Central Bank of Kenya

BANK SUPERVISION ANNUAL REPORT 2017

REGIONAL AND INTERNATIONAL DEVELOPMENTS AND INITIATIVES
Performance Rating COMESA SUPERVISORY FRAMEWORK
MACROECONOMIC CONDITIONS AND BANKING SECTOR PERFORMANCE
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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.

The global financial system and the banking industry in particular, witnessed yet another eventful year in 2017. Globally, the continued implementation of the international post-crisis reforms launched by the Group of 20 (G20) further strengthened capital and liquidity standards worldwide. On the technological front, the debate carried on over emerging disruptive financial technologies and virtual currencies, with proponents exploring the 'use cases' of these emerging technologies and their strategic implications for conventional financial services.

Within Africa, concerns persisted on macro-prudential trends, with low commodity prices, concerns over debt sustainability for many African jurisdictions, the quality of loans in the banking system, as well as the prevailing political environment and its impact on the financial sector. Specific banking sector concerns were on two fronts; first, the decline in correspondent banking relationships with European and American banks on the back of Anti-Money Laundering / Combatting the Financing of Terrorism (AML/CFT) concerns. The second front was the scaling down of operations in Africa by some global banks underpinned by regulatory changes particularly in Europe.

For the Kenyan banking sector, 2017 presented a 'perfect storm' arising from a number of challenges that impacted the sector's performance. Key among these were:

i. the impact of the interest rate caps enacted by the Banking (Amendment) Act 2016, with 2017 being the first full year of operation under the rate caps.
ii. a persistent drought for a significant part of the year, which affected agricultural activity.
iii. protracted electioneering in the second half of the year, and its accompanying uncertainty.

In the face of these challenges, the banking sector's performance was resilient. Total net assets rose by 8.3 per cent to Ksh.4 trillion in 2017 from Ksh.3.7 trillion in 2016. Total customer deposits also increased by 11 per cent to Ksh.2.9 trillion in 2017 from Ksh.2.6 trillion in 2016. Shareholders' equity also grew by 7.8 percent to Ksh.644 billion in 2017 from Ksh.597 billion in 2016. The capital adequacy and liquidity ratios' at 18.8 percent and 43.7 percent respectively were above the statutory minimum of 14.5 percent and 20 percent.

The negative impact of the challenges in 2017 was seen in, among other indicators, the decline in overall pre-tax profitability by 9.6 percent to Ksh.133.2 billion in 2017 from Ksh.147.4 billion in 2016. Lending was also affected by the adverse operating environment, with gross lending decreasing by 5 percent to Ksh.2.16 trillion in 2017 from Ksh.2.29 trillion in 2016.

The banking sector responded to these challenges principally through:

i. A review of business models through a shift towards use of digital channels from brick and mortar establishments.
ii. Cost containment: Enhanced scope of service automation to increase throughput and efficiency in service delivery, as well as seamless integration of channels to improve customer experience.
iii. Capital injections and exploring mergers and acquisitions – a number of institutions undertook capital enhancements in 2017 to boost capital and liquidity positions. In the same year, three separate combinations through acquisitions were undertaken.

From a regulatory standpoint, the key risks to the banking sector that CBK focused upon in 2017 were the following:

- **Credit risk –** this was enhanced in 2017 as economic activity slowed down during the protracted election period. The slowdown in economic activity affected debt servicing across the sectors, as well as overall asset quality in the banking sector. This was reflected by the increase in the ratio of non-performing loans from 9.3 percent in 2016 to 12.3 percent in 2017.

GOVERNOR'S MESSAGE

- **Liquidity Risk –** The liquidity risk in 2017 eased following its' elevation in 2016 on the backdrop of three banks placed under receivership by CBK in 2015 and 2016. In 2017, banks strengthened their liquidity positions underpinned by enhanced customer relationship management and liquidity risk management.
- **Technology and cyber risks –** To address the risks posed to business continuity and the associated reputational risk arising from the increasing digitization of financial services, CBK issued a Guidance Note on Cybersecurity in 2017. The note set out the regulatory standards to industry participants on assessment and mitigation of cybersecurity threats.

In line with Kenya's development blueprint Vision 2030, CBK's overarching vision is for a banking sector that works for and with Kenyans. This vision is underpinned by the following key pillars:

- **Customer-centricity –** customer needs are at the heart of product and business model design by banks.
- **Risk-based credit pricing –** ensuring fair pricing of credit facilities based on borrowers' credit histories.
- **Transparency and disclosure –** provision of the necessary and timely information to customers to facilitate informed financial decision-making and assessment.
- **Doing the right thing –**banks should move beyond mere compliance to assessing and considering the long-term impact of their actions both to themselves and society, making ethical and sustainable choices.

While the banking sector has made significant strides, much more still needs to be done. Given the growing trend towards financial sector integration, CBK recognizes that this vision can only be achieved through the concerted efforts of all financial sector stakeholders, both in Government and the private sector. CBK welcomes the contributions of all stakeholders in this effort and will continue to play its part by providing an enabling regulatory environment.

Dr. Patrick Njoroge
Governor, Central Bank of Kenya

FOREWORD BY DIRECTOR, BANK SUPERVISION

The Kenyan banking sector remained resilient on the backdrop of turbulence in 2017, characterized by interest rate capping, unfavorable weather conditions and a prolonged electioneering period. The key highlights of the sector's financial performance were:-

- The sector's gross loans and advances decreased by 5.68 percent from KSh.2.29 trillion in December 2016 to KSh.2.16 trillion in December 2017. However, total net assets grew by 8.1 percent from Ksh.3.7 trillion in December 2016 to KSh.4.0 trillion in December 2017, with the growth being supported by investments in government securities.
- Customer deposits increased by 10.75 percent from Ksh.2.62 Trillion in December 2016 to Ksh.2.90 Trillion in December 2017. The growth was attributed to increased deposit mobilization by banks as they expanded their outreach and leveraged on digital platforms.
- The pre-tax profit for the sector decreased by 9.6 percent from Ksh.147.4 billion in December 2016 to Ksh.133.2 billion in December 2017. The decrease in profitability was attributed to a higher decrease in income compared to a marginal decrease in expenses. The banking sector income declined by 3.12 percent in the period ended December 2017 whereas expenses marginally decreased by 0.5 percent over the same period.
- The banking sector remained well capitalized with capital adequacy ratio standing at 18.8 percent in 2017, well above the regulatory requirement of 14.5 percent.
- The banking sector average liquidity ratio as at December 2017 stood at 43.7 percent as compared to 40.3 percent registered in December 2016. 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 16.32 percent while total short-term liabilities grew by 10.35 percent. The banking sector's average liquidity in the twelve months to December 2017 was above the statutory minimum requirement of 20 percent.
- The ratio of gross non-performing loans to gross loans increased from 9.2 percent in December 2016 to 12.3 percent in December 2017. This was mainly attributed to a challenging business environment in 2017.

FOREWORD BY DIRECTOR, BANK SUPERVISION

In an effort to promote transparency in credit pricing and customer protection as a CBK initiative, CBK jointly with the Kenya Bankers Association launched an online portal on cost of credit in June 2017.

The Central Bank of Kenya issued a Guidance Note on Cybersecurity in August 2017 to all commercial banks and mortgage finance companies that outlines the minimum requirements for banks to enhance their cyber risks framework. This was necessitated by the increased leveraging on technology by banks which exposes them to increased cyber risks.

The banking sector is projected to remain stable and sustain its growth momentum in 2018 as the outcomes of various reform initiatives in the banking sector start to manifest. Some of the reforms and initiatives planned include;

- Review of the legal and regulatory frameworks for institutions licensed under the Banking Act.
- Development of a pricing index of cost of Banking services and products.
- Review of emerging disruptive technology such as distributed ledger technology, cloud computing and artificial intelligence and formulating appropriate regulatory responses to emerging risks from these technologies.
- Deployment of Regulatory Technology (Reg-Tech) and Supervisory Technology (Sup-Tech) in surveillance processes.

Gerald Nyaoma
Director, Bank Supervision Department

EXECUTIVE SUMMARY

"Resilience in a perfect storm". 2017 was one of the most difficult periods that the Kenyan Banking sector has dealt with in recent times. Banks steered through a "perfect storm" of interest rate capping, unfavorable weather conditions and a prolonged electioneering period. Interest rates capping impacted on banks pricing of credit facilities and deposits. Unfavorable weather conditions adversely impacted various sectors of the economy, hence affecting lending in the sectors. Prolonged electioneering brought a lot of uncertainties to the business environment.

