Central Bank of Kenya

BANK SUPERVISION ANNUAL REPORT 2016

MACROECONOMIC CONDITIONS
DEVELOPMENTS BANKING SECTOR PERFORMANCE
Market Share
Asset Quality
Risks Loans and Advances Liquidity
BANK SUPERVISION Bureaus
REGIONAL AND INTERNATIONAL DEVELOPMENTS AND INITIATIVES
Performance Rating COMESA SUPERVISORY FRAMEWORK
MACROECONOMIC CONDITIONS AND BANKING SECTOR PERFORMANCE
Profit and Loss Interest Rates Regional Economy
Liquidity Domestic Economy Credit Report
Distribution of Foreign Exchange Bureaus

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OUR VISION

The Vision of the Bank is "To be a World Class Modern Central Bank."

OUR MISSION

To formulate and implement monetary policy for price stability, foster a stable market-based financial system and ensure a sound national payment system.

Commitment

The Board and staff are committed to implementing the Bank's mandate as stipulated in the Constitution of Kenya and the CBK Act.

Professionalism and Relevance

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

Efficiency & Effectiveness

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

Innovativeness

The Bank will encourage, nurture and support creativity and the development of new ideas and processes for the continued improvement of organisational performance.

Transparency, Accountability and Integrity:

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

Diversity and Inclusiveness:

The Bank appreciates and embraces the differences in its employees' skills sets and abilities and encourages consultations and inclusiveness in pursuit of its mandate across departments. This is aimed at maximising productivity and enhancing the Bank's overall performance.

Mutual Respect and Teamwork:

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

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 practice for bank supervision and regulation.

GOVERNOR'S MESSAGE

The year 2016 was a historic milestone for the banking sector in general and the Central Bank of Kenya (CBK) in particular. CBK marked 50 years of its existence and also as Kenya's banking sector regulator. The past 50 years have been a period of profound change and transformation in financial markets. It has also been a period of considerable learning for CBK in its efforts to adjust to the rapid market changes and to shape regulatory policy.

In 2016, the banking sector demonstrated continued resilience both in its domestic and regional operations, with the industry's total asset base growing by approximately 5.8 percent to KShs 3.7 trillion from KShs 3.5 trillion in 2015. The sector's equity base also grew by 10.5 percent to KShs 598 billion in 2016 from KShs 541 billion in 2015. This performance was registered against significant macro-economic challenges in the domestic and international environment, with Kenya's GDP growing at 5.8 percent in 2016. Domestically, enhanced activity was recorded in the housing, Information Communication and Technology (ICT) and tourism sectors. The construction sector also recorded growth, driven largely by continued public sector investments.

In 2016, CBK moved towards a 'new normal' in its supervisory approach, one based on three pillars: transparency, governance and effective business models. Towards this objective, CBK worked with the banking industry to enhance and clarify regulatory guidance on key areas including enhanced disclosure, improvement of asset quality, governance and integrity of ICT systems. To strengthen the capital adequacy assessment framework for banks, CBK issued guidance on implementation of the Internal Capital Adequacy Assessment Process (ICAAP).

CBK's supervisory vision for the banking sector is underpinned by three main elements:-

- **Market-driven consolidation:** facilitating business combinations driven by the strategic and commercial imperatives of market participants.
- **Stronger business models for banks:** Enhancement of banks' value propositions through streamlining business lines and diversifying funding sources to strengthen risk management and long-term sustainability. Ultimately, the objective of stronger business models is to boost the resilience and stability of individual institutions and the banking sector as a whole.
- **Fostering transparency in lending practices:** Working with the banking sector, CBK was in 2016 engaged in the implementation of several policy initiatives aimed at improving lending practices and enhancing affordability of credit. These focused largely on enhancing public disclosures on pricing of credit by institutions to empower consumers in decision-making, and strengthening mechanisms for handling customer grievances.

In a bid to enhance the cost and availability of credit, the Government implemented legislative reforms aimed at achieving credit pricing transparency which culminated in the passing of the Banking (Amendment) Act, 2016. The Act, which came into force with effect from September 2016, imposed limits on the interest rates chargeable by commercial banks on credit facilities and the rates payable on customer deposits respectively, with a view to influencing the overall cost of credit and enhancing access. As the banking sector regulator, CBK continues to closely monitor the impact of the Banking (Amendment) Act, 2016 as banks adjust their business models.

As a supervisory authority, CBK's overriding objective remains the maintenance of the stability of the Kenyan financial system and the protection of depositors. Looking forward, CBK will continue to diligently execute its financial stability mandate. In support of this, CBK will promote an inclusive, sound and efficient banking sector that will in turn contribute towards Kenya's aspiration of being a premier regional financial services hub.

DR. PATRICK NJOROGE
GOVERNOR

FOREWORD BY DIRECTOR, BANK SUPERVISION

The Kenyan banking sector registered a robust performance in 2016. The gross loans increased from KShs 2.17 trillion in December 2015 to KShs 2.29 trillion in December 2016. Some of the economic sectors that received the highest growth in demand for credit in 2016 were Personal/Household, Trade, Real Estate and Manufacturing.

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

- Total net assets grew by 5.8 percent from KShs 3.5 trillion in December 2015 to KShs 3.7 trillion in December 2016, with the growth being supported by the increase in loans and advances.
- Gross loans increased by 5.6 percent from KShs 2.17 trillion in December 2015 to KShs. 2.229 trillion in December 2016. The growth in loans is attributed to increased demand for credit by the various economic sectors.
- Customer deposits increased by 5.3 percent from Kshs 2.49 trillion in December 2015 to KShs 2.62 trillion in December 2016. The growth was supported by mobilization of deposits through agency banking and mobile phone platforms.
- The pre-tax profit for the sector increased by 10.91 percent from KShs 134.0 billion in December 2015 to KShs 147.4 billion in December 2016. The increase in profitability was attributed to a higher increase in income compared to the rise in expenses. The banks income increased by 5.7 percent in 2016 whereas expenses increased by 3.8 percent over the same period.
- The average liquidity ratio as at December 2016 stood at 40.3 percent as compared to 38.1 percent registered in December 2015. 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 12.1 percent while total short-term liabilities grew by 5.7 percent. The banking sector's average liquidity in the twelve months to December 2016 was above the statutory minimum requirement of 20 percent.

The ratio of gross non-performing loans to gross loans increased from 6.8 percent in December 2015 to 9.2 percent in December 2016. The increase in non-performing loans in 2016 was mainly attributable to a challenging business environment.

The Central Bank Prudential Guideline on Capital Adequacy requires banks to adhere to the prescribed capital adequacy prudential ratios. The minimum regulatory capital adequacy ratios, that are measured by the ratio 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 ratios remained at an average of 16 percent in 2015 and 2016. Also, the Total Capital to Total Risk Weighted Assets ratio remained at an average of 19 percent in 2015 and 2016.

CBK issued a Guidance Note on Internal Capital Adequacy Assessment Process (ICAAP) in November 2016 to all commercial banks and mortgage finance companies for reference in preparing or revising their ICAAP documents. The revised ICAAP's are expected to be submitted to CBK by end of April 2017.

Further, CBK adopted a Risk Based Supervisory Framework for Anti-Money Laundering and Countering Financing of Terrorism (AML/CFT). The framework will complement prudential supervision and legal compliance with special attention directed to anti-money laundering and combating financing of terrorism.

The banking sector is projected to remain stable and sustain its growth momentum in 2017 as the outcomes of various reforms and initiatives in the banking sector start to manifest. Some of the reforms and initiatives planned include:-

- Enhancement of transparency in cost of credit through introduction of disclosure models.
- Strengthening of the credit information sharing mechanisms.
- Review of the legal and supervisory framework for Islamic Banking.
- Enhancement of AML/CFT risk assessment by banks.

GERALD NYAOMA
DIRECTOR, BANK SUPERVISION DEPARTMENT

CHAPTER 1

STRUCTURE OF THE BANKING SECTOR

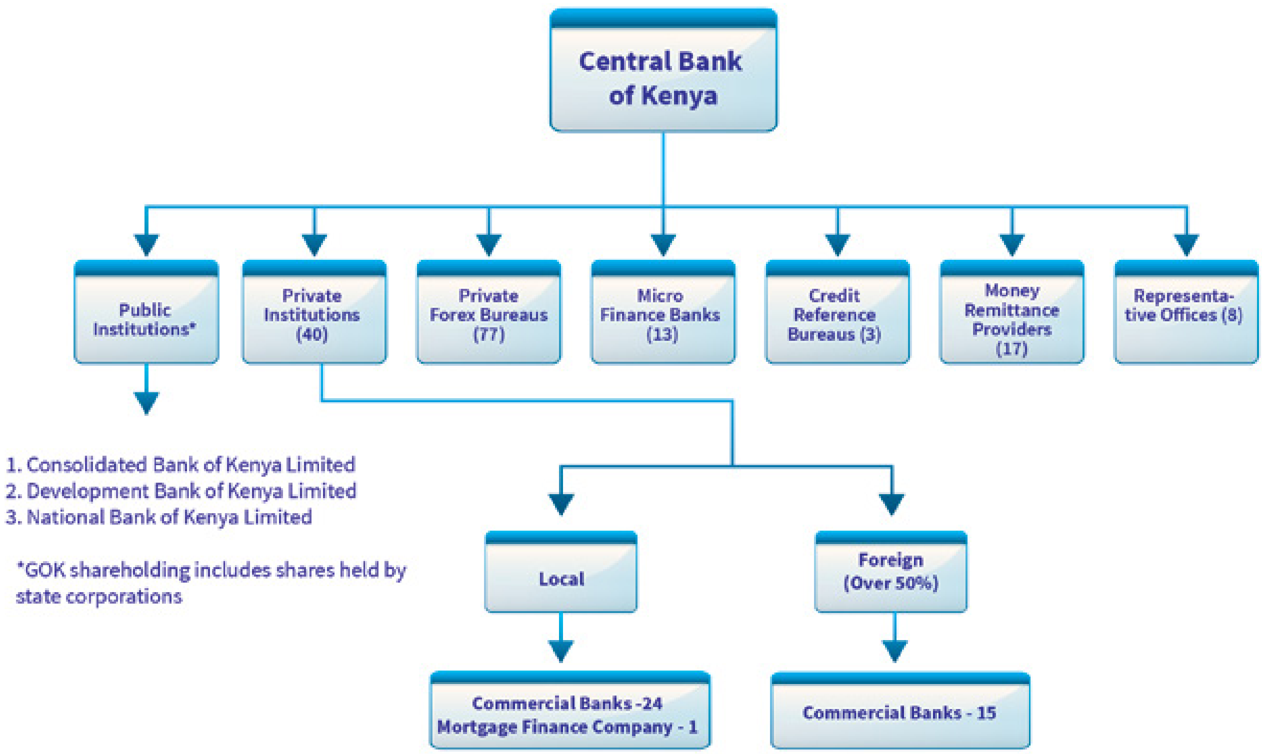
STRUCTURE OF THE BANKING SECTOR

1.1 The Banking Sector

As at 31st December 2016, the Kenyan banking sector comprised of the Central Bank of Kenya, as the regulatory authority, 43 banking institutions (42)[1] commercial banks and 1 mortgage finance company), 8 representative offices of foreign banks, 13 Microfinance Banks (MFBs), 3 credit reference bureaus (CRBs), 17 Money Remittance Providers (MRPs) and 77 foreign exchange (forex) bureaus. Out of the 43 banking institutions, 40 were privately owned while the Kenya Government had majority ownership in 3 institutions. Of the 40 privately owned banks, 25 were locally owned (the controlling shareholders are domiciled in Kenya) while 15 were foreign-owned (many having minority shareholding).

The 25 locally owned institutions comprised 24 commercial banks and 1 mortgage financial institution. Of the 15 foreign-owned institutions, all commercial banks, 11 were local subsidiaries of foreign banks while 4 were branches of foreign banks. All licensed microfinance banks, credit reference bureaus, forex bureaus and money remittance providers were privately owned. Chart I below depicts the structure of the banking sector as at 31st December 2016.

Chart 1: Structure of the Banking Sector - December 2016



1. *Charterhouse Bank Limited is under Statutory Management while Imperial Bank Ltd and Chase Bank of Kenya Ltd are In Receivership.*

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:-

ii.
- 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.

iii. 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.

iv. 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.

v. 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, appointment of directors and senior managers, appointment of external auditors, introduction of new products/services, increase of bank charges and review of annual license renewal applications in accordance with statutory and prudential requirements.

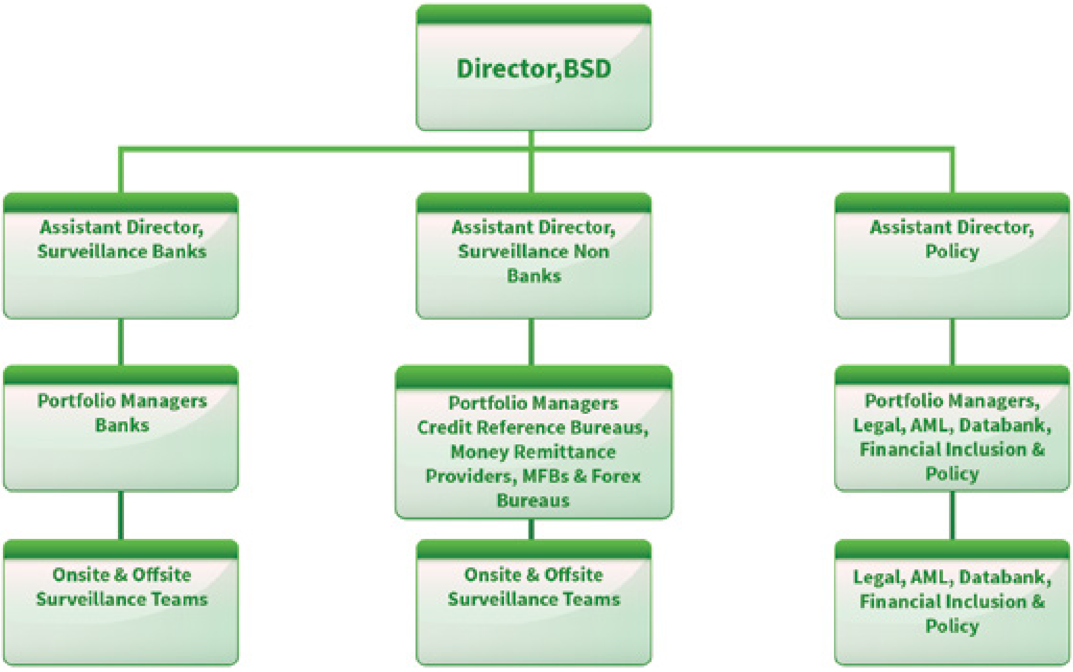
vi. Hosting of the Secretariat for the National Task Force on Money Laundering (NTF), whose mandate is to develop a legal and regulatory framework to counter and prevent the use of the Kenyan financial system for money laundering. NTF is chaired by the National Treasury. Through the NTF, BSD participates 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.

vii. Participation in regional activities organized by regional and international bodies or associations such as the 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).

viii. Facilitation of the signing of Memoranda of Understanding (MOUs) between the Central Bank of Kenya and other local or foreign supervisory authorities.

ix. As at 31st December 2016, the Bank Supervision Department had a staff compliment of seventy-nine (79) comprising sixty nine (69) technical staff and ten (10) support staff. The department is divided into three divisions as shown in **Chart 2.**

Chart 2: Bank Supervision Organogram



1.2 Ownership and Asset Base of Commercial Banks

The total net assets in the banking sector stood at Kshs. 3.7 trillion as at 31st December 2016. There were 23 local private commercial banks and 3 local public commercial banks which accounted for 65.1 percent and 3.9 percent of total net assets respectively. A total of 13 commercial banks were foreign owned and accounted for 31.0 percent of the sector's assets as indicated in Table 1 and Chart 3.

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

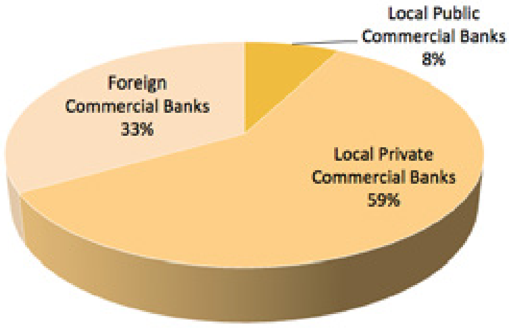
Ownership	Number	% of Total	Total Net Assets	% of Total
Local Public Commercial Banks	3	7.7%	145,451	3.9%
Local Private Commercial Banks*	23	59.0%	2,406,742	65.1%
Foreign Commercial Banks	13	33.3%	1,143,751	30.9%
Total	**39**	**100.0%**	**3,695,943**	**100.0%**

**Charterhouse Bank, under statutory management, Fidelity Commercial Bank, undergoing acquisition, Imperial Commercial Bank & Chase Bank that are in receivership have been excluded*

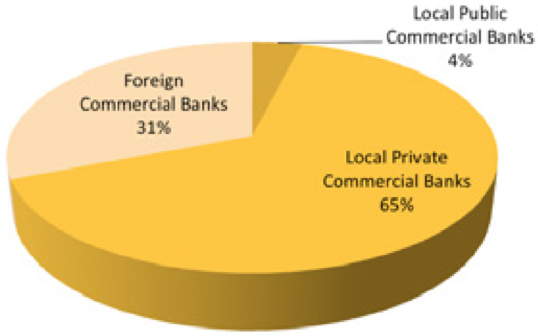
Source: CBK

Chart 3: Ownership and Asset Base of Commercial Banks December 2016

Asset Size



Ownership



The local public commercial banks remained 3 in 2016 as in 2015. The 3 banks accounted for 3.9 percent of total net assets in December 2016 as compared to 4.5 percent in December 2015. The decrease is attributable to slower growth in assets given capital constraints experienced by the public banks.

There were 24 local private commercial banks in December 2016, the same as it was in December 2014. The local private commercial banks accounted for 65.1 percent of total net assets an increase from 64.6 percent in December 2014. The increase is attributable to increased demand for credit thus increasing loans and advances which form the largest proportion of the bank's assets.

In 2016, a total of 13 commercial banks were foreign owned and accounted for 30.9 percent of the sector's assets as was in December 2015 as indicated in Table 1 and Chart 3.

1.3 Distribution of Commercial Banks Branches

The number of bank branches increased from 1,523 in 2015 to 1,541 in 2016, which translated to an increase of 18 branches. Nairobi County registered the highest increase in number of branches by 17 branches as indicated in Appendix XVI. A total of 15 out of 47 counties registered a decrease in the number of bank branches. The decrease in physical bank branches expansion is partly attributed to the adoption of alternative delivery channels such as mobile banking, internet banking and agency banking.

1.4 Commercial Banks Market Share Analysis

Kenyan commercial banks are classified into three peer groups using a weighted composite index that 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 period ended 31st December 2016, there were 8 large banks with a market share of 65.32 percent, 11 medium banks with a market share of 25.90 percent and 20 small banks with a market share of 8.77 percent as shown in **Table 2, Chart 4** and **Appendix IV**.

Table 2: Commercial Banks Market Share Analysis

Peer Group	Weighted Market Share	No. of Institutions	Total Net Assets, (KShs. M)	Customer Deposits, (KShs. M)	Capital & Reserves (KShs. M)
Large	65.32%	8	2,404,194	1,739,278	373,516
Medium	25.90%	11	981,099	654,602	159,814
Small	8.77%	20	310,651	211,273	59,094
Total*	**100.00%**	**39**	**3,695,944**	**2,485,919**	**540,578**

** Charterhouse Bank under Statutory Management, Fidelity Commercial Bank, undergoing acquisition and Imperial Bank & Chase Bank under Receivership have been excluded*

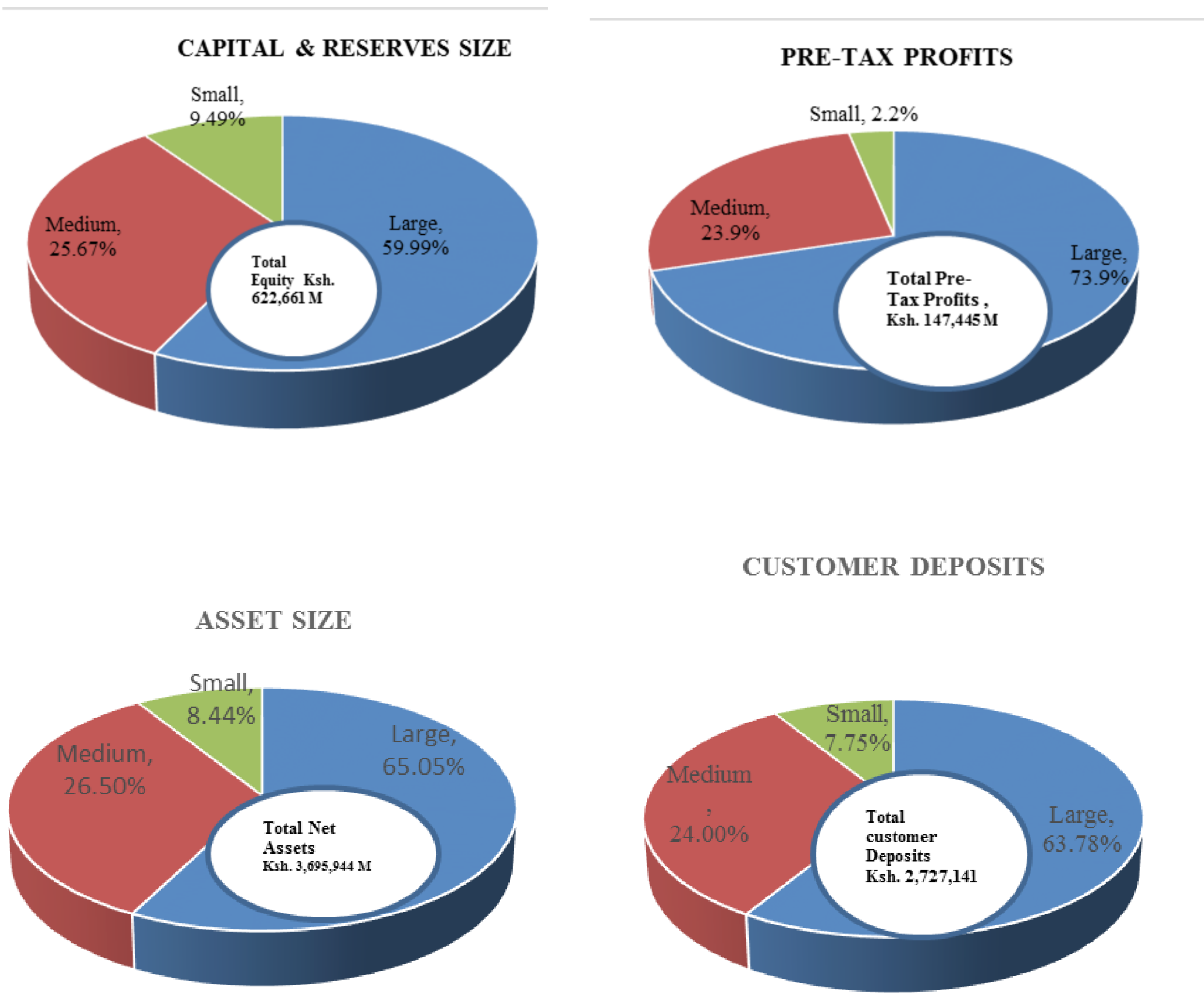
Source: CBK

STRUCTURE OF THE BANKING SECTOR

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

- Banks in large peer group increased their combined market share from 58.21 percent in December 2015 to 65.32 percent in December 2016. This is mainly attributable to Stanbic Bank (K) Limited moving from the medium peer group to the large peer group during the period. The bank moved to the large peer group due to its deposit base which increased by 11.36 percent between December 2015 and December 2016.
- The combined market share of medium peer group banks fell from 34.42 percent in December 2015 to 24.64 percent in December 2016. This is mainly attributed to the exit of Stanbic Bank (K) Ltd. which moved to large peer group.
- Banks in small peer group decreased their combined market share from 9.24 percent in December 2015 to 8.35 percent in December 2016.

Chart 4: Commercial Banks Market Share (%) December 2016



In 2016, the banking sector capital and reserves increased by 9.58 percent from KShs 540.60 billion in December 2015 to KShs 592.42 billion in December 2016. The large and small peer groups registered increases in capital and reserves while the medium peer group registered a decrease. The movements in peer groups' capital and reserves are mainly attributed to the movements of some banks across the peer groups in 2016.

The increase in capital and reserves is attributable to additional capital injections by commercial banks to meet the core capital and total capital regulatory requirements as well as retained earnings from the profits realized in the year.

The banking sector registered improved performance in 2016 with profit before tax increasing by 10.0 percent to KShs 147.4 billion in December 2016 from KShs 134.0 billion in December 2015. The increase in profitability was attributed to a higher increase in income compared to the rise in expenses. The banks income increased by 5.7 percent in 2016 whereas expenses increased by 3.8 percent over the same period.

The large peer group accounted for 78.6 percent of the total pre-tax profit, an increase from 70.3 percent recorded in 2015. The increase is attributable to the movement of one bank to the large peer group and also increase in the amount of profits made by banks in the large peer group. The small peer group proportion of total pre-tax profit decreased from 3.3 percent in 2015 to 2.2 percent in 2015, attributable to 5 banks making loses in 2016 as compared to 3 banks in 2015. The medium peer group proportion of total pre-tax profit declined to 21.2 percent from 26.4 percent due to a shift of one bank to large peer group.

Customer deposits increased by 4.80 percent from Kshs.2.49 trillion in December 2015 to KShs. 2.61 trillion in December 2016. The growth was supported by mobilization of deposits through agency banking and mobile phones platforms

1.5 Automated Teller Machines (ATMs)

The number of ATMs decreased from 2,718 in December 2015 to 2,656 in December 2016. The increase in 2015 was 105 ATMs or 4.0 percent as compared to a decrease of 62 ATMs or 2.3 percent in 2016 as indicated in **Table 3.** The decrease in the number of ATMs by banks has been driven mainly by adoption of cost effective channels of offering financial services such as the use of mobile banking platforms.

Table 3: ATM Network

Month	2015	2016	Increase	% Growth
January	2,632	2,733	101	3.84%
February	2,643	2,744	101	3.82%
March	2,656	2,759	103	3.88%
April	2,671	2,660	-11	-0.41%
May	2,697	2,660	-37	-1.37%
June	2,698	2,682	-16	-0.59%
July	2,700	2,688	-12	-0.44%
August	2,710	2,695	-15	-0.55%
September	2,708	2,658	-50	-1.85%
October	2,710	2,713	3	0.11%
November	2,713	2,694	-19	-0.70%
December	2,718	2,656	-62	-2.28%

Source: CBK

1.6 Asset Base of Microfinance Banks

During the year 2016, the Central Bank of Kenya granted a nationwide licence to Maisha Microfinance Bank Limited. This increased the number of regulated microfinance banks (MFBs) from twelve (12) to thirteen (13) as at 31st December 2016.

The microfinance banks registered enhanced growth in the year 2016 with total assets increasing by 5 percent from KShs 69.3 billion in December 2015 to KShs 72.5 billion in December 2016. This was a lower growth in comparison to 2015 and 2014 with 22 percent and 38 percent growth respectively. There was no significant growth in the loan book compared to the previous year. Most institutions put on hold loans disbursement so as to recover and reduce the outstanding non-performing loans. Net advances accounted for 65 percent of the microfinance bank's total assets while net fixed assets remained at 8 percent of the total assets base as indicated in Table 4 below. Lending therefore remained the most significant activity undertaken by the MFBs.

During the year, customer deposits accounted for 55 percent of the microfinance banks total funding sources. Borrowings as a source of funding increased, accounting for 22 percent compared to 19 percent in 2015.

As at December 2016, the gross loan portfolio amounted to KShs 48.7 billion while Deposits amounted to KShs 40.2 billion, which is an indicator that the MFBs are able to fund a large proportion of their loan portfolio using customer deposits.

Table 4: Asset base of Microfinance Banks (KShs 'M')

ASSETS	2015	% of Total	2016	% of Total
Cash Balance (Local & Foreign notes & coins	1,143	2%	2,268	3%
Deposit balances at banks and financial institutions	13,500	19%	12,102	17%
Government securities	700	1%	1,769	2%
Net Advances	45,564	66%	47,047	65%
Accounts Receivables	606	1%	846	1%
Net Fixed Assets	5,277	8%	6,077	9%
Other Assets	2,552	4%	2,401	3%
TOTAL NET ASSETS	**69,342**	**100%**	**72,510**	**100%**
LIABILITIES & EQUITY FUNDS				
Deposits	40,539	58%	40,198	55%
Borrowings	13,126	19%	16,435	23%
Other Liabilities	4,140	6%	4,256	6%
Capital and Shareholders Funds	11,537	17%	11,621	16%
TOTAL LIABILITIES AND EQUITY FUNDS	**69,342**	**100%**	**72,510**	**100%**

Source: CBK

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 deposit accounts and loan accounts. The microfinance banks are classified into three peer groups namely large, medium and small. Based on the weighted composite index, a microfinance bank is classified large if it has a market share of 5 percent and above; medium if it has a market share between 1 percent and 5 percent and small if its market share is less than 1 percent.

As at 31st December 2016, there were 3 large microfinance banks with an aggregate market share of 90.0 percent, 3 medium microfinance banks with a market share of 6.6 percent and 7 small microfinance banks with a market share of 3.4 percent as shown in table 5.

Table 5: MFBs Market Share Analysis (Kshs.'000') - December 2015 and 2016

2015		2016						
	Market Size Index		Market Size Index	Total Assets	Total Deposits	Share Capital & Reserves	Number of Active Deposit Accounts	Number of active Loan Accounts
Weighting	**2015**	**Weighting**	**2016**	**0.33**	**0.33**	**0.33**	**0.005**	**0.005**
Large		**Large**						
Kenya Women MFB	45.30%	Kenya Women MFB	42.90%	32,153,422	17,156,136	4,755,738	580,648	228,182
Faulu MFB	36.20%	Faulu MFB	39.20%	27,368,909	17,371,226	4,342,074	81,584	40,719
Rafiki MFB	10.50%	Rafiki MFB	7.90%	7,326,817	2,985,058	745,368	39,627	8,879
	92.00%		**90.00%**	**66,849,148**	**37,512,420**	**9,843,180**	**701,859**	**277,780**
Medium		**Medium**						
SMEP MFB	3.98%	SMEP MFB	4.00%	2,658,605	1,451,271	532,601	129,654	11,520
		Caritas MFB	1.30%	574,319	286,719	271,264	7,322	126
		Sumac MFB	1.30%	803,468	233,454	246,349	3,242	758
	3.98%		**6.60%**	**4,036,392**	**1,971,444**	**1,050,214**	**140,218**	**12,404**
Small		**Small**						
Sumac MFB	1.00%	Remu MFB	0.80%	362,149	105,653	183,542	2,994	745
Remu MFB	0.90%	U & I MFB	0.70%	351,356	209,409	118,196	4,328	240
Uwezo MFB	0.50%	Uwezo MFB	0.60%	214,094	28,735	178,502	3,840	164
Caritas MFB	0.50%	Daraja MFB	0.40%	179,761	84,741	81,995	2,317	248
U & I MFB	0.40%	Maisha MFB	0.40%	170,590	77,899	88,945	808	93
Century MFB	0.30%	Century MFB	0.30%	224,511	141,311	31,167	15,000	534
Daraja MFB	0.20%	Choice MFB	0.20%	122,417	65,918	46,042	2,995	346
Choice MFB	0.20%							
	3.98%		**3.40%**	**1,624,878**	**713,666**	**728,389**	**32,282**	**2,370**
Grand Total	**100.00%**		**100.00%**	**72,510,418**	**40,197,530**	**11,621,783**	**874,359**	**292,554**

Source: CBK

The market share analysis indicates significant growth from small to medium peer group where the combined market share has grown from 3.98 percent in 2015 to stand at 6.6 percent in 2016. The medium peer group microfinance banks registered an increase of 55 percent and 46 percent in total net assets and total deposits respectively. Sumac MFB and Caritas MFB were ranked as medium in 2016 each with a market share of 1.3 percent compared to the previous ranking of small with a share of 1.0 percent and 0.5 percent in 2015 respectively.

