning Assets (%)	6.63	4.45	6.60	6.17	4.40	6.14	
Yield on Advances (%)	10.69	11.50	10.71	9.84	10.21	9.85	
Cost of Deposits (%)	4.05	10.19	4.12	3.75	7.53	3.79	
Return on Assets (ROA) (%)	2.80	-0.63	2.76	2.63	-0.04	2.60	
Return on Equity (ROE) (%)	22.88	-4.31	22.51	22.11	-0.26	21.83	
Overheads to Earnings (%)	43.25	49.33	43.33	44.76	49.58	44.81	
Gross NPLs/Gross Loans (%)	12.44	27.09	12.73	12.26	26.88	12.51	
RATINGS							
Capital Adequacy	1	2	1	2	3	2	
Asset Quality	2	4	2	2	5	2	
Earnings	2	5	2	2	5	2	
Liquidity	1	4	1	1	3	1	
Composite Score	2	4	2	2	4	2	
Performance Category	Satisfactory	Marginal	Satisfactory	Satisfactory	Marginal	Satisfactory	
Ratings	PERFOR- MANCE CATEGORY	CAPITAL ADE- QUACY (Total Capital/ TRWA) (%)	ASSET QUALITY (NPLs-Pro- visions)/ Gross Loans (%)	EARNINGS Net Prof- its/ Total Assets (%)	LIQUIDITY (Total Liquid Assets/Total Short-term Liabilities) (%)	MANAGE- MENT (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 - 19.49	5.1 - 10.0	2.0-2.9	26 - 34	1.5 - 2.4	1.5 - 2.4
3	Fair	12.00 - 15.59	10.1 - 15.0	1.0-1.9	20 - 25	2.5 - 3.4	2.5 - 3.4
4	Marginal	8.31 - 11.99	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 2018 and 2019)

Appendix IV: BANKING SECTOR MARKET SHARE - DECEMBER 2019

		Market size index (%)	Rank	Total Net Assets Ksh.M	% of the market	Total Deposits Ksh.M	% of the market	Total Share-holders funds Ksh.M	% of the market	Total number Deposit accounts (Millions)	% of the market	Number loan accounts (Millions)	% of the Market
	Weighting			0.33		0.33		0.33		0.005		0.005	
	Large Peer Group >5%												
1	KCB Bank Kenya Ltd	13.89	1	674,302	14.02	536,830	14.78	92,608	12.71	8.27	13.25	2.121	25.31
2	Equity Bank Kenya Ltd	10.24	2	507,525	10.55	381,138	10.49	69,914	9.59	11.28	18.09	0.719	8.59
3	NCBA Bank Kenya PLC	10.10	3	464,891	9.67	360,305	9.92	69,416	9.52	31.71	50.83	3.951	47.14
4	The Co-operative Bank of Kenya Ltd	9.65	4	449,616	9.35	330,113	9.09	77,088	10.58	3.54	5.68	0.754	9.00
5	Absa Bank Kenya Plc	6.80	5	374,109	7.78	242,375	6.67	44,079	6.05	1.75	2.80	0.332	3.96
6	Standard Chartered Bank (K) Ltd	6.37	6	302,296	6.29	236,461	6.51	47,222	6.48	0.23	0.37	0.050	0.60
7	Diamond Trust Bank Kenya Limited	6.34	7	287,251	5.97	221,038	6.09	52,001	7.13	0.51	0.82	0.013	0.16
8	I&M Bank Limited	5.65	8	254,252	5.29	195,841	5.39	47,015	6.45	0.16	0.26	0.015	0.17
9	Stanbic Bank Kenya Ltd	5.64	9	292,705	6.09	205,516	5.66	38,940	5.34	0.20	0.33	0.046	0.55
	Sub-Total	74.68		3,606,947	75.00	2,709,617	74.61	538,284	73.86	57.66	92.42	8.00	95.48
	Medium Peer Group (1-5%)												
1	Bank of Baroda (K) Limited	3.11	10	143,311	2.98	119,341	3.29	22,943	3.15	0.05	0.08	0.003	0.04
2	Prime Bank Ltd	2.59	11	108,786	2.26	81,345	2.24	24,455	3.36	0.04	0.06	0.004	0.05
3	National Bank of Kenya Ltd	2.19	12	112,029	2.33	97,079	2.67	11,705	1.61	0.70	1.12	0.048	0.57
4	Citibank N.A. Kenya	2.12	13	96,570	2.01	65,335	1.80	19,047	2.61	0.00	0.00	0.001	0.01
5	Family Bank Ltd.	1.66	14	78,857	1.64	58,332	1.61	12,408	1.70	2.25	3.61	0.173	2.06
6	Bank of India	1.56	15	62,543	1.30	46,755	1.29	15,532	2.13	0.02	0.03	0.001	0.01
7	Ecobank Kenya Ltd	1.42	16	75,378	1.57	66,321	1.83	6,568	0.90	0.17	0.28	0.004	0.05
8	SBM Bank Kenya Ltd	1.32	17	72,519	1.51	50,573	1.39	7,877	1.08	0.21	0.34	0.006	0.08
9	HFC Ltd	1.14	18	54,532	1.13	38,004	1.05	9,152	1.26	0.27	0.43	0.017	0.21
	Sub-Total	17.10		804,525	16.73	623,085.60	17.16	129,687.17	17.79	3.71	5.95	0.26	3.07
	Small Peer Group < 1%												
1	Bank of Africa Ltd	0.80	19	43,996	0.91	33,329	0.92	4,276	0.59	0.11	0.17	0.015	0.18
2	Victoria Commercial Bank Limited	0.78	20	36,072	0.75	27,350	0.75	6,356	0.87	0.01	0.01	0.001	0.02
3	Guaranty Trust Bank Limited	0.77	21	29,082	0.60	18,932	0.52	8,808	1.21	0.02	0.03	0.001	0.01
4	Gulf African Bank Limited	0.71	22	35,123	0.73	27,818	0.77	4,635	0.64	0.10	0.17	0.020	0.24
5	African Banking Corporation Ltd	0.57	23	28,680	0.60	22,981	0.63	3,689	0.51	0.04	0.06	0.001	0.01
6	Sidian Bank Ltd	0.53	24	26,452	0.55	18,014	0.50	4,018	0.55	0.25	0.40	0.016	0.19
7	Habib Bank A.G Zurich	0.50	25	24,823	0.52	20,532	0.57	3,077	0.42	0.00	0.01	0.000	0.01
8	Credit Bank Ltd	0.44	26	21,541	0.45	17,347	0.48	3,000	0.41	0.04	0.06	0.002	0.03
9	Guardian Bank Limited	0.36	27	16,386	0.34	13,078	0.36	2,741	0.38	0.01	0.01	0.001	0.01
10	First Community Bank Ltd	0.34	28	18,763	0.39	16,285	0.45	1,462	0.20	0.09	0.14	0.005	0.07
11	Development Bank of Kenya Ltd	0.34	29	15,358	0.32	6,029	0.17	3,950	0.54	0.00	0.00	0.001	0.02
12	UBA Kenya Bank Ltd	0.34	30	16,088	0.33	13,600	0.37	2,242	0.31	0.01	0.01	0.001	0.01
13	M Oriental Commercial Bank Limited	0.31	31	12,394	0.26	9,188	0.25	3,043	0.42	0.00	0.01	0.001	0.01
14	Consolidated Bank of Kenya Limited	0.25	32	11,866	0.25	8,796	0.24	2,000	0.27	0.05	0.08	0.003	0.04
15	Paramount Bank Ltd	0.23	33	10,443	0.22	8,479	0.23	1,778	0.24	0.01	0.01	0.003	0.04
16	Transnational Bank Limited	0.21	34	9,318	0.19	7,100	0.20	1,818	0.25	0.11	0.17	0.017	0.20
17	DIB Bank Kenya Ltd	0.21	35	8,988	0.19	6,512	0.18	2,009	0.28	0.00	0.01	0.001	0.01
18	Middle East Bank (K) Ltd	0.18	36	8,466	0.18	7,138	0.20	1,156	0.16	0.00	0.00	0.001	0.01
19	Mayfair Bank Ltd	0.17	37	8,652	0.18	7,293	0.20	1,040	0.14	0.00	0.00	0.001	0.01
20	Jamii Bora Bank Limited	0.12	38	8,585	0.18	4,795	0.13	304	0.04	0.16	0.26	0.023	0.27
21	Spire Bank Limited	0.06	39	6,860	0.14	4,553	0.13	(552)	-0.08	0.02	0.04	0.007	0.08
22	Charterhouse Bank Ltd*												
23	Imperial Bank Ltd**												
24	Chase Bank (K) Ltd**												
	Sub-Total	8.22		397,938		299,147	8.24	60,851	0.08	1.02	1.63	0.122	1.45
	Total	100		4,809,410	100	3,631,850	100	728,822	100	62.39	100	8.38	100
* Bank under statutory management													
* *Banks in Receivership													
Source: Central Bank of Kenya													

Appendix V: BANKING SECTOR PROFITABILITY - DECEMBER 2019

		Profit/(Loss) Before Tax (Ksh.M)	Return on Assets		Return on Equity	
			Total Assets (Ksh.M)	(1/2) (%)	Total Sharehold-ers' Funds (Ksh.M)	(1/4) (%)
		1	2	3	4	5
1	KCB Bank Kenya Ltd	33,183.95	674,301.72	4.9	92,607.63	35.8
2	Equity Bank Kenya Ltd	25,973.66	507,525.24	5.1	69,914.37	37.2
3	The Co-operative Bank of Kenya Ltd	20,326.06	449,616.47	4.5	77,087.99	26.4
4	Standard Chartered Bank Kenya Ltd	12,691.23	302,295.90	4.2	47,221.51	26.9
5	I & M Bank Ltd	12,012.34	254,252.17	4.7	47,015.14	25.5
6	Absa Bank Kenya Plc	11,857.47	374,109.20	3.2	44,079.41	26.9
7	NCBA Bank Kenya PLC	9,289.88	464,890.69	2.0	69,416.26	13.4
8	Diamond Trust Bank Kenya Limited	9,279.31	287,250.60	3.2	52,001.38	17.8
9	Stanbic Bank Kenya Ltd	8,239.66	292,705.14	2.8	38,939.84	21.2
10	Citibank N.A. Kenya	5,646.51	96,570.19	5.8	19,046.57	29.6
11	Bank of Baroda (Kenya) Limited	5,466.20	143,311.34	3.8	22,942.66	23.8
12	Bank of India	2,798.62	62,543.24	4.5	15,532.47	18.0
13	Prime Bank Ltd	2,456.50	108,785.53	2.3	24,455.36	10.0
14	Family Bank Ltd.	1,352.24	78,857.13	1.7	12,408.20	10.9
15	SBM Bank Kenya Ltd	1,179.98	72,519.36	1.6	7,877.18	15
16	Development Bank of Kenya Ltd	1,136.82	15,358.07	7.4	3,950.44	28.8
17	Victoria Commercial Bank Limited	668.56	36,072.41	1.9	6,356.49	10.5
18	Guaranty Trust Bank Ltd	491.20	29,082.40	1.7	8,807.74	5.6
19	Habib Bank AG Zurich	385.27	24,823.46	1.6	3,077.32	12.5
20	Credit Bank Ltd	300.07	21,540.74	1.4	3,000.43	10.0
21	Guardian Bank Limited	250.55	16,386.45	1.5	2,740.81	9.1
22	Ecobank Kenya Ltd	243.35	75,377.85	0.3	6,567.80	3.7
23	Gulf African Bank Ltd	218.05	35,122.98	0.6	4,634.96	4.7
24	First Community Bank Ltd	185.48	18,762.84	1.0	1,462.03	12.7
25	African Banking Corporation Ltd	164.26	28,680.49	0.6	3,689.48	4.5
26	UBA Kenya Bank Ltd	105.58	16,088.32	0.7	2,241.81	4.7
27	Paramount Bank Ltd	85.64	10,443.30	0.8	1,778.22	4.8
28	Sidian Bank Ltd	64.49	26,451.64	0.2	4,017.98	1.6
29	M-Oriental Commercial Bank Ltd	64.45	12,393.78	0.5	3,043.17	2.1
30	Middle East Bank (K) Ltd	59.63	8,466.28	0.7	1,155.78	5.2
31	HFC Ltd	(23.49)	57,083.28	0	9,164.96	-0.3
32	Transnational Bank Limited	(56.23)	9,317.70	-0.6	1,817.76	-3.1
33	Mayfair Bank Ltd	(365.88)	8,652.48	-4.2	1,039.86	-35.2
34	Spire Bank Limited	(453.43)	6,860.30	-6.6	-551.99	82.1
35	Consolidated Bank of Kenya Limited	(516.91)	11,865.61	-4.4	1,999.78	-25.8
36	DIB Bank Kenya Ltd	(795.13)	8,987.92	-8.8	2,008.98	-39.6
37	National Bank of Kenya Ltd	(821.25)	112,028.75	-0.7	11,704.53	-7.0
38	Jamii Bora Bank Ltd	(1,143.38)	8,584.54	-13.3	304.32	-375.7
39	Bank of Africa (K) Ltd	(2,929.68)	43,996.12	-6.7	4,275.76	-68.5
40	Imperial Bank Ltd**					
41	Chase Bank (K) Ltd**					
42	Charterhouse Bank Ltd*					
	Total	159,071,651.93	4,811,961,580.84	3.3	728,834,388.22	21.8
	* Bank under statutory management					
	** Banks in Receivership					
Source: Commercial Banks Published Financial Statements (December 2019)						