Despite the storm, the banking sector remained well capitalized with the capital adequacy ratio standing at **18.8 percent** in 2017, well above the regulatory requirement of **14.5 percent.** Similarly, the banking sector's average liquidity ratio in 2017 stood at 43.7 percent which was well above the minimum regulatory liquidity ratio of 20 percent. The banking sector remained profitable by posting a profit before tax of **Ksh.133.2 billion** in 2017. This is an indication that despite the storm, the banking sector remained resilient, proof of its ability to withstand cyclical downturns.

The global and regional economies. Both the global and regional economic outputs increased in 2017. The global economic output is estimated to have increased by 3.8 percent in 2017 from 3.2 percent in 2016 driven, by a rebound in global trade. On the other hand, the regional economy (Sub-Saharan Africa (SSA)) growth picked up from 1.4 percent in 2016 to an estimated 2.8 percent in 2017 driven largely by improvement in output among commodity exporters. The upward trend in the global and regional economies is expected to continue in 2018.

The domestic economic growth slowed to 4.9 percent in 2017 from 5.9 percent in 2016. This was largely on account of the adverse weather conditions that affected agricultural performance, coupled with uncertainties associated with the prolonged electioneering period in the second half of the year. Overall inflation remained elevated in the first half of 2017, owing to increased food prices. The foreign exchange market and interest rates remained relatively stable. Nonetheless, the economy remained resilient, supported by the services sector.

Performance of the banking sector. The Kenyan banking sector registered improved financial strength as evidenced by an increase in total assets between 2016 and 2017 supported by growth in investment in government securities. Over the same period, banking sector capital and reserves registered a 7.81 percent increase attributable to additional capital injections as well as retained earnings from the profits realized. However, the sector recorded a 9.6 percent decline in profitability associated with reduction in income levels.

This report, based on statistical market analysis, provides highlights on the structure of the Kenyan banking sector and supervisory developments, macroeconomic conditions and banking sector performance and regional and international developments initiatives. The report demonstrates the resilience of the Kenyan banking sector in the "perfect storm" that was 2017. The banking sector is projected to remain resilient in 2018 as banks adjust their business models to the changing dynamics.

CHAPTER 1

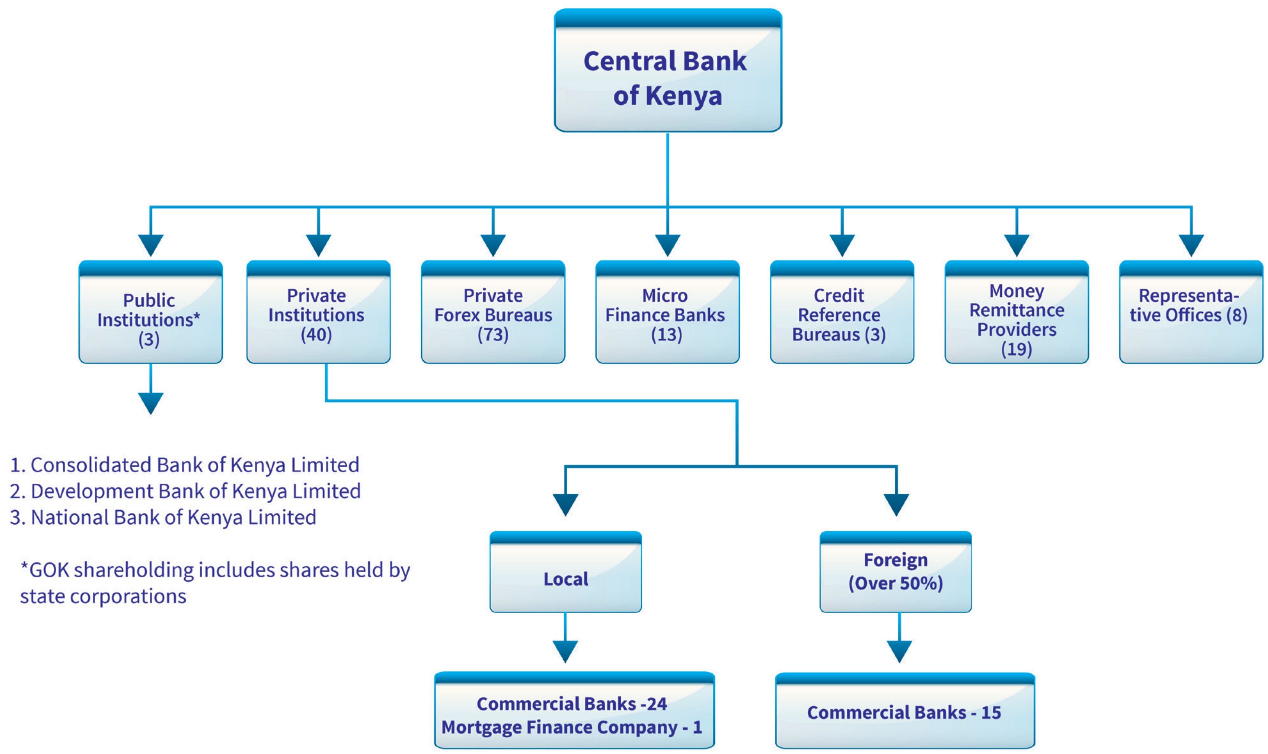
STRUCTURE OF THE BANKING SECTOR

STRUCTURE OF THE BANKING SECTOR

1.1 The Banking Sector

As at December 31, 2017, the Kenyan banking sector comprised of the Central Bank of Kenya (CBK), as the regulatory authority, 43 banking institutions (42 commercial banks and 1 mortgage finance company), 9 representative offices of foreign banks, 13 Microfinance Banks (MFBs), 3 Credit Reference Bureaus (CRBs), 19 Money Remittance Providers (MRPs), 8 non-operating bank holding companies and 73 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 financier. Of the 14 foreign-owned institutions, all commercial banks, 11 were local subsidiaries of foreign banks while 3 were branches of foreign banks. All licensed forex bureaus, microfinance banks, credit reference bureaus, money remittance providers, non-operating bank holding companies and representative offices and were privately owned. Chart I below depicts the structure of the banking sector as at December 31, 2017.

Chart 1: Structure of the Banking Sector - December 2017



STRUCTURE OF THE BANKING SECTOR

Bank Supervision Department

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

i. Development of legal and regulatory frameworks to foster stability, efficiency and access to financial services. The Department achieves this objective through: -

   - Continuous review of the Banking Act, Microfinance Act, Building Societies Act, Regulations and Guidelines issued thereunder which lay the legal foundation for banking institutions, non-bank financial institutions, deposit taking microfinance institutions and building societies.
   - Continuous review of Regulations and Guidelines for Foreign Exchange Bureaus licensed under the Central Bank of Kenya Act.
   - Continuous review of Regulations for Credit Reference Bureaus licensed under the Banking Act.

ii. Processing licenses of Commercial Banks, Non-Bank Financial Institutions, Mortgage Finance Institutions, Building Societies, Foreign Exchange Bureaus, Microfinance Banks, Credit Reference Bureaus and Money Remittance Providers.

iii. Conducting onsite evaluation of the financial condition and compliance with statutory and prudential requirements of institutions licensed under the Banking Act, Microfinance Act; and Foreign Exchange Bureaus and Money Remittance Providers licensed under the Central Bank of Kenya Act.

iv. Conducting offsite surveillance of institutions licensed under the Banking Act, Microfinance Act, and Foreign Exchange Bureaus and Money Remittance Providers licensed under the Central Bank of Kenya Act through the receipt and analysis of returns received periodically.

The Department also processes corporate approvals for banking institutions in regard to opening and closing of places of business, 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.