1.8 Distribution of Foreign Exchange Bureaus

There were seventy seven (77) licensed forex bureaus as at 31st December 2016 having declined from eighty (80) in December 2015. The number of forex bureaus declined due to voluntary closure of three (3) forex bureaus, conversion of one (1) forex bureau to a money remittance provider and the licensing of one (1) new forex bureau during the year.

Most of the forex bureaus are located in Nairobi as shown in Table 6.

Table 6: Distribution of Forex Bureaus

City/Town	Number of bureaus	% of Total
Nairobi	61	79.2%
Mombasa	8	10.4%
Nakuru	2	2.6%
Kisumu	2	2.6%
Eldoret	2	2.6%
Namanga	1	1.3%
Busia	1	1.3%
Total	**77**	**100%**

Source: CBK

CHAPTER 2

DEVELOPMENTS IN THE BANKING SECTOR

DEVELOPMENTS IN THE BANKING SECTOR

2.1 Introduction

Kenya's banking sector continued to grow in terms of inclusiveness, efficiency and stability on the backdrop of legal, regulatory and supervisory reforms and initiatives. This growth supports the continuous efforts by the Government of Kenya for a vibrant and globally competitive financial sector in Vision 2030. Some of the developments in the banking sector in 2016 were:-

- The Banking (Amendment) Act, 2016 was enacted in August 2016 and became effective on 14th September 2016. The Act, which applies to institutions licensed under the Banking Act, limits interest rates chargeable on loans made by institutions at not more than 4 percent above the prevailing Central Bank Rate (CBR). It also set a floor on the interest rate payable by institutions on interest earning deposits held at not less than 70 percent of the CBR.
- A Guidance Note on Internal Capital Adequacy Assessment Process (ICAAP) was issued in November 2016 by CBK to all commercial banks and mortgage finance companies for reference in preparing or revising their ICAAP documents.
- Chase Bank Limited was put under receivership on 7th April 2016 due to liquidity and governance deficiencies.
- Impressive increase in the volumes of banking business transacted through agents by both commercial banks and microfinance banks which increased by 47.73 percent between December 2015 and December 2016.
- CBK issued a licence to Maisha Microfinance Bank Ltd to carry out nationwide microfinance banking business. Maisha Microfinance Bank Ltd became the thirteenth Microfinance Bank (MFB) to be licensed joining the existing nine nationwide MFBs and three community-based MFBs.

2.2 Developments in Information and Communication Technology

During the year 2016, there was no major acquisition or upgrade of existing core banking systems in Kenya's banking sector. Commercial banks and microfinance banks continued to leverage on robust Information and Communication Technology (ICT) platforms to provide robust banking services. As institutions continued to devise ways of minimizing operating costs especially on the backdrop of the recent Banking (Amendment) Act, 2016 that capped interest rate chargeable to borrowers and introduced minimum interest rates payable to depositors, robust ICT platforms will continue being a perfect enabler for institutions to offer banking services efficiently. The commercial banks business strategies are mainly driven by the capabilities of these core banking systems and other integrated systems. The capability of these systems enables banks to roll out different products and services to their customers. The most common Core Banking Systems currently used by most of conventional commercial banks includes Flexcube, T24 and Financle while iMAL is widely used by shariah compliant banks.

Innovative Payment Systems Platform

Towards the end of 2016, several commercial banks submitted applications to CBK to introduce a payment system product, PESALINK. This is a secure and efficient platform for bank account to bank account money transfer. The platform is managed by Kenya Bankers Association (KBA) through its subsidiary Integrated Payment Services Limited (IPSL). This Platform will complement the existing payment system infrastructure and provide customers with more choices.

ICT Risks Management and Controls

With increased use of ICT there have been increased cases of ICT related frauds in the recent years. Data on fraud reported to Banking Fraud and Investigation Department (BFID) indicates that cases relating to computer, mobile and internet banking are on the rise. Another emerging threat has been cyber-crime where criminals gain unauthorized access to institutions' computer programs and data. As a result, there is an urgent need for the banking sector management to ensure increased use of computer-based transaction process is matched with effective controls.

Technology and employees efficiency

On average, in 2015, one employee was serving 972 customers whereas in 2016 an employee was serving 1,209 customers as indicated in **Table 7**. This shows increased efficiency in customer service as a result of banks embracing technology.

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

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	34,083	1,209

Source: CBK

2.3 Financial Inclusion and Policy Development Initiatives

The financial inclusion landscape in Kenya continued to thrive with more people being financially included in the formal financial sector during the year. CBK has continued to support the financial inclusion initiatives through the various partnerships between the Government and the private sector. The key policy development initiatives undertaken by CBK as at the end of 2016 include:-

i. Licensing of Microfinance Banks

The CBK issued a licence to Maisha Microfinance Bank (MFB) Limited which began operations in June 2016 as a nationwide microfinance bank. Maisha MFB is a Kenyan owned company limited by shares whose initial operations are domiciled in Nairobi County with an objective of expanding across the country. Maisha MFB's target market is the Micro Small and Medium Enterprises (MSMEs). The MFB value proposition is in offering comprehensive Insurance Premium Financing (IPF) products as value-add alongside the other products that they will be offering. The MFB is looking to provide a one-stop financial services shop for MSMEs.

ii. Financial Inclusion Surveys

The 2016 FinAccess Household Survey: The 2016 FinAccess Household Survey is the fourth in a series of surveys that measure the financial inclusion landscape (access, usage, quality and impact) in Kenya. This follows subsequent surveys conducted in 2006, 2009 and 2013 which have shown that Kenya has made significant progress in fostering financial inclusion. The 2016 survey was conducted through the collaborative effort of the Kenya National Bureau of Statistics (KNBS), Financial Sector Deepening Trust (FSD) Kenya and Central Bank of Kenya (CBK). The results of the survey were released in February 2016. Below are some of the key findings from the survey;

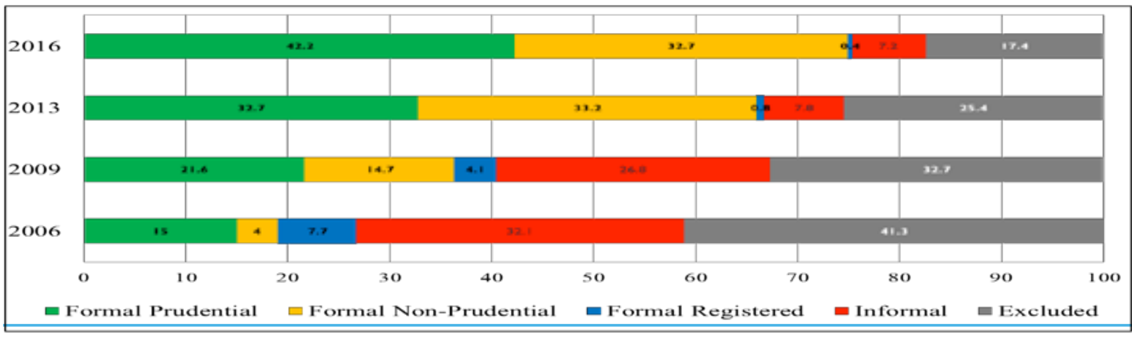
a) The formally included population increased to 75.3% of Kenyans; a 50% increase in the last 10 years. Financial exclusion, which is now down to 17.4%, has been reduced by more than half since 2006.

b) The rural-urban gap in financial access is rising. Over the past 10 years, the use of formal prudential services in urban areas has remained roughly double that of rural areas.

c) Banks and informal mechanisms are equally popular among users of financial services. However, compared to these, nearly twice as many Kenyans use mobile financial services.

These findings are illustrated in the chart below;

Chart 4: Financial Access Strand over the Years



This information provides a better understanding of the financial inclusion landscape in line with the financial sector development agenda, as laid out in Kenya's Vision 2030.

iii. Knowledge exchange visits

BSD hosted three officers from Bank of Gambia on 21st September 2016 for a knowledge exchange visit on agency banking following a request from African Rural and Agricultural Credit Association (AFRACA). The Bank of Gambia team was in Kenya to learn more on initiatives to promote financial inclusion including agency banking and mobile banking. The Bank of Gambia is currently exploring initiatives to increase access formal financial services. Over 80% of the Gambian population currently does not have access to formal financial services.

BSD hosted two officers from the Bank of Tanzania between 16th and 20th May 2016 for a knowledge exchange visit on Agent Banking in Kenya.

iv. Transparency in Credit Pricing

The Government of Kenya's Blueprint, Vision 2030, has broad objectives that include enhancing consumer protection by increasing the transparency, fairness and affordability of banking and other financial products and services, and increasing competition in the sector to the benefit of customers and the broader economy.

One of the main functions of the Central Bank of Kenya (CBK) is to maintain a stable and efficient banking and financial system which includes consumer protection. This is achieved through improving market conduct and business practices in the banking sector.

It is against this backdrop that in 2016, CBK and Kenya Bankers Association explored ways to promote Consumer Protection in the banking sector. The focus of the partnership is to enhance transparency in cost of credit. Three disclosure models are being considered namely Annual Percentage Rate (APR), the Repayment Schedule (RS) and the Total Cost of Credit (TCC) to boost transparency in the cost of credit.

- APR is computed as a ratio of all costs incurred in borrowing and servicing a loan against the principal amount borrowed. The aim of APR is to disclose the actual overall cost that a borrower incurs by borrowing a loan.
- TCC is a list of all costs incurred in borrowing and servicing a loan. It includes interest expenses, bank fees and charges and third party fees and charges.
- RS details the periodic amount to be paid by the borrower and a split of the periodic payments into principal and interest components. The RS also shows a borrower the total amount to be repaid for the specific principal amount borrowed.

The three models expected to be rolled out in 2017 will be supported by an updated database which the borrowing public can access to obtain pricing information for relevant credit facilities. Therefore the models will ultimately empower the borrowing public to shop around for cheaper credit facilities.

2.4 Money Remittance Providers

CBK started the licensing and supervision of stand-alone Money Remittance Providers (MRPs) in 2013 and by 31st December 2016, the Bank had licensed 17 MRPs. The MRPs conduct both inbound and outbound international remittances. The MRPs have established 34 outlets out of which 31 are located in Nairobi, 2 in Mombasa and 1 in Garissa and engaged 82 agents across the country to enable them increase access to members of the public.

The distribution of the agents is shown in **Table 8.**

Table 8: Distribution of MRP agents

No.	City/Town	No. of Agents	% of Total
1	Nairobi	34	41.5%
2	Mombasa	7	8.5%
3	Dadaab	5	6.1%
4	Nakuru	3	3.7%
5	Eldoret	3	3.7%
6	Garissa	3	3.7%
7	Kitale	2	2.4%
8	Kajiado	2	2.4%
9	Kakuma	2	2.4%
10	Moyale	2	2.4%
11	Mandera	2	2.4%
12	Wajir	2	2.4%
13	Isiolo	2	2.4%
14	Namanga	2	2.4%
15	Habaswen	2	2.4%
16	Malindi	2	2.4%
17	Elwak	1	1.2%
18	Busia	1	1.2%
19	Kisumu	1	1.2%
20	Malaba	1	1.2%

No.	City/Town	No. of Agents	% of Total
21	Kisii	1	1.2%
22	Meru	1	1.2%
23	Lamu	1	1.2%
	Total	**82**	**100%**

Source: CBK

2.5 Agency Banking

By December 2016, 18 commercial banks and 5 microfinance banks (MFBs) had contracted 53,833 and 2,068 agents, respectively, spread across the country. This was in comparison with the previous year, December 2015, where the number of agents contracted by commercial banks and MFBs were 40,592 and 1,154 respectively. The change implies a 33 percent (increase by 13,241 agents) and 79 percent (increase by 914 agents) growth of number of agents contracted by commercial banks and microfinance banks, respectively.

Over 87 percent of the approved commercial bank agents were concentrated in 3 banks with the largest physical branch presence namely; Equity Bank Ltd. with 25,428 agents, Kenya Commercial Bank Ltd. with 12,883 and Cooperative Bank Ltd. with 8,856. The overall increase in the number of agents is attributed to the growing confidence and acceptability of the agency banking model by the public and banks as an alternative channel of doing banking business.

Two more MFBs rolled out the agency banking model during the year, increasing the number of MFBs that have contracted agents to five, which represent 38% of the MFBs. The main challenges cited by the MFBs for the low uptake of agent banking are infrastructural challenges as most of the MFBs still have lower branch networks compared to commercial banks. Notably, over 95 percent of the agents are contracted by the largest microfinance bank – KWFT.

During the same period, 8 out of the 12 licensed MFBs had established 105 deposit-taking marketing offices marking an improvement; up from 88 deposit-taking marketing offices in 2015. The improvement was supported by the fact that the microfinance banks have steadily come to appreciate the role of deposit-taking marketing offices in supporting their business expansion by boosting their revenues, growing the customer base and boosting efforts to mobilize deposits.

Number of Transactions

The number of banking transactions undertaken through bank agents increased by 30.9% from 79,620,211 transactions recorded in 2015 to 104,193,459 in December 2016. A brief summary is provided in **Table 9(a)**.

Table 9(a): Type of Transactions	Number of Transactions			
	2015	2016	% Change	Cumulative (2010-2016)
Cash Deposits	36,395,378	56,056,750	54.0%	153,081,202
Cash Withdrawals	26,821,097	33,280,161	24.1%	116,806,548
Payment of Bills	341,754	1,283,300	275.5%	2,192,042
Payment of Retirement and Social Benefits	206,647	2,029,458	882.1%	3,206,093
Transfer of Funds	15,220	15,490	1.8%	36,704
Account balance enquiries	15,666,352	11,338,113	-27.6%	45,132,437
Mini statement requests	81,820	117,889	44.1%	337,601
Collection of loan applications forms	396	75	-81.1%	77
Collection of account opening application forms	87,183	71,217	-18.3%	1,591,671
Collection of debit and credit card application forms	1,508	1,006	-33.3%	118,064
Collection of debit and credit cards	2,856	-	-100%	60,580
Total	**79,620,211**	**104,193,459**	**30.9%**	**322,563,019**
Number of Agents	**40,592**	**53,833**	**32.6%**	

Source: CBK

The increase in total transactions was largely attributable to increases in transactions relating to payment of retirement and social benefits, payment of bills, cash deposits and mini statements requests which increased by 882.1%, 275.5%, 54.0% and 44.1%, respectively.

The continued expansion of the banks' agent networks indicates existence of a market demand/need for more structured financial products rather than simply the money transfer, airtime and bill payments 'use-cases' that have been the mainstay of their services. In response to this need, in 2016, telecommunication companies continued to partner with banks to offer micro-loan and micro-savings products such as the KCB M-Pesa (in partnership with KCB), and the Equitel (Equity Bank mobile banking product). These in turn have led to an increase in transactions conducted by bank agents.

Cash deposits, cash withdrawals and payment of retirement and social benefits continued to remain the major transactions carried out by bank agents in 2016 representing 53.8%, 31.9% and 10.9% of the total transactions in the year, respectively. Notably, account balances enquiries transactions reduced by 27.6% while payment of retirement and social benefits increased significantly by 882.1% signaling that the agency banking models are increasingly offering a variety of financial services offerings to customers. These services go beyond cash deposits and cash withdrawals which have consistently remained the top transactions conducted through agents.

The increased transactions were attributed to the significant increase in the market presence of bank agents, their products and services which are in many ways additive as opposed to competing with those of agents of Mobile Network Operators (MNO).

Also during the year 2016, some of the agent transactions recorded a decline. These include: collection of debit and credit cards, collection of loan application forms, collection of debit and credit card application forms, account balance enquiries and collection of account opening application forms. These transactions experienced a decline of 100%, 81.1%, 33.3%, 27.6% and 18.3%, respectively. The decline particularly, on collection of debit and credit cards, and collection of debit and credit card application forms, was as a result of one of the banks temporarily stopping the use of agents to offer the said activities.

Value of Transactions

In 2016, the value of banking transactions undertaken through agents increased from KShs 442.2 billion (USD 4.3 billion) to KShs. 734.2 billion (USD 7.1 billion). The increase was attributed to the growth of transactions relating to payment of retirement and social benefits, transfer of funds, cash deposits and cash withdrawals. These transactions experienced a growth of 1,240%, 110%, 80% and 32% respectively, from the previous year. The increase on transactions relating to payment of retirement and social benefits was as a result of the Government of Kenya's move to appoint some banks as their payment agents for the National Safety Net Programme (Inua Jamii). This program runs three cash transfer programmes: cash transfer to orphans and vulnerable children; older persons cash transfer; and persons with severe disability cash transfer solution alternatives. During the year the Government, through the Inua Jamii programme, disbursed over KShs 14 billion to over 500,000 beneficiaries.

In addition, the increase (payments of bills) was mainly due to continued increase in the market presence of bank agents as a result of banks' push to grow their respective numbers of active agents translating to more touch points to customers. Several banks rolled out diversified products offered through agents for example; Business 2 Business (B2B) solutions to schools and other collection accounts which led to growth in the number of billers in banks' systems thus growing payment of bills transactions. By and large, the increase in number and value of transactions underlines Kenyans' growing confidence and acceptability of the agency banking model by banks and the public as an economical, convenient and safe delivery channel. Despite the overall increase in the value of transactions, there was a decline in transactions relating to payment of bills in the year 2016 as highlighted in Table 9(b) below.

Table 9(b) Agency Banking data for banks – Value of Transactions in KShs 'M'

Type of Transactions	2016	2015	% Change	Cumulative (2010 to 2016)
Cash Deposits	538,273.37	298,383.53	80%	1,340,339.20
Cash Withdrawals	175,242.59	133,204.42	32%	549,620.20
Payment of Bills	5,996.91	9,478.40	-37%	19,539.71
Payment of Retirement and Social Benefits	14,492.88	1,081.25	1,240%	19,056.83
Transfer of Funds	176.21	83.77	110%	329.78
Total	**734,181.99**	**442,231.36**	**66%**	**1,928,885.75**

Source: CBK

2.6 New Products

CBK 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, the Central Bank of Kenya 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 impacted 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 2016, banks submitted over 70 applications seeking CBK's approval to introduce new products related charges. Most of the applications sought to introduce mobile phone banking services in partnerships with IT service providers. This will facilitate enquiries on accounts as well as enable customers conduct banking transactions such as cash withdrawals/deposits, account opening, loan applications and payment of goods and services online.

Towards the end of 2016, 15 banks applied to introduce PESALINK, a new product spearheaded by Kenya Bankers Association that will enable bank customers to move funds from one bank to another using either mobile phones, internet, ATM, bank agents and branches. The product is expected to reduce cost of transferring funds from one bank to another since the charges levied would be lower than those currently being charged by existing money transfer platforms.

2.7 Operations of Representative Offices of Authorized Foreign Financial Institutions

CBK authorizes Representative Offices of foreign banks that wish to establish a presence in Kenya as mandated under section 43 of the Banking Act (Cap 488). The Act mandates the CBK to authorize and supervise representative offices of foreign banks in Kenya. Representative Offices operating in Kenya are only permitted to undertake information gathering, marketing or liaison roles on behalf of their parent and affiliated institutions but not to conduct banking business. During 2016, there was no change in the number of Representative Offices operating in Kenya, which remained at 8 as at the end of 2015.

Business activities facilitated by the Representative Offices in Kenya

In 2016, Representative Offices had a total of 36 employees compared to 34 in 2015 and facilitated business worth an estimated KShs 239.65 billion (USD 2.39 billion). There was a notable increase in the business activities facilitated by the Representative Offices in 2016 when compared to KShs 109.31 billion (USD 1.07 billion) reported in 2015. An analysis of the 2016 returns indicated that four of the eight Representative Offices facilitated financial transactions in the year. However, the other four Representative Offices continued marketing and liaison roles.

The activities of the Representative Offices largely comprised the following activities:

Main area of business being facilitated or promoted by the representative offices in Kenya	Value of business in KShs (Billion)	Value of business USD[2](Million)
Correspondent banking.	11.92	116.42
Project finance.	18.82	183.83
Trade finance.	18.11	176.89
Specialised finance.	21.31	208.13
Syndicated lending.	61.49	600.50
Others (term loans, borrowing base, working capital and bilateral receivable discounting)	107.99	1,054.60
Total	**239.65**	**239,653.89**

Source: CBK

2.8 Residential Mortgages Market Survey 2016

CBK conducts an annual mortgage survey to monitor developments and challenges in the mortgage market for residential housing. A detailed questionnaire was distributed to the banks to collect data for the year ending 2016. The information collected comprised:-

i) Size of Mortgage Portfolio;
ii) Mortgage Loan Characteristics;
iii) Mortgage Risk Characteristics;
iv) Obstacles to Mortgage Market Development;
v) Impact of interest capping law on residential mortgage loans and ;
vi) Mortgage outlook for 2017.

The survey, which is conducted annually, provided an update on the size of mortgage portfolio, mortgage loan characteristics, mortgage risk characteristics and the obstacles to mortgage market development. Banks also suggested possible intervention measures to support the mortgage market and shared their views on the residential mortgage market outlook for 2017.

Below are the highlights of the Residential mortgage survey as at 31st December 2016.

1) Size of Mortgage Portfolio

i) The value of mortgage loan assets outstanding increased from KShs. 203.3 billion in December 2015 to KShs. 219.9 billion in December 2016, representing a growth of KShs. 16.6 billion or 8.1 percent due to increased appetite for home ownership as opposed to rentals.

ii) About 72.8 percent of lending to the mortgage market was by 5 institutions that is, one medium sized bank (23.5 percent) and four banks from the large banks peer group (49.3 percent) as compared to 71.6 percent lending by 5 institutions, the same 5 institutions in 2015.

iii) The outstanding value of non-performing mortgages increased from KShs. 11.7 billion in December 2015 to KShs. 22.0 billion in December 2016. The NPLs to gross mortgage loans was 10.0 percent which was above the industry NPLs to gross loans ratio of 7.0 percent.

iv) There were 24,085 mortgage loans in the market in December 2016 down from 24,458 in December 2015 a decrease of 373 loan accounts or 1.5 percent due to tighter credit standards by commercial banks.

v) The average mortgage loan size increased from KShs. 8.3 million in 2015 to KShs. 9.1 million in 2016 due to increased property prices.

2. *USD = KShs 102.4*

vi) Almost all banks were offering mortgage loans for both their staff and customers. However, the number of institutions offering mortgages to customers were 35 in 2016 as compared to 34 in 2015 as indicated in **Appendix XII**. The increase in the number of commercial banks offering mortgage loans is attributable to Sidian Bank Ltd which started offering mortgage loans in 2016.

2) 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 and willingness to repay – Debt Service Ratio.
ii) Sustainability of the borrower income –terms of employment.
iii) Legitimacy of the property- it should be free of encumbrances.
iv) Credit history.
v) Caveats on the property.
vi) Collateral/security value-Loan to Value and Location of the property.
vii) Property location and ease of sale in case of default.
viii) Owner occupier or rental.

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) Length of business operation.
iii) Other existing debts.
iv) Economic sustainability of the business based on the sector outlook.
v) Experience of the management in the running the particular business.

Banks mostly financed mortgage loans with Loan to value (LTV) of below 100 percent.

3) Mortgage Loan Characteristics

i) The interest rate charged on mortgages on average was 13.46 percent and ranged between 10.5 percent – 18.0 percent as compared to 18.7 percent average with a range of 11.9 percent - 23.0 percent in 2015. This was mainly due to interest rate capping which became effective on 14th September 2016.
ii) About 62.1 percent of mortgage loans were on variable interest rates basis compared to 89.3 percent in 2015. There seems to have been more uptake of fixed rate mortgages by home owners after the introduction of interest capping Law in September 2016.
iii) Loan to value (maximum loan as a percentage of property value) was pegged below 90 percent by majority of the banks in 2015 and 2016.
iv) The average loan maturity was 12.0 years with minimum of 5 years and a maximum of 25 years in 2016 as compared to average loan maturity of 9.6 years with a minimum of 5 years and a maximum of 20 years in 2015.

4) Obstacles to Mortgage Market Development

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

Table 10: Residential Mortgages Market Survey – December 2016

Mortgage Market Obstacles	Frequency of response
Low level of income	30
High incidental costs (legal fee, valuation fee, stamp duty)	29
Difficulties with property registration/titling	27
Access to long term finance	21
High cost of building/construction land	21
Stringent land laws	18
Lengthy charge process timelines	17
High interest rate	14
Start-up cost	12
Credit risk	9

Source: CBK

Based on the above ranking of mortgage market constraints, banks identified low level of income, high incidental cost and difficulties with property registration as the major impediments to the growth of their mortgage portfolios.

5) 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) Availability of cheap long term funds.
ii) Provision of basic infrastructure services to developers by national and county governments.
iii) Reduction of stamp duty for first time home owners.
iv) Encouragement of low cost housing developments.
v) Banks and mortgage lenders to provide innovative Mortgage products targeting the low income segment.
vi) Digitization of Lands registries to improve efficiency in searching of record, transfers and charge discharge and discharge of titles.

6) Impact of interest capping law on residential mortgage loans

Based on the responses to the Survey questionnaire it was noted that:

- There is increased demand for mortgage loans due to perceived affordability after the introduction of interest capping law in September 2016. There is also increased appetite for mortgages as more borrowers perceive that they can qualify for higher amounts.
- Commercial banks have on the other hand introduced tighter credit standards so the actual mortgage disbursements have been lower than the increased demand. Most commercial banks have also shown preference to offer short term loans as compared to long tenure mortgage loans.

2.9 Employment Trend in the Banking Sector

The banking sector staff levels decreased by 6.95 percent from 36,212 in December 2015 to 33,695 in December 2016 as indicated in Table 11. Management and Support staff increased while Supervisory and Clerical and Secretarial staff reduced by 9.01% and 12.05% respectively thus leading to the overall decrease in the staff levels.
This is an indicator of the banks' improved efficiency as a result of automated processes hence reducing the number of required supervisory and clerical and secretarial staff.

Table 11: Employment in the Banking Sector - December 2016

	2015	2016	%Change
Management	10,310	10,327	0.16%
Supervisory	6,973	6,345	-9.01%
Clerical and Secretarial	16,503	14,515	-12.05%
Support Staff	2,426	2,508	3.38%
Total	**36,212**	**33,695**	**-6.95%**
Source: CBK			

2.10 Future Outlook

The elevated credit and liquidity risks in the Kenyan banking sector in 2016 are expected to ease off and stabilise in 2017. This is informed by on-going efforts by banks to reposition their business models to suit their desired market niches and risk profiles. The strengthened business models will enable the banks to effectively identify and manage all potential risks they are exposed to in their activities. Effective risk management is a prerequisite for the banks to profitably exploit business opportunities in their market niches.

CHAPTER 3

MACROECONOMIC CONDITIONS AND BANKING SECTOR PERFORMANCE

3.1 Global Economic Conditions

Global growth is estimated to have expanded by 3.1 percent in 2016 from 3.5 percent in 2015 (IMF, WEO April 2017 update). Advanced economies registered weak economic performance in the first half of 2016, attributed to policy uncertainty regarding trade relations, weak investment and sluggish productivity growth. Activity decelerated in the United States and in other major economies exacerbated by political developments during the period. In the United States, growth slowed down by 1.0 percentage point to 1.6 percent in 2016, while the growth in the United Kingdom was down by 0.4 percentage point to 1.8 percent. However, confidence in the Euro Area has been resilient despite the United Kingdom's vote to exit the European Union (EU) in June 2016. Countries such as Germany and Italy registered improved growth while performance in others such as Spain remained unchanged in 2016.

Growth in emerging market and developing economies remained unchanged in 2016 at 4.1 percent from registered performance in 2015. With mixed performance across economies, China's growth decelerated to 6.7 percent in 2016 from 6.9 percent in 2015, reflecting internal policy rebalancing from investment growth to consumption growth, while growth in India slowed down by 0.8 percentage point to 6.8 percent in 2016 following currency adjustments during the period. Improved economic performance by the Middle East, North Africa, Afghanistan and Pakistan; and the Commonwealth of Independent States (mainly Russia) balanced out the deterioration in major emerging economies (largely India, South Africa and Brazil) and Sub Saharan Africa.

In 2017, global growth is projected to improve to 3.5 percent on account of improved output in both advanced economies and the emerging market and developing economies (IMF, WEO April 2017 update). Performance amongst the advanced economies will largely be driven by projected accelerated economic growth in the United States to 2.3 percent in 2017 on the assumption of fiscal stimulus including tax cuts and higher infrastructure spending. In the Euro Area, the pace of expansion is expected to remain moderate, while the medium-term growth prospects of the United Kingdom are likely to be restrained by heightened uncertainty related to the country's future relations with the EU. Growth in emerging market and developing economies is expected to improve to 4.5 percent in 2017 on account of the gradual easing of deep recessions in some of the larger commodity-exporting countries such as Russia, Nigeria, Brazil and Mexico. However, the gradual deceleration of Chinese growth is likely to weigh on other emerging market economies.
Risks on global growth remain skewed on the downside, in the medium term, policy uncertainty of the US administration and the inward shift in policies, toward protectionism, may affect global trade and cross border investment and thus lower global growth.