Appendix VI : BANKING SECTOR GROSS LOANS AND NON-PERFORMING LOANS- DECEMBER 2019					
	BANKS	Gross Loans and Advances, Ksh. M		Gross Non-Performing Loans, Ksh. M	
		Dec-18	Dec-19	Dec-18	Dec-19
1	KCB Bank Kenya Ltd	434,361	468,258	30,012	34,786
2	Equity Bank Ltd.	231,026	290,564	17,064	26,185
3	The Co - operative Bank of Kenya Ltd	257,566	281,516	28,953	31,156
4	NCBA Bank Kenya Plc	118,271	244,395	9,271	30,516
5	Absa Bank Kenya Plc	186,984	205,304	13,910	13,519
6	Stanbic Bank (Kenya) Ltd	155,498	163,859	16,644	19,345
7	Diamond Trust Bank (K) Ltd	152,287	155,307	11,036	12,892
8	I&M Bank Ltd	144,434	152,807	21,115	18,799
9	Standard Chartered Bank (K) Ltd	133,166	144,483	21,661	20,058
10	National Bank of Kenya Ltd	66,123	60,677	31,461	25,175
11	Family Bank Ltd.	47,023	54,389	8,138	8,244
12	Bank of Baroda (K) Ltd	43,439	49,335	3,903	4126
13	HFC Ltd	49,215	45,822	13,334	12316
14	Prime Bank Ltd	38,188	38,932	2,821	4,555
15	SBM Bank (Kenya) Ltd	23,602	27,226	16,311	14,980
16	Citibank N.A. Kenya	27,255	27,068	819	1,116
17	Gulf African Bank Ltd	23,616	24,578	2,572	3,613
18	Victoria Commercial Bank Ltd	22,810	24,542	696	1204
19	Ecobank Kenya Ltd	14,733	24,118	3,192	4,783
20	Bank of Africa (K) Ltd	26,255	22,546	9,509	8,998
21	African Banking Corporation Ltd	18,620	20,115	4,232	3556.7
22	Sidian Bank Ltd	14,108	15,846	2,942	3258
23	Credit Bank Ltd	13,440	15,797	1,113	1,592
24	Guaranty Trust Bank Ltd	13,342	14,872	2,526	2,747
25	Bank of India	19,153	13,608	1,347	1,212
26	First Community Bank Ltd	10,691	11,833	4,940	4,699
27	Jamii Bora Bank Ltd	9,112	10,766	6,344	6,083
28	Guardian Bank Ltd	9,715	9,892	960	944
29	Development Bank of Kenya Ltd	10,031	9,801	2,879	3341
30	Consolidated Bank of Kenya Ltd	10,027	8,929	2,539	2,632
31	M-Oriental Commercial Bank Ltd	8,018	7,455	773	1,411
32	Transnational Bank Ltd	7,646	7,313	1,850	2,196
33	Paramount Bank Ltd	6,172	7,177	1,069	1,263
34	Habib Bank A.G. Zurich	6,451	7,000	581	787
35	Middle East Bank (K) Ltd	3,064	6,153	1,227	870
36	Spire Bank Ltd	6,109	5,114	2,686	2,632
37	DIB Bank Kenya Ltd	2,132	5,067	8	50
38	Mayfair Bank Ltd	3,184	4,606		67
39	UBA Kenya Ltd	3,465	3,841	442	883
40	NIC Bank PLC***	117,786		15,830	
41	Chase Bank (K) Ltd*				
42	Imperial Bank Ltd *				
43	Charterhouse Bank Ltd **				
	Total	2,488,117	2,690,910	316,712	336,588
	*- The banks are in receivership.				
	**- The bank is under statutory management				
	*** NIC Bank PLC merged with Commercial Bank of Africa to form NCBA Bank Plc hence no values for NIC in 2019				
	Source: Banks Published Financial Statements				

APPENDIX VII: BANKING SECTOR CAPITAL AND RISK WEIGHTED ASSETS - DECEMBER 2019							
	Banks	Core Capital (Ksh.000)	Total Capital (Ksh.000)	Overall Risk Weighted Assets (Ksh.000)	Core Capital/ TRWA (%)	Total Capital/ TRWA (%)	Core Capital/ Total Deposits (%)
1	KCB Bank Kenya Ltd	90,200,466	101,066,966	577,236,270	15.6	17.5	17.0
2	The Co-operative Bank of Kenya Ltd	62,770,438	64,711,979	410,346,536	15.3	15.8	19.0
3	NCBA Bank Kenya PLC	62,561,322	65,182,117	350,879,900	17.8	18.6	17.7
4	Equity Bank Kenya Ltd	62,469,024	82,739,024	476,759,743	13.1	17.4	16.4
5	Diamond Trust Bank Kenya Limited	44,555,022	48,907,303	233,853,549	19.1	20.9	22.3
6	Absa Bank Kenya Plc	38,832,488	46,433,739	277,812,947	14.0	16.7	18.8
7	I & M Bank Ltd	37,847,066	45,275,624	209,981,453	18.0	21.6	19.3
8	Stanbic Bank Kenya Ltd	36,157,351	43,686,655	238,222,002	15.2	18.3	18.4
9	Standard Chartered Bank (K) Ltd	35,701,874	43,037,925	242,802,511	14.7	17.7	15.6
10	Bank of Baroda (Kenya) Limited	22,634,933	22,858,745	69,827,913	32.4	32.7	19.3
11	Prime Bank Ltd	21,471,831	22,033,737	53,266,941	40.3	41.4	26.4
12	Citibank N.A. Kenya	18,596,723	18,596,724	68,493,696	27.2	27.2	25.3
13	Bank of India	14,813,135	14,992,969	30,964,343	47.8	48.4	31.8
14	Family Bank Ltd.	11,244,237	13,263,038	70,978,185	15.8	18.7	19.3
15	SBM Bank Kenya Ltd	7,830,795	7,856,083	33,983,208	23.0	23.1	15.5
16	National Bank of Kenya Ltd	6,579,626	7,734,329	67,262,493	9.8	11.5	7.2
17	Victoria Commercial Bank Limited	5,827,565	6,368,498	31,604,573	18.4	20.2	22.1
18	HFC Ltd	5,812,771	6,371,264	44,679,426	13.0	14.3	15.3
19	Ecobank Kenya Ltd	5,774,511	6,918,214	42,533,091	13.6	16.3	10.9
20	Guaranty Trust Bank Ltd	5,421,718	5,421,718	20,643,540	26.3	26.3	31.1
21	Gulf African Bank Ltd	4,262,768	5,876,860	34,347,247	12.4	17.1	15.3
22	Sidian Bank Ltd	3,698,408	4,927,160	27,479,534	13.5	17.9	21.4
23	Habib Bank AG Zurich	2,875,701	2,928,750	10,731,752	26.8	27.3	18.4
24	Credit Bank Ltd	2,837,260	3,001,944	20,069,349	14.1	15.0	16.9
25	Development Bank of Kenya Ltd	2,649,048	2,952,103	9,381,519	28.2	31.5	50.9
26	M-Oriental Commercial Bank Ltd	2,606,842	2,705,075	7,858,628	33.2	34.4	28.4
27	Guardian Bank Limited	2,523,757	2,740,810	12,345,662	20.4	22.2	19.3
28	African Banking Corporation Ltd	2,428,895	3,076,075	20,005,291	12.1	15.4	10.7
29	UBA Kenya Bank Ltd	2,241,806	2,241,806	8,837,363	25.4	25.4	32.3
30	Paramount Bank Ltd	1,660,390	1,660,390	5,517,940	30.1	30.1	19.6
31	Trans National Bank Limited	1,647,246	1,817,761	9,020,366	18.3	20.2	23.2
32	Bank of Africa Ltd	1,510,566	2,657,425	24,545,787	6.2	10.8	4.1
33	Consolidated Bank of Kenya Limited	1,152,391	1,369,437	10,125,914	11.4	13.5	13.1
34	Middle East Bank (K) Ltd	1,086,257	1,093,714	3,506,605	31.0	31.2	16.1
35	Mayfair Bank Ltd	1,036,015	1,036,015	5,836,904	17.7	17.7	14.2
36	DIB Bank Kenya Ltd	1,002,344	1,016,015	6,839,081	14.7	14.9	16.4
37	Jamii Bora Bank	678,505	678,505	8,147,944	8.3	8.3	14.2
38	First Community Bank Ltd	617,150	1,130,466	13,962,683	4.4	8.1	3.8
39	Spire Bank Limited	(1,412,110)	(1,331,313)	6,463,765	(21.8)	(20.6)	(31.0)
	Total	632,206,134	715,035,649	3,797,155,653	16.6	18.8	18.0
	Source : Central Bank of Kenya						