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

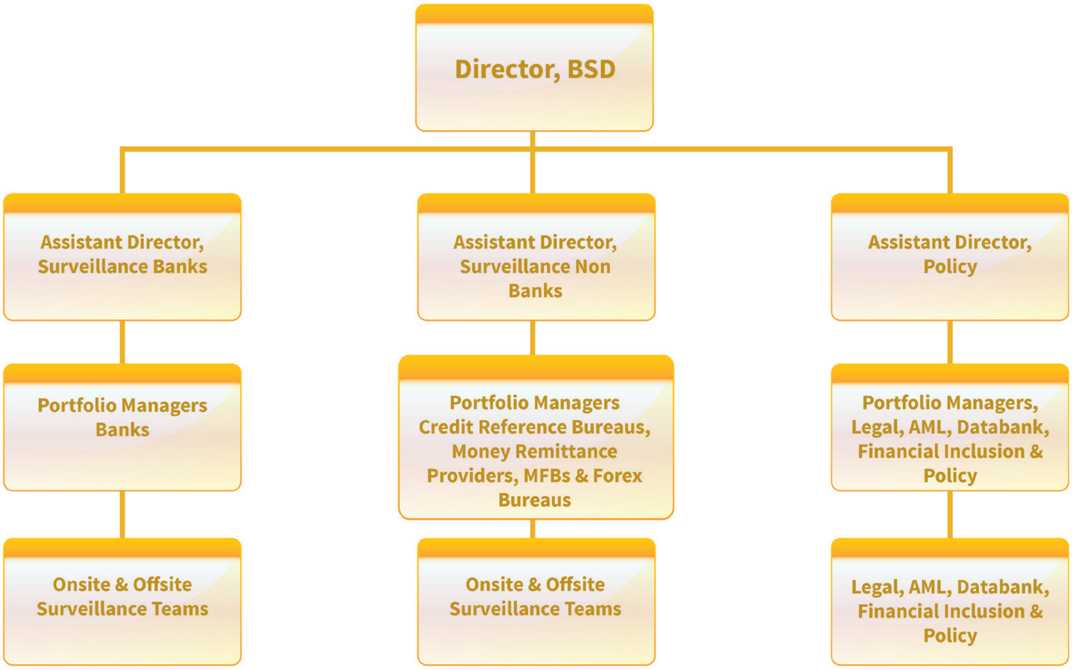
vi. Participation in regional activities organized by regional and international bodies or associations such as the East African Community (EAC), and Common Market for Eastern and Southern Africa (COMESA), the Alliance for Financial Inclusion (AFI) and African Rural and Agricultural Credit Association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

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

viii. As at December 31, 2017, 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.**

STRUCTURE OF THE BANKING SECTOR

Chart 2: Bank Supervision Organogram



1.2 Ownership and Asset Base of Commercial Banks

The total net assets in the banking sector stood at Ksh.4.0 trillion as at December 31, 2017. The 22 local private commercial banks (*excluding Charterhouse Bank, Imperial Commercial Bank and Chase Bank Ltd) and the 3 local public commercial banks accounted for 64.8 percent and 3.5 percent of total net assets respectively. A total of 15 commercial banks were foreign owned and accounted for 31.7 percent of the sector's assets as indicated in Table 1 and Chart 3.

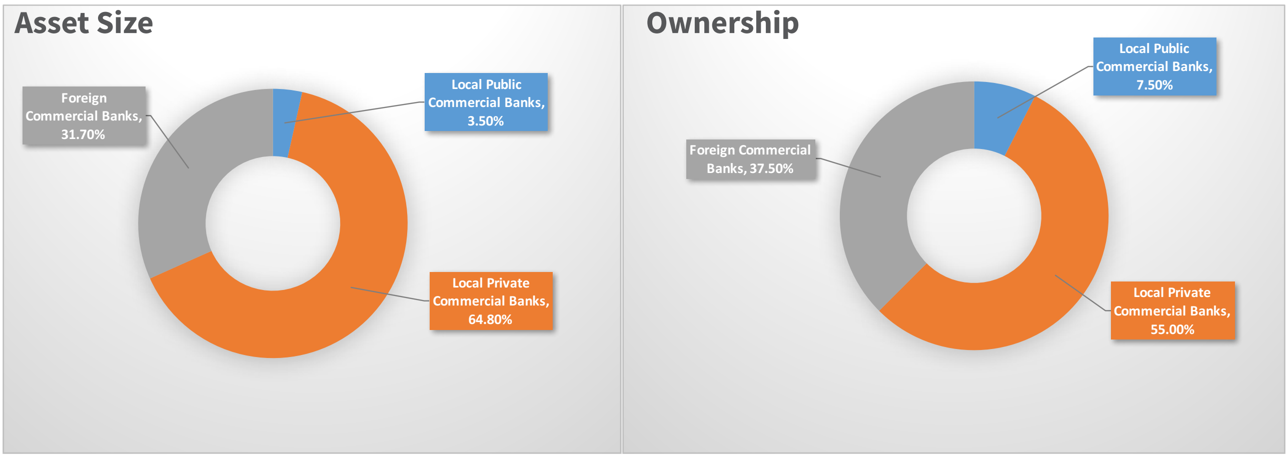
Table 1: Ownership and Asset Base of Commercial Banks (Ksh. M)

Ownership	Number	% of Total	Total Net Assets	% of Total
Local Public Commercial Banks	3	7.5%	139,718	3.5%
Local Private Commercial Banks*	22	55.0%	2,592,294	64.8%
Foreign Commercial Banks	15	37.5%	1,270,729	31.7%
Total	**40**	**100.0%**	**4,002,741**	**100.0%**

**Charterhouse Bank, Imperial Commercial Bank & Chase bank which are under statutory management have been excluded*

Source: CBK

Chart 3: Ownership and Asset Base of Commercial Banks December 2017



Source: Published Financial Statements

The number of local public commercial banks remained at 3 in 2017 as was in 2016. The 3 banks accounted for 3.5 percent of total net assets in December 2017 as compared to 3.9 percent in December 2016. The decrease is attributable to slower growth in assets given capital constraints experienced by the public banks.

There were 22 local private commercial banks in December 2017; same number as those in December 2016. The local private commercial banks accounted for 64.8 percent of total net assets as compared to 65.1 percent as at December 2016.

In 2017, a total of 15 commercial banks were foreign owned and accounted for 31.7 percent **(Table 1 and Chart 2)** of the sector's assets. As at December 2016 there were a total of 13 foreign owned commercial banks which accounted for 30.9 percent of assets.

1.3 Distribution of Commercial Banks Branches

The number of bank branches decreased from 1,541 in 2016 to 1,518 in 2017, which translated to a decrease of 23 branches. Nairobi County registered the highest decrease in the number of branches, by 14 branches, as indicated in **Appendix XVI.** A total of 13 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 phone 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.

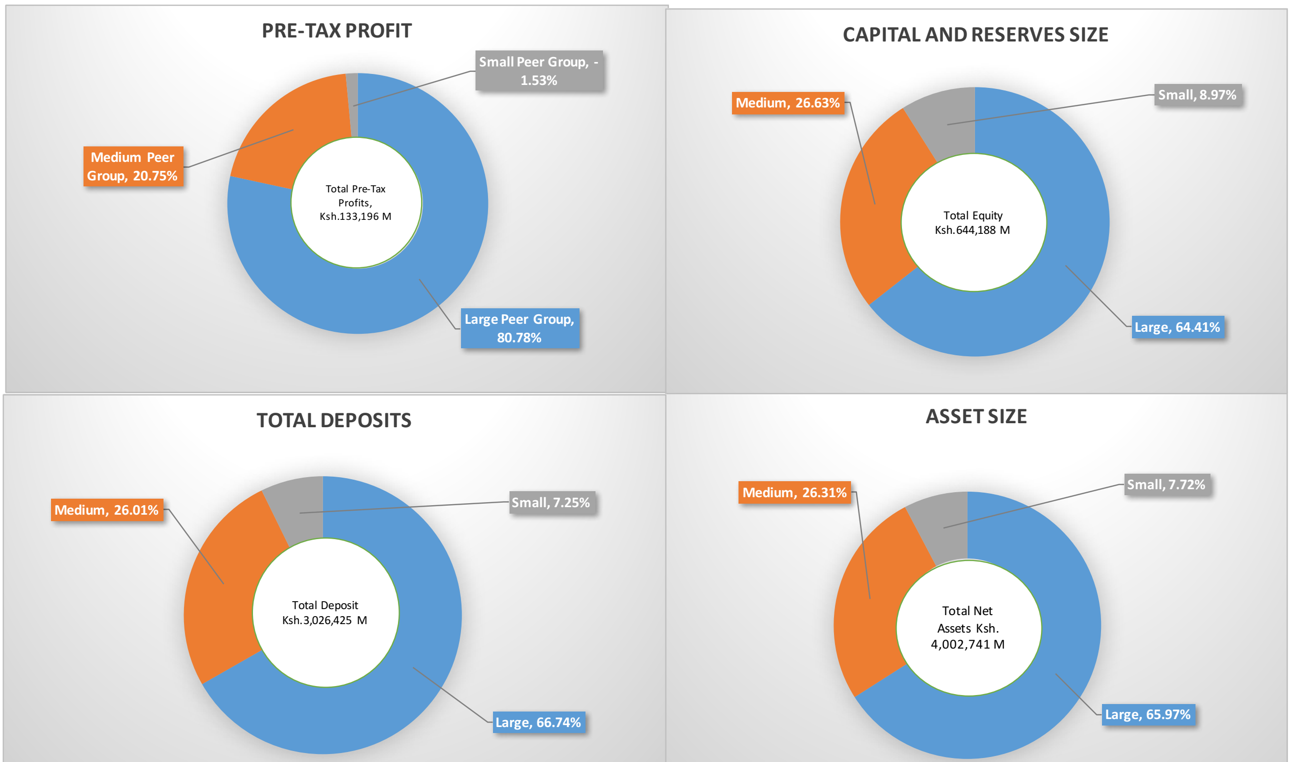
For the period ended December 31, 2017, there were 8 large banks with a market share of 65.98 percent, 11 medium banks with a market share of 26.10 percent and 21 small banks with a market share of 7.92 percent as shown in **Table 2, Chart 4** and **Appendix IV.**