Table 12: Global Economic Outlook

World Economic Growth (percent change)						
	YEAR OVER YEAR					
			Projections		Difference from January 2017 WEO projections	
Country/Region	**2015**	**2016**	**2017**	**2018**	**2017**	**2018**
World Output	**3.2**	**3.1**	**3.5**	**3.6**	**0.1**	**0.0**
Advanced economies	**2.1**	**1.7**	**2.0**	**2.0**	**0.1**	**0.0**
United States	2.6	1.6	2.3	2.5	0.0	0.0
Euro Area	2.0	1.7	1.7	1.6	0.1	0.0
Germany	1.5	1.8	1.6	1.5	0.1	0.0
France	1.3	1.2	1.4	1.6	0.1	0.0
Italy	0.7	0.9	0.8	0.8	0.1	0.0
Spain	3.2	3.2	2.6	2.1	0.3	0.0
Japan	1.2	1.0	1.2	0.6	0.4	0.1
United Kingdom	2.2	1.8	2.0	1.5	0.5	0.1
Emerging market and Developing economies	**4.1**	**4.1**	**4.5**	**4.8**	**0.0**	**0.0**
Russia	-3.7	-0.2	1.7	2.1	0.3	0.2
China	6.9	6.7	6.6	6.2	0.1	0.2
India	7.6	6.8	7.2	7.7	0.0	0.0
Brazil	-3.8	-3.6	0.2	1.7	0.0	0.2
Middle East, North Africa, Afghanistan and Pakistan	**2.5**	**3.9**	**2.6**	**3.4**	**-0.5**	**-0.1**
Sub-Saharan Africa	**3.4**	**1.4**	**2.6**	**3.5**	**-0.2**	**-0.2**
Nigeria	2.7	-1.5	0.8	1.9	0.0	-0.4
South Africa	1.3	0.3	0.8	1.6	0.0	0.0
Source: IMF, World Economic Outlook (WEO), April 2017 update						

3.2 The Regional Economy

Growth in Sub-Saharan Africa slowed down to 1.4 percent in 2016 (IMF WEO April 2017 update) from 3.4 percent in 2015, with oil exporting countries and other major resource countries accounting for most of the slowdown. Growth in Nigeria contracted to -1.5 percent in 2016 from 2.7 percent in 2015 following temporary disruptions to oil production, foreign currency shortages resulting from lower oil receipts, lower power generation and weak investor confidence. Growth in South Africa slowed down to 0.3 percent from 1.3 percent over the same period. Activity in non-resource intensive countries (agricultural exporters and commodity importers) generally remained robust.

Growth is expected to recover to 2.6 percent in 2017, following a gradual rise in commodity prices. However, risks remain on the downside as heightened policy uncertainty relating to trade, investment relations and inward protectionist policies in the United States and Europe and tighter global financing conditions may weigh down on the region's growth. In addition, adverse weather conditions affecting countries in Eastern and Southern Africa may impact on the 2017 growth.

3.3 Domestic Economy

The Kenyan economy remained resilient in 2016 despite headwinds from the weak global economy. It recorded robust growth of 5.8 percent compared to 5.7 percent in 2015, largely supported by high government investment in infrastructure, low international oil prices, improved agricultural performance particularly in the first half of the year, recovery of the tourism sector and stable macroeconomic environment. However growth of the agriculture sector decelerated in the second half of 2016, largely on account of depressed rainfall that affected production of key agricultural crops leading to overall sectoral growth of 4 percent compared to 5.5 percent recorded in 2015.

Growth is expected to remain stable in 2017, notwithstanding the emerging developments particularly the drought conditions in the first quarter of 2017 and the uncertainties in the global economy with respect to the policies of the new US administration and the outcome of the Brexit negotiations.

3.4 Inflation

Overall inflation remained elevated in the first half of 2016 largely on account of food inflation arising from high food prices that have persisted since July 2016. Annual average inflation increased slightly to 6.6 percent from 6.5 percent in 2015. However, overall inflation remained within the Government target range of 5 ± 2.5 percent during the year. In January 2017, overall inflation accelerated to 7.0 percent from 6.4 percent in December 2016 owing to elevated food inflation which contributed 5.6 percentage points to the overall inflation in January 2017. Given the drought conditions in the first quarter of 2017, food inflation is expected to continue exerting pressure on overall inflation in the near term. The recovery in international oil prices could also translate to high energy prices and exert pressure on fuel inflation.

3.5 Exchange Rates

The foreign exchange market in 2016 remained relatively stable supported by a narrowing current account deficit and resilient foreign earnings from tea, tourism and remittance inflows. During the period, the Kenya Shilling appreciated against the Pound Sterling but depreciated against the US Dollar and the Euro. **(Table 13)**

Table 13: Exchange Rate Developments

	U.S DOLLAR	POUND STERLING	EURO	USHS / KSH	TSHS / KSH	RWF / KSH	BIF / KSH
2015	98.26	150.30	109.04	32.96	20.73	7.28	15.95
2016	101.50	137.68	112.38	33.66	21.54	7.58	15.96

Source: CBK

Table 14: Balance of Payment (USD M)

BPM6 Concept	2012	2013	2014	2015	2016*
A. Current Account, n.i.e.	**-4216**	**-4842**	**-6378**	**-4289**	**-3653**
Goods: exports f.o.b.	6,212	5,846	6,219	5,982	5,747
Goods: imports f.o.b.	15,527	16,089	16,929	14,358	13,638
Services: credit	4,993	5,132	5,024	4,638	4,528
Services: debit	2,389	2,207	3,350	3,321	2,837
Balance on goods and services	-6710	-7318	-9036	-7058	-6199
Primary income: credit	347	333	496	492	433
Primary income: debit	662	933	1,365	1,176	1,117
Balance on goods, services, and primary income	-7026	-7918	-9904	-7742	-6883
Secondary income, n. i. e.: credit	2,849	3,123	3,729	3,516	3,281
Secondary income: debit	40	47	203	63	51
B. Capital Account, n.i.e.	**235**	**158**	**275**	**262**	**206**
Capital account, n.i.e.: credit	235	158	275	262	206
Capital account: debit	0	0	0	0	0
C. Financial Account, n.i.e.	**-5583**	**-5203**	**-7397**	**-3908**	**-4138**
Direct investment: assets	238	199	75	242	158
Direct investment: liabilities, n.i.e.	1,380	1,119	821	620	393
Portfolio investment: assets	41	38	55	191	423
Equity and investment fund shares	22	12	4	10	407
Debt securities	19	26	52	181	16
Portfolio investment: liabilities, n.i.e.	259	309	3,772	36	40
Equity and investment fund shares	257	297	954	11	23
Debt securities	1	12	2,818	25	17
Financial derivatives: net	-	-	-	-	-
Financial derivatives: assets	-	-	-	-	-
Financial derivatives: liabilities	-	-	-	-	-
Other investment: assets	-51	653	-6	501	-193
Other equity	0	0	0	0	0
Other debt instruments	-51	653	-6	501	-193
Central bank	0	0	0	0	0
Deposit-taking corporations, except the central bank	-339	465	-80	416	-244
General government	0	0	0	0	0
Other sectors	288	188	75	85	52
Other financial corporations	0	0	0	0	0
Nonfinancial corporations, households, and NPISHs	288	188	75	85	52
Other investment: liabilities, n.i.e.	4,172	4,666	2,929	4,187	4,093
Other equity	23	22	-16	-3	-8
Special Drawing Rights	0	0	0	0	0
Other debt instruments	4,150	4,644	2,944	4,190	4,101
Central bank	32	-17	79	-2	-36
Deposit-taking corporations, except the central bank	534	514	586	481	-283
General government	1,101	829	(249)	2,058	1,972
Other sectors	2,482	3,318	2,529	1,653	2,448
Other financial corporations	0	0	0	0	0
Nonfinancial corporations, households, and NPISHs	2,482	3,318	2,529	1,653	2,448
D. Net Errors and Omissions	**-379**	**-150**	**160**	**-135**	**-561**
E. Overall Balance	**-1223**	**-369**	**-1454**	**254**	**-129**
F. Reserves and Related Items	**1223**	**369**	**1454**	**-254**	**129**
Reserve assets	1454	858	1335	-360	38
Credit and loans from the IMF	193	177	-119	-107	-91
Exceptional financing	38	312	0	0	0

Source: Economic Survey 2017

*Estimate

3.6 Interest rates

The short term interest rates recorded a downward trend over the last one year. The weighted average interbank rate decreased to 4.8 percent in 2016 from an average of 11.24 percent in 2015, reflecting improved market liquidity conditions. The 91-day Treasury bill rate declined to 8.6 percent from 10.9 percent while the 182-day Treasury bill rate decreased to 10.9 percent from 12.2 percent over the same period under review.

Commercial banks' average lending interest rates remained stable at 16.58 percent in 2016 compared to 16.16 percent in the previous year. The marginal increase was largely reflected in 'Over 5 years' and 'Overdraft' loan categories. However, there was a notable decrease in the average lending rate from 17.71 percent in August 2016 to 13.69 percent in December 2016, largely on account of the implementation of interest rate capping law effected in mid-September 2016. Average commercial banks' deposit rate increased to 7.1 percent in 2016 from 6.93 percent in 2015. The increase was reflected in the savings category which increased by 16 basis points to 2.92 percent from 1.53 percent.

3.7 Balance of Payments

The overall balance of payments recorded a deficit of USD 129 million in 2016 from a surplus of USD 254 million in 2015. The current account balance improved to a deficit of 5.2 percent of GDP (USD 3,653 million) in 2016 from 6.7 percent (USD 4,289 million) in 2015, mainly due to lower merchandise and service imports. Merchandise imports declined to 19.3 percent of GDP (USD 13,638 million) in 2016 from 22.5 percent of GDP (USD 14,358 million) in 2015 following lower importation of oil, food and transport equipment. Service imports also declined to 4.0 percent of GDP ($ 2,837 million) in 2016 from 5.2 percent of GDP ($ 3,321 million) in 2015 following a 32 percent reduction in freight costs. **(Table 14)**

Merchandise exports declined to 8.1 percent of GDP (USD 5,747 million) in 2016 from 9.4 percent of GDP (USD 5,982 million) in 2015 following a reduction in re-exports of petroleum products and manufactured articles as well as exports of cement to the region. In addition, there was reduction of USD 110 million in receipts from transport services on account of lower air transport receipts from Kenya Airways and lower freight from sea transport. Despite the general decline in total exports, exports of tea; horticulture; and coffee increased to 44.3 percent of total exports in 2016 from 42.1 percent in 2015, while exports of articles of apparel; and clothing accessories increased to 5.3 percent of total exports from 4.9 percent.

The decline in imports outweighed the decrease in exports, consequently leading to narrowing of the trade deficit and an improvement of export-import ratio from 36.8 percent in 2015 to 40.4 percent in 2016. Terms of trade for all items increased by 2.8 percentage points to 78.8 percent in 2016 following improved export unit prices of beverages and tobacco; animals and vegetable oils and fats; chemicals; and machinery and transport equipment, coupled with the declining import unit prices of mineral fuels. Africa continued to be the leading destination of the Kenya's exports accounting for 40.6 percent, with exports to EAC accounting for 21.1 percent of the total exports, in 2016.

The 2016 current account balance was mainly financed by other investment inflows, which accounted for 90 percent (USD 4,093 million) of the total financial liabilities. However, inflows of foreign direct investment declined by 0.4 percentage points to 0.6 percent of GDP (USD 393 million) in 2016 from 1.0 percent of GDP (USD 620 million) in 2015. International reserves remained adequate at USD 7.6 billion at end-December 2016, equivalent to 5.3 months of imports. The resilience of the economy, and international confidence in the country's macroeconomic policies was underscored by the successful completion of the first review of Kenya's economic programme on January 25, 2017, by the IMF.

3.8 Domestic Economic Outlook

In 2017, the current account deficit is projected to moderate at 5.8 percent of GDP supported by relatively higher receipts and a lower import bill. However, down side risks to the current account outlook include the prevailing drought conditions that may necessitate higher food imports and the policy stance of the new U.S administration and its effect on the global economy.

3.9 Performance of the Banking Sector

The banking sector registered improved performance during the year ended December 2016. The sector recorded a 10.0 percent growth in pre-tax profits during the year. The sector also recorded strong capitalization levels as a result of retention of profits and additional capital injection. However, asset quality registered a decline with the non-performing loans (NPLs) ratio increasing to 9.2 percent in December 2016 from 6.8 percent in December 2015. The increase in NPLs was partly attributable to a challenging business environment witnessed in the period ended December 2016.

3.10. Commercial Banks Balance Sheet Analysis

The banking sector registered improved financial strength in 2016, with total net assets recording an increase of 5.8 percent from KShs 3,492.6 billion in December 2015 to KShs 3,695.9 billion in December 2016 as indicated in **Table 15**. This is attributable to increased gross loans by 5.6 percent from KShs 2,165.3 billion in December 2015 to KShs 2,2286.5 billion in December 2016.

The loans and advances, government securities and placements which accounted for 58.8 percent, 23.2 percent and 4.0 percent of the total net assets respectively remained the main components of the banks' balance sheet. Net loans and advances registered an increase of 11.2 percent from KShs 2,091.4 billion in December 2015 to KShs 2,182.6 billion in December 2016.

Table 15: GLOBAL BALANCE SHEET ANALYSIS (KShs M)

	Dec-15	Dec-16	% Change
Assets			
Cash	58,842	62,719	6.59%
Balances at Central Bank	192,630	158,914	-17.50%
Placements	142,690	160,944	12.79%
Government securities	684,541	865,990	26.51%
Investments	19,468	31,157	60.04%
Loans and Advances (Net)	2,091,361	2,182,631	4.36%
Other assets	303,113	233,588	-22.94%
Total Assets	**3,492,643**	**3,695,943**	5.82%
Liabilities and Shareholders' Funds			
Customer Deposits	2,485,920	2,618,390	5.33%
Other Liabilities	466,145	480,012	2.97%
Capital and Reserves	540,578	597,542	10.54%
Total Liabilities and Shareholders' Funds	**3,492,643**	**3,695,943**	5.82%
Source: CBK			

Customer deposits, which are the main source of funding for the banks grew by 5.3 percent from KShs 2,485.9 billion in December 2015 to KShs 2,618.4 billion in December 2016. The growth was supported by mobilization of deposits through agency banking and mobile phone platforms.

Net loan and advances increased by 4.4 percent from KShs 2,091.4 billion in December 2015 to KShs 2,182.6 billion in December 2016. The growth in loans is attributed to increased demand for credit by all eleven economic sectors.

In 2016, the banking sector capital & reserves increased by 10.5 percent from KShs 540.6 billion in December 2015 to KShs 597.5 billion in December 2016. The general increase in capital and reserves is attributable to additional capital injections by commercial banks to meet the statutory capital adequacy requirements and exploit business opportunities.

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 through the Personal/ Household, Trade, Real Estate and Manufacturing Sectors. In total, these four economic sectors accounted for 70.89 percent of gross loans in December 2016 as indicated in **Table 16**. Personal/households, Trade and Agriculture sectors accounted for the highest number of loan accounts with a total of 98.21 percent. Trade, Personal/household, Real Estate and Manufacturing sectors accounted for the highest value of non-performing loans by registering 70.05 percent. This was mainly due to delayed remittances by employers, slow uptake of housing units and delayed payments from public and private sectors.

Table 16: Sectoral Distribution of Loan Accounts, Gross Loans and NPLs-December 2016

	No of Loan A/Cs	% of Total	Gross Loans KShs M	% of Total	Gross NPLs KShs M	% of Total
Trade	372,142	4.76%	438,856	19.56%	62,232	29.03%
Personal/Household	7,192,855	92.06%	584,549	25.45%	37,172	17.34%
Real Estate	29,659	0.38%	357,558	13.58%	27,600	12.87%
Manufacturing	16,956	0.22%	266,803	12.30%	25,300	11.80%
Building and Construction	13,869	0.18%	93,057	4.63%	23,872	11.14%
Transport and Communication	46,682	0.60%	201,531	8.55%	15,583	7.27%
Agriculture	108,530	1.39%	93,712	4.04%	9,042	4.22%
Energy and water	3,665	0.05%	102,877	4.62%	5,129	2.39%
Tourism, Restaurant and Hotels	6,969	0.09%	55,117	2.52%	4,619	2.15%
Financial Services	20,607	0.26%	86,834	3.74%	2,726	1.27%
Mining and Quarrying	1,291	0.02%	12,297	1.01%	1,099	0.51%
Total	**7,813,225**	**100.00%**	**2,293,190**	**100.00%**	**214,374**	**100.00%**

Source: CBK

3.12 Asset Quality

A challenging business environment witnessed during the period under review impacted negatively on the quality of loans and advances. This was attributed to among other factors; delayed payments from public and private entities and poor weather conditions. As a result, non-performing loans (NPLs) increased by 45.5 percent to KShs 214.3 billion in December 2016 from KShs 147.3 billion in December 2015. Similarly, the ratio of gross NPLs to gross loans increased from 6.8 percent in December 2015 to 9.2 percent in December 2016 as shown in **Table 17** and **Appendix III**.

Table 17: Asset Quality and Provisions (KShs M)

	Dec-15	Dec-16	% Change
Net Assets	3,492,643	3,695,943	5.8%
Gross Loans and Advances	2,165,329	2,293,190	5.9%
Total Loans	2,142,150	2,257,489	5.4%
Net Loans	2,091,361	2,182,631	4.4%
Gross Non-performing Loans	147,331	214,374	45.5%
Interest in Suspense	23,179	35,701	54.0%
Total Non-Performing Loans	124,152	178,674	43.9%
Total Provisions	50,789	74,858	47.4%
Net Non- Performing Loans	73,363	103,815	41.5%
Gross Loans/ Net Assets (%)	62.0%	62.0%	0.0%
Gross NPLs/ Gross Loans (%)	6.8%	9.2%	2.5%
Net NPLs/ Gross Loans (%)	3.4%	4.5%	1.1%
Source: CBK			

3.13 Risk Classification of Loans and Advances

The Central Bank'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 is based on repayment capability of the borrower and the loans are classified as either normal, watch, substandard, doubtful or loss.

The loans and advances in the normal category decreased by 0.9 percent from KShs 1,840.4 billion in December 2015 to KShs 1,824.7 billion in December 2016. The normal category also accounted for 79.6 percent of the total loans compared to 85.5 percent in 2015. This is explained by the deteriorating asset quality of the banking sector in the year as explained below.

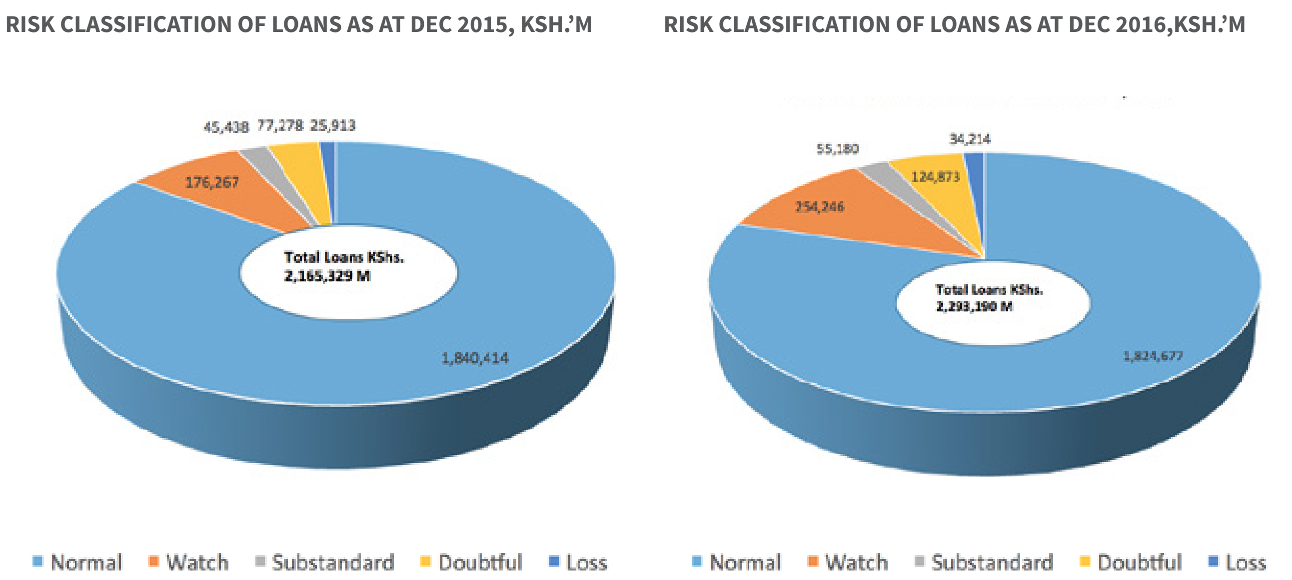
The loans and advances in the watch, substandard and doubtful categories increased by 44.2 percent, 21.4 percent and 61.6 percent respectively as shown in **Table 18**. This is also reflected by the increased levels of these categories in the entire loan book. The watch, substandard and doubtful categories accounted for 11.1 percent, 24 percent and 5.5 percent of the loan book in 2016 compared to 7.7 percent, 2.1 percent and 3.6 percent in 2015. These increases were occasioned by deteriorating asset quality as a result of delayed payments, enhanced reclassification and provisioning of loans and challenges in the business environment.

The proportions of loans in all categories increased in 2016 as was in 2015 as shown in **Table 18** and **Chart 5**.

Table 18: Risk Classification of Loans and Advances (KShs M)

	2015	% of Total	2016	% of Total
Normal	1,840,414	85.00%	1,824,677	79.57%
Watch	176,267	8.10%	254,246	11.09%
Substandard	45,438	2.10%	55,180	2.41%
Doubtful	77,278	3.60%	124,873	5.45%
Loss	25,913	1.20%	34,214	1.49%
Total	**2,165,329**	**100.00%**	**2,293,190**	100.00%
Source: CBK				

Chart 5: Risk Classification of Loans and Advances



Source: CBK

3.14 Capital Adequacy

The Central Bank Prudential Guideline on Capital Adequacy requires banks to adhere to the prescribed capital adequacy prudential ratios. The minimum regulatory capital adequacy ratios, which are measured by the ratio 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 ratios remained at an average of 16 percent in 2015 and 2016. Also, the Total Capital to Total Risk Weighted Assets ratio remained at an average of 19 percent in 2015 and 2016 as shown in Table 19. Over the same period, the ratio of core capital to total deposits increased marginally from 18 percent in 2015 to 19 percent in December 2016.

Table 19: Capital Adequacy Ratios

	2013	2014	2015	2016	Minimum Capital Adequacy Ratios
Core Capital/ TRWA	18%	16%	16%	16%	10.5%
Total Capital/ TRWA	21%	20%	19%	19%	14.5%
Core Capital/ Total Deposits	19%	19%	18%	19%	8.0%
*TRWA-Total Risk Weighted Assets					
Source: CBK					

3.15 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 since liquidity shortfall in one bank can cause systemic crisis in the banking sector due to their interconnected operations.

Arising from the placement of Chase Bank Ltd in receivership in April 2016, CBK closely monitored the banking sector particularly on liquidity and credit risks. Banks that faced liquidity challenges that were not able to access liquidity in the market used the liquidity facilities available at the CBK such as intraday liquidity facility, rediscount of government securities, open market operations and lender of last resort window. The liquidity challenges were primarily caused by liquidity segmentation in the inter-bank market. Liquidity distribution in the banking sector improved towards end of the year.

The average liquidity ratio as at December 2016 stood at 40.3 percent as compared to 38.1 percent registered in December 2015. 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 12.1 percent while total short-term liabilities grew by 5.7 percent. The banking sector's average liquidity in the twelve months to December 2016 was above the statutory minimum requirement of 20 percent.

3.16 Profit and Loss

The banking sector registered improved performance in 2016 with profit before tax increasing by 10.0 percent to KShs 147.4 billion in December 2016 from KShs 134.0 billion in December 2015 as shown in Table 20. The increase in profitability is attributed to a higher increase in income compared to the rise in expenses.

Income

Total income for the banking sector grew by 5.7 percent from KShs 474.9 billion in December 2015 to KShs 504.0 billion in December 2016 as shown in Table 20 below. The increase in income was largely attributed to increase in interest on government securities which rose by KShs 19.9 billion occasioned by increased investments in government securities. Interest income on advances increased by KShs 7.0 billion to KShs 298.2 billion in December 2016 from KShs 291.2 billion in December 2015 occasioned by increased loans and advances in 2016. Foreign exchange trading income decreased by 2.0 percent to KShs 20.0 billion in 2016 from KShs 24.5 billion in 2015.

Table 20: Income and Expenditure Items as a Percentage of Total Income/Total Expenses

	2015		2016	
Income	**KShs. M**	**% of Total Income**	**KShs. M**	**% of Total Income**
Interest on Advances	291,204	61.32%	298,191	59.40%
Fees and Commission for Loans and Advances	21,412	4.51%	23,207	4.62%
Other Fees and Commission Income	43,640	9.19%	41,849	8.34%
Interest on Government Securities	69,619	14.66%	89,566	17.84%
Interest on Placement	10,574	2.23%	5,855	1.17%
Other Income	38,406	8.09%	43,300	8.63%
Total Income	474,856	100.00%	501,968	100.00%
Expenses		**% of Total Expenses**		
Interest Expenses	143,658	42.01%	135,426	38.16%
Bad Debts Charge	30,871	9.03%	42,455	11.96%
Salaries and Wages	79,873	23.36%	84,761	23.88%
Other Expenses	87,538	25.60%	92,248	25.99%
Total Expenses	341,940	100.00%	354,890	100.00%
Profit Before Tax	134,017	41.52%	147,445	41.55%
Source: CBK				

Expenses

As shown in Table 20 above, the banking sector expenses rose by 3.8 percent to KShs. 354.9 billion in December 2016 from KShs. 341.9 billion in December 2015. The increase in total expenses was largely attributed to a rise in loan loss provisions. Banks registered an increase in loan loss provisions by KShs. 11.6 billion in 2016. Interest expenses accounted for 38.2 percent of the total banking sector expenses in 2016. Interest expense as a ratio of income decreased from 27.0 percent in 2016 from 30.3 in 2015. Other expenses including training, advertising, printing and management fees increased by 5.4 percent to KShs. 92.2 billion in December 2016 from KShs. 87.5 billion in December 2015. Salaries and wages increased by 6.1 percent from KShs. 84.8 billion in December 2016 from KShs. 79.9 billion in December 2015. Salaries and wages as a ratio of income increased to 16.9 percent in 2016 from 16.2 percent in 2015. Reflecting a higher increase in staffing costs compared to the increase in income.

3.17 Performance Rating

The Central Bank uses the Capital Adequacy, Asset Quality, Management Quality, Earnings and Liquidity (CAMEL) rating system in assessing the soundness of the commercial banks.

The banking sector was on overall rated strong in 2016 as compared to a satisfactory rating which was achieved in 2015. The enhanced industry rating was mainly due to improved capital adequacy and asset quality. The institutions rated strong, satisfactory, fair and marginal in December 2016 were 11, 16, 11 and 1 respectively as shown in **Table 21**. The institutions rated satisfactory decreased from 19 in 2015 to 16 in 2016.

Table 21: Banking Sector Performance Rating (KShs. M)

Performance	2015			2016		
	No. of Institutions	Total Net Assets	Market Share	No. of Institutions	Total Net Assets	Market Share
Strong	11	1,223,466	35.57%	11	1,845,960	49.95%
Satisfactory	19	1,961,554	55.97%	16	1,438,960	38.93%
Fair	8	277,985	7.67%	11	295,908	8.01%
Marginal	2	29,638	0.79%	1	115,114	3.11%
Unsatisfactory	0		0.00%			
Total*	**40**	**3,635,092**	**100.00%**	**39**	**3,695,943**	100.00%
Overall Rating	**Satisfactory**			**Strong**		

* Charterhouse Bank in Statutory Management, Fidelity Commercial Bank in acquisition and Imperial Bank and Chase Bank in Receivership have been excluded in the 2016 statistics.

Source: CBK

3.18 Compliance with Supervisory & Regulatory Requirements

For the year ended 31st December 2016, twelve banks were in violation of the Banking Act and CBK Prudential Guidelines as compared to four banks in the previous year, 2015. The increase in the number of banks in violation was mainly in respect to non-compliance with liquidity ratio after Chase Bank Ltd was placed into receivership due to deposit movement (mostly affecting small and medium banks). However, the situation normalized later in the year.

The specific incidences of non-compliance noted as at 31st December 2016 were as follows:-

- Three institutions were in violation of Section 10(1) of the Banking Act which restricts lending to a single borrower to an amount of not more than 25 percent of its Core Capital.
- Two institutions were in violation of Section 18 of the Banking Act and CBK Prudential Guideline (CBK/PG/03) on Capital Adequacy, which requires an institution to have a minimum core capital to total risk weighted assets ratio of 10.5 percent and total capital to total risk weighted assets ratio of 14.5 percent.
- One institution was in violation of Section 7(1) of the Banking Act and CBK Prudential Guideline (CBK/PG/03) on Capital Adequacy, which requires an institution to maintain a minimum core capital of KShs 1 billion.
- Seven institutions were in violation of Section 19(1) of the Banking Act and CBK Prudential Guideline (CBK/PG/05) on Liquidity Management, which requires institutions to have a minimum liquidity ratio of 20 percent. This was observed after placement of Chase Bank Limited into receivership causing panic withdrawal of deposits in small and medium banks. However, the situation normalized later in the year.
- Two institutions were in violation of Section 12(c) of the Banking Act and CBK Prudential Guideline (CBK/PG/07) on Prohibited Business, which requires that institutions investment in land and buildings should not be more than 20 percent of Core Capital.
- Two institutions were in violation of Clause 3.3.3 of CBK Prudential Guideline (CBK/PG/02) on Corporate Governance, which requires every member of the Board to attend at least 75 percent of the Board meetings of an institution in any financial year.
- Two institutions were in violation of Section 11 (1) of the Banking Act which requires every bank to seek Board approval for any loan granted to the Executive Committee members and to ensure that these credit facilities are fully secured.

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

3.19 Performance of Microfinance Banks

The microfinance banks' profit before tax decreased by 169 percent from KShs. 549 million for the period ended December 2015 to a loss of KShs. 377 million for the period ended December 2016 as shown in Table 22 below. The decline in profitability in the sector was largely attributed to reduction of financial income by 27 percent or KShs. 3.9 billion in 2016. Generally, there was a huge decline of 77 percent, 62 percent and 60 percent on income from government securities, financial income on investments and deposits and balances with banks and financial institutions respectively while interest and fee expense on borrowing increased by 19 percent. This was occasioned by the tight liquidity in the market especially after the placement of three (3) commercial banks under receivership in 2015 and 2016 which affected distribution of liquidity in the sector. Net non-performing loans increased by 94 percent as at 31st December 2016.

The branch network grew from 109 branches in 2015 to 112 branches in 2016 while the marketing offices grew from 88 to 105 and third party agents from 1,154 to 2,060 agents as at the end of December 2016. Out of the deposit base of KShs. 40.2 billion, 33 percent comprised of cash collateral held by the microfinance banks as security for loans granted. Similarly, the size of net loan portfolio increased by 3 percent from KShs. 45.6 billion in 2015 to KShs. 46.9 billion in 2016.

Table 22: Performance of MFBs - KShs. 'M'

Parameter	2015	2016	% Change
Pre-Tax Profits	549	(377)	-169%
Customer Deposits	40,539	40,198	-1%
Loan Portfolio (Net)	45,564	47,047	3%
Core Capital/Total Risk Weighted Assets	21%	20%	-5%
Total Capital/Total Risk Weighted Assets	23%	22.6%	-1%
Return on Assets	1%	(0.5)%	-150%
Return on Shareholder's funds	5%	(3.2)%	-164%
Number of Branches	109	112	3%
Total number of staff	4,500	4,423	-2%

Source: CBK

As at December 2016, the MFBs' ratio of core capital to risk weighted assets decreased to 20 percent and was above the minimum requirement of 10 percent as shown in Appendix X. The ratio of total capital to total risk weighted assets was 22.6 percent for the period ended December 2016 against the minimum statutory requirement of 12 percent.

The 13 microfinance banks had a total staff complement of 4,423 in 2016 compared to 4,500 staff from 12 microfinance banks in 2015. Most Microfinance banks had introduced innovative technology enabled delivery channels and products such as mobile, internet banking and agency network platforms for efficient customer services.