Appendix VIII: BANKING SECTOR ACCESS TO FINANCIAL SERVICES - NUMBER OF DEPOSIT ACCOUNTS - DECEMBER 2019

	BANKS	Peer	DEC.2018			DEC.2019			% Change
		Group -December 2019	< 100,000	>100,000	Total	< 100,000	>100,000	Total	
1	KCB Bank Kenya Ltd	Large	6,941,325	228,655	7,169,980	8,013,686	253,958	8,267,644	15.3
2	Equity Bank Kenya Ltd	Large	10,590,150	330,121	10,920,271	10,935,007	347,787	11,282,794	3.3
3	NCBA Bank Kenya Ltd.	Large	26,152,904	52,303	26,205,207	31,609,349	102,235	31,711,584	21.0
4	The Co-operative Bank of Kenya Ltd	Large	3,238,289	225,937	3,464,226	3,299,513	241,260	3,540,773	2.2
5	Family Bank Ltd	Medium	2,170,095	54,152	2,224,247	2,193,599	56,468	2,250,067	1.2
6	ABSA Kenya Plc	Large	1,525,059	105,530	1,630,589	1,641,727	108,177	1,749,904	7.3
7	National Bank of Kenya Ltd	Medium	658,414	39,637	698,051	659,446	40,683	700,129	0.3
8	Standard Chartered Bank (K) Ltd	Large	131,502	57,033	188,535	158,852	71,645	230,497	22.3
9	Diamond Trust Bank (K) Ltd	Large	495,348	56,496	551,844	453,359	55,617	508,976	-7.8
10	SBM Bank (Kenya) Ltd.	Medium	303,490	13,019	316,509	200,162	13,637	213,799	-32.5
11	I & M Bank Ltd.	Large	102,496	48,155	150,651	108,468	52,560	161,028	6.9
12	Sidian Bank Limited	Small	232,688	7,804	240,492	239,857	8,249	248,106	3.2
13	Stanbic Bank Kenya Ltd	Large	150,749	35,672	186,421	165,342	38,216	203,558	9.2
14	First Community Bank Ltd	Small	100,528	8,835	109,363	76,126	9,308	85,434	-21.9
15	HFC Limited	Medium	173,039	12,154	185,193	254,663	12,651	267,314	44.3
16	Ecobank Kenya Ltd	Medium	142,847	7,729	150,576	164,974	8,045	173,019	14.9
17	Bank of Africa Kenya Ltd	Small	97,201	9,465	106,666	95,591	9,559	105,150	-1.4
18	Bank of Baroda Ltd	Medium	21,366	27,776	49,142	21,078	29,987	51,065	3.9
19	Jamii Bora Bank Ltd	Small	134,088	2,042	136,130	157,475	2,007	159,482	17.2
20	Trans- National Bank Ltd	Small	91,507	5,426	96,933	100,344	5,944	106,288	9.7
21	Spire Bank Limited	Small	20,629	2,698	23,327	21,367	1,875	23,242	-0.4
22	Prime Bank Ltd	Medium	16,821	15,416	32,237	18,529	16,954	35,483	10.1
23	Gulf African Bank Ltd	Small	82,999	14,820	97,819	88,196	16,235	104,431	6.8
24	Guaranty Trust Bank (Kenya) Ltd	Small	11,130	5,241	16,371	11,770	5,340	17,110	4.5
25	Consolidated Bank of Kenya Ltd	Small	41,946	5,121	47,067	42,241	5,087	47,328	0.6
26	Bank of India	Medium	7,111	8,939	16,050	6,780	9,396	16,176	0.8
27	African Banking Corporation Ltd	Small	32,583	5,741	38,324	31,266	5,748	37,014	-3.4
28	Guardian Bank Ltd	Small	6,722	3,041	9,763	6,257	3,003	9,260	-5.2
29	Credit Bank Ltd	Small	30,151	3,602	33,753	35,121	4,140	39,261	16.3
30	Paramount Bank Ltd	Small	5,688	1,865	7,553	6,122	1,473	7,595	0.6
31	UBA Bank Kenya Ltd	Small	5,164	726	5,890	5,493	777	6,270	6.5
32	M-Oriental Commercial Bank Ltd	Small	2,924	1,382	4,306	2,914	1,439	4,353	1.1
33	DIB Bank Kenya Ltd	Small	2,435	544	2,979	2,455	814	3,269	9.7
34	Habib Bank A.G. Zurich	Small	2,098	2,943	5,041	1,935	3,051	4,986	-1.1
35	Victoria Commercial Bank Ltd	Small	1,344	3,482	4,826	1,362	3,685	5,047	4.6
36	Middle East Bank Ltd	Small	1301	670	1,971	1,563	738	2,301	16.7
37	Development Bank of Kenya Ltd	Small	823	795	1,618	747	850	1,597	-1.3
38	Mayfair Bank Ltd	Small	676	844	1,520	1,136	1,250	2,386	57.0
39	Citibank N.A. Kenya	Medium	576	1,409	1,985	559	1,381	1,940	-2.3
40	NIC Bank PLC		102,824	38,370	141,194				
41	Charterhouse Bank Ltd*								
42	Chase Bank Ltd**								
43	Imperial Bank Ltd**								
	Sub-Totals		53,829,030	1,445,590	55,274,620	60,834,431	1,551,229	62,385,660	12.9
	Microfinance Banks								
1	Kenya Women Microfinance Bank Limited	Large	876,163	9,773	885,936	941,578	10,189	951,767	7.4
2	Faulu Microfinance Bank Limited	Large	388,163	8,864	397,027	395,010	8,871	403,881	1.7
3	Rafiki Microfinance Bank Limited	Large	128,899	1,809	130,708	125,856	1,949	127,805	-2.2
4	SMEP Microfinance Bank Limited	Medium	516,436	1,675	518,111	533,319	1,900	535,219	3.3
5	Maisha Microfinance Bank Ltd	Medium	17,237	99	17,336	220,422	167	220,589	1,172.4
6	KEY Microfinance Bank Limited	Medium	10,412	125	10,537	11,230	111	11,341	7.6
7	Sumac Microfinance Bank Limited	Medium	5,293	320	5,613	8,736	328	9,064	61.5
8	Century Microfinance Bank Limited	Small	24,905	196	25,101	24,241	168	24,409	-2.8
9	Caritas Microfinance Bank Limited	Small	20,557	726	21,283	22,106	973	23,079	8.4
10	Choice Microfinance Bank Limited	Small	7,191	126	7,317	7,526	99	7,625	4.2
11	U & I Microfinance Bank Limited	Small	7,692	119	7,811	6,138	152	6,290	-19.5
12	Uwezo Microfinance Bank Limited	Small	5,066	21	5,087	5,775	31	5,806	14.1
13	Daraja Microfinance Bank Limited	Small	4,683	77	4,760	4,188	79	4,267	-10.4
	Sub-Totals		2,012,697	23,930	2,036,627	2,306,125	25,017	2,331,142	14.5
	Grand Total		55,841,727	1,469,520	57,311,247	63,140,556	1,576,246	64,716,802	12.9
* Banks under statutory management									
** Banks in receivership									
*** NIC Bank Plc Merged with Commercial Bank of Africa Ltd. to form NCBA Bank Plc in 2019									
Source: Banks Published Financial Statements (December 2018 and December 2019)									

Appendix IX: BANKING SECTOR PROTECTED DEPOSITS - DECEMBER 2019

Dec-18									Dec-19		
	BANKS	Peer Group-2019	Insured Deposits Ksh.M	Customer Deposits Ksh.M	Insured Deposits Ksh.M	Customer De- posits Ksh.M	Change in Insured Deposits	% Change in Custom- er Deposits			
1	KCB Bank Kenya Ltd	Large	44,580	475,396	50,115	536,830.20	5,535.44	13.1			
2	Equity Bank Kenya Ltd	Large	67,072	340,941	68,758	381,137.80	1,685.53	11.8			
3	NCBA Bank Kenya Limited	Large	15,017	182,261	24,432	360,304.82	9,414.57	100.6			
4	The Co-operative Bank of Kenya Ltd	Large	42,758	303,450	44,420	330,113.19	1,661.95	9.0			
5	ABSA Bank Kenya Plc	Large	14,669	207,105	15,084	242,374.65	414.78	17.7			
6	Standard Chartered Bank Kenya Ltd	Large	7,555	223,391	9,437	236,461.22	1,882.28	6.2			
7	Diamond Trust Bank Kenya Limited	Large	7,475	204,831	7,284	221,038.37	(191.36)	8.5			
8	I & M Bank Ltd	Large	6,097	175,177	6,678	195,840.91	580.94	12.9			
9	Stanbic Bank Kenya Ltd	Large	4,971	196,539	5,374	205,515.90	402.90	5.0			
10	Bank of Baroda (Kenya) Limited	Medium	3,204	100,551	3,472	119,340.73	267.63	20.7			
11	Prime Bank Ltd	Medium	1,797	70,298	1,995	81,345.49	197.84	17.8			
12	National Bank of Kenya Ltd	Medium	6,767	98,241	6,955	97,078.52	187.97	-1.3			
13	Citibank N.A. Kenya	Medium	148	54,139	145	65,335.29	(3.18)	27.7			
14	Family Bank Ltd.	Medium	10,275	47,936	10,051	58,332.48	(224.12)	22.8			
15	Bank of India	Medium	1,016	39,879	1,075	46,755.08	59.26	20.7			
16	Ecobank Kenya Ltd	Medium	1,111	43,956	1,171	66,320.81	59.63	60.5			
17	SBM Bank Kenya Ltd	Medium	1,811	49,702	1,936	50,572.85	124.72	2.0			
18	HFC Ltd	Medium	1,872	34,284	1,971	38,004.36	98.58	12.4			
19	Bank of Africa (K) Ltd	Small	1,575	29,677	1,659	33,329.11	84.24	14.3			
20	Victoria Commercial Bank Limited	Small	377.21	23,208	408	27,350.21	30.97	22.5			
21	Guaranty Trust Bank Ltd	Small	663	15,718	695	18,932.47	31.94	25.4			
22	Gulf African Bank Ltd	Small	2,197	26,114	2,429	27,818.27	232.08	7.3			
23	African Banking Corporation Ltd	Small	751.39	21,030	762	22,980.53	11.10	11.4			
24	Sidian Bank Limited	Small	1466.28	16,571	1,533	18,013.64	66.45	10.2			
25	Habib Bank AG Zurich	Small	347.84	15,078	366	20,532.00	18.43	46.7			
26	Credit Bank Ltd	Small	479.46	12,625	565	17,346.61	85.93	46.7			
27	Guardian Bank Limited	Small	381.01	12,910	394	13,078.25	13.43	1.7			
28	First Community Bank Ltd	Small	1318.05	14,179	1,409	16,284.54	91.04	17.5			
29	Development Bank of Kenya Ltd	Small	94.86	5,596	100	6,029.28	5.21	10.6			
30	UBA Kenya Bank Ltd	Small	92.92	5,801	104	13,599.70	11.58	182.8			
31	M-Oriental Commercial Bank Ltd	Small	172.18	7,134	185	9,187.52	12.80	38.0			
32	Consolidated Bank of Kenya Limited	Small	786.92	8,306	806	8,795.67	19.17	7.2			
33	Paramount Bank Ltd	Small	230.14	7,836	200	8,478.89	(30.12)	10.7			
34	Transnational Bank Limited	Small	789.16	7,740	837	7,099.69	48.29	-10.0			
35	DIB Bank Kenya Ltd	Small	72.54	3,099	107	6,511.91	34.02	148.7			
36	Middle East Bank (K) Ltd	Small	82.11	3,987	94	7,137.85	12.14	109.1			
37	Mayfair Bank Ltd	Small	97.72	5,466	147	7,292.95	49.41	44.5			
38	Jamii Bora Bank Ltd	Small	401.59	4,006	397	4,794.83	(4.29)	25.0			
39	Spire Bank Limited	Small	384.48	6,474	305	4,553.00	(79.18)	-38.6			
	NIC Bank PLC***		5,434	134,992							
	Charterhouse Bank Ltd*										
	Chase Bank Kenya Ltd**										
	Imperial Bank Ltd**										
	Sub-Totals		256,390	3,235,624	273,856	3,631,850	22,900	8.4			
	Microfinance Banks										
1	Kenya Women Microfinance Bank Limited	Large	8,864	16,139	8225.0	15,774	(638.96)	-2.3			
2	Faulu Microfinance Bank Limited	Large	1,541	17,941	1563.0	20,092	21.97	12.0			
3	Rafiki Microfinance Bank Limited	Large	415	2,295	424.9	2576	9.88	12.2			
4	SMEP Microfinance Bank Limited	Medium	717	1,896	690.2	2,143	(26.77)	13.0			
5	Maisha Microfinance Bank Ltd	Medium	36	262.4	50.8	446	14.78	70.0			
6	Sumac Microfinance Bank Limited	Medium	50	500.1	47.0	631	(3.00)	26.2			
7	Caritas Microfinance Bank Limited	Medium	131	933.7	173.3	1353	42.29	44.9			
8	U & I Microfinance Bank Limited	Medium	22	285	31.1	356	9.13	24.9			
9	Century Microfinance Bank Limited	Small	44	341	40.3	256	(3.66)	-24.9			
10	KEY Microfinance Bank Limited	Small	36	123	28.3	99	(7.72)	-19.6			
11	Choice Microfinance Bank Limited	Small	24	108	19.4	83	(4.59)	-23.1			
12	Daraja Microfinance Bank Limited	Small	17	120.8	16.6	107	(0.39)	-11.4			
13	Uwezo Microfinance Bank Limited	Small	8	16	13.1	25	5.10	54.3			
	Sub-Totals		11,905	40,961	11,323	43,941	-582	7.3			
	Grand total		268,295	3,276,585	285,179	3,675,791	22,318	7.0			