Table 2: Commercial Banks Market Share Analysis					
Peer Group	**Weighted Market Share**	**No. of Institutions**	**Total Net Assets, (Ksh. M)**	**Total Deposits, (Ksh. M)**	**Capital and Reserves (Ksh. M)**
Large	65.98%	8	2,640,684	2,019,840	414,894
Medium	26.10%	11	1,052,969	787,147	171,527
Small	7.92%	21	309,088	219,438	57,768
Total*	**100.00%**	**40**	**4,002,741**	**3,026,425**	**644,188**
** Charterhouse Bank under Statutory Management and Imperial Bank & Chase Bank under Receivership have been excluded*					
Source: CBK					

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

- Banks in the large peer group increased their combined market share from 65.32 percent in December 2016 to 65.98 percent in December 2017. This is mainly attributable to increased customer deposits which increased by 16.13 percent between December 2016 and December 2017.
- The combined market share of medium peer group banks increased from 26.0 percent in December 2016 to 26.10 percent in December 2017.
- Banks in small peer group decreased their combined market share from 8.90 percent in December 2016 to 7.92 percent in December 2017 attributable to acquisition of two banks in the small peer group by a large and a medium peer group bank in 2017.

Chart 4: Commercial Banks Market Share (%) December 2017



Source: CBK

In 2017, the banking sector capital and reserves increased by 7.81 percent from Ksh.597.54 billion in December 2016 to Ksh.644.19 billion in December 2017. The large and medium peer groups registered increases in capital and reserves while the small peer group registered a decrease. The increase in capital and reserves is attributable to additional capital injections by commercial banks as well as retained earnings from the profits realized in the year.

The banking sector registered a decrease in profitability between December 2016 and December 2017. Profit before tax decreased by 9.6 percent from Ksh.147.4 billion in December 2016 to Ksh.133.2 billion in December 2017. The decrease in profitability was attributed to a higher decrease in income compared to a marginal decrease in expenses. The banking sector income declined by 3.12 percent in the period ended December 2017 whereas expenses marginally decreased by 0.50 percent over the same period.

The large peer group accounted for 80.78 percent of the total pre-tax profit, an increase from 78.6 percent recorded in 2016. The small peer group proportion of total pre-tax profit decreased from 2.2 percent in 2016 to negative 1.53 percent in 2017, attributable to 8 banks making loses in 2017 as compared to 5 banks in 2016. The medium peer group proportion of total pre-tax profit declined to 20.75 percent from 21.20 percent due to 3 banks making losses in 2017 as compared to 2 banks in 2016.

Customer deposits increased by 10.75 percent from Ksh.2.61 trillion in December 2016 to Ksh.2.90 trillion in December 2017. The growth was supported by mobilization of deposits through agency banking and mobile phone banking platforms.

1.5 Automated Teller Machines (ATMs)

The number of ATMs increased by 169 (6.36 percent) to 2,825 in December 2017 from 2,656 in December 2016 as indicated in Table 3 as compared to a decrease of 62 ATMs between December 2015 and December 2016. The increase in ATMs in 2017 reflects the strategic decision by banks to reduce cost of opening new branches by opening ATM centers. The banks have also continued to adopt other cost effective delivery channels in offering financial services to ensure efficiency and maintain their market shares as evidenced by the reduction in number of bank branches and number of employees.

Table 3: ATM Network

Month	2016	2017	Annual Movement	%age Growth
January	2,733	2,786	53	1.94%
February	2,744	2,795	51	1.86%
March	2,759	2,791	32	1.16%
April	2,660	2,795	135	5.08%
May	2,660	2,779	119	4.47%
June	2,682	2,782	100	3.73%
July	2,688	2,778	90	3.35%
August	2,695	2,805	110	4.08%
September	2,658	2,771	113	4.25%
October	2,713	2,812	99	3.65%
November	2,694	2,823	129	4.79%
December	2,656	2,825	169	6.36%

Source: CBK

1.6 Asset Base of Microfinance Banks

As at December 2017, there were thirteen licensed Microfinance Banks, eleven had nationwide microfinance bank licenses while two had community microfinance bank licenses. In 2017, CBK approved the conversion of U & I Microfinance Bank from community microfinance bank to nationwide microfinance bank.

The microfinance banks registered a modest decline in growth in 2017 with a 7 percent decline in total assets from Ksh.72.5 billion in December 2016 to Ksh.67.6 billion in December 2017. This was contrary to the trend observed in year 2016 and 2015 where total assets grew by 5 percent and 22 percent respectively. Net advances declined by 8.9 percent in the year 2017 from Ksh.47.0 billion in December 2016 to Ksh.42.8 billion in December 2017. The decline in advances mirrored the slowdown in the economy due to the prolonged electioneering period and drought in

2017. Net advances accounted for 63 percent of the microfinance bank's total assets while net fixed assets accounted for 10 percent of the total assets base as indicated in Table 4. Lending therefore remained the most significant activity undertaken by the MFBs.

Customer deposits declined by 3 percent from Ksh.40.2 billion in December 2016 to Ksh.38.9 billion in December 2017. During the year, customer deposits accounted for 57 percent of the microfinance banks total funding sources compared to 55 percent in 2016. Borrowings as a source of funding declined accounting to 20 percent compared to 23 percent in 2016.

As at December 2017, the gross loan portfolio amounted to Ksh.42.8 billion while deposits amounted to Ksh.38.9 billion, indicating that the MFBs largely fund their loan portfolio from customer deposits.

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

ASSETS	2016	% of Total	2017	% of Total
Cash Balance (Local & Foreign notes & coins)	2,268	3%	1,743	2%
Deposit balances at banks and financial institutions	12,102	17%	10,025	15%
Government securities	1,769	2%	2,500	4%
Net Advances	47,047	65%	42,847	63%
Accounts Receivables	846	1%	1,181	2%
Net Fixed Assets	6,077	9%	6,643	10%
Other Assets	2,401	3%	2,658	4%
TOTAL NET ASSETS	**72,510**	**100%**	**67,597**	**100%**
LIABILITIES & EQUITY FUNDS				
Deposits	40,198	55%	38,916	57%
Borrowings	16,435	23%	13,413	20%
Other Liabilities	4,256	6%	3,967	6%
Capital and Shareholders Funds	11,621	16%	11,301	17%
TOTAL LIABILITIES AND EQUITY FUNDS	**72,510**	**100%**	**67,597**	**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 active deposit accounts and active loan accounts. Microfinance banks are classified into three peer groups namely large, medium and small. A microfinance bank is classified as large if it has a market share of 5 percent and above; medium if it has a market share of between 1 percent and 5 percent and small if its market share is less than 1 percent.