3.20 Credit Reference Bureaus Reports

It has been six and half years, since the launch of the Credit Information Sharing (CIS) mechanism in July 2010. Currently, CBK has licensed three (3) Credit Reference Bureaus namely; Transunion CRB, Metropol CRB and Creditinfo CRB. The licensing of three CRBs has enhanced diversity and competition through introduction of innovative products such as development of a Commercial Score Card for Micro and Small Medium Enterprises (MSMEs). The commercial score card is expected to facilitate MSMEs to access financing from suppliers and improve credit terms. The bureaus also ventured into credit scoring as a value - add to users. However, the bureaus have disparate credit scores and there is need to harmonize the scoring scale across the bureaus for ease of interpretation by lenders and consumers.

The CIS mechanism witnessed growing interest by other entities to participate in the sharing. As at December 2016, CBK had approved a total of 797 other data sources for the three CRBs compared to 325 data sources as at December 2015 in accordance with Regulation 23(2) of the Credit Reference Bureau Regulations, 2013. Majority of the third party data sources approved comprised of Savings and Credit Cooperative Societies (SACCOs). Other data sources approved by CBK include credit-only microfinance institutions and trade institutions. In addition, Metropol CRB has been granted approval to roll-out 139 specific third party agents in 2017.

The use of credit reports for credit appraisal process by financial institutions declined by 17% from 5.97 million reports in 2015 to 4.94 million reports in 2016 indicating partly that the demand for credit was lower during the year. As at 31st December 2016, a total of 16.2 million credit reports had been requested by the subscribing banks. Meanwhile, the requests made by customers increased by 12% to 84,412 in the year 2016.

The main challenge remains the negative public perception of credit reporting, with most consumers viewing CRBs and credit reports as tools to blacklist them from the financial sector. Similarly, credit providers' use of credit information in pricing is minimal and they primarily use credit reports to deny or grant credit. This is partly attributed to lack of integration of the credit bureau scores in credit appraisal methodologies of credit providers.

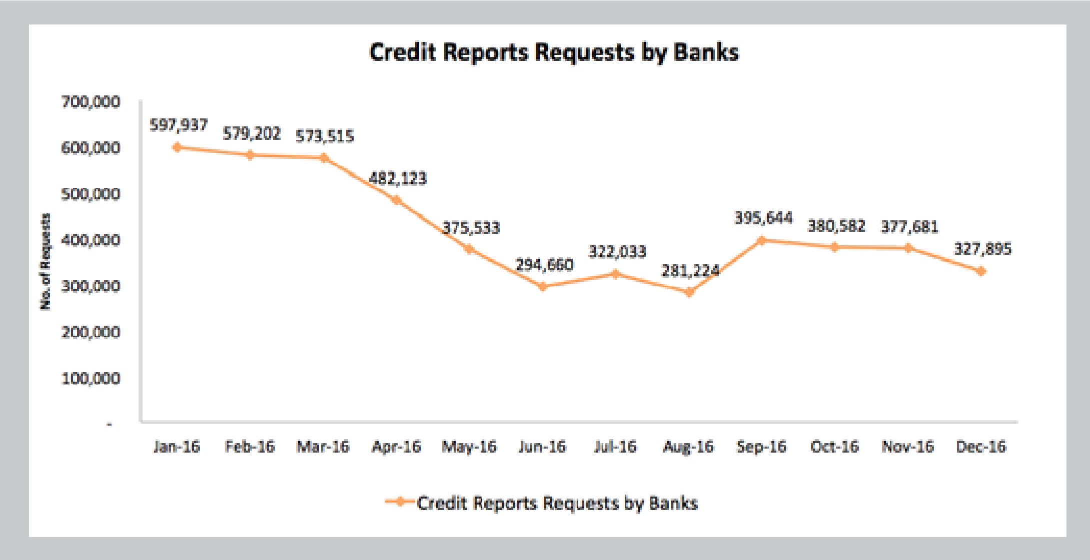
Table 23 shows the credit reports accessed from the CRBs since inception of the credit sharing mechanism in July 2010:

Table 23: Number of credit reports requested since August 2010

PERIOD	BANKS & MFBs	% Change	CUSTOMERS	% Change
August- December 2010	284,722	-	434	-
January-December 2011	1,021,717	259%	5,607	1192%
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%
Total	**16,176,948**		**163,614**	

Source: CBK

Chart 7: Total monthly credit report requests by banks to three CRBs in 2016



Source: CBK

Chart 7 indicates there are high and low seasons in the credit report requests made by banks to the CRBs. The high season was at the beginning of the year as the demand for credit was high. By end of year it was low season due to the lower number of loan applications.

The mechanism registered an improvement in the quality of data submitted to the CRBs by banks. The rejection rates for the year ended December 2016 stood at an average rate of 11% per CBR compared to average rate of 13% for 2015. Most of the data rejected by the CRBs was mainly as a result of invalid values, records missing mandatory fields, and files sent in the wrong file formats.

CHAPTER 4

DEVELOPMENTS IN SUPERVISORY FRAMEWORK

DEVELOPMENTS IN SUPERVISORY FRAMEWORK

4.1 Introduction

The Central Bank continued to enhance the quality of its supervisory framework. In this regard CBK undertook several key reforms, including:-

- Requiring banks to disclose details of their significant shareholders, who own 5% or more of the shareholding, on their websites. Shareholders of banks are at the core of instilling corporate governance in banks. The disclosure of the bank shareholders would signal adherence to corporate governance as well as instilling confidence and stability in specific banks and the sector as a whole.
- Requiring external auditors to ensure that banks insider lending practices conform with the requirements of the Banking Act and Prudential Guidelines. Insider loans have been shown to undermine the sustainability of a bank, hence the need to ensure that loan facilities are granted to insiders at arm's length.
- Issuing a Guidance Note on Internal Capital Adequacy Assessment Process (ICAAP) to the banking industry in November 2016. CBK required all banks to submit their 2016 ICAAP documents by April 2017. Adoption of ICAAP by banks would ensure that they set aside enough capital to cater for all potential risks that a bank would be exposed to. This was premised on the argument that well-capitalised banks have the capacity to withstand shocks and thereby ensure their resilience.
- CBK increased its supervisory staff complement by recruiting additional officers who are experts in various fields including ICT and auditing. This was intended to enhance CBK's scrutiny of banks' processes including corporate governance practices, integrity of information and disclosure requirements.
- CBK adopted a Risk Based Supervisory Framework for Anti-Money Laundering and Countering Financing of Terrorism (AML/CFT). The framework will complement prudential supervision and legal compliance with special attention directed to anti-money laundering and combating financing of terrorism.

The outlined reforms were expected to lead to a more stable, sound and resilient banking sector. As a result, the Kenyan banking sector is expected to continue its upward growth trajectory in the medium to long term as the outlined reforms take root.

4.2 Banking Act Amendments

His Excellency the President assented to the Finance Act, 2016 on 13th September 2016. The specific amendments relating to the Banking Act came into force on 1st January 2017. The key amendments to the Banking Act were:-

(i) **Sharing of Credit Information.** The Credit Information Sharing (CIS) mechanism under the Banking Act was amended to bring on board new entities. With the expansion of the mechanism, Saccos licensed under the Sacco Societies Act 2008, institutions registered under the Cooperative Societies Act and public utility companies mandated to share credit information under any written law have now been accommodated in the CIS framework.

(ii) **Cross-Border Sharing of Credit Information.** To allow institutions across borders to share credit information, the law was amended to allow regulators or supervisory authorities, Credit Reference Bureaus (CRBs) and institutions within the East African Community region to share credit information amongst themselves as and when the need arose. The amendment acknowledged that the world is increasingly becoming a global village. Consumers are now able to utilize innovative information communication technology to obtain financial services wherever they are through the online systems and irrespective of geographical boundaries. The amendment will enable institutions to have a holistic view of a customer's credit history and credit worthiness in relation to consumption of financial services irrespective of the jurisdiction in which the services were rendered.

(iii) **Enhancement of Monetary Penalties.** The Banking Act was amended to enhance the monetary penalties against institutions and credit reference bureaus that violate the Banking Act or the Prudential Guidelines. To this end, maximum monetary penalty for institutions and credit reference bureaus was increased from KShs 5 million to KShs 20 million. Similarly, the maximum penalty against a natural person was increased from KShs 200,000 to KShs 1 million. A penalty not exceeding KShs 100,000 was introduced for each additional day that a failure continues unabated. This is intended to provide sufficient deterrence of the contravention or violations on Banking Act or the Prudential Guidelines.

4.3 Banking (Amendment) Act, 2016

In an effort to cap interest rates, the Banking Act was amended through the Banking (Amendment Act), 2016 that became effective on September 14, 2016. The law required that, the maximum interest chargeable for credit facilities by commercial banks should be no more than four percent above the Central Bank Rate (CBR). Interest granted on interest earning deposits by commercial banks should be at least 70 percent of the CBR.

4.4 Host Country Assessment

CBK is the home regulator for nine (9) banks with cross border operations in seven jurisdictions. CBK is required to have supervisory overview of cross border operations of these banks in order to assess group wide risks. This requires CBK to leverage on supervisory work carried out by the host regulators.

Accordingly, CBK has a responsibility to assess the effectiveness of the regulatory and supervisory frameworks for host supervisors where Kenyan banks have operations. A structured assessment of host country supervision framework was formulated by Bank Supervision Department (BSD) with technical assistance from East AFRITAC. CBK has so far carried out the host country assessments for the Democratic Republic of Congo and Uganda. Various aspects were considered in the assessments including:

- **Context** – This is a review of the country's banking industry, size and performance as well as the major economic indicators so as to assess the risks facing the banks in the country.
- **Legal framework for Bank Supervision in the respective countries** - This is a review of the legislation surrounding banking in the country and the Central Bank Act of the respective country as well as any additional guidelines the Central Bank has put in place for the purpose of bank supervision.
- **Practice of Bank Supervision** - The assessments also reviewed the bank supervision practices in the country to assess the adequacy of surveillance of banks by the central bank.
- **Legal framework for Bank Resolution** - This is a review of the legislation in the country on bank resolution including the powers of the central bank to intervene in problem institutions.

4.5 Developments in Anti-money Laundering and Combating the Financing of Terrorism (AML/CFT)

Technical Assistance, AML Training and Awareness Initiatives:

In 2016, Bank Supervision Department received Technical Assistance (TA) from the International Monetary Fund (IMF). The TA was conducted through two missions one from 29th March to 1st April 2016 and the other from 28th November to 2nd December 2016. These were the IMF's sixth and seventh missions to Kenya since February 2014. The purpose of the missions was to assist the Department in developing risk-based off-site and on-site tools for Anti-Money Laundering and Combating the Financing of Terrorism (AML/CFT) supervision of commercial banks and microfinance banks.

The focus of the two missions in 2016 was on the supervisory component through designing a Money Laundering and Terrorism Financing (ML/TF) risk profiling methodology, as a foundation for future work on the off-site analysis and on-site inspection components. This incorporated the most commonly used elements:

i. Identifying and quantifying perceived threats/ vulnerabilities for each bank.

ii. Assessing the quality of controls/mitigants in place in each bank.

iii. Calculating residual risk from i and ii above and generating a risk matrix with scores and weights.

iv. Developing a risk profile for each bank and combining a risk matrix with all relevant supervisory information.

v. Designing management information formats to assist the CBK in risk-based decision-making.

The TA received provided a useful framework for implementing risk based AML/CFT supervision of institutions and enabled the Central Bank to understand the risk profile of each institution.

Workshops conducted in 2016 included:

- Training on risk based AML/CFT off-site and on-site tools for inspectors in Bank Supervision conducted on 2nd December 2016 by an International Monetary Fund Mission at the CBK.
- Regional workshop on a Risk Based approach to AML/CFT supervision held from 5th to 9th September 2016 in Zanzibar, Tanzania. The workshop was organized by the IMF's East AFRITAC aiming at creating a platform for Bank Supervisors and Financial Intelligence Units to exchange views and review developments on AML/CFT regulations and supervision.
- Seminar on the Freezing of Assets requirement pertaining to the UN Security Council Resolution 1373 (2001) held from 19th to 21st July 2016 at the Kenya School of Monetary Studies (KSMS). This was a workshop aimed at addressing the challenges faced by countries in implementing terrorist financing freezing mechanisms in accordance with the Financial Action Task Force (FATF) Recommendations.
- Workshop on Suspicious Transaction Reporting for Money Laundering Reporting Officers (MLROs) of Financial Institutions held on 4th April 2016 at the Kenya School of Monetary Studies (KSMS). The workshop was organized by the Financial Reporting Centre in conjunction with the IMF whose purpose was to sensitize MLROs on their obligations in reporting suspicious transactions

CHAPTER 5

REGIONAL AND INTERNATIONAL DEVELOPMENTS AND INITIATIVES

REGIONAL AND INTERNATIONAL DEVELOPMENTS AND INITIATIVES

5.1 Introduction

The Central Bank of Kenya (CBK) participated in regional and international initiatives aimed at enhancing the banking sector surveillance framework. Towards this end, CBK participated in supervisory colleges' for some banks which Kenya is a host regulator. Participation in supervisory colleges for banks enhances coordination and information sharing between supervisors of affiliates of banking groups.

On the regional front, CBK actively participated in meetings aimed at operationalizing the East African Monetary Union (EAMU), which was ratified in 2015. CBK also participated in various global and regional initiatives aimed at strengthening overall supervision both domestically and internationally through enhanced cross-border regulatory co-operation. The 2016 regional and international initiatives in which the Bank took part focused on a wide range of supervisory areas including:-

- Strengthening Financial Sector Supervision and Current Regulatory Priorities.
- Risk Based Supervision.
- Inclusive financial systems and innovative funding.
- Implementation of Basel Capital Accords (Basel II/III).
- Macro-prudential Analysis and harmonization of Financial Soundness Indicators.
- Crisis management and resolution.
- Anti-Money Laundering and Combatting the Financing of Terrorism.
- Capacity building and knowledge exchange on supervisory matters.

5.2 Regional and International Initiatives

- **Monetary Affairs Committee of the East African Community**

The Monetary Affairs Committee (MAC) of the East African Community (EAC) is composed of the Governors' of the five EAC member states Central Banks. The main task of MAC is to progress implementation of EAC decisions towards the envisaged full integration of the member states financial systems. MAC meetings are attended by the Central Bank Governors as well as technical officials. The key activities undertaken by MAC in respect to banking supervision in 2016 include:-

- The 20th Ordinary Monetary Affairs Committee (MAC) meeting was convened in Kampala, Uganda from the 11th to 14th July, 2016. The meeting reviewed the progress on the implementation of the decisions of the 19th Monetary Affairs Committee (MAC) meeting held in Zanzibar, Tanzania in August 2015 and decisions of the special MAC meeting held in December 2015. The decisions include mainly relating to implementation of the convergence criteria, spearheading development of national crisis management frameworks, promoting financial inclusion in respective jurisdictions as well as offering support to other domestic financial sector regulators in developing and rolling out Business Continuity Management guidelines.

- The Banking Supervision and Financial Stability Sub-Committee of MAC convened a meeting in October 2016 in Kigali, Rwanda. The objective of the meeting was to assess for each jurisdiction the level of compliance with the 29 revised Basel Core Principles for Effective Banking Supervision.

- In October 2016, CBK undertook a self- assessment of its compliance with the revised 29 BCPs issued in September 2012. The compliance status was shared during the October 2016 Kigali meeting. CBK has developed an action plan detailing the relevant amendments to be effected to the legal and regulatory framework to ensure full compliance with the remaining relevant BCPs.

- The MAC Crisis Management Working Group convened its fifth meeting from 29th November – 2nd December 2016 in Kigali, Rwanda. The objective of the Working Group on Crisis Management is to strengthen the key pillars of the crisis management infrastructure which include strong legal frameworks; strong financial supervision with early intervention powers; independent central banks with sound emergency liquidity assistance powers; effective resolution framework and; a strong inter-agency cooperation framework. In the meeting it was resolved that the EAC partner States Central Banks should develop a Resolution Funding Framework and improve Prompt Corrective Actions (PCAs) for banks within the East African Community region.

- The Banking Supervision and Financial Stability Sub-Committee of the Monetary Affairs Committee (MAC) of the East African Community (EAC) held a meeting from 21st – 23rd March 2016 at the Kenya School of Monetary Studies (KSMS) in Nairobi, Kenya. The purpose of the meeting was to review the progress made in the implementation of the approved convergence criteria for the EAC Central Banks regulatory, prudential and supervisory rules and practices. The meeting also discussed the proposed convergence criteria of selected prudential requirements (definitions of insiders, related parties, and components of capital and liquid assets) for commercial banks and Microfinance Institutions.

- **East African Monetary Union (EAMU)**

With the ratification and coming into force of the East African Monetary Union (EAMU) Protocol in January 2015, CBK participated in forums organised by the Monetary Affairs Committee (MAC) of the EAC aimed at operationalizing the Protocol. The following activities were part of efforts by MAC to implement the agreed convergence criteria on macro-prudential indicators to make these comparable across the region, as a prerequisite for the establishment of the proposed East African Monetary Union (EAMU).

- Technical Working Group Workshop on Harmonization of Financial Soundness Indicators (FSI) from 25th – 29th January 2016 in Dar es Salaam, Tanzania. The objective of the meeting was to review progress made by Partner States in the implementation of key recommendations from the EAC – FSI action plan (2014-2017), to address the compilation issues of FSIs and to fast-track the full implementation of the action plan within the set timelines. The harmonization of the FSIs in the EAC region will meet the statistical requirements associated with the East African Monetary Union (EAMU) Protocol in line with international standards.
- Macro-Prudential Analysis and Stress Testing (MAST) Workshop held in Zanzibar, from 22nd – 26th August 2016. The meeting reviewed and updated the Working Group Action Plan which prioritized tasks on: Macro-prudential Policy Framework, Regional Risks Assessment Frameworks, Improvement on Regional Stress Testing Exercise, and publication of country Financial Stability Reports. It was recommended that the EAC Partner States Central Banks should:-

  i. Consider and approve the Procedures developed by MAST-WG for conducting regional stress tests based on Cihak[2] framework including sharing data on subsidiaries of regional banks and financial institutions; and
  ii. Prioritize compilation of comprehensive regional dashboard for systemic risks assessment indicators focusing on addressing; data gaps, accuracy and reliability.

- **Common Market for Eastern and Southern Africa (COMESA)**

CBK participated in initiatives by COMESA. COMESA draws its' membership from 20 Eastern and Southern African Countries with a vision of creating a common market in the region with a single currency. In particular, the Bank participated in:

- Training held on 18th to 21st July 2016 on Application of Stress Testing in the Financial System. The participants were trained on amongst others the Overview of Stress Testing, Scenario Design in Stress Testing, Indicators for Surveillance and Stress Tests, Shocks Applied in Micro Stress Testing Framework and Integrated Macro Stress Testing Frameworks.
- The 11th Meeting of the Financial System Development and Stability Sub-Committee held on 22nd and 23rd July 2016. The main agenda was for members to report on the implementation of the COMESA Assessment Framework and review of the Sub-Committee Work Plan for 2017.

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

The Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG) is among the eight regional Financial Action Taskforce Style Regional Bodies (FSRBs) that form part of the Financial Action Task Force's (FATF) global network.

2 *This is a stress testing framework/tool which links macroeconomic variables (e.g. GDP, interest rates, exchange rate) to banks' asset quality (bank-by-bank) for both Macro and Micro-prudential Stress Testing.*

REGIONAL AND INTERNATIONAL DEVELOPMENTS AND INITIATIVES

In 2016, 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. These activities included the 31st ESAAMLG Taskforce of Senior Officials Meeting held in Arusha, Tanzania from 10th to 15th April 2016, the 32nd ESAAMLG Taskforce of Senior Officials Meeting and the 16th Council of Ministers' Meeting both held in Zimbabwe from 28th August to 1st September 2016. Some of the notable outcomes of the meetings included the following:

- The phenomenon of de-risking as a major concern to the Financial Action Task Force (FATF). The following was observed:
    - De-risking was indicated to lead to loss of correspondent banking services by: 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.
    - The establishment of a Correspondent Banking Coordination Group by the Financial Stability Board (FSB) to implement a four-point action plan to address the decline in correspondence banking. The four-point action plan deals with:
        - Examining the dimensions of the problem, and its causes and effects;
        - Clarifying regulatory expectations, as a matter of priority, including through guidance by the FATF;
        - Domestic capacity-building in jurisdictions that are home to affected respondent banks; and
        - Strengthening tools for due diligence by making better use of technology that would eventually reduce compliance costs.
- All member countries were encouraged to participate actively in all developments relevant to the region in the FATF, most notably in relation to de-risking and key indicators on Terrorist Financing risks.
- 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. The outcome of these mutual evaluations would benefit all member countries through improvement of their AML/CFT regimes.
- A work programme of ESAAMLG Secretariat was developed for the financial year 2016/2017 to cover:-
    - Sustaining effective Post Evaluation Implementation of AML/CFT measures in member countries under the first round of assessments.
    - Sustaining the second round of assessments and monitoring of ESAAMLG members technical compliance with the FATF Recommendations and the effectiveness of the AML/CFT systems.
    - Building capacity in the understanding of money laundering and terrorist financing trends and techniques in the region in order to effectively contribute to regional and international AML/CFT policy formulation.
    - Expansion of ESAAMLG membership and increase the visibility of ESAAMLG in the region.
    - Strengthening and enhancing regional and international cooperation among member countries.
    - Enhancing ESAAMLG's cooperation and participation in AML/CFT regional and international initiatives.
    - 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.
    - Promoting the implementation of risk-based AML/CFFT measures which support implementation of financial inclusion initiatives.

- Kenya's Post Implementation Evaluation report that is used to gauge the effectiveness of the AML/CFT system in place was considered. 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;
  - Preventive Measures – Designated Non-Financial Businesses and Professionals (DNFBPs);
  - Suspicious Transaction Reporting – DNFBPs;
  - High risk countries;
  - Regulation, supervision and monitoring – DNFBPs;
  - Statistics;
  - Legal persons and beneficial ownership; and
  - Legal arrangements and beneficial ownership.

- **Alliance for Financial Inclusion (AFI)**

The Alliance for Financial Inclusion (AFI) is the world's leading organization on financial inclusion policy and regulation. AFI is now a member owned network hosted by Bank Negara Malaysia (BNM) in Sasana Kijang, Kuala Lumpur, Malaysia. On 27th January 2016, AFI was registered as an International Organization under Malaysian Law. CBK is a principal member of AFI serving as a major contact on financial inclusion in Kenya and coordinating the country's engagement with AFI in its diverse activities and initiatives.

AFI spearheaded a number of initiatives and activities for its members in the period under review. CBK participated in the following initiatives:

i) Digital Financial Services (DFS) Capacity Building Project

Following the success of the Joint Learning Programme (JLP) held in February 2015 in Kenya, AFI in conjunction with CBK initiated the idea of having a capacity building training programme for AFI members who had reached a certain maturity level in Digital Financial Services (DFS). The objective was for regulators and policy makers to keep abreast with the latest innovations and appropriate policy and regulatory policies in line with the evolving DFS industry. The project sought to provide a "share and learn" platform that would deliver knowledge and information to guide policy and the development of regulatory frameworks based on best practice. To achieve its objectives, the project was divided into three main activities as detailed below;

a) A Joint Learning Program (JLP) on key emerging topics in Digital Financial Services (DFS).

CBK hosted a successful five-day Joint Learning Programme (JLP) knowledge exchange visit for AFI members at the Kenya School of Monetary School from 2nd to 6th May 2016. The JLP workshop provided a platform for the participants to share and learn about each country's financial inclusion experience, particularly in DFS. It was attended by 28 participants from various AFI member countries in Africa, Middle East and Latin America. The JLP sessions were scheduled as follows:-

- ***Two days covering workshop sessions***: This provided the JLP participants an opportunity to learn about DFS in Kenya and also accorded participants from other countries an opportunity to make country presentations on their country experiences on DFS.
- ***Two days constituting field visits:*** The JLP participants made visits to Safaricom Limited, Commercial Bank of Africa Ltd., KCB Bank Ltd. and Cooperative Bank of Kenya Ltd. They also visited the bank agents contracted by banks undertaking Agency Banking including KCB-Mtaani and Coop kwa Jirani.

b) Three-day training workshop covering topical issues in DFS.

The three day workshop was held from 18th to 20th July 2016 at KSMS with field visits to M-Pesa agents and KCB agents (KCB Mtaani) on the last day. The training workshop provided a forum to AFI members to discuss and share insights on the historical and current development of DFS across the globe. The participating AFI members, represented countries that were in the early stages of the journey to establish a conducive regulatory environment to support a robust financial services delivery channel using digital platforms. The objective of the workshop was to draw from the experience of industry leaders as Kenya and also learn from external technical partners of AFI.

The training workshop was attended by thirty one (31) delegates who discussed various topics such as the different models of mobile financial services, emerging policy and regulatory trends, interoperability and consumer protection. In addition, the training workshop focused on the case studies of DFS models from respective country perspectives. The participants were from various AFI member countries such as Bangladesh, Paraguay, Peru, Afghanistan, Costa Rica, Mongolia, Zambia, Senegal, Zimbabwe, Ghana, Swaziland and Burundi.

c) Three-day Training workshop on next level and new frontiers/emerging issues in DFS.

The three day workshop was held from 26th to 28th September 2016 and was attended by AFI members as well as local participants to discuss emergent topics in DFS. The workshop was attended by 28 delegates and was facilitated by Bankable Frontier Associates (BFA) along with speakers from Groupe Speciale Mobile Association (GSMA), Tigo Tanzania, CGAP and Commercial Bank of Africa.

The workshop was aimed at helping regulators to strike the right regulatory and supervisory balance in order to create an enabling environment for innovation while ensuring that services are safe and that customers are treated fairly. The topics covered during the training workshop include; interoperability, cross border mobile money, consumer protection, customer identification (KYC, AML/CFT) and payment of interest on E-money and other DFS accounts.

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

CBK continued its participation in activities of the Financial Stability Board's Regional Consultative Group for Sub-Saharan Africa (FSB RCG for SSA) and took part in the following activities in 2016:-

- **10th Meeting of the FSB RCG for SSA:** CBK was represented at the 10th Meeting of the FSB RCG for SSA that was held on 25th October 2016 in Cape Town, South Africa. The meeting reviewed the progress of implementation of global financial sector reforms recommended by the FSB and other global standard setting bodies. The meeting also discussed a proposed framework for monitoring implementation of the reforms within the region. CBK, working with other domestic financial sub-sector regulators and Central Banks in the East African Community, has adopted some of the reforms whose implementation is ongoing.

- **FSB SSA Working Group on Home-Host Co-operation and Information Sharing:** CBK also took part in a regional survey conducted by FSB SSA Working Group on Home-Host Co-operation and Information Sharing, which sought to assess the extent of co-operation and information sharing among home and host supervisors in the Sub-Saharan Africa region. The working group was established in October 2013 and is tasked with identifying the current status of, and challenges associated with, home-host cooperation and information sharing within SSA with a view to strengthening the oversight of financial groups operating in multiple jurisdictions. The report of the working group was submitted to the RCG for SSA meeting in October 2016 and will be useful in facilitating the work of the FSB across the region.

• International Institute of Finance

CBK joined the International Institute of Finance (IIF) as an Associate Member. The IIF is a global association of financial institutions created in 1983 with a mission to promote international financial stability. The IIF supports the financial industry by addressing topical economic policy issues and promoting best practices in policy formulation and implementation. The IIF draws its membership from financial institutions, economic, monetary and regulatory agencies around the world.

Through topical research, policy dialogue and capacity building, IIF benefits its members by advocating regulatory, financial, and economic policies that are in the broad interest of its members and which foster global financial stability.

In its first year of membership, CBK gained access to IIF's insightful research and publications focusing on a broad range of economic and financial topics that are relevant to CBK's mandate as a monetary and regulatory agency. CBK also became eligible to participate in IIF's capacity building programmes that focus on, among other areas, financial supervision and regulation. For CBK, IIF membership provides an additional opportunity to benchmark its monetary and supervisory policies against global best practices.

- **Financial Stability Institute Connect e-Learning**

For continued learning and knowledge acquisition on regulatory matters, CBK subscribes to the Financial Stability Institute's (FSI) on-line learning tool, FSI Connect. This is an on-line platform offered to member institutions by FSI, and is run by the Bank of International Settlements (BIS). FSI Connect offers on-line courses covering various areas of banking supervision. It provides users with insights into both the theory and practice of bank supervision, with a view to enhancing the technical capacity of supervisory personnel.

CBK was also represented at a consultative meeting of representatives of FSI Connect user institutions which was held in January 2016 in Basel, Switzerland. During the meeting, participants discussed the role of FSI *Connect* in building supervisory capacity and how the programme could be further enhanced to optimize the learning experience.

- **IMF's Technical Assistance**

CBK benefited from IMF's technical assistance in developing a stronger and effective banking sector regulatory and supervisory framework. The main activities undertaken by CBK's Bank Supervision Department in 2016 with the support of the IMF East AFRITAC and IMF's Monetary and Capital Markets Department are outlined below:-

i) IMF East AFRITAC

CBK hosted an East AFRITAC mission between 18th July and 29th July 2016. The aim of the mission was to build capacity of BSD staff on Consolidated Supervision. An essential element of banking supervision is the supervision of banking group on a consolidated basis. This entails adequately monitoring and applying prudential standards on all aspects of the business conducted by banking groups worldwide.

Determination of an institution's primary business risks informs the relevant onsite and offsite supervisory tools and activities. In this regard, CBK hosted an East AFRITAC mission between 5th December to 9th December 2016 to provide technical assistance on developing and integrating the Risk Based Banking Supervision Framework. This framework ensures that findings for institutions are comprehensive, consistent and adequate resulting in enhanced surveillance.

As part of building capacity, BSD officers attended a Regional Workshop on Information Technology (IT) Risk Supervision held on 15th and 16th September 2016 in Dar-es-Salam, Tanzania. During the workshop the participants, discussed international and regional developments in IT systems, supervisory approaches and the capacity challenges.

ii) IMF Monetary and Capital Markets (MCM) Department

In its endeavour to strengthen its supervisory and regulatory frameworks, CBK hosted an IMF MCM mission on 25th January 2016 to 5th February 2016. The purpose of the mission was to review the banking sector regulatory and supervisory frameworks. In particular, the mission amongst others, focused on the BSD staffing, integration of risk based supervision, adequacy of stress testing and developing of legal and operational frameworks for crisis management to include cross border aspects and communication strategy.

CBK also hosted an IMF MCM mission between 8th and 18th November 2016 for capacity building on enhancing off-site supervision and stress-testing. The mission amongst others focused on supervisory reporting, data gaps, off-site supervisory processes as well as coordination between on-site and off-site supervisory components.

Further, CBK hosted an IMF Monetary and Capital Markets Department mission between 29th November and 2nd December 2016 on development of Risk Based AML/CFT Surveillance tools. Risk Based AML/CFT Surveillance tools complement prudential supervision and legal compliance with special attention directed to anti-money laundering and combating financing of terrorism frameworks.