APPENDIX X: MICROFINANCE BANKS BALANCE SHEET - DECEMBER 2019

		KENYA WOM-EN	FAULU	RAFI-KI*	SMEP	CARI-TAS	SU-MAC	KEY	U & I	UWEZO	DARA-JA	MAI-SHA	CEN-TURY	CHOICE*	TOTAL
		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) STATEMENT OF FINANCIAL POSITION															
1.0 ASSETS															
1.1	Cash and bank balances	2,875	408	90	35	26	14	30	7.18	2	1	5	1	0	3,494
1.2	Short-term deposits with banks	3,182	2,582	1,580	723	703	441	92	52.17	22	8	129	52	21	9,587
1.3	Government Securities	-	3,469	-	-	15	-	-	-	-	-	-	-	-	3,484
1.4	Advances to customers (net)	18,972	19,777	3,040	1,682	758	1,199	158	601.72	68	10	188	187	11	46,652
1.5	Due from related organizations														
1.6	Other receivables	269	295	275	324	53	242	41	2.16	15	25	30	25	5	1,601.2
1.7	Tax recoverable	183	-	41	24	-	-	-	0.46	0	-	-	2	-	250
1.8	Deferred tax Asset	448	585	595	48	-	4	76	-	50	71	24	38	26	1,964
1.9	Other investment	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1.10	Investment in associate companies	1	54	-	-	-	0	-	-	-	-	848	-	-	903
1.11	Intangible assets	104	1,347	55	154	32	60	1	9.17	17	6	15	6	23	1,829
1.12	Property and equipment	4,578	1,165	260	324	125	53	8	13.55	(5)	12	26	37	(6)	6,589
	TOTAL ASSETS	30,613	29,682	5,935	3,314	1,712	2,013	406	686.40	168	133	1,264	348	79	76,353
2.0 LIABILITIES															
2.1	Cash collaterals held	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2	Customer deposits	15,774	20,092	2,576	2,143	1,353	631	99	356	25	107	446	256	83	43,941
2.3	Borrowings	8,247	4,366	635	481	79	800	133	155	-	-	-	19	19	14,934
2.4	Deposit & balances due to banking institutions	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.5	Deferred tax liability	-	-	-	-	-	-	-	0.75	-	-	-	-	-	1
2.6	Due to related organisations	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.7	Other liabilities	2,746	1,447	1,458	186	39	254	26	2	26	35	18	52	11	6,300
	TOTAL LIABILITIES	26,767	25,906	4,668	2,810	1,471	1,685	259	513	51	142	465	326	114	65,175
3.0 SHARE CAPITAL & RESERVES															
3.1	Share capital	186	480	2,500	543	600	197	230	139	203	139	1,017	373	166	6,772
3.2	Share premium	2,851	2,900	-	2	-	110	16	-	-	27	20	-	5	5,932
3.3	Retained earnings	630	141	(1,313)	(208)	(360)	22	(99)	34	(86)	(177)	(237)	(351)	(206)	(2,209)
3.4	Revaluation reserve	-	255	-	154	-	-	-	-	-	2	-	-	-	411
3.5	Statutory reserve	179	-	79	12	2	-	-	-	-	-	-	-	-	272
3.6	Total Shareholders' funds	3,846	3,776	1,267	504	241	329	147	173	117	(9)	799	22	(35)	11,177
	TOTAL LIABILITIES AND EQUITY	30,613	29,682	5,935	3,314	1,712	2,013	406	686.40	168	133	1,264	348	79	76,353
Source : Central Bank of Kenya															

APPENDIX XI :MICROFINANCE BANKS PROFIT AND LOSS ACCOUNT - DECEMBER 2019

		KENYA WOMEN	FAULU	RAFIKI*	SMEP	CARI- TAS	SU- MAC	KEY	U & I	UWEZO	DARAJA	MAI- SHA	CEN- TURY	CHOICE*	TOTAL
1.0	Income	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
1.1	Interest on Loan Portfolio	4,916	4,340	555	653	131	331	49	95	27	11	56	56	6	11,228
1.2	Fees and Com- mission on Loan Portfolio	626	655	56	56	24	27	4	21	14	2	8	12	0	1,507
1.3	Government Securities	-	393	-	-	-	-	-	-	-	-	-	-	-	393
1.4	Deposit and Bal- ances with Banks and Financial Inst.	187	138	107	52	57	17	6	-	-	0	6	4	-	574
1.5	Other Investments	-	-	-	-	-	-	-	-	-	-	-	-	2	2
1.6	Other Operat- ing Income	246	115	89	76	13	3	5	-	2	1	17	10	0	578
1.7	Non- Operating Income	-	2	-	-	-	-	-	0	-	-	-	-	-	2
	Total Income	5,976	5,643	807	838	226	378	64	117	43	14	87	82	8	14,283
2.0	Expenses														
2.1	Interest and Fee Ex- pense on Deposits	684	1,744	173	165	48	69	8	27	0	9	35	35	6	3,003
2.2	Other Fees and Com- missions expense	54	219	4	-	-	11	2	-	-	-	-	-	-	290
2.3	Provision for Loan Impairment	4	563	(172)	72	26	16	4	3	2	5	9	14	(6)	539
2.4	Staff Costs	2,531	909	373	229	86	47	36	26	15	15	33	31	14	4,344
2.5	Director's Emolu- ments	180	14	4	10	6	11	2	5	2	1	2	3	0	240
2.6	Rental Charges	398	126	103	26	3	19	6	6	7	4	6	1	4	709
2.7	Depreciation Charges	355	256	92	28	33	11	3	3	3	2	3	8	2	799
2.8	Amortization Charges	46	176	6	20	5	7	0	0	3	2	6	6	6	283
2.9	Other Administra- tive Expense	1,343	623	183	204	64	38	24	27	81	21	31	27	8	2,675
2.1	Non-Operating Expense	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Total Expenses	5,594	4,630	766	755	271	227	84	97	114	60	125	125	35	12,882
3.0	Operating Profit	381	1,013	41	83	(44)	151	(20)	20	(71)	(46)	(38)	(43)	(27)	1,401
4.0	Interest and Fee Expense on Bor- rowings(Finance Costs)	906	556	46	63	7	133	14	13	-	0	-	-	2	1,740
5.0	Profit/(Loss) before tax	(525)	456	(4)	19	(51)	18	(34)	8	(71)	(46)	(38)	(43)	(29)	(339)
6.0	Current Tax	(123)	145	(1)	-	-	9	-	3	-	-	-	-	-	32
6.1	Deferred Tax	-	-	-	13	-	-	(21)	-	(40)	(14)	-	-	-	(62)
7.0	Net Profit (After Taxes and Before Donations)	(402)	312	(3)	6	(51)	9	(13)	4	(31)	(32)	(38)	(43)	(29)	(309)
8.0	Donations for Oper- ating Expense	-	-	-	-	-	-	-	-	-	-	-	-	-	-
9.0	Net Profit After Taxes	(402)	312	(3)	6	(51)	9	(13)	4	(31)	(32)	(38)	(43)	(29)	(309)
	Other Comprehen- sive Income	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Surplus on revalua- tion of building	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Deferred tax on re- valuation surplus	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Total comprehen- sive income	(402)	312	(3)	6	(51)	9	(13)	4	(31)	(32)	(38)	(43)	(29)	(309)
	*Unaudited Financial Statements														

APPENDIX XII: MICROFINANCE BANKS OTHER DISCLOSURES - DECEMBER 2019

		KENYA WOMEN	FAULU	RAFIKI*	SMEP	CARI- TAS	SU- MAC	KEY	U & I	UWEZO	DARA- JA	MAISHA	CEN- TURY	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
(a)	Gross Non-Per- forming Loans and Advances	3,998	2,546	2,195	395	139	201	104	29	55	17	86	45	9	9,817
(b)	Less: Interest in Suspense	515	236	895	133	13	-	-	5	-	14	-	12	2	1,825
(c)	Total Non-Per- forming Loans and Advances (a-b)	3,483	2,310	1,299	263	126	201	104	24	55	3	86	33	7	7,993
(d)	Less: Impairment Loss Allowance	289	2,473	442	275	49	79	52	5	21	16	81	6	5	3,795
(e)	Net Non-Performing Loans (c-d)	3,194	(163)	857	(13)	77	122	51	19	34	(13)	5	27	1	4,198
2	INSIDER LOANS AND ADVANCES														
(a)	Directors, Sharehold- ers and Associates	249	40	-	11	1	3	2	1	2	-	-	-	-	308
(b)	Employees	358	343	24	17	33	8	3	9	-	1	8	5	2	811
(c)	Total Insider Loans, Advances and Other Facilities	607	383	24	27	34	11	6	10	2	1	8	5	2	1,120
3	OFF-BALANCE SHEET ITEMS														
(a)	Guarantees and Commitments	140	209	2,470	-	-	-	-	-	-	-	207	-	-	3,026
(b)	Other Contingent Liabilities	28	1,178	-	-	-	-	-	-	-	-	-	-	-	1,206
(c)	Total Contingent Liabilities	167	1,387	2,470	-	-	-	-	-	-	-	207	-	-	4,232
4	CAPITAL STRENGTH														
(a)	Core Capital	3,218	2,882	592	338	240	313	70	173	68	(81)	776	22	(63)	8,546
(b)	Minimum Statutory Capital	60	60	60	60	60	60	60	60	60	20	60	60	20	700
(c)	Excess/(Deficiency) (a-b)	3,158	2,822	532	278	180	253	10	113	8	(101)	716	(38)	(83)	7,846
(d)	Supplementary Capital	1,539	64	93	-	-	-	-	-	-	2	-	-	-	1,698
(e)	Total Capital (a+d)	4,757	2,945	685	338	240	313	70	173	68	(79)	776	22	(63)	10,244
(f)	Total Risk Weighted Assets	22,317	22,208	4,312	2,249	1,092	1,639	229	486	99	55	1,128	290	104	56,210
(g)	Core Capital/ Total Deposit Liabilities (%)	20	14	23	16	18	50	71	49	275	(76)	174	9	(75)	19
(h)	Minimum Statutory Ratio (%)	8	8	8	8	8	8	8	8	8	8	8	8	8	8
(i)	Excess/(Deficiency) (g-h) (%)	12	6	15	8	10	42	63	41	267	(84)	166	1	(83)	11
(j)	Core Capital/ Total Risk Weighted Assets (%)	14	13	14	15	22	19	31	36	69	(148)	69	8	(60)	15
(k)	Minimum Statutory Ratio (%)	10	10	10	10	10	10	10	10	10	10	10	10	10	10
(l)	Excess/(Deficiency) (j-k) (%)	4	3	4	5	12	9	21	26	59	(158)	59	(2)	(70)	5
(m)	Total Capital/ Total Risk Weighted Assets (%)	21	13	16	15	22	19	31	36	69	(144)	69	8	(6)	18
(n)	Minimum Statutory Ratio (%)	12	12	12	12	1	12	12	12	12	12	12	12	12	12
(o)	Excess/(Deficiency) (m-n) (%)	9	1	4	3	10	7	19	24	57	(156)	57	(4)	(72)	6
5	LIQUIDITY														
(a)	Liquidity Ratio (%)	24	26	39	27	54	3	100	31	74	8	30	20.	2	38
(b)	Minimum Statutory Ratio (%)	20	2	20	20	20	20	20	20	20	20	20	20	20	20
(c)	Excess/(Deficiency) (a-b) (%)	4	6	19	7	34	19	80	11	54	(12)	1	0	(18)	18