As at December 31, 2017, there were three (3) large microfinance banks with an aggregate market share of 89.7 percent, three (3) medium microfinance banks with a combined market share of 7.0 percent and seven (7) small microfinance banks with an aggregate market share of 3.3 percent as shown in **Table 5**

Table 5: Microfinance Banks Market Share Analysis - December 31, 2016 and December 31, 2017								
2016	**2017**							
	Market Size Index		**Market Size Index**	**Gross Assets, Ksh. M.**	**Total Deposits, Ksh. M.**	**Total Capital, Ksh. M.**	**Number of Active Deposit Accounts, '000'**	**Number of active Loan Accounts, '000'**
Weighting	2016	Weighting	2017	0.33	0.33	0.33	0.005	0.005
Large		Large						
Kenya Women MFB	42.9%	Kenya Women MFB	44.0%	31,452	16,434	4,919	582	200
Faulu MFB	39.2%	Faulu MFB	38.4%	26,844	16,450	3,959	157	32
Rafiki MFB	7.9%	Rafiki MFB	7.3%	7,851	2,524	509	31	6
	90.0%		**89.7%**	**66,146**	**35,408**	**9,387**	**770**	**238**
Medium		**Medium**						
SMEP MFB	4.0%	SMEP MFB	3.6%	3,175	1,607	250	63	11
Caritas MFB	1.3%	Caritas MFB	1.7%	924	565	273	11	0.5
Sumac MFB	1.3%	Sumac MFB	1.7%	1,222	413	249	4	1
	6.6%		**7.0%**	**5,322**	**2,586**	**772**	**78**	**12**
Small		**Small**						
Remu MFB	0.8%	U & I MFB	0.9%	430	200	160	5	0.227
U & I MFB	0.7%	Remu MFB	0.7%	404	124	139	2	0.447
Uwezo MFB	0.6%	Uwezo MFB	0.7%	253	29	164	5	0.086
Daraja MFB	0.4%	Maisha MFB	0.5%	317	231	43	88	11
Maisha MFB	0.4%	Century MFB	0.2%	307	222	(33)	22	2
Century MFB	0.3%	Daraja MFB	0.2%	178	95	7	3	0.273
Choice MFB	0.2%	Choice MFB	0.1%	136	81	(8)	4	0.270
	3.4%		**3.3%**	**2,026**	**982**	**471**	**128**	**14**
Grand Total	**100.0%**		**100.0%**	**73,494**	**38,977**	**10,630**	**977**	**264**

Source: CBK

The market share analysis indicates that the large and small peer groups registered a marginal decline of 0.3 percent and 0.1 percent respectively from the 2016 market share, whereas the medium peer group experienced a marginal growth of 0.5 percent. The ranking of the institutions in the large and medium peer categories remained unchanged although there were movements in the individual institution's market share:

In the large peer category, for instance, Kenya Women MFB's market share grew by 1.1 percent while Faulu MFB and Rafiki MFB market share declined by 0.8 percent and 0.6 percent respectively.

In the medium peer group, both Caritas MFB and Sumac MFB market share grew by 0.5 percent and 0.4 percent respectively whereas that of SMEP MFB declined by 0.4 percent.

In the small peer category, U & I MFB overtook Remu MFB for the top ranking while Maisha MFB overtook Daraja MFB to emerge 4th with its market share growing from 0.4 percent in 2016 to 0.5 percent in 2017. Daraja MFB registered a marginal decline of 0.2 percent while both Century MFB and Choice MFB's market share declined by 0.1 percent.

1.8 Distribution of Foreign Exchange Bureaus

The number of licensed forex bureaus as at December 31, 2017 reduced to 73 having declined from 77 in December 2016 (Table 6). The decline is attributed to the closure of 4 forex bureaus during the year. The closure of three forex bureaus was voluntary while one was closed due to non-compliance.

Table 6: Distribution of Forex Bureaus

City/Town	Number of bureaus	% of Total
Nairobi	58	80%
Mombasa	8	11%
Nakuru	1	1%
Kisumu	2	3%
Eldoret	2	3%
Namanga	1	1%
Busia	1	1%
Total	**73**	**100%**

Source: CBK

CHAPTER 2

DEVELOPMENTS IN THE BANKING SECTOR

2.1 Introduction

Kenya's banking sector remains stable and resilient. Average commercial banks' liquidity and capital adequacy ratios stood at 43.7 percent and 18.8 percent, respectively, in December 2017. This stability supports the continuous efforts by the Government for a vibrant and globally competitive financial sector in Vision 2030. Some of the developments in the banking sector that took in 2017 were:-

- Two new commercial Banks; DIB Bank Kenya Ltd and Mayfair Bank Ltd, were licensed in April 2017 and June 2017 respectively.

    - **DIB Bank Kenya Ltd.** is a fully owned subsidiary of Dubai Islamic Bank PJSC (DIB PJSC) of the United Arab Emirates (UAE). DIB PJSC founded in 1975 is the first bank to have incorporated the principles of Islam in all its practices and is the largest Islamic Bank in the UAE. This makes DIB Bank Kenya the third fully sharia compliant lender to operate in Kenya after Gulf African Bank Ltd and First Community Bank Ltd. DIB's entry, which is anchored on its strategic focus of enhancing its international presence, will expand the offerings in the market, particularly in the promising sharia compliant banking niche.
    - **Mayfair Bank Ltd.** established by a group of local investors will provide banking services to both the retail and corporate market segments. The services will range from intermediation, credit extension, trade finance, liquidity management and custodial solutions to both individual and institutional clientele.

- The Central Bank of Kenya (CBK) in June 2017 cancelled the authority granted to the **Central Bank of India (CBI)** to operate a Representative Office in Kenya under Section 43 of the Banking Act. This followed a strategic decision taken by CBI to close its foreign representative offices including the one in Kenya. CBI was licensed to establish a Representative Office in Kenya on February 12, 2013.

- **Société Générale (SG) of France** was granted authority in September 2017 to open a Representative Office in Kenya. SG becomes the eighth Representative Office in Kenya. Société Générale was incorporated on October 7, 1955 as a financial services company in France. SG is one of the leading financial services groups in Europe and is headquartered in Paris. The Company is engaged in retail banking, corporate and investment banking, financial services, insurance, private banking and asset management.

- In order to promote transparency in pricing of credit, CBK jointly with the Kenya Bankers Association developed an on-line portal on cost of credit that was successfully launched in June 2017. The online portal is an informational portal aimed at enabling bank customers to independently determine the Total Cost of Credit (TCC). The portal seeks to enhance transparency in the pricing of credit, a key plank of the Central Bank's consumer protection framework.

- The Central Bank of Kenya on August 18, 2017 issued a Guidance Note on Cybersecurity that outlines the minimum requirements for banks to enhance cyber risk framework. This was necessitated by the increased leveraging on technology by banks which exposes them to increased cyber risk. Cybercrime is one of the risks targeting the financial sector which is expected to increase in sophistication and frequency. Mitigation of such risks is important for business continuity as well as promoting the development of sound financial systems and risk management frameworks.

- The banking sector experienced increased consolidation through acquisition activities. Acquisition activities during the year include the :-
  - Acquisition of Giro Bank by I&M Holdings Ltd in February 2017.
  - Acquisition of Fidelity Commercial Bank Ltd by SBM Bank (Kenya) Ltd in May 2017.
  - Acquisition of Habib Bank (K) Ltd. (HBL) by Diamond Trust Bank Kenya (DTBK) in August 2017.

2.2 Developments in Information and Communication Technology (ICT)

2017 was marked with limited activities in the Information and Communication Technology (ICT) space in terms of acquisition or upgrade of existing core banking systems in Kenya's banking sector. What was mainly witnessed was enhanced efforts by institutions to leverage on existing ICT systems to improve productivity and navigate the turbulence in the year. Commercial banks continued to leverage on digital platforms to drive business strategies and models aimed at providing banking services more efficiently. Banks are reviewing their business and digitizing some processes that were traditionally manual such as personal loan application and disbursements and Know your Customer (KYC) documentation. These digital innovations have enabled banks to reach out to more customers and offer them services more efficiently.

- **Major ICT Innovative Product launched during the year 2017**

Toward the end of year 2016, several commercial banks submitted applications to Central Bank to introduce a payment system product, PESALINK. This is a secure and efficient payment platform where an account holder can transfer money from his/her account to another bank account using his/her mobile phone. The platform is managed by Kenya Bankers Association (KBA) through its subsidiary Integrated Payment Services Limited (IPSL). Most banks obtained approvals and were able to roll the product in the first quarter of 2017. In the year the product gained traction as more banks connected to it.

- **Regulatory Developments**

With enhanced 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' computers program and data and perpetrate frauds. To manage this risk and ensure financial institutions have put in place minimum controls on their ICT environment, CBK issued a Cyber Security Guidance Note on August 27, 2017.