- **African Rural and Agricultural Credit Association (AFRACA)**

The African Rural and Agricultural Credit Association (AFRACA) is a continental membership organization comprised of Central Banks, Agricultural Banks, Commercial Banks, Microfinance Institutions and country-specific programmes that deal with agriculture and rural finance in Africa. In line with its mission to improve the rural and agricultural finance environment through the promotion of appropriate policy framework and to support member and partner institutions to provide sustainable quality services, AFRACA organized the

5th AFRACA International Exposure Visit Program on Mobile and Agency Banking at the Kenya School of Monetary Studies from 22nd to 26th February 2016.

The conference was attended by over 40 participants drawn from 8 countries who discussed various topics such as the impact of mobile and agency banking on environmental sustainability, transforming value chain lending using technology, Mobile and agency products and services, case studies on: M-Pesa, M-Shari and M-banking. In addition, the participants were able to witness real time practices of Mobile and Agency Banking through presentations and field visits. The participants were urged to use the acquired knowledge during the study visit to change not just statistics but make people's life better in their respective countries.

- **Bank Supervision Application (BSA)**

The Bank Supervision Application (BSA) is web based software developed through a joint venture initiative of the Stakeholders to support the automation of Banking Supervision functions, in line with Basel Principles. Currently, the BSA application is being used by 12 (twelve) central banks, namely: Bunco de Cabot Verde, Bunco 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 Swaziland, Reserve Bank of Malawi and Reserve Bank of Zimbabwe.

The Bank of Mozambique currently hosts the BSA Support Office (BSO), responsible for development, maintenance and provide a second level support for the users of the BSA software.

The BSA system has undergone three upgrades and currently is running on BSA Version 3.0. The System is currently being upgraded to BSA v 4.0. In May 2016 the Bank of Mozambique hosted BSA Expert Group meeting which validated the BSA Version 4.0 user requirements. The new version is expected to be launched in 2017.

BSA is complemented by 3 modules in the current version (BSA v3.0) - Risk Analysis Automated System (RAAS), Institutional Information Submission System (IISS) and Bank Supervision System (BSS). However, the new version (BSA v4.0) will have additional Customer Protection System (CPS) module.

The Reserve Bank of Malawi hosted the BSA User Group meeting in July 2016. The meeting further validated BSA v4.0 development requirements. The meeting was also appraised on BSA v4.0 Development status.

- **Knowledge Exchanges**

The Central Bank of Kenya continued to host delegations from Africa in 2016 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 2016 are as indicated in Table 24 below:

Table 24: Knowledge Exchanges Undertaken in 2016

Period	Institution(s)	Area(s) of Interest
May 2016	Bank of Tanzania	Agent Banking in Kenya.
June 2016	Bank of Uganda	A benchmarking visit to study CBK's structures and processes.
September 2016	Bank of Gambia	Operations and Regulation of Agency Banking in Kenya.

Source: CBK

- **Memorandum of Understanding**

In an effort to enhance its relationship with foreign banking regulators, the Central Bank of Kenya continued to explore the possibility of entering 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

Background

As at 31st December 2016, nine Kenyan banks/institutions had subsidiaries operating in the East African Community (EAC), Partner States and South Sudan as compared to eleven banks in 2015. The banks include: KCB Group Holdings Ltd; Diamond Trust Bank Kenya Ltd; Commercial Bank of Africa Ltd; Guaranty Trust Bank Ltd; Equity Group Holdings Ltd; I&M Bank Ltd, African Banking Corporation Ltd, NIC Bank Ltd and the Co-operative Bank of Kenya Ltd. The Kenyan bank's regional presence is as illustrated in Table 25.

Table 25: Branches of the Subsidiaries of Kenyan Banks in the Region

	Institution/Country	Uganda	Tanzania	Rwanda	Burundi	South Sudan	DRC	TOTAL
1	KCB Group	16	14	11	5	17	-	**63**
2	Diamond Trust Bank	38	26	-	4	-	-	**68**
3	Commercial Bank of Africa	2	11	-	-	-	-	**13**
4	Guaranty Trust Bank	9	-	14	-	-	-	**23**
5	Equity Group	28	13	12	-	5	31	**89**
6	I&M Bank	0	8	18	-	-	-	**26**
7	ABC Bank	4	-	-	-	-	-	**4**
8	NIC Bank	2	5	-	-	-	-	**7**
9	The Co-operative Bank of Kenya	-	-	-	-	4	-	**4**
TOTAL		**99**	**77**	**55**	**9**	**26**	**31**	**297**

Source: CBK

Besides having presence within the EAC Partner States, some of the Kenyan banks such as I&M Bank Kenya Ltd, Prime Bank (Kenya) Ltd and Equity Group Holdings Limited have expanded beyond the EAC boundaries. I&M Bank (K) has 50 percent shareholding in Bank One Limited in Mauritius, Prime Bank (Kenya) Ltd has 11.24 percent shareholding of First Merchant Bank in Malawi and 11.46 percent shareholding of Capital Bank of Botswana and Equity Group Holdings Limited acquired 79 percent ownership of ProCredit Bank of Democratic Republic of Congo.

KCB Group and Equity Group scaled down operations in South Sudan following the deteriorating security conditions in 2016. Equity scaled down to 5 branches compared to 18 in 2015 while KCB Group had 17 branches down from 18 in 2015.

The decline of banks with regional subsidiaries from eleven in 2015 to nine in 2016 was occasioned by Imperial Bank Ltd and Bank of Africa Ltd. The Ugandan subsidiary of Imperial Bank Ltd, which is currently under Kenya Deposit Insurance Corporation receivership, was sold in March 2016. Bank of Africa (BOA) Uganda is currently 100% foreign owned following the exit of BOA Kenya from the former's shareholding. Bank of Africa (Kenya) also exited the Tanzania market where they had 25 branches in 2015 by offloading its shareholding in Bank of Africa (Tanzania).

The performance analysis for the nine banks as at 31st December 2016 is illustrated below. The analysis is based on the number of branches, number of employees, assets, loans, deposits and profits.

Performance Highlights

i) Branches

A total of 297 branches were in operation as at December 31, 2016 compared to 333 branches in December 2015. The decline is mainly attributed to the exit of Bank of Africa (BOA) Kenya, with its 59 branches (36 in Uganda and 23 in Tanzania), following the change of ownership of BOA Uganda and BOA Tanzania.

- 99 of the branches were operating in Uganda.
- Equity Group as of 31st December 2016 had the most branches in the region, 89. It was followed by Diamond Trust Bank with 68 and KCB Group with 63. The high number of branches demonstrates potential within the region for the banking services.

ii) No. of Employees

The subsidiaries had a total of 6,223 employees compared to 5,952 the previous year. Uganda had the highest number of employees at 29.76 percent mainly attributed to Uganda having the largest proportion of branches in the region.

iii) Total assets

Total assets of subsidiaries stood at KShs 445 billion compared to KShs 413.2 billion the previous year.

- Subsidiaries operating in Tanzania accounted for 31.61 percent of the total assets.
- Subsidiaries operating in Uganda accounted for 20.93 percent of the total assets.
- Subsidiaries operating in Rwanda accounted for 14.14 percent of the total assets.
- Subsidiaries operating in Burundi accounted for 1.86 percent of the total assets.
- Subsidiaries operating in South Sudan accounted for 7.73 percent of the total assets.
- Subsidiaries operating in Democratic Republic of Congo accounted for 7.53 percent of the total assets.
- Subsidiaries operating in Mauritius accounted for 16.20 percent of the total assets.

iv) Gross loans

Gross loans of subsidiaries were worth KShs 242.4 billion compared to KShs 205.2 billion the previous year.

- Subsidiaries operating in Tanzania had the highest loan amount and accounted for 36.52 percent of the total loans.
- Subsidiaries operating in Uganda accounted for 18.31 percent of the total loans while Rwanda followed closely at 16.77 percent.

v) Deposits

Gross deposits stood at KShs 348.7 billion compared to KShs 347.8 billion in the previous year.

- Subsidiaries operating in Tanzania had the highest deposit concentration since it accounted for 30.79 percent of the total deposits.
- Subsidiaries operating in Uganda accounted for 18.31 percent of the total deposits.

vi) Profitability

The subsidiaries registered a total profit before tax of KShs 8.8 billion compared to KShs 8.4 billion the previous year.

- Subsidiaries operating in Tanzania accounted for 35.1 percent of the total profits.
- Subsidiaries operating in Rwanda accounted for 21.29 percent of the total profits while subsidiaries in Uganda accounted for 12.64 percent of the total profits.
- 3 subsidiaries registered losses before tax. Out of the loss making subsidiaries 2 were operating in Uganda indicating presence of stiff competition and market dominance while one was in South Sudan where cases of insecurity resulted in volatility and uncertainty in the market.

Appendix I

BANKING SECTOR BALANCE SHEET - DECEMBER 2016-Ksh.M

		Dec-15				Dec-16			
A	**ASSETS**	**BANKS**	**NBFIS**	**GRAND TOTAL**	**% OF TOTAL**	**BANKS**	**NBFIS**	**GRAND TOTAL**	**% OF TOTAL**
1	Cash (both Local & Foreign)	58,519	323	58,842	1.70%	62,242	477	62,719	1.7%
2	Balances due from Central Bank of Kenya	188,503	4,127	192,630	5.50%	156,019	2,895	158,914	4.3%
3	Kenya Government and other securities held for dealing purposes	26,180	-	26,180	0.70%	28,759	-	28,759	0.8%
4	Financial Assets at fair value through profit and loss	2,842	-	2,842	0.10%	1,132	-	1,132	0.0%
5	Investment Securities:								
	a) Held to Maturity:	-	-	-	-	15,688	-	15,688	0.4%
	a. Kenya Government securities	371,435	1,571	373,006	10.70%	411,587	3,557	415,144	11.2%
	b. Other securities	10,354	-	10,354	0.30%	6,476	-	6,476	0.2%
	b) Available for sale:	-	-	-	-	91	-	91	0.0%
	a. Kenya Government securities	284,776	580	285,355	8.20%	421,559	529	422,087	11.4%
	b. Other securities	9,113	-	9,113	0.30%	11,336	-	11,336	0.3%
6	Deposits and balances due from local banking institutions	67,749	4,910	72,658	2.10%	40,249	2	40,251	1.1%
7	Deposits and balances due from banking institutions abroad	69,424	608	70,032	2.00%	73,167	1,657	74,824	2.0%
8	Tax recoverable	1,881	-	1,881	0.10%	2,013	37	2,050	0.1%
9	Loans and advances to customers (net)	2,038,340	53,021	2,091,361	59.90%	2,128,162	54,470	2,182,631	59.1%
10	Balances due from banking institutions in the group	70,949	-	70,949	2.00%	63,475	-	63,475	1.7%
11	Investments in associates	5,809	-	5,809	0.20%	5,590	-	5,590	0.2%
12	Investments in subsidiary companies	32,538	-	32,538	0.90%	23,876	-	23,876	0.6%
13	Investments in joint ventures	-	256	256	0.00%	-	274	274	0.0%
14	Investment properties	1,061	-	1,061	0.00%	1,417	-	1,417	0.0%
15	Property and equipment	58,091	1,339	59,430	1.70%	58,127	1,455	59,582	1.6%
16	Prepaid lease rentals	951	39	990	0.00%	1,152	39	1,191	0.0%
17	Intangible assets	19,709	819	20,528	0.60%	24,193	1,212	25,406	0.7%
18	Deferred tax asset	19,031	585	19,616	0.60%	23,979	751	24,730	0.7%
19	Retirement benefit asset	1,236	-	1,236	0.00%	876	-	876	0.0%
20	Other assets	85,347	632	85,978	2.50%	82,473	730	83,203	2.3%
21	**TOTAL ASSETS**	**3,423,835**	**68,809**	**3,492,643**	**100.00%**	**3,627,858**	**68,085**	**3,695,943**	100.0%
B	**LIABILITIES**								
22	Balances due to Central Bank of Kenya	5,046	-	5,046	0.10%	21,747	-	21,747	0.70%
23	Customer deposits	2,444,032	41,888	2,485,920	71.20%	2,580,234	38,156	2,618,390	84.51%
24	Deposits and balances due to local banking institutions	46,401	-	46,401	1.30%	36,486	625	37,111	1.20%
25	Deposits and balances due to foreign banking institutions	85,937	-	85,937	2.50%	77,986	-	77,986	2.52%
26	Other money market deposits	8,579	-	8,579	0.20%	-	-	-	0.00%
27	Borrowed funds	166,009	17,466	183,475	5.30%	185,222	18,790	204,011	6.58%
28	Balances due to banking institutions in the group	73,709	-	73,709	2.10%	46,955	-	46,955	1.52%
29	Tax payable	1,637	11	1,647	0.00%	6,870	-	6,870	0.22%
30	Dividends payable	1,534	-	1,534	0.00%	47	-	47	0.00%
31	Deferred tax liability	208	-	208	0.00%	141	-	141	0.00%
32	Retirement benefit liability	165	-	165	0.00%	238	-	238	0.01%
33	Other liabilities	59,087	354	59,442	1.70%	84,167	740	84,906	2.74%
34	**TOTAL LIABILITIES**	**2,892,347**	**59,719**	**2,952,065**	**84.50%**	**3,040,092**	**58,310**	**3,098,402**	**100.00%**
C	**SHAREHOLDERS' FUNDS**								
35	Paid up /Assigned capital	121,413	5,000	126,413	3.60%	173,558	5,000	178,558	29.9%
36	Share premium/(discount)	82,334	3,514	85,847	2.50%	65,921	3,514	69,435	11.6%
37	Revaluation reserves	-2,078	-	-2,078	-0.10%	4,608	-	4,608	0.8%
38	Retained earnings/Accumulated losses	288,543	166	288,709	8.30%	301,304	807	302,111	50.6%
39	Statutory loan loss reserves	19,113	393	19,506	0.60%	21,023	453	21,477	3.6%
40	Other Reserves	-3,781	-33	-3,814	-0.10%	(1,822)	(50)	(1,872)	-0.3%
41	Proposed dividends	23,561	-	23,561	0.70%	20,805	-	20,805	3.5%
42	Capital grants	2,384	51	2,435	0.10%	2,369	51	2,420	0.4%
43	**TOTAL SHAREHOLDERS' FUNDS**	**531,488**	**9,090**	**540,578**	15.50%	**587,767**	**9,775**	**597,542**	100.0%
44	Minority Interest	-	-	-	0.00%	-	-	-	
45	**TOTAL LIABILITIES AND SHAREHOLDERS' FUNDS**	**3,423,835**	**68,809**	**3,492,643**	**100.00%**	**3,627,858**	**68,085**	**3,695,943**	

Appendix II

BANKING SECTOR PROFIT & LOSS ACCOUNT - DECEMBER 2016									
KShs. Million									
		Dec-2015				**Dec-16**			
		BANKS	**NBFIS**	**TOTAL**	**% OF TOTAL**	**BANKS**	**NBFIS**	**TOTAL**	**% OF TOTAL**
1	**INTEREST INCOME**								
1.1	**Loans and advances**	272,106	7,218	279,324	61.10%	290,301	7,889	298,191	81.27%
1.2	Government securities	67,712	123	67,835	14.80%	89,062	504	89,566	24.41%
1.3	Deposits and placements with banking institutions	9,163	759	9,922	2.20%	5,641	214	5,855	1.60%
1.4	Other Interest Income	2,411	-	2,411	0.50%	2,950	-	2,950	0.80%
1.5	**Total interest income**	**351,393**	**8,100**	**359,493**	**78.70%**	**387,955**	**8,607**	**396,562**	108.08%
2	**INTEREST EXPENSE**								0.00%
2.1	Customer deposits	111,076	2,892	113,968	35.30%	110,228	2,940	113,169	30.84%
2.2	Deposits and placement from banking institutions	8,510	-	8,510	2.60%	9,389	2	9,391	2.56%
2.3	Other interest expenses	9,021	1,627	10,648	3.30%	11,165	1,702	12,867	3.51%
2.4	**Total interest expenses**	128,607	4,519	133,126	41.20%	**130,782**	**4,644**	**135,426**	36.91%
3	**NET INTEREST INCOME/(LOSS)**	**222,786**	**3,582**	**226,367**		**257,172**	**3,963**	**261,136**	71.17%
4	**NON-INTEREST INCOME**								
4.1	Fees and commissions on loans and advances	20,422	192	20,614	4.50%	23,058	149	23,207	6.32%
4.2	Other fees and commissions	42,138	107	42,245	9.20%	41,730	119	41,849	11.41%
4.3	Foreign exchange trading income/(Loss)	22,960	60	23,020	5.00%	24,033	4	24,037	6.55%
4.4	Dividend Income	808	200	1,008	0.20%	-	-	-	0.00%
4.5	Other income	10,308	122	10,430	2.30%	16,224	89	16,313	4.45%
4.6	**Total Non-interest income**	**96,636**	**681**	**97,317**	**21.30%**	**105,413**	**360**	**105,773**	**28.83%**
5	**TOTAL OPERATING INCOME**	**448,029**	**8,781**	**456,810**	**100.00%**	**362,586**	**4,323**	**366,909**	**100.00%**
6	**OTHER OPERATING EXPENSES**								
6.1	Loan loss provision	28,275	504	28,778	8.90%	41,756	699	42,455	12.0%
6.2	Staff costs	76,568	1,004	77,572	24.00%	83,973	787	84,761	23.9%
6.3	Directors' emoluments	2,234	19	2,252	0.70%	2,267	19	2,286	0.6%
6.4	Rental charges	9,494	61	9,555	3.00%	10,356	99	10,455	2.9%
6.5	Depreciation charge on property and equipment	10,778	93	10,872	3.40%	11,458	152	11,609	3.3%
6.6	Amortisation charges	4,311	11	4,322	1.30%	4,976	172	5,149	1.5%
6.7	Other operating expenses	55,482	833	56,315	17.40%	61,799	950	62,748	17.7%
6.8	Total Other Operating Expenses	187,141	2,525	189,667	58.80%	216,585	2,878	219,464	61.8%
	TOTAL EXPENSES(2.4+6.8)	**315,749**	**7,044**	**322,792**	**100.00%**	**347,368**	**7,522**	**354,890**	100.0%
7	**Profit/(loss) Before Tax and Exceptional Items**	**132,280**	**1,737**	**134,017**		**146,000**	**1,445**	**147,445**	
8.0	**Exceptional Items**	-240	-83	-323		**878**	**(19)**	**859**	
9.0	Profit/(Loss) After Exceptional Items	**132,521**	**1,820**	134,341		145,122	1,464	146,586	
10.0	**Current Tax**	41,256	620	41,876		50,346	623	50,969	
11.0	Deferred Tax	-2,726	-125	-2,851		(7,453)	(160)	(7,612)	
12.0	Profit/(Loss) After Tax and Exceptional Items	**93,991**	**1,325**	95,316		102,229	1,001	103,230	
13.0	**Minority Interest**	-		-		-	-	-	
14.0	Profit/(loss) after tax, exceptional items and Minority Interest	**93,991**	**1,325**	**95,316**		102,229	1,001	103,230	
15.0	**Other Comprehensive Income**					-	-	-	
15.1	**Gains/(Losses) from translating the financial statements of foreign operations**	-1,084	-	-1,084		175	-	175	
15.2	Fair value changes in available for sale financial assets	-8,211	-19	-8,230		6,671	(23)	6,648	
15.3	Revaluation surplus on Property, plant and equipment	-1,036	-	-1,036		2,388	-	2,388	
15.4	Share of other comprehensive income of associates	-25	-	-25		-	-	-	
15.5	Income tax relating to components of other comprehensive income	1,390	6	1,396		(1,131)	7	(1,124)	
16	**Other Comprehensive Income for the year net of tax**	**-8,966**	**-13**	**-8,980**		**8,103**	**(16)**	**8,086**	

Appendix III

BANKING SECTOR OTHER DISCLOSURES -DECEMBER 2016 - KShs M	Dec-15			Dec-16			
	BANKS	**NBFIS**	**TOTAL**	**BANKS**	**NBFIS**	**TOTAL**	**ANNUAL % GROWTH**
NON-PERFORMING LOANS AND ADVANCES							
(a) Gross Non-performing loans and advances	143,234	4,097	147,331	208,181	6,193	214,374	45.50%
(b) Less: Interest in Suspense	22,569	610	23,179	34,683	1,018	35,701	54.00%
(c)Total Non-Performing Loans and Advances (a-b)	120,665	3,487	124,152	173,498	5,176	178,674	43.90%
(d) Less: Loan Loss Provision	49,796	993	50,789	73,560	1,298	74,858	47.40%
(e) Net Non-Performing Loans and Advances(c-d)	70,869	2,494	73,363	99,938	3,878	103,815	41.50%
(f) Discounted Value of Securities	66,219	2,494	68,713	95,080	3,878	98,957	44.00%
(g) Net NPLs Exposure (e-f)	4,650	-	4,650	4,858	-	4,858	4.50%
INSIDER LOANS AND ADVANCES							
(a) Directors, Shareholders and Associates	22,564	736	23,300	31,297	582	31,879	36.80%
(b) Employees	66,346	1,002	67,348	68,325	1,140	69,465	3.10%
(c)Total Insider Loans and Advances and other facilities	88,910	1,738	90,648	99,621	1,722	101,344	11.80%
OFF-BALANCE SHEET ITEMS	-		-				
(a)Letters of credit, guarantees, acceptances	385,956	256	386,212	386,407	1,053	387,460	0.30%
(b) Forwards, swaps and options	336,233	-	336,233	227,435	400	227,834	-32.20%
(c)Other contingent liabilities	39,119	-	39,119	33,880	-	33,880	-13.40%
(d)Total Contingent Liabilities	761,308	256	761,564	647,721	1,453	649,174	-14.80%
CAPITAL STRENGTH							
(a)Core capital	457,198	8,095	465,293	512,247	8,519	520,766	11.90%
(b) Minimum Statutory Capital	39,000	1,000	40,000	38,000	1,000	39,000	-2.50%
(c)Excess/(Deficiency)(a-b)	418,198	7,095	425,293	474,247	7,519	481,766	13.30%
(d) Supplementary Capital	83,067	1,453	84,520	84,974	1,060	86,034	1.80%
(e) Total Capital (a+d)	540,265	9,548	549,813	597,220	9,580	606,800	10.40%
(f)Total risk weighted assets	2,855,529	52,672	2,908,201	3,016,165	54,161	3,070,327	5.60%
(g) Core Capital/Total deposits Liabilities	18.70%	19.30%	19.00%	20.00%	22.30%	20.00%	
(h) Minimum statutory Ratio	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	
(I) Excess/(Deficiency) (g-h)	10.70%	11.30%	11.00%	12.00%	14.30%	12.00%	
(j) Core Capital / total risk weighted assets	16.00%	15.40%	16.00%	17.00%	15.70%	17.00%	
(k) Minimum Statutory Ratio	10.50%	10.50%	10.50%	10.50%	10.50%	10.50%	
(l) Excess (Deficiency) (j-k)	5.50%	4.90%	5.90%	6.50%	5.20%	6.50%	
(m) Total Capital/total risk weighted assets	18.90%	18.10%	18.90%	19.80%	17.70%	19.80%	
(n) Minimum statutory Ratio	14.50%	14.50%	14.50%	14.50%	14.50%	14.50%	
(o) Excess/(Deficiency) (m-n)	4.40%	3.60%	5.20%	5.30%	3.20%	5.30%	
LIQUIDITY							
(a) Liquidity Ratio	38.30%	25.10%	38.30%	41.80%	18.90%	41.40%	
(b) Minimum Statutory Ratio	20%	20%	20%	20.00%	20.00%	20.00%	
(c) Excess (Deficiency) (a-b)	18.30%	5.10%	18.30%	21.80%	-1.10%	21.40%	
Performance Indicators							
Yield on Earning Assets	12.70%	13.30%	12.70%	11.80%	13.70%	11.80%	
Cost of Funding Earning Assets	4.50%	7.40%	4.60%	4.00%	7.40%	4.00%	
Interest Margin on Earning Assets	8.20%	5.90%	8.10%	7.80%	6.30%	7.80%	
Yield on Advances	13.10%	13.50%	13.10%	12.90%	13.80%	13.00%	
Cost of Deposits	5.40%	10.80%	5.50%	5.00%	12.00%	5.10%	
Return on Assets (ROA)	2.90%	2.50%	2.90%	3.30%	2.00%	3.20%	
Return on Equity (ROE)	23.90%	19.20%	23.80%	24.60%	14.90%	24.40%	
Overheads to Earnings	41.60%	28.80%	41.30%	43.50%	32.10%	43.30%	
Gross NPLs/Gross Loans	6.80%	6.10%	6.80%	9.20%	13.70%	9.20%	
RATINGS	**3**	**3**	**3**	**2**	**2**	**1**	
Capital Adequacy	1	1	1	1	2	1	
Asset Quality	1	2	2	1	2	1	
Earnings	1	3	1	1	3	2	
Liquidity	1	2.25	1	1.25	2	1.25	
Composite Score	Strong	Satisfactory	Strong	Strong	Satisfactory	Strong	
Performance Category							
Rating	PERFORMANCE CATEGORY	CAPITAL ADEQUACY Total Capital/TRWA (%)	ASSET QUALITY (NPA-Provisions)/ Gross Advances (%)	MANAGEMENT Total Weighted Score	EARNINGS Net Profits/ Total Assets (%)	LIQUIDITY Net Liquid Assets/Total (%)	COMPO-SITE RATING Average Score
1	Strong	19.50% and above	0-5%	1.0 - 1.4	Over 3%	Over 34%	1.0-1.4
2	Satisfactory	15.60%-19.49%	5.1%-10.0%	1.5 - 2.4	2.0%-2.9%	26%-34%	1.5-2.4
3	Fair	12.00%-15.59%	10.1%-15.0%	2.5 - 3.4	1.0%-1.9%	20%-25%	2.5-3.4
4	Marginal	8.31%-11.99%	15.1%-20.0%	3.5 - 4.4	0.0%-0.9%	15%-19%	3.5-4.4
5	Unsatisfactory	8.30 and below	Over 20%	4.5 - 5.0	Net Loss	Under 15%	4.5-5.0

Appendix IV

BANKING SECTOR MARKET SHARE -DECEMBER 2016

		Market size index	TOTAL NET ASSETS	% of the Market	Total Deposits	% of the Market	Total Share-holders' funds	% of the Market	Total number Deposit accounts (Million)	% of the Market	Number loan accounts	% of the Market
			KShs M		KShs M		KShs M					
	Weighting		**0.33**		**0.33**		**0.33**		**0.005**		**0.005**	
	Large Peer Group >5%											
1	KCB Bank Kenya Ltd	14.10%	504,777.67	13.70%	386,611	14.80%	80,989.89	13.70%	4.594	11.20%	1.293	16.50%
2	Equity Bank Ltd.	10.00%	379,749.00	10.30%	277,274.67	10.60%	52,341.04	8.80%	9.316	22.70%	0.836	10.70%
3	Co - operative Bank of Kenya Ltd	9.90%	349,997.76	9.50%	259,471.75	10.00%	60,045.83	10.10%	2.939	7.10%	1.651	21.10%
4	Barclays Bank of Kenya Ltd	7.00%	259,498.22	7.00%	178,447.78	6.80%	42,094.71	7.10%	1.633	4.00%	0.23	2.90%
5	Standard Chartered Bank (K) Ltd	7.00%	250,274.11	6.80%	186,598.23	7.20%	43,904.78	7.40%	0.22	0.50%	0.052	0.70%
6	Diamond Trust Bank (K) Ltd	6.40%	244,123.82	6.60%	169,599.90	6.50%	36,431.81	6.10%	0.794	1.90%	0.013	0.20%
7	Commercial Bank of Africa Ltd	5.90%	210,877.93	5.70%	159,284.81	6.10%	27,470.17	4.60%	17.502	42.60%	3.264	41.80%
8	Stanbic Bank (K) Ltd	5.10%	204,895.16	5.50%	121,989.23	4.70%	30,237.50	5.10%	0.139	0.30%	0.029	0.40%
	Sub-Total	**65.40%**	**2,404,193.67**	**65.10%**	**1,739,277.37**	**66.70%**	**373,515.73**	**62.90%**	**37.14**	**90.30%**	**7.37**	**94.30%**
	Medium Peer Group (1-5%)											
9	NIC Bank Ltd	4.50%	161,847.35	4.40%	104,160.20	4.00%	30,288.26	5.10%	0.101	0.20%	0.034	0.40%
10	I&M Bank Ltd	4.20%	164,116.12	4.40%	103,740.63	4.00%	26,186.68	4.40%	0.113	0.30%	0.012	0.20%
11	National Bank of Kenya Ltd	2.90%	115,114.37	3.10%	96,966.52	3.70%	10,996.08	1.90%	0.52	1.30%	0.054	0.70%
12	Citibank N.A. Kenya	2.80%	103,323.54	2.80%	62,485.52	2.40%	19,628.61	3.30%	0.002	0.00%	0.001	0.00%
13	Bank of Baroda (K) Ltd	2.40%	82,907.48	2.20%	64,873.60	2.50%	14,224.91	2.40%	0.046	0.10%	0.003	0.00%
14	Family Bank Ltd.	1.90%	69,432.37	1.90%	41,473.32	1.60%	12,618.88	2.10%	2.007	4.90%	0.144	1.80%
15	HFC Ltd	1.60%	68,084.93	1.80%	38,155.86	1.50%	9,774.97	1.60%	0.108	0.30%	0.012	0.20%
16	Prime Bank Ltd	1.80%	65,338.22	1.80%	49,312.80	1.90%	10,833.99	1.80%	0.029	0.10%	0.004	0.10%
17	Bank of Africa (K) Ltd	1.40%	55,995.67	1.50%	34,463.71	1.30%	8,417.99	1.40%	0.108	0.30%	0.02	0.30%
18	Bank of India	1.30%	47,815.08	1.30%	26,726.39	1.00%	9,536.34	1.60%	0.015	0.00%	0.001	0.00%
19	Ecobank Kenya Ltd	1.20%	47,123.84	1.30%	32,242.99	1.20%	7,307.24	1.20%	0.059	0.10%	0.008	0.10%
	Sub-Total	**26.00%**	**981,098.97**	**26.5%**	**654,601.54**	**0.25**	**159,813.95**	**0.27**	**3.11**	**7.6%**	**0.29**	**3.80%**
	Small Peer Group <1%											
20	Guaranty Trust Bank Ltd	0.90%	29,619.07	0.80%	16,561.68	0.60%	8,366.45	1.40%	0.018	0.00%	0.045	0.60%
21	Gulf African Bank Ltd	0.80%	27,156.26	0.70%	21,754.94	0.80%	4,375.71	0.70%	0.078	0.20%	0.007	0.10%
22	African Banking Corporation Ltd	0.60%	22,422.35	0.60%	16,078.45	0.60%	2,996.76	0.50%	0.036	0.10%	0.002	0.00%
23	Victoria Commercial Bank Ltd	0.70%	22,403.48	0.60%	15,695.95	0.60%	5,060.04	0.90%	0.004	0.00%	0.001	0.00%
24	Sidian Bank Ltd	0.60%	20,875.50	0.60%	13,685.09	0.50%	3,868.79	0.70%	0.257	0.60%	0.036	0.50%
25	Habib Bank A.G. Zurich	0.50%	17,032.99	0.50%	11,772.94	0.50%	2,964.98	0.50%	0.005	0.00%	0	0.00%
26	Development Bank of Kenya Ltd	0.40%	16,418.38	0.40%	5,788.51	0.20%	2,903.34	0.50%	0.002	0.00%	0.001	0.00%
27	Giro Commercial Bank Ltd	0.50%	16,254.02	0.40%	12,938.39	0.50%	3,077.44	0.50%	0.008	0.00%	0.002	0.00%
28	Jamii Bora Bank Ltd	0.40%	15,724.25	0.40%	8,095.10	0.30%	3,590.08	0.60%	0.137	0.30%	0.024	0.30%
29	First Community Bank Ltd	0.40%	14,962.09	0.40%	12,655.46	0.50%	1,557.41	0.30%	0.145	0.40%	0.002	0.00%
30	Guardian Bank Ltd	0.40%	14,705.35	0.40%	12,313.03	0.50%	2,214.59	0.40%	0.012	0.00%	0.001	0.00%
31	Consolidated Bank of Kenya Ltd	0.30%	13,917.90	0.40%	9,491.80	0.40%	1,403.07	0.20%	0.048	0.10%	0.004	0.10%
32	Spire Bank Ltd	0.30%	13,802.50	0.40%	8,542.84	0.30%	1,817.22	0.30%	0.023	0.10%	0.009	0.10%
33	Habib Bank Ltd	0.40%	12,508.03	0.30%	8,215.36	0.30%	2,453.62	0.40%	0.004	0.00%	0	0.00%
34	Credit Bank Ltd	0.40%	12,201.97	0.30%	9,135.30	0.40%	2,459.57	0.40%	0.024	0.10%	0.002	0.00%
35	Trans - national Bank Ltd	0.30%	10,464.50	0.30%	8,000.00	0.30%	2,073.41	0.30%	0.068	0.20%	0.011	0.10%
36	M Oriental Commercial Bank Ltd	0.30%	9,920.25	0.30%	6,936.72	0.30%	2,931.49	0.50%	0.004	0.00%	0.001	0.00%
37	Paramount Bank Ltd	0.30%	9,426.93	0.30%	7,667.90	0.30%	1,644.21	0.30%	0.01	0.00%	0.003	0.00%
38	UBA Kenya Ltd	0.20%	5,601.28	0.20%	1,947.36	0.10%	2,143.39	0.40%	0.002	0.00%	0.001	0.00%
39	Middle East Bank (K) Ltd	0.20%	5,233.52	0.10%	3,996.06	0.20%	1,192.11	0.20%	0.002	0.00%	0.001	0.00%
40	Charterhouse Bank Ltd **											
41	Chase Bank Ltd*											
42	Fidelity Commercial Bank Ltd***											
	Sub-Total	**8.90%**	**310,650.62**	**8.40%**	**211,272.88**	**8.20%**	**59,093.68**	**10.00%**	**0.89**	**2.10%**	**0.15**	**1.80%**
	Grand Total	**100.00%**	**3,695,943.24**	**100.00%**	**2,605,151.98**	**100.00%**	**592,423.35**	**100.00%**	**41.13**	**100.00%**	**7.812**	**100.00%**
	* Banks under statutory management * *Banks under receivership *** Bank in transition to be acquired											
	Source: Published Financial Statements											