Source: MFBs Published Financial Statements

*Unaudited Financial Statements

APPENDIX XIII : RESIDENTIAL MORTGAGES MARKET DEVELOPMENT SURVEY DECEMBER 2019

	Institution	Dec-18					Dec-19				
		Mortgage Outstanding (Ksh. M)	% of the Mortgage Market	No. of Mortgage Accounts	Value of NPLs. Mortgage (Ksh. M)	No. of Mortgage NPLs. Accounts	Mortgage Outstanding (Ksh. M)	% of the Mortgage Market	No. of Mortgage Accounts	Value of NPLs. Mortgage (Ksh. M)	No. of Mortgage NPLs. Accounts
1	KCB Bank Kenya Ltd	64,303.00	27.05	7,602	4,979.00	534	66,134.00	27.82	8,404	5,143.00	559
2	HFC Ltd	33,706.00	14.18	5,073	5,110.00	518	40,066.00	16.85	4,717	11,652.00	533
3	Stanbic Bank Kenya Limited	25,645.00	10.79	2,084	1,222.00	162	28,380.00	11.94	2,224	1,830.00	201
4	Standard Chartered Bank Kenya Limited	25,912.33	10.90	2,038	454.94	63	21,983.00	9.25	2,042	669.00	97
5	Absa Bank Kenya Plc	9,692.00	4.08	1,079	269.00	33	12,594.00	5.30	1,242	423.00	49
6	The Co - operative Bank of Kenya Limited	11,725.00	4.93	1,192	1,211.00	72	11,646.00	4.90	1,274	1,656.00	94
7	Equity Bank Ltd	9,740.00	4.10	1,891	997.00	169	10,872.00	4.57	1,955	1,052.00	198
8	NCBA Bank Plc	7,342.00	3.09	1,348	194.00	24	10,133.00	4.26	1,283	789.00	87
9	Family Bank Ltd	5,450.86	2.29	759	875.85	152	7,161.80	3.01	863	834.50	81
10	SBM Bank Kenya Limited	2,836.79	1.19	154	2,175.26	81	3,239.56	1.36	199	2,276.78	98
11	Bank of Africa Ltd	3,615.91	1.52	384	218.71	63	2,996.00	1.26	374	52.00	6
12	Development Bank of Kenya Limited	3,350.00	1.41	527	96.00	91	2,950.00	1.24	617	875	90
13	I&M Bank Ltd	3,936.00	1.66	468	338.00	31	2,546.00	1.07	314	387.00	37
14	Consolidated Bank of Kenya Limited	665.32	0.28	123	161.00	31	2,272.31	0.96	293	621.75	48
15	DIB Bank Kenya Ltd	722.24	0.30	45	7.75	1	2,163.93	0.91	70	55.30	3
16	First Community Bank Ltd	1,936.00	0.81	158	644.00	41	2,108.00	0.89	218	727.00	40
17	National Bank of Kenya Ltd	1,979.00	0.83	309	119	20	1,953.00	0.82	324	142.00	21
18	Bank of Baroda Ltd	1,212.50	0.51	127.00	103.41	10	1,268.79	0.53	128	35.91	2
19	Diamond Trust Bank of Kenya Ltd	842.00	0.35	78	52.00	6	980.00	0.41	90	52.00	6
20	Guardian Bank Ltd	982.40	0.41	42	210.01	4	880.00	0.37	32	259.00	150
21	Gulf African Bank Ltd	604.52	0.25	81	8.06	3	751.00	0.32	154	-	-
22	African Banking Corporation Ltd	547.95	0.23	62	86.77	9	707.44	0.30	658	75.77	6
23	Sidian Bank Ltd	1,010.00	0.42	176	186.00	44	621.00	0.26	109	211.00	47
24	Ecobank Kenya Ltd	594.18	0.25	104	60.90	18	550.60	0.23	84	52.00	645
25	Victoria Commercial Bank Ltd	75.00	0.03	6	-	-	328.00	0.14	14	17.00	1.
26	Paramount Bank Ltd	278.59	0.12	20	15,660.00	3	254.00	0.11	19	18.00	3
27	Bank of India	289.80	0.12	21.00	-	-	252.70	0.11	22	-	-
28	Prime Bank Ltd	187.00	0.08	23	31.00	1	195.00	0.08	21	10.00	1
29	Middle East Bank Kenya Limited	41.00	0.02	5	13.00	1	42.00	0.02	5	34.00	3
30	Jamii Bora Bank Ltd	2,734.00	1.15	249	1,827.00	101	1,294.60	0.54	223	840.16	82
31	Spire Bank Ltd	414.00	0.17	22	144.00	1	390.80	0.16	21.	183.40	5.
32	UBA Kenya Bank Ltd	3.88	0.00	1	-	-	-	-	-	-	-
33	NIC Bank PLC***	2,506.50	1.05	253	611.56	37					
34	Chase Bank (K) Ltd**	-		-							
Banks not offering Mortgage Loans											
1	Citibank N.A. Kenya	-		-	-	-	-		-	-	-
2	Guaranty Trust Bank Ltd	-		-	-	-	-		-	-	-
3	Credit Bank Ltd	-		-	-	-	-		-	-	-
4	Habib Bank A.G. Zurich	-		-	-	-	-		-	-	-
5	M-Oriental Commercial Bank Ltd	-		-	-	-	-		-	-	-
6	Transnational Bank Ltd	-		-	-	-	-		-	-	-
7	Mayfair Bank Kenya Ltd	-					-				
8	Charterhouse Bank Ltd**										
9	Imperial Bank Ltd*										
Total		224,881	100.00	26,187	27,268	2,405	237,715	100.00%	27,993	30,974	3,193
Average Mortgage Loan Size (Mortgage outstanding loans/ Number of mortgage accounts)		8.59					8.49				
Source: Commercial Banks											
** Bank under Statutory Management											
* Banks in Receivership											
*** NIC Bank Plc Merged with Commercial Bank of Africa Ltd. to form NCBA Bank Plc in 2019											

APPENDIX XIV: Banking Circulars Issued in 2019			
Circular No.	Date	Title	Purpose
1.	February 28, 2019	Kenya Banking Sector Charter	For the sector's reference in developing Banking Sector Charter time bound plans.
2.	March 18, 2019	Independent review of Anti-Money Laundering (AML) and Combating the Financing of Terrorism (CFT) compliance program	To ensure institutions nominate independent experts to review their institution's AML/CFT compliance programs.
3.	May 28, 2019	Roll out of new data specification template for sharing of credit information with CRBs	To provide for specifications needed in sharing of information with CRBs.
4.	June 10, 2019	Exchange of Currency Notes	To inform commercial banks of required information from customers when exchanging new currency notes issued.
5.	June 11, 2019	Exchange of Currency Notes	To require mortgage finance companies and microfinance banks to obtain required information during the exchange of new currency exercise.
6.	June 11, 2019	Exchange of Currency Notes	To require forex bureaus and money remittance providers to obtain required information during the exchange of new currency exercise.

APPENDIX XV: 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 :BANKS BRANCH NETWORK PER COUNTY				
	County	Dec-18	Dec-19	Increase/ (Decrease)
1	Baringo	10	10	0
2	Bomet	8	8	0
3	Bungoma	16	15	(1)
4	Busia	10	10	0
5	Elgeyo/Marakwet	6	6	0
6	Embu	11	10	(1)
7	Garissa	9	9	0
8	Homa Bay	10	9	(1)
9	Isiolo	7	7	0
10	Kajiado	48	46	(2)
11	Kakamega	18	17	(1)
12	Kericho	17	17	0
13	Kiambu	77	74	(3)
14	Kilifi	33	34	1
15	Kirinyaga	17	16	(1)
16	Kisii	23	22	(1)
17	Kisumu	41	39	(2)
18	Kitui	15	15	0
19	Kwale	11	12	1
20	Laikipia	19	18	(1)
21	Lamu	9	9	0
22	Machakos	31	30	(1)
23	Makueni	14	14	0
24	Mandera	3	3	0
25	Marsabit	7	7	0
26	Meru	40	39	(1)
27	Migori	13	13	0
28	Mombasa	125	123	(2)
29	Murang'a	20	20	0
30	Nairobi City	600	593	(7)
31	Nakuru	62	62	0
32	Nandi	12	12	0
33	Narok	14	15	1
34	Nyamira	5	5	0
35	Nyandarua	10	10	0
36	Nyeri	29	29	0
37	Samburu	2	3	1
38	Siaya	7	7	0
39	Taita/Taveta	9	10	1
40	Tana River	3	3	0
41	Tharaka-Nithi	5	7	2
42	Trans Nzoia	14	14	0
43	Turkana	5	7	2
44	Uasin Gishu	46	46	0
45	Vihiga	7	7	0
46	Wajir	4	4	0
47	West Pokot	3	4	1
	Total	1,505	1,490	(15)

NO.	Appendix XVII: DIRECTORY OF COMMERCIAL BANKS, MORTGAGE FINANCE COMPANIES, KENYA BANKERS ASSOCIATION, NON-OPERATING HOLDING COMPANIES AND AUTHORISED REPRESENTATIVE OFFICES
1	<p>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, Mezzanine Floor, Koinange Street, Nairobi Date Licensed: 08-12-1984 Peer Group: Small Branches: 13</p>
2	<p>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</p>
3	<p>Access Bank (Kenya) Limited Chief Executive: Mr. David Oludare Aluko Postal Address: P.O. Box 34353 - 00100 Nairobi Telephone: 020-2252188/91, 0780022224, 0720081772 Fax: +254-20-2252225 Email: DAVID.ALUKO@accessbankplc.com Website: www.tnbl.co.ke Physical Address: Transnational Plaza, Mama Ngina Street, Nairobi Date Licensed: 8/1/1985 Peer Group: Small Branches: 28</p>
4	<p>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</p>