- **Financial Technology (FinTech)**

Fintech refers to the emerging technology and innovation industry that applies technology to enhance financial services. It is the new applications, products, or business models in the financial services industry, composed of one or more complementary financial services and provided as an end-to-end process via the internet[1].

Fintech together with emerging and disruptive technologies such as; Blockchain, Internet of Things (IoT), Big Data, Cloud Computing, Artificial Intelligence (AI) and Machine Learning are changing the way financial institutions interact with their customers. With new financial service providers offering consumers alternative ways to make efficient online payments and/or peer-to-peer transactions, banks are providing consumers with innovative solutions to enhance their banking experience. A review of some banks' strategic directions revealed heightened interest by banks in Kenya to leverage on the digital space to grow their balance sheet. To achieve this some institutions are setting up financial technology (fintech) subsidiaries while others are opting for partnership with already established fintech companies.

[1]Definition of Fintech from https://en.wikipedia.org/wiki/Financial_technology

The year 2017 saw a number of Kenyan banks engage CBK on financial technology use cases. The following potential use cases were presented for approval:

- **Blockchain Technology;** blockchain-based storage systems are databases with some inbuilt pre-agreed technical and business logic criteria, kept in sync via peer-to-peer mechanisms and pre-agreed consensus algorithms. The systems utilize mechanisms containing hashes and blocks. Kenyan banks are exploring blockchain for payment solutions.
- **Chatbots for customer service delivery;** a computer program or an artificial intelligence implementation which conducts conversation via auditory or textual methods. Chatbots scan for key words within input, then provide a reply with the most matching keywords or the most similar wording pattern. Chatbots have the potential to automate customer support of all the repetitive customer questions which are time-consuming and could have a huge impact on an institution's performance.
- **Video Teller Machines (VTMs);** Used in what is commonly known as 'video banking' for performing banking transactions or professional banking conversations via a remote video connection. This is mostly performed via purpose built banking transaction machines (similar to Automated Teller Machines). This can provide round the clock branch banking services to customers, with the option of virtual teller assistance via live-video streaming. In additional to providing services such as balance enquiries, change of particulars and statement requests they can as well offer instant issuance/ replacement of debit cards.
- **Psychometric credit scores by CRB's;** A Credit Reference Bureau (CRB) proposed to introduce a psychometric scoring solution intended to be used by financial institutions to evaluate potential borrowers who do not have a credit history. The score is comprised of a series of quizzes designed to capture information that can predict loan repayment behaviour, including the applicant's attitudes, beliefs, integrity, and performance. These personality traits are fed into an analytical model that links psychometric traits to financial bahaviour resulting in a psychometric credit risk score. These evaluations could utilise machine learning algorithms and big data tools and store the results on a distributed blockchain network that is accessed on demand. Blockchain can offer a reliable accessible and affordable way for creating a global "credit bureau" to store a wide spectrum of scoring-related information.

These emerging disruptive technologies bring with them, various forms of risks. Notably, among the new digital products is cryptocurrencies that are associated with anonymity, and commonly used by criminals. CBK reiterates that it does not recognize cryptocurrrencies as legal tender. CBK is of the opinion that despite the ubiquitous positive influence of technology, there lies a potential of great risk in the event that the technology fails or is misused by unscrupulous individuals. There is thus the need to ensure that robust controls are in place to ensure that the risks and opportunities associated with emerging technologies are balanced.

- **SWIFT Customer Security Program (CSP)**

The Society for Worldwide Interbank Telecommunication (SWIFT) is a member-owned cooperative that was started in Belgium in 1973 with the mission of creating a shared worldwide data processing and communications link and a common language for international financial transactions. Kenya has a total of 43 financial institutions connected to SWIFT, processing over 20 million messages /transactions per year. In terms of SWIFT usage, Kenya is ranked third in Africa. Due to its very nature of being a fund transmission network, SWIFT has been a major target for fraudsters and cyber criminals. As a result of various security breaches reported at customers' site, SWIFT, through a joint initiative with global banks has introduced a customer security program which aims at enhancing security at customer sites worldwide and improving information sharing throughout the SWIFT community.

The SWIFT customer security program is anchored on a set of 27 security controls of which 16 are mandatory while 11 are advisory. These controls are based upon three broad objectives for each SWIFT user to: -

- Secure its SWIFT environment from cyber-attacks.
- Know and limit access of people accessing their local SWIFT environment.
- Promptly detect and respond in case of a cyber-attack.

To ensure adoption of these controls, SWIFT has developed an attestation and compliance process which requires users to self-attest compliance against the mandatory security controls and optionally, the advisory security controls by latest December 31, 2017. Most financial institutions in Kenya had complied and had submitted their self-attestation by December 2017. By the end of 2018, banks are expected to put in place all controls that were outstanding as at the time they did their attestation.

- **Technology and employees efficiency**

On average, in 2016, one employee was serving 1,222 customers whereas in 2017 an employee was serving 1,544 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	33,695	1,222
2017	47,714,527	30,903	1,544

Source: CBK

2.3 Financial Inclusion and Policy Development Initiatives

The Central Bank of Kenya's (CBK) commitment to advancing financial inclusion to the unbanked has remained unrelenting over the last one year. This is evidenced by the growing number of financial inclusion initiatives that CBK has supported through collaboration between the public and the private sector. The key policy development initiatives undertaken by CBK as at the end of 2017 include:

I. Commencement of the comprehensive review of the Microfinance Act

The Kenyan microfinance banking sector has, over the years, experienced significant growth and transformation. This is in terms of increases in innovation, growth in the number of customers and diversity in the range of services and products provided. As the sector has evolved, the Central Bank has, over the years, incrementally amended the Microfinance Act (2006) and Regulations (2008) to provide an enabling policy, regulatory and supervisory environment for microfinance banking business to thrive in Kenya. These incremental amendments include:

a. The amendment of the Microfinance Act through the Finance Act, 2010 to expand the definition of places of business in order to allow for the use of agencies and marketing units as places of business.
b. The amendment of the Microfinance Act through the Finance Act, 2010, and publication of the 'Guideline on the Appointment and Operations of Third Party Agents by Microfinance Banks', to allow MFBs to increase outreach through third parties.
c. The issuance of the 'Guideline on the Opening, Relocation and Closure of Marketing Offices and Agencies of Microfinance Banks' effective May 17, 2012 to allow MFBs to use their marketing offices to conduct deposit taking business.
d. The amendment of the Microfinance Act through the Finance Act, 2011 to permit MFBs to participate in the Kenyan Credit Information Sharing (CIS) mechanism.

e. The amendment of the Microfinance Act through the Finance Act 2013 to among other things; change the name from “deposit taking microfinance institution” to microfinance bank; allow MFBs to operate current accounts, issue cheques (and participate in the national payment system) and engage in foreign trade operations as well as require MFBs to share both positive and negative credit information with Credit Reference Bureaus (CRBs).

Despite the growth of the microfinance banking sector, it faces various challenges most of which are as result of the rapid growth experienced and the changing market dynamics. These challenges include; changing business environment, primarily driven by technology, increased risk brought on by new business models, emerging financial technology (FinTech), new and unconventional players in the finance sector, like FinTechs, and increasing demands and requirements by consumers, among others.

To support the growth of the microfinance banking sector, and to address current banking sector dynamics and challenges, a comprehensive, rather than incremental, review of the microfinance legislation has become necessary. To begin the process of review, in September 2017, CBK engaged key stakeholders, including licensed microfinance banks, the Association of Microfinance Institutions (AMFI) and the general public in a consultative process towards the development of a robust microfinance policy, legal and regulatory framework.

The comprehensive review of the microfinance legislation is underpinned by the following key strategic drivers:

i. Enhanced corporate governance structures and practices.
ii. Establishment of resilient and viable business models.
iii. Improved transparency and customer relationship management mechanisms.
iv. Emerging technology and new risks.
v. This review is thus expected to produce a robust legal, regulatory and supervisory framework that reflects the microfinance banking sector’s dynamic operating environment and current realities. This review is expected to be completed in 2018.

II. The East African Community (EAC) Microfinance Policy and Implementation Strategy

CBK is represented in the regional technical working group that is responsible for reviewing the East African Community (EAC) Microfinance Policy and Implementation Strategy. The Draft EAC Microfinance Policy was developed from the perspective of different microfinance laws and regulatory frameworks across EAC.