						Appendix V
BANKING SECTOR PROFITABILITY - DECEMBER 2016						
			RETURN ON ASSETS		RETURN ON EQUITY	
		1	2	3	4	5
		Profit/(loss) Before Tax	TOTAL ASSETS	% (1/2)	SHAREHOLDERS' FUNDS	% (1/4)
1	KCB Bank Kenya Limited	28,482	504,778	5.64%	80,990	35.2%
2	Equity Bank (Kenya) Limited	22,778	379,749	6.00%	52,341	43.5%
3	Co-operative Bank of Kenya Limited	18,024	349,998	5.15%	60,046	30.0%
4	Standard Chartered Bank Kenya Limited	12,764	250,274	5.10%	43,905	29.1%
5	Barclays Bank of Kenya Limited	10,440	259,498	4.02%	42,095	24.8%
6	Diamond Trust Bank Kenya Limited	8,876	244,124	3.64%	36,432	24.4%
7	I & M Bank Limited	8,651	164,116	5.27%	31,305	27.6%
8	Commercial Bank of Africa Limited	7,593	210,878	3.60%	27,470	27.6%
9	Stanbic Bank Kenya Limited	6,910	204,895	3.37%	30,238	22.9%
10	Citibank N.A Kenya	6,033	103,324	5.84%	19,629	30.7%
11	NIC Bank Limited	5,926	161,847	3.66%	30,288	19.6%
12	Bank of Baroda (K) Limited	3,876	82,907	4.67%	14,225	27.2%
13	Prime Bank Limited	2,336	65,338	3.57%	10,834	21.6%
14	Bank of India Ltd	2,185	47,815	4.57%	9,536	22.9%
15	HFC Limited	1,445	68,085	2.12%	9,775	14.8%
16	Victoria Commercial Bank Limited	796	22,403	3.55%	5,060	15.7%
17	Gulf African Bank Limited	754	27,156	2.78%	4,376	17.2%
18	Guaranty Trust Bank (K) Limited	659	29,619	2.23%	8,366	7.9%
19	Family Bank Limited	633	69,432	0.91%	12,619	5.0%
20	Habib Bank A.G Zurich	622	17,033	3.65%	2,965	21.0%
21	Giro Commercial Bank Limited	601	16,254	3.70%	3,077	19.5%
22	Habib Bank Limited	493	12,508	3.94%	2,454	20.1%
23	Guardian Bank Limited	302	14,705	2.05%	2,215	13.6%
24	African Banking Corporation Limited	222	22,422	0.99%	2,997	7.4%
25	National Bank of Kenya Limited	162	115,114	0.14%	10,996	1.5%
26	Transnational Bank Limited	160	10,465	1.53%	2,073	7.7%
27	Credit Bank Limited	158	12,202	1.30%	2,460	6.4%
28	Paramount Bank Limited	105	9,427	1.11%	1,644	6.4%
29	Development Bank of Kenya Limited	95	16,418	0.58%	2,903	3.3%
30	Sidian Bank Limited	62	20,875	0.30%	3,869	1.6%
31	UBA Kenya Bank Limited	50	5,601	0.89%	2,143	2.3%
32	M-Oriental Bank Limited	36	9,920	0.36%	2,931	1.2%
33	Bank of Africa Kenya Limited	(16)	55,996	-0.03%	8,418	-0.2%
34	First Community Bank Limited	(41)	14,962	-0.28%	1,557	-2.7%
35	Middle East Bank (K) Limited	(101)	5,234	-1.93%	1,192	-8.5%
36	Consolidated Bank of Kenya Limited	(277)	13,918	-1.99%	1,403	-19.7%
37	Jamii Bora Bank Limited	(490)	15,724	-3.12%	3,590	-13.7%
38	Spire Bank Limited	(968)	13,802	-7.01%	1,817	-53.3%
39	Ecobank Kenya Limited	(2,889)	47,124	-6.13%	7,307	-39.5%
40	Chase Bank (K) Limited*					
41	Chase Bank (K) Limited*					
42	Charterhouse Bank Limited**					
43	Fidelity Commercial Bank Limited***					
	TOTAL	**147,445**	**3,695,943**	**3.99%**	**597,542**	**24.7%**

Source: Banks Published Financial Statements

*- The banks are in receivership hence excluded

**- The bank is under statutory management.

*** Bank in transition to be acquired

					Appendix VI
BANKING SECTOR GROSS LOANS AND NON-PERFORMING LOANS- DECEMBER 2016					
BANKS		**Gross Loans and Advances, KShs M**		**Gross Non-Performing Loans, KShs M**	
		Dec-15	**Dec-16**	**Dec-15**	**Dec-16**
1	KCB Bank Kenya Ltd	324,284	373,031	19,289	28,333
2	Standard Chartered Bank (K) Ltd	122,905	132,497	14,698	15,038
3	Barclays Bank of Kenya Ltd	148,846	176,349	5,336	11,472
4	Bank of India	17,973	19,354	364	272
5	Bank of Baroda (K) Ltd	32,263	38,089	2,364	3,392
6	Commercial Bank of Africa Ltd	107,683	105,082	4,723	7,450
7	Habib Bank Ltd	4,271	4,339	434	816
8	Prime Bank Ltd	41,617	40,170	989	1,855
9	Co - operative Bank of Kenya Ltd	212,711	241,395	8,189	11,273
10	National Bank of Kenya Ltd	72,842	68,616	11,762	29,987
11	M Oriental Commercial Bank Ltd	5,582	7,109	831	856
12	Citibank N.A. Kenya	27,683	28,242	1,768	805
13	Habib Bank A.G. Zurich	5,329	5,361	116	158
14	Middle East Bank (K) Ltd	4,009	4,015	1,093	1,193
15	Bank of Africa (K) Ltd	41,075	37,480	9,744	10,794
16	Consolidated Bank of Kenya Ltd	10,155	10,317	1,958	2,038
17	Credit Bank Ltd	7,388	8,361	515	676
18	Transnational Bank Ltd	7,339	7,026	733	891
19	Stanbic Bank (K) Ltd	103,535	118,483	4,858	7,013
20	African Banking Corporation Ltd	15,538	15,022	2,677	2,840
21	NIC Bank Ltd	111,286	112,509	13,195	12,650
22	Giro Commercial Bank Ltd	9,389	9,287	185	196
23	Ecobank Kenya Ltd	30,902	27,393	2,444	5,359
24	Spire Bank Ltd	10,400	8,319	3,388	1,322
25	Paramount Bank Ltd	6,485	6,243	815	778
26	Jamii Bora Bank Ltd	10,767	10,497	778	2,141
27	Guaranty Trust Bank Ltd	12,826	13,418	570	994
28	Victoria Commercial Bank Ltd	13,124	15,293	-	-
29	Guardian Bank Ltd	9,926	9,604	1,029	787
30	I&M Bank Ltd	104,302	104,302	5,072	5,072
31	Development Bank of Kenya Ltd	9,094	10,083	1,870	2,594
32	Diamond Trust Bank (K) Ltd	128,266	141,702	3,656	5,520
33	Sidian Bank Ltd.	13,317	14,488	1,608	2,459
34	Equity Bank Ltd.	229,394	221,039	6,832	15,457
35	Family Bank Ltd.	57,975	53,485	3,515	7,015
36	Gulf African Bank Ltd	15,864	16,686	1,398	1,617
37	First Community Bank Ltd	11,532	11,926	2,777	3,853
38	UBA Kenya Ltd	2,790	3,127	58	69
39	HFC Ltd	54,624	56,786	4,097	6,193
40	Chase Bank Kenya Ltd*				
41	Imperial Bank Ltd *	**2,165,329**	**2,286,525**	**147,331**	**211,231**
42	Charterhouse Bank Ltd **				
43	Fidelity Commercial Bank Ltd***				
	Source: Banks Published Financial Statements				
	*- The banks are in receivership hence excluded.				
	**- The bank is under statutory management hence excluded. ***The bank as undergoing transition to be acquired hence excluded.				

						Appendix VII
BANKING SECTOR CAPITAL AND RISK WEIGHTED ASSETS - DECEMBER 2016						
		SHS"000"				
		CORE CAPITAL	TOTAL CAPITAL	OVERALL RISK WEIGHTED ASSETS	CORE CAPITAL TO RISK WEIGHTED ASSETS	TOTAL CAPITAL TO RISK WEIGHTED ASSETS
1	KCB Bank Kenya Limited	72,611	85,691	430,839	16.9%	19.9%
2	Co-operative Bank of Kenya Limited	51,925	72,770	319,615	16.2%	22.8%
3	Equity Bank (Kenya) Limited	51,248	55,095	356,088	14.4%	15.5%
4	Barclays Bank of Kenya Limited	37,617	42,746	239,299	15.7%	17.9%
5	Standard Chartered Bank Kenya Limited	35,258	42,104	201,321	17.5%	20.9%
6	Diamond Trust Bank Kenya Limited	29,720	33,904	183,223	16.2%	18.5%
7	Stanbic Bank (Kenya) Limited	28,891	32,876	179,751	16.1%	18.3%
8	NIC Bank Limited	25,380	31,883	147,419	17.2%	21.6%
9	I & M Bank Limited	24,685	26,934	148,414	16.6%	18.1%
10	Commercial Bank of Africa Limited	19,048	25,800	139,840	13.6%	18.4%
11	Citibank N.A Kenya	18,480	19,196	72,808	25.4%	26.4%
12	Bank of Baroda (K) Limited	13,506	13,992	45,823	29.5%	30.5%
13	Family Bank Limited	11,980	14,450	69,534	17.2%	20.8%
14	National Bank of Kenya Limited	10,033	10,501	88,325	11.4%	11.9%
15	Prime Bank Limited	9,741	10,765	48,576	20.1%	22.2%
16	Bank of India	8,574	8,971	19,615	43.7%	45.7%
17	HFC Limited	8,519	9,580	54,161	15.7%	17.7%
18	Ecobank Kenya Limited	6,961	7,606	39,119	17.8%	19.4%
19	Bank of Africa Kenya Limited	5,585	7,637	47,248	11.8%	16.2%
20	Guaranty Trust Bank (K) Limited	5,462	5,580	20,599	26.5%	27.1%
21	Victoria Commercial Bank Limited	4,849	4,988	19,599	24.7%	25.5%
22	Gulf African Bank Limited	4,239	4,266	22,788	18.6%	18.7%
23	Sidian Bank Limited	3,785	3,817	16,420	23.1%	23.2%
24	Giro Commercial Bank Limited	2,954	3,077	11,924	24.8%	25.8%
25	Habib Bank A.G Zurich	2,908	2,965	9,179	31.7%	32.3%
26	M-Oriental Bank Limited	2,698	2,788	7,207	37.4%	38.7%
27	Jamii Bora Bank Limited	2,686	2,789	13,888	19.3%	20.1%
28	Credit Bank Limited	2,423	2,468	10,801	22.4%	22.8%
29	African Banking Corporation Limited	2,368	2,969	18,530	12.8%	16.0%
30	Guardian Bank Limited	2,149	2,215	11,288	19.0%	19.6%
31	Habib Bank Limited	2,139	2,454	5,412	39.5%	45.3%
32	UBA Kenya Bank Limited	2,131	2,143	5,541	38.5%	38.7%
33	Transnational Bank Limited	1,969	2,073	9,974	19.7%	20.8%
34	Development Bank of Kenya Limited	1,738	2,019	8,047	21.6%	25.1%
35	Spire Bank Limited	1,569	1,895	11,646	13.5%	16.3%
36	Paramount Bank Limited	1,555	1,638	5,979	26.0%	27.4%
37	First Community Bank Limited	1,463	1,969	14,071	10.4%	14.0%
38	Middle East Bank (K) Limited	1,173	1,186	3,749	31.3%	31.6%
39	Consolidated Bank of Kenya Limited	746	1,001	12,669	5.9%	7.9%
40	Chase Bank (K) Limited*	-	-	-	-	-
41	Imperial Bank Limited*	-	-	-	-	-
42	Fidelity Commercial Bank Limited***	-	-	-	-	-
43	Charterhouse Bank Limited**	-	-	-	-	-
	TOTAL	**520,766**	**606,800**	**3,070,327**	**17.0%**	**19.8%**

Source: Banks Published Financial Statements
*- The banks are in receivership hence excluded.
**- The bank is under statutory management hence excluded.
***The bank as undergoing transition to be acquired hence excluded.

Appendix VIII

BANKING SECTOR ACCESS TO FINANCIAL SERVICES - Number of Deposit Accounts -DECEMBER 2016

	BANKS	Peer Group - 2016	DEC.2015 < 100,000	DEC.2015 >100,000	DEC.2015 Total	DEC.2016 < 100,000	DEC.2016 >100,000	DEC.2016 Total	% change
1	KCB Bank Kenya Ltd	Large	3,623,417	171,162	3,794,579	4,395,318	198,403	4,593,721	21.06%
2	Co - operative Bank of Kenya Ltd	Large	2,674,156	175,029	2,849,185	2,745,025	193,613	2,938,638	3.14%
3	Equity Bank Ltd	Large	8,516,351	263,799	8,780,150	9,021,740	294,613	9,316,353	6.11%
4	Barclays Bank of Kenya Ltd	Large	1,393,429	108,992	1,502,421	1,524,564	108,812	1,633,376	8.72%
5	Standard Chartered Bank Ltd	Large	156,623	61,209	217,832	154,733	65,610	220,343	1.15%
6	Commercial Bank of Africa Ltd	Large	12,911,238	22,707	12,933,945	17,460,619	41,349	17,501,968	35.32%
7	Diamond Trust Bank Kenya Ltd	Medium	617,034	38,509	655,543	747,046	46,658	793,704	21.08%
8	Stanbic Bank (Kenya) Ltd	Medium	108,795	25,506	134,301	110,240	28,319	138,559	3.17%
9	NIC Bank Ltd	Medium	66,358	24,432	90,790	71,216	30,158	101,374	11.66%
10	I & M Bank Ltd	Medium	65,327	33,591	98,918	75,962	36,589	112,551	13.78%
11	National Bank of Kenya Ltd	Medium	648,178	47,214	695,392	483,041	37,054	520,095	-25.21%
12	Chase Bank (K) Ltd*	Medium							
13	Citibank N.A. Kenya	Medium	563	1,472	2,035	590	1,441	2,031	-0.20%
14	Family Bank Ltd	Medium	1,727,149	66,515	1,793,664	1,944,211	62,632	2,006,843	11.89%
15	Bank of Baroda Ltd	Medium	20,637	22,825	43,462	20,537	25,319	45,856	5.51%
16	Bank of Africa Kenya Ltd	Medium	73,120	9,344	82,464	99,298	9,130	108,428	31.49%
18	Prime Bank Ltd	Medium	11,050	13,247	24,297	15,952	13,243	29,195	20.16%
19	HFC Limited	Medium	61,681	12,728	74,409	95,361	12,320	107,681	44.72%
20	Ecobank Kenya Ltd	Medium	30,880	8,500	39,380	48,203	10,834	59,037	49.92%
21	Bank of India	Medium	8,505	7,869	16,374	6,935	8,402	15,337	-6.33%
22	Guaranty Trust Bank Ltd	Small	12,242	5,197	17,439	12,440	5,282	17,722	1.62%
23	Gulf African Bank Ltd	Small	58,273	10,562	68,835	66,442	11,543	77,985	13.29%
24	African Banking Corporation Ltd	Small	27,923	4,960	32,883	31,114	4,831	35,945	9.31%
25	Victoria Commercial Bank Ltd	Small	1,243	2,427	3,670	1,263	2,612	3,875	5.59%
26	Sidian Bank Ltd	Small	239,372	5,330	244,702	247,986	8,572	256,558	4.85%
27	Giro Commercial Bank Ltd	Small	3,711	4,570	8,281	3,193	4,358	7,551	-8.82%
28	Fidelity Commercial Bank Ltd	Small	5,150	3,825	8,975	4,552	1,700	6,252	-30.34%
29	Development Bank of Kenya Ltd	Small	928	976	1,904	818	869	1,687	-11.40%
30	Jamii Bora Bank Ltd	Small	118,498	3,753	122,251	133,995	2,918	136,913	11.99%
31	Spire Bank Ltd	Small	17,054	3,651	20,705	20,633	2,575	23,208	12.09%
32	First Community Bank Ltd	Small	98,434	25,128	123,562	65,982	78,873	144,855	17.23%
33	Guardian Bank Ltd	Small	7,225	3,237	10,462	7,171	4,684	11,855	13.31%
34	Consolidated Bank of Kenya Ltd	Small	43,009	6,089	49,098	42,709	5,438	48,147	-1.94%
35	Habib Bank A.G. Zurich	Small	2,734	2,858	5,592	2,602	2,851	5,453	-2.49%
36	Trans- National Bank Ltd	Small	52,474	3,181	55,655	64,139	3,810	67,949	22.09%
37	Habib Bank Ltd	Small	2,035	1,957	3,992	1,843	2,061	3,904	-2.20%
38	Paramount Bank Ltd	Small	1,768	6,792	8,560	1,369	8,302	9,671	12.98%
39	M-Oriental Commercial Bank Ltd	Small	3,384	1,458	4,842	2,832	1,468	4,300	-11.19%
40	Credit Bank Ltd	Small	14,321	2,496	16,817	21,510	2,808	24,318	44.60%
41	Middle East Bank (Kenya) Ltd	Small	830	973	1,803	990	886	1,876	4.05%
42	UBA Kenya Bank Ltd	Small	5,176	417	5,593	1,364	172	1,536	-72.54%
43	Charterhouse Bank Ltd	Small	3,478	1,343	4,821	3,478	1,343	4,821	0.00%
	Sub-Totals		**33,433,753**	**1,215,830**	**34,649,583**	**39,759,016**	**1,382,455**	**41,141,471**	**19.23%**
	Microfinance Banks								
1	Kenya Women Microfinance Bank Limited	Large	1,020,716	9,251	1,029,967	1,030,498	9,272	1,039,770	-10.74%
2	Faulu Microfinance Bank Limited	Large	494,145	10,701	504,846	499,322	9,150	508,472	-7.77%
3	Rafiki Microfinance Bank Limited	Large	118,959	3,814	122,773	192,732	1,175	193,907	22.31%
4	SMEP Microfinance Bank Limited	Medium	455,164	1150	456,314	133,010	2125	135,135	7.11%
5	REMU Microfinance Bank Limited	Medium	7,419	87	7,506	8,589	93	8,682	43.00%
6	Century Microfinance Bank Limited	Small	16,071	47	16,118	19,657	102	19,759	79.97%
7	Sumac Microfinance Bank Limited	Medium	2,487	112	2,599	6,553	76	6,629	59.55%
8	Uwezo Microfinance Bank Limited	Small	3,868	65	3,933	4,397	38	4,435	22.49%
9	U & I Microfinance Bank Limited	Small	8,444	51	8,495	3,094	151	3,245	8.53%
10	Caritas Microfinance Bank Limited	Small	2,529	44	2,573	7,073	248	7,321	0.00%
11	Choice Microfinance Bank Limited	Small	2,745	26	2,771	5,094	80	5,174	0.00%
12	Daraja Microfinance Bank Limited	Small	1,008	20	1,028	2,913	49	2,962	0.00%
13	Maisha Microfinance Bank Ltd					809	23	832	100.00%
	Sub-Totals		**2,133,555**	**25,368**	**2,158,923**	**1,913,741**	**22,582**	**1,936,323**	**-10.31%**
	Grand Total		**35,567,308**	**1,241,198**	**36,808,506**	**41,672,757**	**1,405,037**	**43,077,794**	**17.03%**

***Source**: Banks Published Financial Statements*

*- The banks are in receivership hence excluded.

Appendix IX

BANKING SECTOR PROTECTED DEPOSITS - DECEMBER 2016

	BANKS	Peer Group	2015 INSURED DEPOSITS KShs M	2015 CUSTOMER DEPOSITS KShs M	2016 INSURED DEPOSITS KShs M	2016 CUSTOMER DEPOSITS KShs M	CHANGE IN INSURED DEPOSITS	CHANGE IN CUSTOMER DEPOSITS
1	KCB Bank Kenya Ltd	Large	32,938	347,564	37,180	386,391	12.88%	117.88%
2	Co - operative Bank of Kenya Ltd	Large	36,992	266,614	37,616	256,796	1.69%	-26.54%
3	Equity Bank Ltd	Large	63,258	237,025	62,876	277,135	-0.60%	63.41%
4	Barclays Bank of Kenya Ltd	Large	17,378	188,820	17,025	198,515	-2.03%	55.79%
5	Standard Chartered Bank Ltd	Large	8,428	174,462	8,838	191,082	4.87%	197.21%
6	Commercial Bank of Africa Ltd	Large	5,205	148,321	10,874	161,197	108.93%	247.39%
7	Diamond Trust Bank Ltd	Medium	5,229	126,577	6,243	170,421	19.39%	838.51%
8	Stanbic Bank (Kenya) Ltd	Medium	3,812	109,132	4,029	122,888	5.68%	360.88%
9	NIC Bank Ltd	Medium	3,493	104,988	4,071	103,402	16.53%	-45.42%
10	I & M Bank Ltd	Medium	4,316	104,466	4,712	118,553	9.18%	326.41%
11	National Bank of Kenya Ltd	Medium	9,603	110,864	6,544	97,851	-31.85%	-135.52%
12	Chase Bank (K) Ltd*	Medium						
13	Citibank N.A.	Medium	155	65,121	152	65,170	-1.97%	31.49%
14	Family Bank Ltd	Medium	9,877	62,731	9,255	41,473	-6.30%	-215.22%
15	Bank of Baroda Ltd	Medium	2,718	52,929	2,978	64,874	9.54%	439.42%
16	Bank of Africa Ltd	Medium	1,645	53,167	1,592	36,646	-3.24%	-1004.08%
18	Prime Bank Ltd	Medium	1,549	50,798	1,597	49,165	3.05%	-105.41%
19	HFC Ltd	Medium	1,959	41,881	1,945	38,772	-0.71%	-158.72%
20	Ecobank Kenya Ltd	Medium	1,032	34,257	1,671	32,239	61.90%	-195.56%
21	Bank of India	Medium	958	26,660	983	31,852	2.61%	541.88%
22	Guaranty Trust Bank Ltd	Small	656	19,418	666	17,051	1.52%	-360.74%
23	Gulf African Bank Ltd	Small	1,636	18,408	1,776	21,213	8.52%	171.42%
24	African Banking Corporation Ltd	Small	859	15,774	666	16,078	-22.50%	35.37%
25	Victoria Commercial Bank Ltd	Small	277	14,024	296	15,696	7.15%	604.38%
26	Sidian Bank Limited	Small	2,684	13,380	2,081	13,684	-22.48%	11.34%
27	Giro Commercial Bank Ltd	Small	508	12,806	481	12,942	-5.26%	26.88%
28	Fidelity Commercial Bank Ltd	Small	456	10,815	234	4,677	-48.75%	-1345.91%
29	Development Bank of Kenya Ltd	Small	116	11,700	104	6,635	-9.99%	-4375.26%
30	Jamii Bora Bank Ltd	Small	727	10,946	669	7,924	-8.05%	-415.38%
31	Spire Bank Limited	Small	498	10,376	391	8,531	-21.54%	-370.26%
32	First Community Bank Ltd	Small	3,158	12,396	8,967	12,660	183.96%	8.37%
33	Guardian Bank Ltd	Small	424	12,494	568	12,313	33.79%	-42.81%
34	Consolidated Bank of Kenya Ltd	Small	955	10,319	870	9,535	-8.83%	-82.07%
35	Habib Bank A.G. Zurich	Small	363	10,082	358	11,753	-1.20%	460.97%
36	Trans-National Bank Ltd	Small	550	7,589	653	7,922	18.68%	60.40%
37	Habib Bank Ltd	Small	249	6,861	258	8,215	3.73%	543.82%
38	Paramount Universal Bank Ltd	Small	827	8,147	976	7,708	18.00%	-53.09%
39	M-Oriental Bank Ltd	Small	188	6,218	185	6,937	-1.69%	381.87%
40	Credit Bank Ltd	Small	346	7,520	394	8,972	13.60%	419.44%
41	Middle East Bank Kenya Ltd	Small	115	4,099	106	3,894	-7.19%	-179.24%
42	UBA Kenya Bank Ltd	Small	64	3,446	23	1,731	-64.79%	-2664.80%
43	Charterhouse Bank Ltd	Small	180	3,784	180	3,809	0.00%	13.59%
	Totals		**226,383**	**2,536,980**	**241,080**	**2,664,302**	**6.49%**	**56.24%**
	Microfinance Banks							
1	Kenya Women Microfinance Bank Ltd	Large	9,635	9,635	9,285	17,167	-3.63%	78.18%
2	Faulu Microfinance Bank Limited	Large	3,014	3,014	2,282	16,390	-24.30%	443.79%
3	SMEP Microfinance Bank Limited	Medium	775	775	692	1,422	-10.78%	83.36%
4	Rafiki Microfinance Bank Limited	Large	2,161	2,161	487	3,028	-77.47%	40.12%
5	REMU Microfinance Bank Limited	Small	35	35	40	106	15.90%	206.19%
6	Century Microfinance Bank Limited	Medium	32	32	31	144	-2.48%	349.22%
7	U & I Microfinance Bank Limited	Small	15	15	18	208	21.11%	1304.89%
8	Uwezo Microfinance Bank Limited	Small	21	21	14	29	-35.34%	37.80%
9	Sumac Microfinance Bank Limited	Medium	19	19	25	233	33.02%	1141.38%
11	Caritas Microfinance Bank Limited	Small	11	11	44	287	301.34%	2524.19%
12	Choice Microfinance Bank Limited	Small	10	10	20	66	102.99%	582.49%
13	Daraja Microfinance Bank Limited	Small	8	8	12	85	55.17%	960.43%
15	Maisha Microfinance Bank Ltd	Small			5	78	100.00%	100.00%
	Totals		**15,735**	**15,735**	**12,953**	**39,242**	**-17.68%**	**149.40%**
	Grand total		**242,118**	**2,552,715**	**254,034**	**2,703,544**	4.92%	62.30%

Source: Banks Published Financial Statements

*- The banks are in receivership hence excluded.