NO.	Appendix XVII: DIRECTORY OF COMMERCIAL BANKS, MORTGAGE FINANCE COMPANIES, KENYA BANKERS ASSOCIATION, NON-OPERATING HOLDING COMPANIES AND AUTHORISED REPRESENTATIVE OFFICES
5	<p>Bank of Baroda (Kenya) Ltd Managing Director: Mr. Saravanakumar Appavu 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, 29 Koinange Street, Nairobi Date Licensed: 01-07-1953 Peer Group: medium Number of Branches: 14</p>
6	<p>Bank of India Chief Executive Officer: Sharda Bhushan Rai 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</p>
7	<p>Charterhouse Bank Ltd UNDER - STATUTORY MANAGEMENT Postal Address: P.O. Box 43252 Nairobi Telephone: +254-20-2242246 /7 /8 /53 Fax: +254-20-2219058, 2223060, 2242248 Email: info@charterhouse-bank.com Physical Address: Longonot Place, 6th Floor, Kijabe Street, Nairobi Date Licensed: 11-11-1996</p>
8	<p>Chase Bank (K) Limited IN RECEIVERSHIP 17th Floor UAP Old Mutual Towers, Upper Hill, Nairobi Postal Address: P.O. Box 45983-00100 Nairobi, Kenya Email: customercare@kdic.go.ke +254 20 66 77 000, +254 709 043 000 www.kdic.go.ke Date Licensed: 1st April, 1996</p>
9	<p>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</p>

NO.	Appendix XVII: DIRECTORY OF COMMERCIAL BANKS, MORTGAGE FINANCE COMPANIES, KENYA BANKERS ASSOCIATION, NON-OPERATING HOLDING COMPANIES AND AUTHORISED REPRESENTATIVE OFFICES
10	Consolidated Bank of Kenya Ltd Chief Executive Officer: Mr. Thomas Kipkemei Kiyai 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
11	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: 152
12	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: Mercantile House, Ground Floor, Koinange Street, Nairobi Date Licensed: 30-11-1994 Peer Group: Small Branches: 18
13	Development Bank of Kenya Ltd. Chief Executive Officer: Mr. Victor J.O Kidiwa 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
14	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

NO.	Appendix XVII: DIRECTORY OF COMMERCIAL BANKS, MORTGAGE FINANCE COMPANIES, KENYA BANKERS ASSOCIATION, NON-OPERATING HOLDING COMPANIES AND AUTHORISED REPRESENTATIVE OFFICES
15	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
16	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
17	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: 171, Sub-branches 12.
18	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
19	First Community Bank Ltd Chief Executive: Dr. Hussein Hassan Postal Address: P.O. Box 26219-00100, Nairobi Telephone numbers: 020-2843000 Fax: N/A Email: queries@fcb.co.ke Website: www.firstcommunitybank.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

NO.	Appendix XVII: DIRECTORY OF COMMERCIAL BANKS, MORTGAGE FINANCE COMPANIES, KENYA BANKERS ASSOCIATION, NON-OPERATING HOLDING COMPANIES AND AUTHORISED REPRESENTATIVE OFFICES
20	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: 8
21	Guardian Bank Limited Managing Director: Mr. Nayaranamurthi 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
22	Gulf African Bank Limited Chief Executive Officer: Mr. Abdalla Abdulkhalik 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
23	Habib Bank AG Zurich Chief Executive Officer: 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
24	Imperial Bank Ltd IN-RECEIVERSHIP 17 th Floor UAP Old Mutual Towers, Upper Hill, Nairobi Postal Address: P.O. Box 45983 – 00100, Kenya Email: customercare@kdic.go.ke +254 20 66 77 000, +254 709 043 000 www.kdic.go.ke Date Licensed: 08-12-1994 Peer Group: Medium Branches: 1

NO.	Appendix XVII: DIRECTORY OF COMMERCIAL BANKS, MORTGAGE FINANCE COMPANIES, KENYA BANKERS ASSOCIATION, NON-OPERATING HOLDING COMPANIES AND AUTHORISED REPRESENTATIVE OFFICES
25	<p>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</p>
26	<p>Kingdom Bank Limited Chief Executive Officer: Mr. Anthony Mburu Postal Address: P.O. Box 22742 -00400, Nairobi Telephone numbers: 0709881000 Fax: N/A Email: AMburu@co-opbank.co.ke Website: www.jamiiiborabank.co.ke Physical Address: Kingdom Bank Towers, Argwings Kodhek Rd, Nairobi Date Licensed: 02-03-2010 Peer Group: Small Number of Branches: 41</p>
27	<p>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</p>
28	<p>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: 6</p>

NO.	Appendix XVII: DIRECTORY OF COMMERCIAL BANKS, MORTGAGE FINANCE COMPANIES, KENYA BANKERS ASSOCIATION, NON-OPERATING HOLDING COMPANIES AND AUTHORISED REPRESENTATIVE OFFICES
29	Middle East Bank Kenya Limited Managing Director: Mr. Isaac Mwigie 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: 5
30	M Oriental Bank Limited Managing Director: Mr. Alakh Kohli 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: 8
31	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
32	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: 37 branches and 9 agencies
33	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

NO.	Appendix XVII: DIRECTORY OF COMMERCIAL BANKS, MORTGAGE FINANCE COMPANIES, KENYA BANKERS ASSOCIATION, NON-OPERATING HOLDING COMPANIES AND AUTHORISED REPRESENTATIVE OFFICES
34	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: 23
35	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 Emails: sbm@sbmgroup.mu Web: https://www.sbmgroup.mu/ Physical Address: Riverside Mews, Nairobi Date Licensed: 07-03-1996 Peer Group: Medium Branches: 52
36	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
37	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
38	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

NO.	Appendix XVII: DIRECTORY OF COMMERCIAL BANKS, MORTGAGE FINANCE COMPANIES, KENYA BANKERS ASSOCIATION, NON-OPERATING HOLDING COMPANIES AND AUTHORISED REPRESENTATIVE OFFICES
39	<p>Standard Chartered Bank Kenya Limited Chief Executive Officer: Mr. Kariuki Ngare 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: 33</p>
40	<p>UBA Kenya Bank Limited Ag. Chief Executive Officer: Mr. Kehinde Omirinde Postal Address: P.O. Box 34154 00100 Nairobi Telephone numbers: +254 711027099 / +254 203612099 Fax: N/A Email: cfckeny@ubagroup.com Website: https://www.ubagroup.com/countries/ke Physical Address: 1st Floor, Apollo Centre, Vale Close, Ring Road, Westlands, Nairobi Date Licensed: 25-09-2009 Peer Group: Small Number of Branches: 3</p>
41	<p>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: 4</p>

B: MORTGAGE FINANCE COMPANIES

1	<p>HFC Limited Ag. Chief Executive Officer: Ms. Regina Anyika 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: 23</p>
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C. KENYA BANKERS ASSOCIATION

1	<p>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</p>
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D. NON-OPERATING BANK HOLDING COMPANIES

1	<p>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: 5th Floor, International Life House, Mama Ngina Street, Nairobi Date Authorised: 31st December, 2014</p>
2	<p>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@equitygroup Holdings.com Website: www.equitygroup Holdings.com Physical Address: Equity Centre, 9th Floor, Hospital Road, Upper Hill, Nairobi</p>
3	<p>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</p>

D. NON-OPERATING BANK HOLDING COMPANIES

4	<p>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</p>
5	<p>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 / 734 108200 / Sms: 22522 E-mail: contactus@kcbbankgroup.com Website: www.kcbbankgroup.com Physical Address: Kencom House, Nairobi Date Authorised: 1st November, 2015</p>
6	<p>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</p>
7	<p>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: NIC House, Masaba Road, Upper Hill, Nairobi Date Authorised: 30th September 2019</p>
8	<p>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</p>

E. AUTHORISED REPRESENTATIVE OFFICES

1	<p>Bank of China Limited - Kenya Representative Office Chief Representative Officer : Mr. Chen Thao Address: P.O. Box 21357 - 00505 – Nairobi, Kenya Telephone No.: +254 - 20 - 3862811 / 2 Mobile: +254 - 788808600 E-mail: wangq@bankofchina.com Physical Address: Unit 1, 5th Floor, Wing B, Morningside Office Park, Ngong Road, Nairobi Date Authorised: 29th June 2012</p>
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E. AUTHORISED REPRESENTATIVE OFFICES	
2	Bank of Kigali Ltd - Kenya Representative Office Chief Representative Officer: Mr. Gerard Nyangezi Postal Address: P.O. Box 73279-00200 GPO– Nairobi, Kenya Telephone No.: +254 (20) 2711076 E-mail: pmasumbuko@bk.rw Physical Address: Ground Floor, Capitol Hill Square, Off Chyulu Road, Upper Hill, Nairobi Date Authorised: 12 th 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 Authorised: 29 th November 2011
4	HDFC Bank Limited - Kenya Representative Office Chief Representative Officer: Mr. Rajesh Kumar Saboo Postal Address: P.O. Box 14235 - 00800 – Nairobi, Kenya Mobile No.: +254 713597593 Telephone No: +254 20 3749857/63 E-mail address : Apurva.Sheth@hdfcbank.com Physical Address: Prosperity House, Westlands Road, Off Museum Hill, Westlands, Nairobi Date Authorised: 26 th June 2008
5	Mauritius Commercial Bank Limited - Kenya Representative Office Chief Representative Officer: Mr. Murray Van Resson Postal Address: P.O. Box 35699 - 00800 – Nairobi, Kenya Telephone No: +254 20 44931000 Mobile No: +254 798 362 948 E-mail address : Seema.Dhanani@mcb.mu Physical Address: Bloom Centre, KMA Centre, Mara Road, Upper Hill, Nairobi Date Authorised: 27 th 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 Authorized: 18 th June 2010
7	Co-operative Rabobank U.A - Kenya Representative Office Chief Representative Officer: Mr. Adrianus Cornelis Verbeek Postal Address: P.O. Box 1105-00606, Nairobi, Kenya Telephone: +254 202 955 000/1/2 Mobile: 254 700 331 196 E-mail: Jan.de.Laat@rabobank.com Website Address: www.rabobank.com Physical Address: 17th Floor, Delta Corner Tower, Waiyaki Way, Nairobi Date Authorised: 5 th 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: 28 th August 2017

E. AUTHORISED REPRESENTATIVE OFFICES

9	<p>BAHL - Representative Office</p> <p>Chief Representative Officer: Mr. Hasnain Muhammad</p> <p>Postal Address: P.O. Box 2445-00606, Nairobi, Kenya</p> <p>Telephone: +254 799743776 Mobile: +254 799743777</p> <p>E-mail: bahl.kenyaro@bankalhabib.com / aliraza.yousuf@bankalhabib.com</p> <p>Website Address: www.bankalhabib.com</p> <p>Physical Address: Unit 5, 8th Floor, The Mirage Tower, Waiyaki Way, Nairobi</p> <p>Date Authorised: 9th April, 2018</p>
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NO. Appendix XVIII : DIRECTORY OF MICROFINANCE BANKS	
1	<p>Caritas Microfinance Bank Limited Ag. Chief Executive Officer: Mr. Theuri Muchiri 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 Otunga Plaza, Ground Floor, Kaunda Street, Nairobi Date Licensed: 02.06.2015 Branches: 5</p>
2	<p>Century Microfinance Bank Limited Chief Executive Officer: Ms. Florence Mugure Muchiri Postal Address: P.O. Box 38319 - 00623, Nairobi Telephone: +254 - 020 - 2664282, 0722 - 168721, 0756 - 305132 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</p>
3	<p>Choice Microfinance Bank Limited Ag. Chief Executive Officer: Mr. Joseph Kung'u Ndung'u Postal Address: P.O. Box 18263 - 00100, Nairobi Telephone: +254 - 020 3882206 / 207, 0736 - 662218, 0724 - 308000 Email: info@choicemfb.com Website: www.choicemfb.com Physical Address: Siron Place, Ongata Rongai, Magadi Road, Kajjido Date Licensed: 13.05.2015 Branches: 2</p>
4.	<p>Daraja Microfinance Bank Limited Ag. Chief Executive Officer: Ms. Jane Mwangi Postal Address: P.O. Box 100854 - 00101, Nairobi Telephone: +254 - 020 - 3879995 / 0733 - 988888, 0707 - 444888, 0718 - 444888 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</p>
5	<p>Faulu Microfinance Bank Limited Managing Director: Mr. Apollo Njoroge Nderitu Postal Address: P.O. Box 60240 - 00200, Nairobi Telephone: +254 - 020 - 3877290/3/7; 3872183/4; 3867503, 0711 - 074074, 0708 - 111000 Fax: +254-20-3867504, 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</p>