CBK participated in In-Country Consultations organized by the EAC secretariat to review the draft Microfinance Policy and Implementation Strategy in Nairobi, Kenya in October 2017. This was followed closely by the technical working group meeting held in November 2017 whose aim was to incorporate stakeholders’ comments into the draft following the consultation meeting held in October.

The consultations sought to harmonize the microfinance laws and regulatory frameworks across the EAC Microfinance Sector towards the achievement of the EAC integration agenda. Key policy issues addressed in the consultative meetings point towards the EAC secretariat’s desire to:

- Develop an inclusive microfinance legal, regulatory and institutional framework in the EAC region.
- See EAC country microfinance regulators and supervisors practice mutual recognition for licensed microfinance entities in EAC member states to freely operate within the region subject to the presentation of the approved regulatory documents from competent authorities.
- Ensure that EAC Partner States address emerging issues across the microfinance sectors in the East Africa region.

III. The launch of the Total Cost of Credit website portal:

In order to promote transparency in pricing of credit, CBK together with the Kenya Bankers Association (KBA) developed an on-line website portal aimed at providing information on lending rates and charges offered by licensed banks. The portal is designed to enable users compare the price of credit from various banks.

The website portal specifically provides total cost of credit disclosure tools, including the; Annual Percentage Rate (APR) Loan Calculator, the Repayment Schedule (RS) and the Total Cost of Credit (TCC) schedule in an effort to promote transparency and enhance competition in the sector.

- **Annual Percentage Rate,** is a percentage rate computed as a ratio of all costs incurred in borrowing and servicing a loan against the principal amount borrowed. The APR discloses the actual overall cost, in percentage terms that a borrower incurs by borrowing a loan, inclusive of both internal and external charges. The APR tool enables the consumer to compare different bank loan costs based on standardized parameters and a common computation model.
- **Repayment Schedule,** details the periodic amount to be paid by the borrower and a split of the periodic payments into principal and interest components.
- **Total Cost of Credit,** provides 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.

The website features a simplified, as well as an advanced, Total Cost of Credit calculator, which not only enables consumers to estimate the total cost of credit of bank loan facilities, but it also provides the public with a list of five comparable loan options for their consideration.

The portal was successfully launched on June 22, 2017 with a limited range of products to initiate engagement by the general public with the facility. As the usage of the portal slowly picks up, CBK and KBA will continue to review its functionality with the view to enhance consumer experience and gradually introduce new products and features for enhanced comparison of products across the banking sector.

2.4 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, 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 industry 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 2017, banks submitted over 80 applications seeking CBK's approval to introduce new products related charges. Most of the applications sought to introduce money transfer services in partnership with firms in the United States of America and United Kingdom. The products will facilitate flow of foreign remittances.

2.5 Operations of Representative Offices of Authorized Foreign Financial Institutions

The Central Bank of Kenya 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). Under the Act, CBK is empowered to supervise the activities of all Representative Offices operating in Kenya, which are only permitted to undertake information, marketing or liaison roles on behalf of their parent and affiliated institutions but not to conduct banking business.

During 2017, CBK cancelled the authority granted to the Central Bank of India (CBI) to operate a Representative Office in September 2017 and granted authority to Société Générale (SG) of France to open a representative office in Kenya. These changes brought the number of total Representative Offices operating in Kenya to 8 as at the end of December 2017.

During 2017, Representative Offices facilitated business worth Ksh.303.40 billion (USD3.03 billion). There was a notable increase in the business activities facilitated by the Representative Offices in 2017 when compared to the Ksh.247.6 billion (USD2.43 billion) reported in 2016. Activities largely comprised the following activities:

Table 8: Business activities facilitated by Representative Offices in 2017

Year	Value of business in USD (Billions)	Value of business in Ksh. (Billions)
Corporate Finance	0.09	9.81
Syndicated Finance	0.37	37.97
Correspondence Banking	0.40	41.36
Project Financing	0.11	11.22
Specialised Finance	0.19	19.58
Trade Finance	0.91	93.52
Others (term loans, borrowing base, working capital and bilateral receivable discounting)	0.97	99.75
Total	**3.03**	**303.40**

Source: CBK

The Representative Offices were mainly active in the commodities, energy, infrastructure and trade sectors.

2.6 Residential Mortgages Market Survey 2017

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 2017. The information collected comprised:-

a. Size of Mortgage Portfolio;
b. Mortgage Loan Characteristics;
c. Mortgage Risk Characteristics;
d. Obstacles to Mortgage Market Development;
e. Impact of interest capping law on residential mortgage loans;
f. Impact of the implementation of International Financial Reporting Standards (IFRS 9); and ;
g. Mortgage outlook for 2018.

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 2018.

Below are the highlights of the residential mortgage survey as at December 31, 2016.

a) Size of Mortgage Portfolio

i. The value of mortgage loan assets outstanding increased from Ksh.219.9 billion in December 2016 to Ksh.223.2 billion in December 2017, representing a growth of Ksh.3.3 billion or 1.5 percent due to increased appetite for home ownership as opposed to rentals.
ii. About 75.5 percent of lending to the mortgage market was by 6 institutions that is, one medium sized bank (20.9 percent) and five banks from the large banks peer group (55.6 percent) as compared to 77.0 percent lending by 6 institutions in 2016.

iii. The outstanding value of non-performing mortgages increased from Ksh.22.0 billion in December 2016 to Ksh.27.3 billion in December 2017. The NPLs to gross mortgage loans was 12.2 percent which was slightly below the industry NPLs to gross loans ratio of 12.3 percent.
iv. There were 26,187 mortgage loans in the market in December 2017 up from 24,059 in December 2016 an increase of 2,128 loan accounts or 8.8 percent.
v. The average mortgage loan size increased from Ksh.9.1 million in 2016 to Ksh.10.9 million in 2017 due to increased property prices.
vi. Almost all banks were offering mortgage loans for both their staff and customers. However, the number of institutions offering mortgages to customers were 31 in 2017 as compared to 35 in 2016 (Appendix XIII). The decrease in the number of commercial banks offering mortgage loans is attributable to acquisition of two banks while two other banks following commercial decisions stopped offering mortgage loans.

b) Mortgage Risk Characteristics

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

i. Ability and willingness to repay - Debt Service Ratio.
ii. Collateral/security value - Loan to Value and Location of the property.
iii. Sustainability of the borrower income - terms of employment.
iv. Industry outlook.
v. Legitimacy of the property - it should be free of encumbrances.
vi. Credit history and Credit Reference Bureau reports.
vii. Caveats on the property.
viii. Collateral/security value - Loan to Value and location of the property .
ix. Property location and ease of sale in case of default.

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

I. Ability to pay from the cash flows.
II. Character of the business owner.
III. Profitability of the business.
IV. Credit history.
V. Length of business operation.
VI. Other existing debts.
VII. Economic sustainability of the business based on the sector outlook.
VIII. Experience of the management in the running the particular business.

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

c) Mortgage Loan Characteristics

i. The interest rate charged on mortgages on average was 13.57 percent (ranged between 10.8 percent and 14.0 percent) as compared to 18.7 percent average (10.5 percent to 18.0 percent) in 2016. This was mainly due to interest rate capping which became effective on September 14, 2016.
ii. About 78.4 percent of mortgage loans were on variable interest rates basis compared to 62.1 percent in 2016.
iii. Loan to value (maximum loan as a percentage of property value) was pegged below 90 percent by majority of the banks in 2016 and 2017.
iv. The average loan maturity was 11.9 years with minimum of 5 years and a maximum of 25 years in 2017 as compared to average loan maturity of 12.0 years with a minimum of 5 years and a maximum of 25 years in 2016.

d) Obstacles to Mortgage Market Development

The survey identified a number of the impediments to mortgage market development as indicated in **Table 9.**

Table 9: Residential Mortgages Market Survey – December 2017

Mortgage Market Obstacles	Frequency of response
High cost of housing units	30
High cost of land for construction	27
High incidental costs (legal fee, valuation fee, stamp duty)	26
Difficulties with property registration/titling	26
Low level of income	25
Limited access to affordable long term finance	23
Stringent land laws	21
Lengthy charge process timelines	18
Lengthy process of security realization by banks in case of default	14
Credit risk	10