Appendix X

MICROFINANCE BANKS BALANCE SHEET - DECEMBER 2016

		KENYA WOMEN	FAULU	RAFIKI	SMEP	CARITAS	SUMAC	REMU	U & I	UWEZO	DARAJA	MAISHA	CENTURY	CHOICE	TOTAL
		KShs M	KShs M	KShs M	KShs M	KShs M	KShs M	KShs M	KShs M	KShs M	KShs M	KShs M	KShs M	KShs M	KShs M
	A) STATEMENT OF FINANCIAL POSITION														
1	**ASSETS**														
1.1	Cash and bank balances	957	298	875	50	7	5	5	8	7	33	3	3	18	2,268
1.2	Short term deposits with banks	5,331	3,622	2,092	418	343	61	58	47	7	27	75	12	10	12,102
1.3	Government securities	19	1,750	0	0	0	0	0	0	0	0	0	0	0	1,769
1.4	Advances to customers (net)	22,189	17,955	3,661	1,677	141	538	244	271	151	51	27	107	35	47,047
1.5	Due from related organizations														
1.6	Other receivables	499	1,329	244	61	16	91	8	3	32	11	23	29	5	2,352
1.7	Tax recoverable	86	198	12	27	0	0	9	0	0	0	0	2	0	334
1.8	Deferred tax Asset	184	0	196	0	0	10	18	2	3	32	0	41	26	512
1.9	Other investment	0	0	0	0	0	0	0	0	0	0	0	0	0	0
1.1	Investment in associate companies	1	46	0	0	0	0	2	0	0	0	0	0	0	50
1.11	Intangible assets	99	565	54	94	21	46	9	8	3	16	14	12	16	956
1.12	Property and equipment	2,790	1,606	193	331	47	52	8	12	12	10	29	19	12	5,121
	TOTAL ASSETS	**32,153**	**27,369**	**7,327**	**2,659**	**574**	**803**	**362**	**351**	**214**	**180**	**171**	**225**	**122**	**72,510**
2	**LIABILITIES**														
2.1	Cash collaterals held	0	0	0	0	0	0	0	0	0	0	0	0	0	0
2.2	Customer deposits	17,156	17,371	2,985	1,451	287	233	106	209	29	85	78	141	66	40,198
2.3	Borrowings	9,074	4,387	2,011	624	0	227	67	19	0	0	0	19	5	16,435
2.4	Deposit & balances due to banking institutions	0	0	0	0	0	0	0	0	0	0	0	0	0	0
2.5	Deferred tax liability	0	73	0	20	0	0	0	0	0	0	0	0	0	93
2.6	Due to related organizations	0	0	0	0	0	0	0	0	0	0	0	0	0	0
2.7	Other liabilities	1,167	1,196	1,585	30	16	96	6	5	7	13	4	33	5	4,163
	TOTAL LIABILITIES	**27,398**	**23,027**	**6,581**	**2,126**	**303**	**557**	**179**	**233**	**36**	**98**	**82**	**193**	**76**	**60,889**
3	**SHARE CAPITAL & RESERVES**														
3.1	Share capital	186	480	1,000	541	427	163	223	105	197	120	120	234	105	3,900
3.2	Share premium	2,851	2,900	0	2	0	61	16	0	0	27	0	0	5	5,861
3.3	Retained earnings	1,435	248	-285	-184	-156	23	-61	13	-19	-65	-31	-203	-64	651
3.4	Revaluation reserve	0	212	0	133	0	0	0	0	0	1	0	0	0	346
3.5	Statutory reserve	284	503	31	40	0	0	6	0	0	0	0	0	0	864
3.6	Total Shareholders' funds	4,756	4,342	745	533	271	246	184	118	179	82	89	31	46	11,622
	TOTAL LIABILITIES AND EQUITY	**32,153**	**27,369**	**7,327**	**2,659**	**574**	**803**	**362**	**351**	**214**	**180**	**171**	**225**	**122**	**72,510**
	Source: MFBs Published Financial Statements														

Appendix XI

MICROFINANCE BANKS PROFIT & LOSS ACCOUNT - DECEMBER 2016

		KWFT	FAULU	RAFIKI	SMEP	CARITAS	SUMAC	REMU	U & I	UWEZO	DARAJA	MAISHA	CENTURY	CHOICE
1	**Income**	**KShs M**	**KShs M**	**KShs M**	**KShs M**	**KShs M**	**KShs M**	**KShs M**	**KShs M**	**KShs M**	**KShs M**	**KShs M**	**KShs M**	**KShs M**
1.1	Interest on Loan Portfolio	6,228	3,753	922	420	7	187	61	53	40	10	2	36	7
1.2	Fees and Commission on Loan Portfolio	708	480	86	46	3	11	8	12	16	1	1	7	3
1.3	Government Securities	1	173	0	0	0	0	0	0	0	0	0	0	0
1.4	Deposit and Balances with Banks and Financial Inst.	227	295	115	22	26	1	6	0	0	3	7	0	0
1.5	Other Investments	0	0	0	0	0	0	0	0	0	0	0	0	1
1.6	Other Operating Income	358	114	96	81	2	2	5	0	0	3	0	2	0
1.7	Non- Operating Income	0	4	0	0	0	0	0	1	0	0	0	0	0
	Total Income	7,523	4,818	1,218	569	38	201	80	66	56	17	10	46	11
2	**Expenses**													
2.1	Interest and Fee Expense on Deposits	874	1,760	329	76	9	30	11	11	0	4	2	10	2
2.2	Other Fees and Commissions expense	130	172	8	0	0	6	1	0	0	0	0	2	0
2.3	Provision for Loan Impairment	145	188	238	46	2	13	7	2	8	5	1	-4	1
2.4	Staff Costs	2,776	1,038	432	246	37	27	34	13	17	22	26	34	19
2.5	Director's Emoluments	93	18	0	11	4	4	2	2	1	3	1	2	3
2.6	Rental Charges	293	250	105	78	17	12	9	4	5	4	4	8	5
2.7	Depreciation Charges	382	170	31	27	10	9	3	2	4	3	3	9	2
2.8	Amortization Charges	38	37	9	12	6	6	1	2	2	3	2	0	4
2.9	Other Administrative Expense	1,392	704	396	168	26	37	21	14	17	18	17	26	23
2.1	Non-Operating Expense	2	0	0	0	0	0	0	0	0	0	0	0	0
	Total Expenses	**6,126**	**4,339**	**1,548**	**663**	**112**	**144**	**88**	**50**	**53**	**63**	**56**	**87**	**60**
3	**Operating Profit**	**1,396**	**480**	**-330**	**-94**	**-74**	**57**	**-9**	**16**	**3**	**-45**	**-47**	**-41**	**-49**
4	**Interest and Fee Expense on Borrowings(Finance Costs)**	**1,072**	**382**	**131**	**52**	**0**	**39**	**8**	**4**	**0**	**0**	**0**	**0**	**1**
5	**Profit/(Loss) before tax**	**324**	**98**	**-461**	**-146**	**-74**	**18**	**-17**	**12**	**3**	**-45**	**-47**	**-41**	**-50**
6	**Current Tax**	**73**	**55**	**0**	**0**	**0**	**4**	**0**	**5**		**0**	**0**	**0**	**0**
6.1	Deferred Tax	28	0	-163	-12	0	0	-5	0	0	-17	-15	0	-15
7	**Net Profit (After Taxes and Before Donations)**	**224**	**43**	**-298**	**-134**	**-74**	**14**	**-12**	**7**	**4**	**-28**	**-31**	**-41**	**-35**
8	**Donations for Operating Expense**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
9	**Net Profit After Taxes**	**224**	**43**	**-298**	**-134**	**-74**	**14**	**-12**	**7**	**4**	**-28**	**-31**	**-41**	**-35**
	Other Comprehensive Income	0	0	0	0	0	0	0	0	0	0	0	0	0
	Surplus on revaluation of building	0	0	0	0	0	0	0	0	0	0	0	0	0
	Deferred tax on revaluation surplus	0	0	0	0	0	0	0	0	0	0	0	0	0
	Total comprehensive income	224	43	-298	-134	-74	14	-12	7	4	-28	-31	-41	-35
	Source: MFBs Published Financial Statements													

														Appendix XII
MICROFINANCE BANKS OTHER DISCLOSURES - DECEMBER 2016														
		KWFT	**FAULU**	**RAFIKI**	**SMEP**	**CARITAS**	**SUMAC**	**REMU**	**U & I**	**UWEZO**	**DARAJA**	**MAISHA**	**CENTURY**	**CHOICE**
1	**NON-PERFORMING LOANS AND ADVANCES**	**KShs M**	**KShs M**	**KShs M**	**KShs M**	**KShs M**	**KShs M**	**KShs M**	**KShs M**	**KShs M**	**KShs M**	**KShs M**	**KShs M**	**KShs M**
(a)	Gross Non-Performing Loans and Advances	3,862	1,657	1,269	336	0	33	83	14	74	7	1	31	4
(b)	Less: Interest in Suspense	301	203	206	22	0	0	10	2	16	1	0	11	0
(c)	Total Non-Performing Loans and Advances (a-b)	3,561	1,454	1,063	314	0	33	73	11	58	5	1	20	4
(d)	Less: Impairment Loss Allowance	411	429	395	156	0	26	26	4	8	5	1	8	1
(e)	Net Non-Performing Loans (c-d)	3,150	1,025	668	158	0	7	46	7	50	0	0	12	3
2	**INSIDER LOANS AND ADVANCES**													
(a)	Directors, Shareholders and Associates	113	44	0	19	13	6	8	5	1	0	0	0	0
(b)	Employees	617	437	15	49	15	6	3	3	1	2	2	3	3
(c)	Total Insider Loans, Advances and Other Facilities	730	481	15	68	27	12	11	7	2	2	2	3	3
3	**OFF-BALANCE SHEET ITEMS**													
(a)	Guarantees and Commitments	2	467	1,032	0	0	0	0	0	0	0	0	0	0
(b)	Other Contingent Liabilities	35	500	0	0	0	0	0	0	0	0	0	0	2
(c)	Total Contingent Liabilities	37	967	1,032	0	0	0	0	0	0	0	0	0	2
4	**CAPITAL STRENGTH**													
(a)	Core Capital	4,470	3,659	714	326	271	246	175	118	179	81	89	31	41
(b)	Minimum Statutory Capital	60	60	60	60	60	60	60	20	60	20	60	60	20
(c)	Excess/(Deficiency) (a-b)	4,410	3,599	654	266	211	186	115	98	119	61	29	-29	21
(d)	Supplementary Capital	835	300	125	20	0	0	6	0	0	0	0	0	0
(e)	Total Capital (a+d)	5,305	3,959	839	346	271	246	181	118	179	81	89	31	41
(f)	Total Risk Weighted Assets	22,799	19,742	4,869	1,773	289	743	310	203	212	98	107	22	98
(g)	Core Capital/ Total Deposit Liabilities	26%	21%	24%	22%	95%	106%	166%	56%	621%	95%	114%	22%	62%
(h)	Minimum Statutory Ratio	8%	8%	8%	8%	8%	8%	8%	8%	8%	8%	8%	8%	8%
(i)	Excess/(Deficiency) (g-h)	18%	13%	16%	14%	87%	98%	158%	48%	613%	87%	106%	14%	54%
(j)	Core Capital/ Total Risk Weighted Assets	20%	19%	15%	18%	94%	33%	56%	58%	84%	82%	83%	14%	42%
(k)	Minimum Statutory Ratio	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%
(l)	Excess/(Deficiency) (j-k)	10%	9%	5%	8%	84%	23%	46%	48%	74%	72%	73%	4%	32%
(m)	Total Capital/ Total Risk Weighted Assets	23%	20%	17%	20%	94%	33%	58%	58%	84%	82%	83%	14%	42%
(n)	Minimum Statutory Ratio	12%	12%	12%	12%	12%	12%	12%	12%	12%	12%	12%	12%	12%
(O)	Excess/(Deficiency) (m-n)	11%	8%	5%	8%	82%	21%	46%	46%	72%	70%	71%	2%	30%
5	**LIQUIDITY**													
(a)	Liquidity Ratio	28%	30%	12%	30%	47%	29%	36%	27%	49%	70%	100%	9%	33%
(b)	Minimum Statutory Ratio	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%
(c)	Excess/(Deficiency) (a-b)	8%	10%	-8%	10%	27%	9%	16%	7%	29%	50%	80%	-11%	13%
	Source: MFBs Published Financial Statements													

Appendix XIII

RESIDENTIAL MORTGAGES MARKET DEVELOPMENT – SURVEY DECEMBER 2016

		Dec-15				Dec-16			
	Institution	Mortgage Outstanding (Ksh. M)	No. of Mortgages Accounts	Value of NPLs Mortgage (Ksh. M)	No. of Mortgages NPLs Accounts	Mortgage Outstanding (Ksh. M)	No. of Mortgages Accounts	Value of NPLs Mortgage (Ksh. M)	No. of Mortgages NPLs Accounts
1	Kenya Commercial Bank Ltd	47,749.00	7,007.00	2,776.00	341.00	54,333.00	6,496	3,584.00	483
2	HFC Ltd	47,581.16	5,993.00	3,031.96	525.00	51,754.00	5,711	5,862.00	509
3	Cooperative Bank of Kenya Ltd	18,183.00	643.00	1,074.00	50.00	16,161.23	928	1,167.07	73
4	Standard Chartered Bank Ltd	17,290.01	1,885.00	117.88	24.00	22,900.00	2,379	393.00	65
5	CFC Stanbic Ltd	14,716.00	1,684.00	788.00	97.00	14,972.00	1,660	671.00	117
6	Equity Bank Ltd	7,798.00	1,612.00	195.50	48.00	8,882.00	1,746	794.40	127
7	Barclays Bank Ltd	6,578.00	977.00	90.00	16.00	7,539.00	1,000	72.00	17
8	Chase Bank	5,200.89	348.00	455.68	15.00	7,238.29	259	4,586.27	131
9	Commercial Bank of Africa Ltd	4,552.71	465.00	120.09	15.00	5,035.00	529	384.00	36
10	Jamii Bora Bank Ltd	4,494.00	334.00	156.00	25.00	3,439.00	343	965.00	61
11	I&M Bank Ltd	3,446.27	366.00	46.34	9.00	3,491.69	348	117.47	13
12	Family Bank Ltd	3,390.57	586.00	112.00	19.00	3,344.07	353	249.39	28
13	Consolidated Bank Ltd	2,838.98	297.00	761.60	54.00	631.11	97	112.70	13
14	NIC Bank Ltd	2,829.00	285.00	21.00	21.00	2,300.00	182	46.00	13
15	Development Bank Ltd	2,757.76	513.00	719.12	80.00	3,043.43	559	1,142.52	98
16	Fidelity Bank Ltd	2,357.00	58.00	317.00	9.00	1,885.00	48	439.00	11
17	National Bank of Kenya Ltd	2,313.00	401.00	288.00	60.00	2,321.00	405	502.00	87
18	African Banking Corporation Ltd	2,026.00	143.00	72.40	8.00	920.59	40	65.60	3
19	Bank of Africa Ltd	1,622.00	127.00	155.90	17.00	3,110.95	191	293.95	21
20	Eco-bank Ltd	1,099.00	164.00	194.00	22.00	922.71	138	143.66	26
21	First Community Bank Ltd	833.66	171.00	78.35	6.00	990.18	224	136.74	37
22	Gulf African Bank Ltd	761.31	94.00	49.35	4.00	957.12	120	178.93	15
23	Bank of Baroda Ltd	667.75	80.00	30.89	2.00	854.40	102	29.03	2
24	Diamond Trust Bank of Kenya Ltd	554.00	58.00	37.37	5.00	678.20	65	28.20	3
25	Prime Bank Ltd	413.00	35.00	-	-	319.00	30	21.00	2
26	Guardian Bank Ltd	365.07	25.00	-	-	541.68	22	-	-
27	Paramount Universal Bank Ltd	312.77	30.00	27.90	1.00	357.76	27	23.28	1
28	Giro Comercial Bank Ltd	239.61	34.00	-	-	247.03	26	-	-
2	Bank of India	191.29	20.00	-	-	375.96	28	-	-
3	Spire Bank Ltd	111.63	15.00	20.85	2.00	63.87	10	-	-
4	Middle East Bank Ltd	28.00	3.00	-	-	69.00	6	20.00	1
5	M-Oriental Commercial Bank Ltd	5.94	2.00	-	-	28.18	2	-	-
1	Victoria Commercial Bank Ltd	4.90	2.00	-	-	126.00	6	-	-
2	UBA Bank of Kenya Ltd	4.01	1.00	-	-	3.88	1	-	-
3	Habib Bank Ltd	-	-	-	-	-	-	-	-
4	Transnational Bank Ltd	-	-	-	-	-	-	-	-
5	Imperial Bank Ltd	-	-	-	-	-	-	-	-
6	Dubai Bank Ltd	-	-	-	-	-	-	-	-
7	Charterhouse Bank Ltd	-	-	-	-	-	-	-	-
8	Citibank N.A.	-	-	-	-	-	-	-	-
9	Credit Bank Ltd	-	-	-	-	-	-	-	-
10	GTBank Ltd	-	-	-	-	-	-	-	-
11	Habib A.G. Zurich	-	-	-	-	-	-	-	-
12	Sidian Bank Ltd	-	-	-	-	49.00	4	-	-
	Total	**203,315**	**24,458**	**11,737**	**1,475**	**219,885**	**24,085**	**22,028**	**1,993**
	Source: Commercial Banks								

Appendix XIV

Banking Circulars issued in 2016

Circular No.	Date	Title	Purpose
1.	5th January 2016	Additional guidelines on large cash transactions	To apprise institutions on the information to obtain from customers engaging in large cash transactions.
2.	27th July 2016	Implementation of communication on specified entities by the Counter Financing of Terrorism Inter-Ministerial Committee on 14th March 2016	To forward to institutions a list of specified entities that the institutions would be required to cease provision of financial services to and to freeze their accounts.
3.	13th September 2016	The Banking (Amendment) Act, 2016 on interest capping	To notify commercial banks and mortgage finance companies on the applicable interest rate chargeable for a credit facility.
4.	21st September 2016	Review of Central Bank Rate (CBR)	To notify institutions on the Monetary Policy Committee decisions to review the CBR downwards to 10.00 percent from 10.50 percent.
5.	3rd October 2016	Increase of charges and conversion of savings products to transactional products	To direct institutions to ensure that they do not impose arbitrary charges to products and/or accounts that were not attracting charges before the amendment of the Banking Act on interest rate capping.
6.	16th November 2016	Issuance of guidance note on Internal Capital Adequacy Assessment Process (ICAAP)	To guide commercial banks and mortgage finance companies on how to develop and/or revise their ICAAP documents.

				Appendix XVI
BANKS BRANCH NETWORK PER COUNTY- DECEMBER 2016				
		Dec-15	**Dec-16**	**Increase/Decrease**
1	Baringo	8	10	2
2	Bomet	8	9	1
3	Bungoma	19	17	-2
4	Busia	12	11	-1
5	Elgeyo/Marakwet	5	6	1
6	Embu	12	13	1
7	Garissa	8	9	1
8	Homa Bay	11	10	-1
9	Isiolo	8	7	-1
10	Kajiado	48	50	2
11	Kakamega	16	17	1
12	Kericho	17	16	-1

	Appendix XVI			
BANKS BRANCH NETWORK PER COUNTY- DECEMBER 2016				
13	Kiambu	80	76	-4
14	Kilifi	35	34	-1
15	Kirinyaga	15	16	1
16	Kisii	27	25	-2
17	Kisumu	43	44	1
18	Kitui	14	14	0
19	Kwale	12	12	0
20	Laikipia	14	15	1
21	Lamu	8	9	1
22	Machakos	29	31	2
23	Makueni	14	14	0
24	Mandera	3	3	0
25	Marsabit	6	7	1
26	Meru	39	41	2
27	Migori	13	13	0
28	Mombasa	134	133	-1
29	Murang'a	21	20	-1
30	Nairobi City	608	625	17
31	Nakuru	60	59	-1
32	Nandi	12	12	0
33	Narok	12	13	1
34	Nyamira	5	5	0
35	Nyandarua	10	10	0
36	Nyeri	30	29	-1
37	Samburu	2	2	0
38	Siaya	6	7	1
39	Taita/Taveta	10	10	0
40	Tana River	3	3	0
41	Tharaka-Nithi	5	4	-1
42	Trans Nzoia	19	18	-1
43	Turkana	5	5	0
44	Uasin Gishu	45	44	-1
45	Vihiga	6	7	1
46	Wajir	4	4	0
47	West Pokot	**2**	2	0
	Total	**1,523**	**1,541**	**18**

Appendix XVII

DIRECTORY OF COMMERCIAL BANKS, MORTGAGE FINANCE COMPANIES, KENYA BANKERS ASSOCIATION, NON-OPERATING HOLDING COMPANIES AND AUTHORISED REPRESENTATIVE OFFICES

A: COMMERCIAL BANKS

1	**African Banking Corporation Limited** Group Managing Director: Mr. Shamaz Savani Postal Address: P.O Box 46452-00100, Nairobi Telephone: +254-20- 4263000, 2223922, 22251540/1, 217856/7/8.4443482 Fax: +254-20-4447354 Email: headoffice@abcthebank.com; talk2us@abcthebank.com Website: http://www.abcthebank.com Physical Address: ABC Bank House, Mezzanine Floor, Koinange Street Date Licensed: 08-12-1994 Peer Group: Small. Branches: 13.

2	**Bank of Africa Kenya Limited** Managing Director : Mr. Ronald Marambii Postal Address: P. O. Box 69562-00400 Nairobi Telephone: +254-20- 3275000, 3275223, 0703058000 Fax: +254-20-2211477 Email: headoffice@boakenya.com Website: www.boakenya.com Physical Address: BOA House, Karuna Close off Waiyaki Way, Westlands, Nairobi Date Licenced: July 2004 Peer Group: Medium Branches: 45
3	**Bank of Baroda (K) Limited** Managing Director: Mr. Yatish Chander Tewari Postal Address: P. O Box 30033 – 00100 Nairobi Telephone: +254-20-2248402/12, 2226416, 2220575, 2227869, 2248402/12, 2226416 Fax: +254-20-316070, 310439 Email: ho.kenya@bankofbaroda.com, Kenya@bankofbaroda.com Website: www.bankofbaroda kenya.com Physical Address: Baroda House, Koinange Street Date Licenced: 01-07-1953 Peer Group: Medium Branches: 14.
4	**Bank of India** Chief Executive Officer: Mr. Agyey Kumar Azad 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 Date Licenced: 05-06-1953 Peer Group: Medium Branches: 7
5	**Barclays Bank of Kenya Limited** Managing Director: Mr. Jeremy Awori Postal Address: P. O. Box 30120 – 00100, Nairobi Telephone: +254-20-4254000, 5700059/56 Fax: +254-20-2213915 Email: barclays.kenya@barclays.com Website: www.barclayskenya.co.ke Physical Address: Barclays Westend, Waiyaki Way, Westlands Date Licenced: 1916 Peer Group: Large Branches: 108, Sales Centre – 1
6	**Stanbic Bank Kenya Limited** (Formerly CfC Stanbic Bank Ltd.) Chief Executive Officer: Mr. Philip Odera Postal Address: P. O. Box 72833 - 00200 Nairobi Telephone: +254-20-3638000 /11 /17 /18 /20 /21, 3268000, 3269000, 0711-0688000 Fax: +254-20-3752901/7 Email: cfcstanbic@stanbic.com Website: http://www.cfcstanbicbank.co.ke Physical Address: CFC Centre, Chiromo Road, Westlands Date Licensed: 01-06-2008 Peer Group: Medium Branches: 27

7	**Charterhouse Bank Limited** **UNDER - STATUTORY MANAGEMENT** Postal Address: P. O. Box 43252 -00100 Nairobi Telephone: +254-20-2242246 /47 /48/ 49 Fax: +254-20-2219058, 2223060, 2242248 Email: info@charterhouse-bank.com Website: Physical Address: Longonot Place. 6th Floor, Kijabe Street Date Licensed: 01-08-1998 Peer Group: Small Branches: 10
8	**Chase Bank (K) Limited** **IN RECEIVERSHIP** Postal Address: P. O. Box 66015-00800 Nairobi Telephone: +254-20- 2774000, 0732174100, 0703074000, 0736-432025, 0703074101. Fax: +254-20-4454816/4454800-10 Email: info@chasebank.co.ke, atyouservice@chasebank.co.ke Website: http://www.chasebankkenya.co.ke Physical Address: Riverside Mews, Riverside Drive Date Licenced: 01-04-1991 Peer Group: Medium Branches: 58
9	**Citibank N.A Kenya** Chief Executive Officer: Ms. Joyce Anne Wainaina Postal Address: P. O. Box 30711 - 00100 Nairobi Telephone: +254-20- 2754000. 2711221 Fax: +254-20-2714810/1 Email: Kenya.citiservice@citi.com Website: http://www.citibank.co.ke Physical Address: Citibank House, Upper Hill Road, Upper Hill Date Licenced: 01-07-1974 Peer Group: Medium Branches: 3; Agency 1
10	**Commercial Bank of Africa Limited** Chief Executive Officer: Mr. Jeremy Ngunze Postal Address: P. O. Box 30437 – 00100, Nairobi Telephone: +254-20-2884000, 2884444, 0711056444, 0732156444 Fax: +254-20-2734616 Email: contact@cbagroup.com Website: www.cbagroup.com Physical Address: CBA Building, Mara / Ragati Road, Upper Hill Date Licenced: 01-01-1967 Peer Group: Large Branches: 35, Agencies 5
11	**Consolidated Bank of Kenya Limited** Chief Executive Officer: Mr. Thomas Kipkemei Kiyai Postal Address: P. O. Box 51133 - 00200, Nairobi Telephone: +254-20-3340208/3340836, 3340551, 3340298, 3340747,3340298,211950, 0722-999177, 0724253306 Fax: +254-20-340836 Email: headoffice@consolidated-bank.com Website: www.consolidated-bank.com Physical Address: Consolidated Bank House, 6th Floor, Koinange Street Date Licenced: 18-12-1989 Peer Group: Small Branches: 18.

12	**Co-operative Bank of Kenya Limited** Managing Director: Dr. Gideon M. Muriuki Postal Address: P. O. Box 48231 - 00100 Nairobi Telephone: +254-20-3276100, 0711-049000 Fax: +254-20-2227747/2219831 Email: md@co-opbank.co.ke Website: www.co-opbank.co.ke Physical Address: Co-operative House, 4th Floor Annex, Haile Selassie Avenue Date Licenced: 01-07-1968 Peer Group: Large Branches: 142.
13	**Credit Bank Limited** Chief Executive Officer: Mr. Phares Chege Thumbi Postal Address: P. O. Box 61064-00200 Nairobi Telephone: +254-20-2222300/2220789/2222317,2283000, 0728607701, 0738222300 Fax: +254-20-2216700 Email: info@creditbankltd.co.ke Website: www.creditbank.co.ke Physical Address: Mercantile House, Ground Floor, Koinange Street Date Licenced: 30-11-1994 Peer Group: Small Branches: 18
14	**Development Bank of Kenya Limited** Chief Executive Officer: Mr. Victor Kidiwa Postal Address: P. O. Box 30483 - 00100, Nairobi Telephone: +254-20-3340401 /2 /3, 3340416, 2251082, 3340198, 3340478, 3317449, 3344184, 0724253980/1 Fax: +254-20-2250399 Email: dbk@devbank.com Website: www.devbank.com Physical Address: Finance House, 16th Floor. Loita Street Date Licenced: 20-09-1996 Peer Group: Small Branches: 3
15	**Diamond Trust Bank Kenya Limited** Managing Director: Mrs. Nasim M. Devji Postal Address: P. O. Box 61711 – 00200, Nairobi Telephone: +254-20-2849000, 2210988/9, 2210989, 0732121000, 0719031000 Fax: +254-20-2245495 Email: info@dtbafrica,com Website: http://www.dtbafrica.com Physical Address: DTB Centre, Mombasa Road, Nairobi Date Licenced: 15-11-1994 Peer Group: Large Branches: 63
16	**Ecobank Kenya Limited** Managing Director: Mr. Samuel Ashitey Adjei Postal Address: P.O. Box 49584- 00100 Nairobi Telephone: +254-20-2883000, 719 098 000, 0722-204863 Fax: +254-20-2249670, 2883815 Email: kenya@ecobank.com Website: www.ecobank.com Physical Address: Fortis Office Park, Muthangari Drive-Westlands Date Licenced: 16-06-2008 Peer Group: Medium Branches: 31.

17	**Spire Bank Limited** (Formerly Equatorial Commercial Bank Limited) Managing Director: Mr. Timothy Gitonga Postal Address: P. O. Box 52467-00200 Nairobi Telephone: +254-20- 4981000, 0713600724, 0733333780 Fax: +254-20-2719625, 0703047000, 070304777 Email: ecbcustomerservice@ecb.co.ke Website: www.equatorialbank.co.ke Physical Address: Mwalimu Towers, Hill Lane, Upper Hill, Nairobi Date Licenced: 23-06-1995 Peer Group: Small Branches: 154
18	**Equity Bank Limited** Managing Director & C.E.O: Dr. James N. Mwangi Postal Address: P. O. Box 75104-00200, Nairobi Telephone: +254-20- 2262000, 0711026000, 0711025000, 0734108000 Fax: +254-20-2711439 Email: info@equitybank.co.ke Website: http://www.equitybank .co.ke Physical Address: Equity Centre, 9th Floor. - Hospital Road- Upper Hill Date Licenced: 28-12-2004 Peer Group: Large Branches: 164, Sub-Branches 12.
19	**Family Bank Limited** Managing Director & CEO: Mr. David Irungu Thuku. Postal Address: P. O. Box 74145-00200 Nairobi Telephone: +254-020- 3318173, 3318940/2/7, 2244166, 2240601, 0733332300, 0728120444/555 Fax: +254-020- 318174 Email: info@familybank.co.ke Website: www.familybank.co.ke Physical Address: Family Bank Towers, 6th Floor, Muindi Mbingu Street Date Licenced: 01-05-2007 Peer Group: Medium Branches: 91
20	**Fidelity Commercial Bank Limited** Managing Director: Mr. Rana Sengupta Postal Address: P. O. Box 34886-00100 Nairobi Telephone: +254-20-2242348, 2244187, 2245369, 2220845, 2243461, 315917, 0722372531, 1733911835 Fax: +254-20-2243389/2245370 Email: customerservice@fidelitybank.co.ke Website: www.fidelitybank.co.ke Physical Address: I.P.S Building, 7th Floor, Kimathi Street Date Licenced: 07-03-1996 Peer Group: Small Branches: 12
21	**Guaranty Trust Bank (K) Ltd** (Formerly-Fina Bank Limited) Chief Executive: Ms. Ibukunoluwa Odegbaike Postal Address: P. O. Box 20613 – 00200, Nairobi Telephone: +254-20-3284000, 07203084000, 0722-202929 Fax: +254-20-342024 Email: customercareke@gtbank.com Website: http://gtbank.co.ke Physical Address: Sky Park Plaza, Woodvale Close-Westlands Date Licenced: -13-01-1995 Peer Group: Small Branches: 16

22	**First Community Bank Limited** Chief Executive: Mr. Fazal Mehmood Saib Postal Address: P. O. Box 26219-00100, Nairobi Telephone: +254-20-2843000 -3, 0726-736833, 0738-407521 Fax: +254-20-344101 Email: info@fcb.co.ke Website: www.firstcommunitybank.co.ke Physical Address: Prudential Assurance Building, 1st Floor, Wabera Street Date Licenced: 29-04-2008 Peer Group: Small Branches: 18
23	**Giro Commercial Bank Limited** Chief Executive Officer: Mr. Sanjay Gidoomal Postal Address: P. O. Box 13400-00800, Nairobi Telephone: +254-20-4229000, 0722823684, 0722823684, 0788999044 Fax: +254-20-229300 Email: girobank@girobankltd.com Website: Physical Address: Eldama Park- Eldama Ravine Road-Off Peponi Road - Westlands Date Licenced: 17-12-1992 Peer Group: Small Branches: 9
24	**Guardian Bank Limited** Managing Director: Mr. Vasant K. Shetty Postal Address: P. O. Box 67681 – 00200, Nairobi Telephone: +254-020-2226771, 2226774, 2226341, 222483, 0722-282213, 0733-888060, 0736-444644, 0722-938629 Fax: +254-020 -2216633 Email:biashara@guardian-bank.com, headoffice@guardian-bank.com, viewpark@guardian-bank.com Website:www.guardian-bank.com Physical Address: Guardian Centre, Biashara Street Date Licenced: 20-12-1995 Peer Group: Small Branches: 11
25	**Gulf African Bank Limited** Chief Executive Officer: Mr. Abdallah Abdulkhalik Postal Address: P. O. Box 43683 – 00100, Nairobi Telephone: +254-20-2740000, 2718608/9, 2740111 Fax: +254-20-2715655 Email: info@gulfafricanbank.com Website: www.gulfafricanbank.com Physical Address: Gemina Insurance Plaza, Kilimanjaro Avenue, Upper Hill Date Licenced: 01-11-2007 Peer Group: Small Branches: 19
26	**Habib Bank A.G Zurich** Country Manager: Mr. Mohamed Ali Hussain Postal Address: P. O. Box 30584 - 00100 Nairobi Telephone: +254-20-3341172/76/77, 3340835, 3310694 Fax: +254-20-2217004 /2218699 Email: habibbank@wananchi.com Website: www.habibbank.com Physical Address: Habib House, Koinange Street Date Licenced: 01-07-1978 Peer Group: Small Branches: 6