NO. Appendix XVIII : DIRECTORY OF MICROFINANCE BANKS	
6	<p>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, 0729920920, 0732633332, 0703 - 067000 Email: info@kwftbank.com Website: www.kwftbank.com Physical Address: Akira House, Kiambere Road, Upper Hill, Nairobi Date Licensed: 31.03.2010 Branches: 32</p>
7	<p>Maisha Microfinance Bank Limited Chief Executive Officer: Mr. Ireneus Gichana Postal Address: P.O. Box 49316 - 00100, Nairobi Telephone: 020 222 0648 0736-028-982 0792-002-300 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</p>
8	<p>Rafiki Microfinance Bank Limited Managing Director: Mr. Ken Obimbo Postal Address: P.O. Box 12755 - 00400, Nairobi Telephone: +254-020-2166401/0730 170 000/500 Email: info@rafiki.co.ke Website: www.rafiki.co.ke Physical Address: Rafiki House, Biashara Street, Nairobi Date Licensed: 14.06.2011 Branches: 17</p>
9	<p>Key Microfinance Bank Limited Chief Executive Officer: Mr. Gregory Siro Odongo Postal Address: P.O. Box 20833 - 00100, Nairobi Telephone: +254 - 020 - 2214483/2215384/ 2215387/8/9, 2631070, 2215380, 2215384/5/7/8/9, 0733-554555 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</p>
10	<p>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</p>

NO.	Appendix XVIII : DIRECTORY OF MICROFINANCE BANKS
11	<p>Sumac Microfinance Bank Limited Chief Executive Officer: Mr. John Kamau Njihia Postal Address: P.O. Box 11687 - 00100, Nairobi Telephone: +254 - 020 - 2212587, 2210440, 2249047, 0738637245, 0725223499 Fax: 20 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</p>
12	<p>U & I Microfinance Bank Limited Chief Executive Officer: Mr. Simon Mwangi Ngigi Postal Address: P.O. Box 15825 - 00100, Nairobi Telephone: +254 - 020 - 2367288, 0713 - 112791 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</p>
13	<p>UWEZO Microfinance Bank Limited Chief Executive Officer: Mr. Julius Mutwiri Postal Address: P.O. Box 1654 - 00100, Nairobi Telephone: 0720-350808, 0729-211829 Email: info@uwezomfbank.com Website: www.uwezomfbank.com Physical Address: Park Plaza, Ground Floor, Moktar Daddah Street, Nairobi Date Licensed: 08.11.2010 Branches: 3</p>
14	<p>Muungano Microfinance Bank Limited Chief Executive Officer: Ms. Lydia Kibaara Postal Address: P.O. Box 355-1028, Muranga. Telephone: +254 725-454672 Email: info@muunganomfbank.com Website: www.muunganomfbank.com Date Licensed: 30.10.2019 Branches: 2</p>

Appendix XIX: DIRECTORY OF CREDIT REFERENCE BUREAUS

1.	Credit Reference Bureau Africa Limited (Trading as TransUnion) Chief Executive Officer: Mr. Billy Osano Owino Postal Address: P.O. Box 46406 - 00100, Nairobi Telephone: +254 - 020 - 3751799/3751360/2/4/5 Fax: +254 - 020 - 3751344 Email: info@transunion.co.ke Website: www.transunionafrica.com Physical Address: Delta Corner Annex, 2nd Floor, Ring Road, Westlands, Nairobi Date Licensed: 9.02.2010
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 - 3757272/0735-880880 Email: cikinfo@creditinfo.co.ke or consumercare@creditinfo.co.ke Website: www.creditinfo.co.ke Physical Address: Park Suites, Office 12, Second Floor, Parklands Road, Nairobi Date Licensed: 29.04.2015
3.	Metropol Credit Reference Bureau Limited Managing Director: Mr. Sam Omukoko Postal Address: P.O. Box 35331 - 00200, Nairobi Telephone: +254 - 020 - 2713575 Email: info@metropol.co.ke Website: www.metropolcorporation.com Physical Address: 1st Floor, KCB Towers, Upper Hill, Nairobi Date Licensed: 6.04.2011

Appendix XX: DIRECTORY OF FOREIGN EXCHANGE BUREAUS

	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	Arcade Forex Bureau Ltd P.O. Box 21646 – 00505 Nairobi Tel: 3871946/2189121/0721-810274	Adams Arcade Shopping Centre, Ngong Road, Nairobi	arcadeforex@yahoo.com Fax: 254-2-571924
3	Aristocrats Forex Bureau Ltd P.O. Box 10884 – 00400 Nairobi Tel: 245247/228080	Kenindia House, Loita Street Nairobi	aristoforex@nbi.ispkenya.com aristocratsforex@gmail.com Fax: 254-2-213794
4	Avenue Forex Bureau Ltd P.O. Box 1755 – 80100 Mombasa	Motor Mart Building, Moi Avenue, Mombasa	avenueforex@gmail.com info@avenueforex.com
5	Bamburi Forex Bureau Ltd P.O. Box 97803 Mombasa Tel: 041-5486950, 0722-412649/ 0733-466729	City Mall Nakumatt Nyali, Mombasa - Malindi Road	bamburiforex@hotmail.com Fax: 254-41-5486948
6	Bay Forex Bureau (Nairobi) Ltd P.O. Box 1043 – 00610 Nairobi Tel: 2244186/ 2248289/2244188	280 Annex Building, Eastleigh, Nairobi	info@bayforexbureau.com bayforex@swiftkenya.com Fax: 254-2-229665/248676
7	Boston Forex Bureau Limited P.O. Box 11076–00400 Nairobi Tel: 0205249664/ 0732622429/ 0702022429	Ameer Centre, Westlands, Nairobi	mariosshah_101@hotmail.com
8	CBD Forex Bureau Limited P.O. Box 10964 – 00400 Nairobi Tel: 316123	Sound Plaza, Woodvale Groove, Nairobi	cbdforex@gmail.com Fax: 254-2-318895
9	Central Forex Bureau Ltd P.O. Box 43966 – 00100 Nairobi Tel: 2226777/ 2224729/317217	I. P. S. Building, Ground Floor, Kaunda Street, Nairobi	centralforex@swiftkenya.com Fax: 254-2-249016
10	Classic Forex Bureau Limited P.O. Box 39166 – 00623 Nairobi Tel: 3862343/4	Prestige Plaza, 1st Floor, Ngong Road, Nairobi	info@classicforex.co.ke Fax No. 3862346
11	Commercial Forex Bureau Limited P.O. Box 47452 – 00100 Nairobi Tel. 020-2210307/8	KCS House, Mama Ngina Street, Nairobi	info@commercialforex.co.ke
12	Conference Forex Bureau Company Limited P.O. Box 32268 – 00600 Nairobi Tel. 3581293, 020-3586802	KICC, Ground Floor, Harambee Avenue, Nairobi	cfbltd@akarim.net Fax: 254-2-224126

Appendix XX: DIRECTORY OF FOREIGN EXCHANGE BUREAUS

	Name of Bureau	Location	E-mail Address & Fax
13	Continental Forex Bureau Ltd P.O. Box 49580 – 00400 Nairobi Tel: 2222140, 3168025	Old Mutual Building, ground floor, Kimathi Street, Nairobi	cfbbusiness@yahoo.com Fax: 254 2-216163
14	Cosmos Forex Bureau Ltd P.O. Box 10284 – 00100 Nairobi Tel: 250582/5	Rehema House, Ground Floor, Stan- dard/Kaunda Street, Nairobi	cosmosforex@yahoo.com Fax: 254-2-250591
15	Downtown Cambio Forex Bureau Ltd P.O. Box 42444 – 00100 Nairobi Tel: 608659; 609547/607721	Downtown Building, Wilson Airport, Langata Road, Nairobi	@downtownforex.co.ke Fax: 254-2-608354
16	Forex Bureau Afro Ltd P.O. Box 100414 – 00101 Nairobi Tel: 2247041/2250676/222950	Jamia Plaza Kigali Street Nairobi	forexafro@gmail.com Fax: 254-2-7250502
17	Gala Forex Bureau Ltd P.O. Box 35021-00100 Nairobi Tel: 020310241 Mobile: 0729750000	20th Century, 1st Floor Mama Ngina/ Kaunda Street, Nairobi	galaforex bureau@gmail.com Fax: 254 20 310261
18	Gateway Forex Bureau Ltd P.O. Box 11500 – 00100 Nairobi Tel: 2212955/45/49, 0700-003435	Town House, Kaunda Street, Nairobi	info@gatewayforex.co.ke Fax: 254-20-2212942T
19	Giant Forex Bureau de Change Ltd P.O. Box 56947 – 00200 Nairobi Tel: 827970	Terminal 1A, Jomo Kenyatta Inter- national Airport, Nairobi	giantforex@mitsuminet.com Fax: 254-2-825327
20	Give and Take Forex Bureau Ltd P.O. Box 51463 – 00200 Nairobi Tel: 7120581/3562152	Gigiri, China Garden, United Nations Avenue, Nairobi	giventakeforex@wanainchi.com Fax: 254-2-7120046
21	Glory Forex 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
22	GNK Forex Bureau Ltd P.O. Box 14297 – 00100 Nairobi Tel: 890303/891243/891848/892048	The Great Jubilee Shopping Centre, Ground Floor, Langata Road, Nairobi	gnkforex@swiftkenya.com Fax: 254-2-892266
23	Green Exchange Forex Bureau Ltd P.O. Box 20809 – 00100 Nairobi Tel:+2540202214547/8/9	Emperor Plaza, Ground Floor, Koinange Street, Nairobi	greenexchange forex bureau@hotmail.com Fax: 254-2-2214550
24	Industrial Area Forex Bureau Ltd P.O. Box 45746 – 00100 Nairobi Tel: 551186/551198	Bunyala Road, Industrial Area, Nairobi.	indafx@gmail.com Fax: 254-2-551186