27	**Habib Bank Limited** Country Manager: Mr. Salman Ahmed Khan Malik Postal Address: P. O. Box 43157 – 00100, Nairobi Telephone: +254-20-2226433, 2222786, 2226401/7, 0727531143 Fax: +254-20-2224636 Email: hblro@hblafrica.com Website: www.hbl.com Physical Address: Exchange Building, Koinange Street Date Licenced: 02-03-1956 Peer Group: Small Branches : 6
28	**Imperial Bank Limited** **IN - RECEIVERSHIP** Postal Address: P. O. Box 44905 – 00100, Nairobi Telephone: +254-20-2874000, 3343416 /12/17/18/19/94, 3342373, 2719617 /8 /9,0711019000,0732119000 Fax: +254-20-2719705/2719652, 342374, 2719498 Email: info@imperialbank.co.ke Website: www.imperialbank.co.ke Physical Address: Imperial Court - Westlands Road – Westlands Date Licenced: 08-12-1994 Peer Group: Medium Branches: 26
29	**I & M Bank Limited** Chief Executive Officer: Mr. Christopher M. Kihara Postal Address: P.O. Box 30238 – 00100, Nairobi Telephone: +254-20- 2711994-8, 3221200/2, 3221000 Fax: +254-20-2211160 Email: invest@imbank.co.ke Website: http://www.imbank.com Physical Address: I & M Bank House, 2nd Ngong Avenue, Off Ngong Road Date Licenced: 27-03-1996 Peer Group: Medium Branches: 36
30	**Jamii Bora Bank Limited** Chief Executive Officer: Mr. Samuel Kimani Postal Address: P. O. Box 22741 – 00400, Nairobi Telephone: +254-20- 2224238/9, 2214976, 2219626, 2210338/9, 0722-201112, 0734600682 Fax: +254-20-341825 Email: info@jamiiborabank.co.ke Website: http://www.jamiiborabank.co.ke Physical Address: Jamii Bora House, Koinange Street Date Licenced: 02-03-2010 Peer Group: Small Branches: 27
31	**KCB Bank Kenya Limited** Chief Executive Officer: Mr.Joshua Nyamweya Oigara Postal Address: P. O. Box 48400 – 00100, Nairobi Telephone: +254-20-3270000, 2851000, 2852000, 0711012000, 0734108200 Fax: +254-20-2242408' 2216405 Email: kcbhq@kcb.co.ke Website: http//www.kcbbankgroup.com Physical Address: Kencom House, 8th Floor, Moi Avenue Date Licenced: 01-01-1896 Peer Group: Large Branches: 198

32	**Sidian Bank Limited** (Formerly K-Rep Bank) Managing Director: Mr. Titus Karanja Postal Address: P. O. Box 25363 – 00603, Nairobi Telephone: +254-20- 3906000-7, 0711-058000-7, 0732-158000 Fax: +254-20-3568995 Email: registry@k-repbank.com, enquiries@k-repbank.com Website: www.k-repbank.com Physical Address: K-Rep Centre, Wood Avenue, Kilimani Date Licenced: 23-03-1999 Peer Group: Small Branches: 39
33	**Middle East Bank (K) Limited** Managing Director: Mr. Dhirendra Rana Postal Address: P. O. Box 47387 - 00100 Nairobi Telephone: +254-20-2723120/24, 2722879, 2723124, 2723130, 0722-205903' 0733-333441 Fax: +254-20-343776 / 2256901 Email: ho@mebkenya.com Website: www.mebkenya.com Physical Address: Mebank Tower - Milimani Road. – Milimani Date Licenced: 15-12-1980 Peer Group: Small Branches: 5
34	**National Bank of Kenya Limited** Managing Director & CEO: Mr. Wilfred Musau Postal Address: P. O. Box 72866 - 00200 Nairobi Telephone: +254-20-2828000, 2226471, 0711-038000, Fax: +254-20-311444/2223044 Email: info@nationalbank.co.ke. Website: www.nationalbank.co.ke Physical Address: National Bank Building, 2nd Floor, Harambee Avenue Date Licenced: 01-01-1968 Peer Group: Medium Branches: 73, Agencies 8
35	**NIC Bank Limited** Group Managing Director: Mr. John Mburu Gachora Postal Address: P. O. Box 44599 - 00100 Nairobi Telephone: +254-20-2888000, 2888217, 0711041000, 0732141000 Fax: +254-20-2888505 Email: info@nic-bank.com Website: http://www.nic-bank.com Physical Address: N.I.C House, Masaba Road,- Upper Hill Date Licenced: 28-09-1995 Peer Group: Medium Branches: 35
36	**M-Oriental Commercial Bank Limited** Managing Director: Mr. Rakesh Kashyap Postal Address: P.O BOX 44080-00100, Nairobi Telephone: +254-20-2228461/2, 0734333291, 0722209585 Fax: +254-20-2219469 Email: headoffice@moriental.co.ke Website: www.moriental.co.ke Physical Address: Finance House, 7th Floor, Koinange Street Date Licenced: 08-02-1991 Peer Group: Small Branches: 9.

37	**Paramount Bank Limited** Chief Executive Officer: Mr. Ayaz A. Merali Postal Address: P. O. Box 14001 -00800 Nairobi Telephone: +254-20-4449266/7/8, 446106 /7, 4443896, 445722, 4441528, 4441527, 0723564254, 0734258020, Fax: +254-20-449265 Email: info@paramountbank.co.ke Website: www.paramountbank.co.ke Physical Address: Sound Plaza Building, 4th Floor, Woodvale Grove, Westlands Date Licenced: 05-07-1995 Peer Group: Small Branches: 8
38	**Prime Bank Limited** Chief Executive Officer: Mr. Bharat Jani Postal Address: P. O. Box 43825 – 00100, Nairobi Telephone: +254-20-4203000 /116 /148, 07220205491, 0733611494 Fax: +254-20-4451247 Email: headoffice@primebank.co.ke Website: www.primebank.com Physical Address: Prime Bank Building, Chiromo Lane/ Riverside Drive-Junction, Westlands Date Licenced: 03-09-1992 Peer Group: Medium Branches: 20
39	**Standard Chartered Bank Kenya Limited** Chief Executive Officer: Mr. Lamin Kemba Manjang Postal Address: P. O. Box 30003 - 00100 Nairobi Telephone: +254-20-3293000, 3293900, 3291000, 3294000, 0719081000 Fax: +254-20-3747880 Email: Talk-Us@sc.com Website: www.standardchartered.com Physical Address: Standard Chartered Building-Westlands Road- Chiromo Lane.- Westlands Date Licenced: 10-01-1910 Peer Group: Large Branches: 42
40	**Transnational Bank Limited** Chief Executive Officer: Mr. Sammy Langat Postal Address: P. O. Box 34353 – 00100 Nairobi Telephone: +254-20-2252216/19, 2224235/6, 2252188/90/91, 0720081772, 0733505656 Fax: +254-20-2252225 Email: info@tnbl.co.ke Website: www.tnbl.co.ke Physical Address: Transnational Plaza, City Hall Way Date Licenced: 08-01-1985 Peer Group: Small Branches: 26
41	**UBA Kenya Bank Limited** Managing Director: Mr. Isaac Njiru Mwige Postal Address: P. O. Box 34154 - 00100 Nairobi Telephone: +254-020- 3612000 /1 / 2, Fax: +: +254-020-3740817 Email: ubakenya@ubagroup.com Website: www. ubagroup.com Physical Address: Apollo Centre, 1st Floor, Ring Road / Vale Close, Westlands Date Licenced: 25-09-2009 Peer Group: Small Branches: 4

42	**Victoria Commercial Bank Limited** Managing Director: Mr. Yogesh K Pattni Postal Address: P. O. Box 41114 - 00100 Nairobi Telephone: +254-20-2719499, 2719815, 2710271, 2716108, 2719814.2713208, 2716196, 0721328183 Fax: +254-20-2713778/2715857 Email: victoria@vicbank.com Website: www.victoriabank.co.ke Physical Address: Victoria Towers, Mezzanine Floor, Kilimanjaro Avenue, Upper Hill Date Licenced: 11-01-1996 Peer Group: Small Branches: 4
B: MORTGAGE FINANCE COMPANIES	
1	**HFC Limited** Managing Director: Mr. Sam Mwaniki Waweru Postal Address: P. O. Box 30088 -00100 Nairobi Telephone: +254-20- 3262000, 317474, 2221101, 0722201174, 0722201175, 0733617682/3 Fax: +254-20-340299/2250858 Email: housing@housing.co.ke Website: www.hfgroup.co.ke Physical Address: Rehani House, 2nd Floor, Kenyatta Avenue / Koinange Street – Junction Date Licenced: 07-05-1965 Peer Group: Medium Branches: 27.
C: KENYA BANKERS ASSOCIATION	
1	Chief Executive Officer: Mr. Habil Olaka Postal Address: P. O. Box 73100--00200 Nairobi Telephone: +254-20-2221704, 2217757, 2224014, 2224015, 0733812770, 0711562910 Fax: +254-20-2221792 Email: ceo@kba.co.ke Website: www.kba.co.ke Physical Address: International House, 13th Floor, Mama Ngina Street, Nairobi
D. AUTHORISED NON-OPERATING BANK HOLDING COMPANIES	
1	**Bakki Holdco Limited** Licensed Subsidiary: Sidian Bank Ltd (formerly K-Rep 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
2	**Stanbic Holdings Limited** Licensed Subsidiary: CfC Stanbic Bank Ltd Postal Address: P.O Box 72833-00200, Nairobi Telephone: + 254 20 3638000 E-mail: cfcstanbic@stanbic.com Website: www.cfcstanbicbank.co.ke Physical Address: CfC Stanbic Centre, 1st Floor, Chiromo Road, Westlands, Nairobi Date Authorised: 21st June 2013

3	**Equity Group Holdings Limited** Licensed Subsidiary: Equity Bank Kenya Ltd Postal Address: P.O. Box 75104 – 00200, Nairobi Telephone: +254 763 3026000 Contact Centre: +254 763 063 000 E-mail: info@equitygroupholdings.com Website: www.equitygroupholdings.com Physical Address: Equity Centre, 9th Floor, Hospital Road, Upper Hill, Nairobi Date Authorised: 31st December, 2014
4	**HF Group Limited** Licensed Subsidiary: HFC Ltd Postal Address: PO 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
5	**I & M Holdings Limited** 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: I&M Bank House, 2nd Ngong Avenue, Nairobi Date Authorised: 13th May, 2013
6	**KCB Group Limited** Licensed Subsidiary: KCB Bank Kenya Ltd Postal Address: 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
7	**M Holdings Limited** Licensed Subsidiary: Oriental Commercial Bank Ltd Postal Address: P O Box 73248-00200 Nairobi, Kenya Telephone: + 254 20 2228461/2 E-mail address: mholdings2014@gmail.com Physical address: Jadala Place, 3rd Floor, Ngong Lane, Ngong Road, Nairobi Date Authorised: 18th February, 2015

E.	AUTHORISED REPRESENTATIVE OFFICES
1.	**Bank of China Limited Kenya Representative Office** Chief Representative Officer: Mr. Qi Wang Address: P.O. Box 21357 - 00505 – Nairobi, Kenya Telephone No.: +254 - 20 - 3862811 / 2 Telephone No.: +254 - 20 - 3862811 / 2 Mobile: +254 - 788808600 Email: wangq@bankofchina.com Physical Address: Unit 1, 5th Floor, Wing B, Morningside Office Park, Ngong Road, Nairobi Date Authorised: 29th June 2012

2.	**Bank of Kigali Ltd Kenya Representative Office** Chief Representative Officer: Mr. Patrick Masumbuko Address: P.O. Box 73279-00200 GPO– Nairobi, Kenya Telephone No.: +254 (20) 2711076 Email: pmasumbuko@bk.rw Physical Address: Ground Floor, Capitol Hill Square, Off Chyulu Road, Upper Hill, Nairobi Date Authorised: 12th February 2013
3.	**Central Bank of India Kenya Representative Office** Chief Representative Officer: Mr. S.S. Rao Address: P.O. Box 66860- 00800 Nairobi, Kenya Telephone No.: +254 20 3742008 Fax No.: +254 20 3742011 Mobile : +254 (0)732283722 Email: cronairobi@centralbank.co.in Physical Address: Suite No. 5A, MMID Studios, Westlands Road, Westlands Date Authorised: 12th February 2013
4.	**FirstRand Bank Limited Kenya Representative Office** Chief Representative Officer: Mrs. Alfetta Koome Mungai Address: P.O. Box 35909, 00200 – Nairobi, Kenya Telephone No.: +254 20 4908201 / 4908206 Cell: +254790469978 Email: Alfetta.Koome@rmb.co.za Physical Address: Ground Floor, Eaton Place, UN Crescent, Gigiri, Nairobi Date Authorized: 29th November 2011
5.	**HDFC Bank Limited Kenya Representative Office** Ag. Chief Representative Officer: Mr. Apurva Sheth Address: P.O. Box 14235 - 00800 – Nairobi, Kenya Mobile No. : +254 738905141 Telephone No: +254 20 3749857/63 Email address : Kapil.Gusani@hdfcbank.com Physical Address: Prosperity House, Westlands Road, Off Museum Hill, Westlands, Nairobi Date Authorised: 26th June 2008
6.	**Mauritius Commercial Bank Limited Kenya Representative Office** Chief Representative Officer: Ms. Seema Dhanani Address: P.O. Box 35699 - 00800 – Nairobi, Kenya Mobile No. : +254 716403709 Telephone No: +254 20 44931000 Email address : jan.morren@mcb.mu Physical Address: Bloom Centre, KMA Centre, Mara Road, Upper Hill, Nairobi Date Authorised: 27th November 2014
7.	**Nedbank Limited Kenya Representative Office** Chief Representative Officer: Mr. Jaap van Luijk Address: P.O Box 39218 - 00623, Nairobi, Kenya Telephone: +254-20 - 8045102 Email: kenyacontact@nedbank.co.ke Physical Address: The Exchange Building, 3rd Floor, 55 Westlands Road, Nairobi Date Authorised: 18th June 2010
8.	**Cooperatieve Rabobank U.A Kenya Representative Office** Chief Representative Officer: Mr. Johannes de Laat Address: P.O. Box 1105-00606, Nairobi, Kenya Mobile : +254 202 955 000/1/2 | Mobile : 254 700 331-203/+ 254 700 331 194 Email: jan.de.laat@rabobank.com Website Address: www.rabobank.com Physical Address: 17th Floor, Delta Corner Tower, Waiyaki Way, Nairobi Date Authorised: 5th June 2014

Appendix XVIII

NO.	DIRECTORY OF MICROFINANCE BANKS
1.	**Caritas Microfinance Bank Limited** Chief Executive Officer: Mr. George Mugwe Maina Postal Address: P. O. Box 15352 - 00100, Nairobi Telephone: +254 - 020 - 5151500 Email: info@caritas-mfb.co.ke Website: www.caritas-mfb.co.ke Physical Address: Cardinal Maurice Otunga Plaza, Ground floor, Kaunda Street Date Licensed: 02.06.2015 Branches: 3
2.	**Century Microfinance Bank Limited** Chief Executive Officer: Mr. Reuben Mwangi 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: K.K. Plaza, 1st Floor, New Pumwani Road - Gikomba Date Licensed: 17.09.2012 Branches: 3
3.	**Choice Microfinance Bank Limited** Acting Chief Executive Officer: Mr. Stanley Kasyoka 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 Date Licensed: 13.05.2015 Branches: 2
4.	**Daraja Microfinance Bank Limited** Chief Executive Officer: Mr. Simon Gathecah Postal Address: P.O. Box 100854 - 00101, Nairobi Telephone: +254 - 020 - 3879995 / 0733 - 988888, 0707 – 444888, 0718 - 444888 Email:daraja@darajabank.co.ke Website:www.darajabank.co.ke Physical Address: Karandini Road, off Naivasha Road Date Licensed: 12.01.2015 Branches: 2

5.	**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 Date Licenced: 21.05.2009 Branches: 39
6.	**Kenya Women Microfinance Bank Limited** 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@kwftdtm.com Website: www.kwftdtm.com Physical Address: Akira House, Kiambere Road, Upper Hill Date Licenced: 31.03.2010 Branches: 32
7.	**Maisha Microfinance Bank Limited** Chief Executive Officer: Mr. Ireneus Gichana Postal Address: 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 Date Licensed: 21.05.2016 Branches: 2
8.	**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 Date Licensed: 14.06.2011 Branches: 17
9.	**Remu Microfinance Bank Limited** Chief Executive Officer: Mr. David Gachui Irungu 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: info@remultd.co.ke Website: www.remultd.co.ke Physical Address: Finance House, 14th Floor, Loita Street Date Licensed: 31.12.2010 Branches: 3

10.	**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 Date Licensed: 14.12.2010 Branches: 7
11.	**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 Date Licensed: 29.10.2012 Branches: 4
12.	**U & I Microfinance Bank Limited** Chief Executive Officer: Mr. Simon Mwangi Ngigi Postal Address: 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 Date Licensed: 08.04.2013 Branches: 2
13.	**UWEZO Microfinance Bank Limited** Chief Executive Officer: Mr. Wilson Nguyo Postal Address: 1654 - 00100, Nairobi Telephone: 2212919, 0703591302 Email: info@uwezodtm.com Website: www.uwezodtm.com Physical Address: Rehani House, 11th Floor, Koinange Street Date Licensed: 08.11.2010 Branches: 2

	Appendix XIX
NO.	**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@crbafrica.com Website: www.crbafrica.com Physical Address: CRB Centre, Prosperity House, 2nd Floor, Westlands Road
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 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
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, Shelter Afrique Centre, Upper Hill

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 42909 – 00100 Nairobi Tel: 2244186/ 2248289/2244188	The Stanley Building Kenyatta Avenue, 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	Nakumatt Ukay Centre, Westlands, Nairobi	marioshah_101@hotmail.com
8	CBD Forex Bureau Limited P. O. Box 10964 – 00400 Nairobi Tel: 316123	Clyde House, Kimathi Street, 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

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DIRECTORY OF FOREIGN EXCHANGE BUREAUS			
	Name of Bureau	**Location**	**E-mail Address & Fax**
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	Vedic 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 Flour, Harambee Avenue, Nairobi	cfbltd@akarim.net Fax: 254-2-224126
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, Standard/Kaunda Street, Nairobi	cosmosforex@yahoo.com Fax: 254-2-250591
15	Crater Forex Bureau Ltd P.O. Box 130 -20100 Nakuru Tel: 051- 2214183, 2216524	Menengai Motors, George Morara Avenue, Nakuru	craterforex@wananchi.com Fax: 254-51-2214183
16	Crown Bureau De Change Ltd P. O. Box 22515– 00400 Nairobi Tel: 2250720/1/2	Sai Office, James Gichuru Road, Elmolo Drive, Nairobi	info@crown.co.ke Fax: 254-2-252365
17	Dalmar Exchange Bureau Ltd P. O. Box 16381-00610 Nairobi Tel:+254-20-6761628,6760476 6762301	Olympic Shopping Complex, 2nd Floor, Eastleigh, 1st Avenue, 7th Street, Nairobi	dalmarforex@gmail.com Fax:+254-20-6760470
18	Downtown Cambio Forex Bureau Ltd P. O. Box 42444 – 00100 Nairobi Tel: 608659; 609547/607721	Downtown Building, Wilson Airport, Langata Road, Nairobi	ken@downtownforex.co.ke Fax: 254-2-608354

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DIRECTORY OF FOREIGN EXCHANGE BUREAUS

	Name of Bureau	Location	E-mail Address & Fax
19	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
20	Gala Forex Bureau Ltd P. O. Box 35021-00100 Nairobi Tel: 020310241 Mobile: 0729750000	20th Century, 1st Floor Mama Ngina/ Kaunda Street, Nairobi	galaforexbureau@gmail.com Fax: 254 20 310261
21	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: 254-20-2212942
22	Giant Forex Bureau de Change Ltd P. O. Box 56947 – 00200 Nairobi Tel: 827970	Unit 1, Jomo Kenyatta International Airport, Nairobi	giantforex@mitsuminet.com Fax: 254-2-825327
23	Give and Take Forex Bureau Ltd P. O. Box 51463 – 00200 Nairobi Tel: 7120581/3562152	Gigiri, China Garden Nairobi	giventakeforex@wanainchi.com Fax: 254-2-7120046
24	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
25	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
26	Green Exchange Forex Bureau Ltd P. O. Box 20809 – 00100 Nairobi Tel:+2540202214547/8/9	Emperor Plaza, Ground Floor, Koinange Street, Nairobi	greenexchangeforexbureau@ hotmail.com Fax: 254-2-2214550

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DIRECTORY OF FOREIGN EXCHANGE BUREAUS

	Name of Bureau	Location	E-mail Address & Fax
27	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
28	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
29	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
30	Kenza Exchange Bureau Ltd P. O. Box 21819 – 00400 Nairobi Tel: 822504/ 2245863	JKIA, Arrival Unit 1 Nairobi	okambua@gmail.com, rokora@yahoo.com
31	La’che Forex Bureau Ltd P. O. Box 45191 – 00100 Nairobi Tel: 3514509, 2119568/9, 0711-229408, 3752109	Diamond Plaza, 2nd Floor, Parklands, Nairobi	info@lache.co.ke Fax: 254-2-2733485
32	Legacy Forex Bureau Ltd P. O. Box 15710 – 00100 Nairobi Tel. 0791587614, 0719670281, 0728647131	The Hub Karen, Dagoreti Road, Nairobi	info@legacyforexbureau.co.ke or info@syzointernational.co.ke
33	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
34	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

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DIRECTORY OF FOREIGN EXCHANGE BUREAUS			
	Name of Bureau	**Location**	**E-mail Address & Fax**
35	Lion Bureau De Change Ltd P.O Box 4581-00200 Nairobi Tel: 0732911138, 0731863896, 0202600072	Taj Shopping Mall North Airport Road, Embakasi, Nairobi	anthony.nyuguto@gmail.com info@lionbureau.com
36	Magnum Forex Bureau De Change Ltd P. O. Box 46434 – 00100 Nairobi	Nakumatt Mega, Uhuru Highway, Nairobi	magnumkenya@gmail.com
37	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
38	Metropolitan Bureau De Change Ltd P. O. Box 7080 – 00300 Nairobi Tel: 827963	Galleria Mall, Langata Road, Nairobi	metropolitanforex@gmail.com carolm@metroforex.co.ke Fax: 254-2-252116
39	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
40	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
41	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
42	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**

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DIRECTORY OF FOREIGN EXCHANGE BUREAUS

	Name of Bureau	Location	E-mail Address & Fax
43	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
44	Muthaiga-ABC Forex Bureau Ltd P. O. Box 63533 – 00619, Tel: 4048883/4044146 Cell: 0722-362665/0733-362665	Muthaiga Shopping Centre, Nairobi	mfbfx@mafxgroup.com
45	Nairobi Bureau De Change Ltd P. O. Box 644 – 00624, Village Mkt Nairobi Tel: 822884	Unit 2 JKIA Nairobi	info@nairobibureau.com Fax: 254-2-241307
46	Nairobi Forex Bureau Ltd P. O. Box 12523 – 00100 Nairobi Tel: 2244767/2223039	Gujarat House, Muindi Mbingu Street, Nairobi	nfbwesternunion@yahoo.com Fax: 254-2-244767
47	Namanga Forex Bureau Ltd P. O. Box 12577 – 00100 Nairobi Tel: 02-213642/ 045-5132476	Immigration Building, Namanga Town	namangaforexbureau@yahoo.com
48	Nawal Forex Bureau Ltd P. O. Box 43888 – 00100 Nairobi Tel: 2720111	Chaka Place, Chaka Road, Nairobi	nawalforexbureau@yahoo.com Fax: 254-2-272011
49	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
50	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
51	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

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DIRECTORY OF FOREIGN EXCHANGE BUREAUS

	Name of Bureau	Location	E-mail Address & Fax
52	Pearl Forex Bureau Ltd P. O. Box 58059 – 00200 Nairobi Tel: 2724769/ 2724778	Hurlinghum Shopping Centre, Unipen Flats, Nairobi	pearlforex@rocketmail.com Fax: 254-2-2724770
53	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
54	Penguin Forex Bureau Ltd P. O. Box 3438 – 80100 Mombasa Tel: 041- 316618/2228170	Reel House, Jomo Kenyatta Avenue, Makupa, Mombasa	info@penguinforex.co.ke Fax: 254-41-2228194
55	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
56	Rand Forex Bureau Limited P. O. Box 30923 - 00100 Nairobi Tel: 0722200815	Kampus Mall, University Way, Nairobi	info@randforex.co.ke
57	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
58	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
59	Safari Forex Bureau Ltd P. O. Box 219 Eldoret Tel: 053-2063347	KVDA Plaza, Eldoret	safariforexbureau@yahoo.com Fax: 254-053-2063997
60	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
61	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

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DIRECTORY OF FOREIGN EXCHANGE BUREAUS			
	Name of Bureau	**Location**	**E-mail Address & Fax**
62	Sisi Forex Bureau Limited P.O. Box 60770 - 00200 Nairobi Tel: 2445846/0722-382995	Agip House, Haile Selasie Avenue, Nairobi	sisiforex@sisi.co.ke
63	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
64	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
65	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
66	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
67	Taipan Forex Bureau Ltd P. O. Box 42909 – 00100 Nairobi Tel: 827378	JKIA, International Arrivals Terminal, Nairobi	taipan@africaonline.co.ke Fax: 254-2-229665/248676
68	Tower Forex Bureau Limited P.O. Box 25934 - 00100 Nairobi Tel. 0723434343, 0739270511, 0772372744	I & M Bank Tower, Kenyatta Avenue, Nairobi	nim711@hotmail.com
69	Trade Bureau De Change Ltd P. O. Box 7080 – 00300 Nairobi Tel: 2241107	St Eliss House, City Hall Way, Nairobi	trade@wananchi.com tradebdc@yahoo.com Fax: 254-2-317759
70	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
71	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

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DIRECTORY OF FOREIGN EXCHANGE BUREAUS

	Name of Bureau	Location	E-mail Address & Fax
72	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
73	Ventures Forex Exchange Bureau Ltd P.O. Box 2665 - 00200 Nairobi Tel: 0722650195	Bishop Magua Centre, 1st floor, Ngong Road, Nairobi	venturesforexbureau@gmail.com, wanjiru101@yahoo@.com
74	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
75	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
76	Westlands Forex Bureau Ltd P. O. Box 45746 – 00100 Nairobi Tel: 3748786	14 Riverside Drive, Nairobi.	westforex@wananchi.com Fax: 254-2-3748785
77	Yaya Centre Exchange Bureau Ltd P. O. Box 76302 – 00508 Nairobi Tel: 02-3869097	Yaya Centre Towers, Argwings Kodhek Road, Nairobi	info@yayaforex.co.ke Fax: 254-2-3870869

Appendix XXI

DIRECTORY OF MONEY REMITTANCE PROVIDERS (MRPs)

	Name of MRP	Location	Email Address
1	Amal Express Money Transfer Limited P.O.BOX 3165 – 00100 Nairobi Tel: 0722878597 or 0723281122	Amal Plaza, 1st Avenue Eastleigh, Nairobi	info@amalexpress.co.ke
2	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
3	Bakaal Express Money Transfer Ltd P.O.BOX 71248 – 00610 Nairobi Tel: 2394513 or 0717399039	Amco Shopping Mall, 1st Avenue Eastleigh, Nairobi	nbiinfo@bakaal.com
4	Continental Money Transfer Limited P.O. Box 49387 – 00100 Nairobi Tel : 2217138/40	Eco Bank Towers, Kaunda Street, Nairobi	info@continentalmoneytransfer.com

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DIRECTORY OF MONEY REMITTANCE PROVIDERS (MRPs)

5	Dahabshill Money Transfer Limited. P.O. Box 68991 – 00622 Nairobi Tel:2222728/9 or 0720169999	20th Century Building, Standard Street, Nairobi	ken.dmtc@dahabsiil.com
6	Flex Money Transfer Limited P.O. Box 23786-00100 Nairobi Tel:020-3861100/ 0715919391	Green House, 4th Floor, Suite 13, Ngong Road, Nairobi	info@flex-money.com www.flex-money.com
7	Global Money Transfer Limited P.O. Box 47583 – 00100 Nairobi Tel:020-2321972/ 0722701990	1st Floor Shariff Centre, Eastleigh Nairobi	Globalfrx@gmail.com
8	Hodan Global Money Remittance and Exchange Limited P.O. Box 68811 – 00622 Nairobi Tel:2084862	Hong Kong Shopping Mall, 1st Avenue, Athumani Kipanga Street, Eastleigh, Nairobi	hodanforex2008@hotmail.com
9	Iftin Express Money Transfer Limited P.O. Box 100184 – 00101 Nairobi Tel: 2629818	AMCO Shopping Mall, 1st Avenue, Eastleigh, Nairobi	iftinforex@gmail.com
10	Juba Express Money Transfer Limited P.O.BOX 17773 – 00100 Nairobi Tel: 2240540, 0727699669 or 0772699669	Hamilton House, Kaunda Street Nairobi	info@jubaexpress.co.ke
11	Kaah Express Money Transfer Limited P.O.BOX 10327 – 00400 Nairobi Tel: 0206767494/604 or 0724710153	Kaah building, 2th Avenue, 8th Street, Eastleigh, Nairobi	kaahexpress.kenya@gmail.com

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DIRECTORY OF MONEY REMITTANCE PROVIDERS (MRPs)

12	Kendy Money Transfer Limited P.O.BOX 76163 – 00508 Nairobi Tel: 0202377054	Sameer Business Park, Block E, Off Mombasa Road	info@kendytechnologies.co.ke
13	Safaricom Money Transfer Services Limited P. O. Box 66827 – 00800 Nairobi Tel: 20 427 3272 / 0722 00 3272	Safaricom House, Waiyaki Way, Westlands, Nairobi	ceo@safaricom.co.ke
14	Tawakal Money Transfer Limited P.O. BOX 42909 – 00100 Nairobi Tel : 6766171	Ubah Center, 5th Street Eastleigh, Nairobi.	tfbureau@yahoo.com
15	UAE Exchange Money Remittance Limited P.O Box 51695 – 00100 Nairobi Tel: 2220101	IPS Building, Kimathi Street, Nairobi.	kimathistreet.branch@ke.uaeexchange.com
16	Real Value Money Transfer Ltd. P.O Box 26530 – 00100 Nairobi Tel: 0721297906	Shariff Complex,5th Avenue ,Eastleigh, Nairobi.	realvaluetransfer@gmail.com
17	Upesi Money Transfer Ltd P.O Box 60776 – 00100 Nairobi Tel: 0726499656	NHIF Building,1st Floor, Nairobi	info@upesi.co.ke
18	Mobex Money Transfer Services Ltd. P.O Box 1956 – 00621 Nairobi Tel: 0708047188	Woodlands Office Park, 4th Floor, Woodlands Road, Nairobi	contactus@terrapay.com

Central Bank of Kenya

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

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