Appendix XX: DIRECTORY OF FOREIGN EXCHANGE BUREAUS

	Name of Bureau	Location	E-mail Address & Fax
25	Island Forex Bureau Ltd P.O. Box 84300 Mombasa Tel: 041-2223988/ 2229626	Abdulrasul Inst. Building, Makadara Road, Moi Avenue, Mombasa	islandforex@hotmail.com Fax: 254-41-2227057
26	Junction Forex Bureau Limited P.O. Box 43888 – 00100 Nairobi Tel: 3861268/9, 0725-852840	The Junction of Ngong Road/ Dagoreti Corner, Nairobi	junctionforexbureaultd@yahoo.com
27	Kenza Exchange Bureau Ltd P.O. Box 21819 – 00400 Nairobi Tel: 822504/ 2245863	JKIA, Arrival Unit 1 Nairobi	okambua@gmail.com, rokora@yahoo.com
28	La'che Forex Bureau Ltd P.O. Box 45191 – 00100 Nairobi Tel: 3514509, 2119568/9, 0711-229408, 3752109	Mirage Towers, Chiromo Road, Nairobi.	info@lache.co.ke Fax: 254-2-2733485
29	Legacy Forex Bureau Ltd P.O. Box 15710 – 00100 Nairobi Tel. 0791587614, 0719670281, 0728647131	Corner Plaza, Westlands, Nairobi	info@legacyforexbureau.co.ke or info@syzointernational.co.ke
30	Leo Forex Bureau Ltd P.O. Box 82304– 80100 Mombasa Tel: 041-2230396/7/8; 2230399	T. S. S. Towers Nkrumah Road, Mombasa	leoforex@swiftmombasa.com Fax: 254-41-230399
31	Link Forex Bureau Ltd P.O. Box 11659 – 00400 Nairobi Tel: 2213619/21, 0724-256480	Uganda House – Arcade, Kenyatta Avenue, Nairobi	Link-forex@yahoo.com Fax: 254-2-213620
32	Magnum Forex Bureau De Change Ltd P.O. Box 46434 – 00100 Nairobi	Southfield Mall, Airport North Road, Nairobi	magnumkenya@gmail.com
33	Maritime Forex Bureau Ltd P.O. Box 43296 – 80100 Mombasa Tel: 041- 2319175/6/7	Hassanali Building, Nkrumah Road, Nairobi	maritimeforex@africal.co.ke Fax: 254-41-2319178
34	Middletown Forex Bureau Ltd P.O. Box 41830 – 00100 Nairobi Tel: 2211227	Westminister House, Kaunda Street Nairobi	mtforex@iconnect.co.ke Fax: 254-2-332534
35	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
36	Moneypoint Forex Bureau Ltd P.O. Box 3338-00100 Nairobi Tel No. 020-2211346/7	Tubman Road, Anish Plaza, Nairobi	moneypointforex@hotmaill.com Fax:+254-20-2211342

Appendix XX: DIRECTORY OF FOREIGN EXCHANGE BUREAUS

	Name of Bureau	Location	E-mail Address & Fax
37	Morgan Forex Bureau De Change Ltd P.O. Box 79012 – 00400 Nairobi Tel No. 020-4444073	Kipro Centre, Sports Street, Westlands, Nairobi	morgankenya@gmail.com Fax: 254 -2-4444074
38	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
39	Muthaiga-ABC Forex Bureau Ltd P.O. Box 63533 – 00619, Tel: 4048883/4044146 Cell: 0722-362665/0733-362665	Triad Building, Muthaiga Road, Nairobi	mfbfx@mafgroup.com; adminoffice@mafgroup.com
40	Nairobi Bureau De Change Ltd P.O. Box 644 – 00624, Village Mkt Nairobi Tel: 822884	Unit 2 JKIA Nairobi	info@nairobiexchange.com Fax: 254-2-241307
41	Namanga Forex Bureau Ltd P.O. Box 12577 – 00100 Nairobi Tel: 02-213642/ 045-5132476	Immigration Building, Namanga Town	namangaforexbureaubranch@yahoo.com
42	Nawal Forex Bureau Ltd P.O. Box 43888 – 00100 Nairobi Tel: 2720111	Chaka Place, Chaka Road, Nairobi	nawalforexbureau@yahoo.com Fax: 254-2-272011
43	Offshore Forex Bureau Limited P.O. Box 26650 – 00100 Nairobi Tel: 020 – 310837/8	Cianda House, Ground Floor, Koinange Street, Nairobi	offshoreforex@hotmail.com Fax: 254-02-310839
44	Pacific Forex Bureau Limited P.O. Box 24273 – 00100 Nairobi Tel. 310880, 310882/3	Lonhro House, Standard Street, Nairobi	pacific@sahannet.com, pacificbc@yahoo.com
45	Peaktop Bureau De Change Ltd P.O. Box 13074 – 00100 Nairobi Tel: 2244371/313438, 0722 – 332518	20th Century, Mama Ngina/Kaunda Streets, Nairobi	info@peaktop.co.ke, peaktopbureau@gmail.com Fax: 254-2-210210
46	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
47	Pel Forex Bureau Ltd P.O. Box 957 – 40100 Kisumu Tel: 057-2024134/2044425	Allmamra Plaza Oginga Odinga Road, Kisumu	pel@swiftkisumu.com Fax: 254-57-2022495
48	Pwani Forex Bureau Ltd P.O. Box 87200 – 80100 Mombasa Tel: 041-2221727/2221734/2221845	Mombasa Block 404 XV11/M1 Abdel Nasser	forex@pwaniforex.com Fax: 254-41-2221870

Appendix XX: DIRECTORY OF FOREIGN EXCHANGE BUREAUS

	Name of Bureau	Location	E-mail Address & Fax
49	Rand Forex Bureau Limited P.O. Box 30923 - 00100 Nairobi Tel: 0722200815	Kampus Mall, University Way, Nairobi	info@randforex.co.ke
50	Regional Forex Bureau Limited P.O. Box 634 – 00100, Nairobi Tel. 313479/80,311953	Kimathi House, Kimathi Street, Nairobi	regionalfx@gmail.com Fax: 254-20-312296
51	Rift Valley Forex Bureau Ltd P.O. Box 12165 Nakuru Tel: 051-2212495/2210174	Merica Hotel Building, Court Road, Nakuru	riftvalleyforex@yahoo.com Fax: 254-51-2210174
52	Satellite Forex Bureau Ltd P.O. Box 43617– 00100 Nairobi Tel: 2218140/1, Cell: 0721-411300	City House, Standard Street, Nairobi	satelliteforex@swiftkenya.com Fax: 254-20-230630
53	Simba Forex Bureau Limited P.O. Box 66886 – 00800 Nairobi Tel. 020 – 445995, 0722 – 703121	Moi International Airport, Mombasa	simbaforexmombasa@gmail.com Fax No: 020 – 4443706
54	Sisi Forex Bureau Limited P.O. Box 60770 - 00200 Nairobi Tel: 2445846/0722-382995	Agip House, Haile Selasie Avenue, Nairobi	sisiforex@sisi.co.ke
55	Sky Forex Bureau Limited P.O. Box 26150 – 00100 Nairobi Tel: 020-2242062/3	20th Century, Mama Ngina/ Kaunda Street, Nairobi	info@skyforexbureau.com Fax No. 020-2242064
56	Springs Forex Bureau Limited P.O. Box 15913 – 00100 Nairobi Tel: 0711796625	Medina Mall, Ground Floor, Eastleigh, Nairobi.	
57	Solid Exchange Bureau Ltd P.O. Box 19257– 00501 Nairobi Tel: 822922/0722-853769	JKIA-Unit 2, Nairobi	solidexchangebureau@yahoo.com Fax: 254-2-822923
58	Southend Forex Bureau Ltd P.O. Box 3321 – 00506 Nairobi Tel: 0722844598	Freedom Heights Mall, Langata Road, Nairobi	southendforexbureauLtd@gmail.com
59	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
60	Sunny Forex Bureau Limited P.O. Box 34166 – 00100 Nairobi Tel: 2252013/252079	Uniafric House, Koinange Street, Nairobi	sunnyfoexbureau@yahoo.com Fax: 254-2-252076
61	Taipan Forex Bureau Ltd P.O. Box 42909 – 00100 Nairobi Tel: 827378	The Village Market, Nairobi	taipan@africaonline.co.ke Fax: 254-2-229665/248676
62	Trade Bureau De Change Ltd P.O. Box 7080 – 00300 Nairobi Tel: 2241107	St Eliss House, City Hall Way, Nai- robi	trade@wananchi.com tradebdc@yahoo.com Fax: 254-2-317759

Appendix XX: DIRECTORY OF FOREIGN EXCHANGE BUREAUS

	Name of Bureau	Location	E-mail Address & Fax
63	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
64	Travel Point Forex Bureau Limited P.O. Box 75901 – 00200 Nairobi Tel. 827872, 827877	JKIA, International Arrivals Terminal, Nairobi	info@travelpoint.co.ke Fax: 254-2-827872
65	Union Forex Bureau Ltd P.O. Box 43847– 00100 Nairobi Tel: 4441855/4448327/4447618	Sarit Centre , Lower Kabete Road , Westlands, Nairobi	unionforex@hotmail.com Fax: 254-2-4441855
66	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
67	Wallstreet Bureau De Change Ltd P.O. Box 6841- 30100 Eldoret Tel: 053-2062907	Bargetuny Plaza, Uganda Road, Eldoret	wallstreet756@gmail.com Fax: 254- 53-2062907
68	Westlands Forex Bureau Ltd P.O. Box 45746 – 00100 Nairobi Tel: 3748786	Westgate Mall, Nairobi	westforex@wananchi.com Fax: 254-2-3748785
69	Yaya Centre Exchange Bureau Ltd P.O. Box 76302 – 00508 Nairobi Tel: 02-3869097	Yaya Centre Towers, Argwings Kod- hek Road, Nairobi	info@yayaforex.co.ke Fax: 254-2-3870869

Appendix XXI : DIRECTORY OF MONEY REMITTANCE PROVIDERS

	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 or 0723281122	Amal Plaza, 1 st 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 or 0717399039	Amco Shopping Mall, 1 st Avenue Eastleigh, Nairobi	nbiinfo@bakaal.com
5	Dahabshiil Money Transfer Company Limited. P.O. Box 68991 – 00622 Nairobi Tel:2222728/9 or 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, Pent Office, Grid No. 40, 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	Portal Place, Muindi Mbingu street, Nairobi	iftinforex@gmail.com
9	Juba Express Money Transfer Limited P.O. Box 16567 – 00100 Nairobi Tel: 2240540, 0727699669 or 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 or 0724710153	Kaah building, 2 th Avenue, 8 th Street, Eastleigh, Nairobi	kaahexpress.kenya@gmail.com
11	Kendy Money Transfer Limited P.O. Box 27636 – 00506 Nairobi Tel: 0202377054, 0729150187	Sameer Business Park, Block E, Off Mombasa Road	info@kendymoneytransfer.com
12	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

Appendix XXI : DIRECTORY OF MONEY REMITTANCE PROVIDERS

13	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
14	Real Value Money Transfer Limited P.O. Box 26530-00100 Nairobi Tel:0721297906	Shariff Complex, 5 th Avenue, Eastleigh, Nairobi	realvaluemtransfer@gmail.com
15	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
16	Taaj Money Transfer Limited P.O. Box 47583 – 00100 Nairobi Tel: 020-2321972, 0722701990	1st Floor Shariff Centre, Eastleigh Nairobi	Globalfrx@gmail.com
17	Tawakal Money Transfer Limited P.O. Box 71623 – 00610 Nairobi Tel : 6766171, 0722302133	City House, Ground Floor, Nairobi.	info@tawakalmoneytransfer.com
18	Unimoni Money Transfer Limited P.O Box 51695 – 00100 Nairobi Tel: 2220101	Nextgen Mall, Mombasa Road, Nairobi.	ho.kenya@unimoni.com
19	Upesi Money Transfer Limited P.O Box 60776-00200 Nairobi Tel:0726499656, 0726500404	Morning Side Office Park, Ngong Road, Nairobi	info@upesi.co.ke



*Haile Selassie Avenue P. O. Box 60000 - 00200 Nairobi
Tel: 20 - 2860000/2861000/ 2863000 Fax: 20 - 340192*