Source: CBK

Based on the above ranking of mortgage market constraints, banks identified high cost of housing units, high cost of land for construction, high incidental cost and difficulties with property registration as the major impediments to the growth of their mortgage portfolios as opposed to 2016 where low income levels was cited as the major impediments.

e) Suggested Measures to Support the Mortgage Market

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

i. Availability of low cost housing options.
ii. Availability of affordable long term funds.
iii. Government incentives for low cost housing solutions.
iv. Provision of basic infrastructure services to developers by national and county governments.
v. Reduction of stamp duty for first time home owners.
vi. Availability of alternative construction technologies to developers.
vii. Finalization of digitization of Lands Registries to improve efficiency in searching of record, transfers and charge discharge and discharge of titles

f) Impact of interest rate 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.
- Commercial banks with sufficient liquidity to fund long-term facilities are now focusing more on secured facilities like mortgage loans.

g) Impact of the implementation of International Financial Reporting Standards 9 (IFRS 9) on residential mortgage Loans

Based on the responses to the Survey questionnaire it was noted that, Mortgages are fully secured hence no major impact of IFRS 9 on the segment. Residential mortgage facilities advanced are fully secured by the underlying residential property hence the loss given default is low.

h) Mortgage outlook for 2018

Mortgage uptake is expected to increase after the economy settles from the electioneering period. The initiative by the government to provide low cost housing will also boost the mortgage uptake.

2.7 Employment Trend in the Banking Sector

The banking sector staff levels decreased by 2,790 (8.29 percent) from 33,693 in December 2016 to 30,903 in December 2017 as indicated (Table 10). All staff levels recorded decrease thus leading to an overall decrease in staff levels. This is an indicator of the consistent improvement in banks' efficiency as a result of review of business models, automation of processes and shift from "brick and mortar" to alternative digital channels.

Table 10: Employment in the Banking Sector

	2016	2017	%Change
Management	10,327	10,298	-0.28%
Supervisory	6,345	6,188	-2.47%
Clerical and Secretarial	14,515	12,840	-11.54%
Support Staff	2,508	1,830	-27.03%
Total	**33,695**	**30,903**	**-8.29%**

Source: CBK

2.8 Future Outlook

With the adoption of emerging technologies like blockchain, artificial intelligence, machine learning and big data analytics, financial technology (FinTech) is expected to continue transforming the banking and customer experience. The integration of digital technology into the banking business will lead to fundamental changes in how the banking sector operates and delivers value to its customers. Banks that will embrace innovation and adopt new technologies will have unprecedented opportunities to change and improve how they provide financial services and products. At the same time, they must manage the risks created by the new digital economy. The integration of these technologies could see enhanced: due diligence and Know Your Customer (KYC) procedures in identity management and control, and a fundamental enhancement of the customer experience and journey. On its part, CBK will remain open to emerging technologies with an underlying philosophy of maximizing opportunities while minimising risk.

CHAPTER 3

MACROECONOMIC CONDITIONS AND BANKING SECTOR PERFORMANCE

3.1 Global Economic Conditions

Global economic output is estimated to have increased by 3.8 percent in 2017 from 3.2 percent in 2016 boosted by a rebound in global trade. The upward trend is expected to continue in 2018, with growth projected at 3.9 percent supported by strong momentum, favorable market sentiment, accommodative financial conditions, and the domestic and international repercussions of expansionary fiscal policy in the United States.

Economic output among the advanced economies is estimated to have increased by 2.3 percent in 2017 compared to 1.7 percent in 2016, largely driven by investment spending. Growth in output is forecast at 2.5 percent in 2018 on expectations of higher output in the Euro Area and projected domestic and spillover effects of expansionary fiscal policy in the United States. Economic growth in the United States is estimated at 2.3 percent in 2017 up from 1.5 percent in 2016, and is projected to rise further to 2.9 percent in 2018. Improvement in output in 2017 is attributed to growth in consumption and investment. Expected improvement in activity in 2018 is reflective of the effect of stronger than expected activity in 2017, firmer external demand, and the expected macroeconomic impact of the December 2017 tax reform.

In the Euro Area, output improved by 2.3 percent in 2017 from 1.8 percent in 2016, and is forecast at 2.4 percent in 2018, supported by stronger than expected domestic demand across the currency area, supportive monetary policy, and improved external demand prospects. However, growth in the United Kingdom is projected to slow down to 1.6 percent in 2018 from 1.8 percent in 2017 and 1.9 percent in 2016, reflecting the after-effects of the Brexit. Output growth in Japan is estimated to have risen to 1.7 percent in 2017 from 0.9 percent in 2016, on account of strengthening of global demand and policy actions to sustain private consumption. However, growth in 2018 is projected to moderate to 1.2 percent due to a cyclical slowdown in business fixed investment and the effects of the scheduled consumption tax hike.

Growth in emerging market and developing economies is estimated to have increased by 4.8 percent in 2017 compared with 4.4 percent in 2016, with the increase attributed to acceleration in private consumption. Output is projected at 4.9 percent in 2018 with the sustained recovery reflecting improved prospects for commodity exporters. Economic activity in China increased to 6.9 percent in 2017 from 6.7 percent in 2016 supported by resurgent net exports and strong private consumption. Growth is, however, projected to slow down to 6.6 percent in 2018 on account of continued rebalancing away from investment toward private consumption and from industry to services. Growth in India declined to 6.7 percent in 2017 from 7.1 percent in 2016, reflecting taxation and monetary reforms, as well as a slowdown in investment growth. Growth is, however, projected to improve to 7.4 percent in 2018, on account of strong private consumption as well as fading transitory effects of the currency exchange initiative and implementation of the national goods and services tax.

In spite of this reasonably satisfactory outlook, risks at the global level are still high. Notably tighter financial conditions in the United States would have spill overs to other economies, including a reduction in capital flows to emerging markets. Similarly, changes in US tax policies are expected to aggravate income polarization, which could affect the political climate for policy choices in the future. In addition, anxiety about technological change and globalization is on the rise and this could foster a shift towards inward-looking policies, thereby disrupting trade and investment. Climate change, geopolitical tensions, and cybersecurity breaches pose additional threats to the global outlook.

3.2 The Regional Economy

Sub-Saharan Africa (SSA) growth picked up from 1.4 percent in 2016 to an estimated 2.8 percent in 2017, and is expected to rise further to 3.4 percent in 2018 driven largely by improvement in output among commodity exporters. Nigeria's economy is estimated to have expanded by 0.8 percent in 2017 from -1.6 percent in 2016, attributed to an end to fixed investment contractions in commodity exporting countries that were severely affected by the commodity price downturn in 2015–16. Recovery is expected to continue in 2018 with economic growth projected at 2.1 percent in 2018. Output in South Africa in 2017 improved by 1.3 percent from 0.6 percent in 2016. Growth in 2018 is forecast at 1.5 percent attributed to gradual firming up of business confidence with the change in the political leadership.

3.3 Domestic Economy

Economic growth slowed to 4.9 percent in 2017 from 5.9 percent in 2016. This was largely on account of the adverse weather conditions that affected agriculture performance, coupled with uncertainties associated with the prolonged electioneering period in the second half of the year. Nonetheless, the economy remained resilient, supported by the services sector. In particular, robust growth was reflected in improved performance of the Wholesale and Retail Trade (5.7 percent), Information and Communication (11.0 percent), Accommodation and Restaurant (14.7 percent), Public Administration (5.3 percent), Education (6.1 percent), and Health (6.0 percent) sectors.

Agriculture sector growth decelerated to 1.6 percent in 2017 from 4.7 percent in 2016, following unfavorable weather conditions that adversely affected agricultural production. Consequently, production of key crops such as tea, coffee, maize, wheat, rice, and sugarcane declined. Industrial output recorded sluggish growth largely due to subdued performance of the manufacturing sector, whose growth decelerated to 0.2 percent in 2017 from 2.7 percent in 2016. The subdued performance was mainly attributed to reduced activity in agro-processing due to constrained supply of agricultural raw materials, uncertainties relating to the general elections, high costs of inputs, and stiff competition from imported goods. The poor performance was reflected in declined production of sugar, processed milk, cement, galvanized sheets, and assembled vehicles.

The economy is expected to recover strongly in 2018 supported by a confluence of domestic and external factors, including improved weather conditions which is expected to support agriculture, stable macroeconomic environment, continued government investment in infrastructure, the improvements in ease of doing business and recovery of the global economy. Moreover, the Government's priority on the Big-4, namely manufacturing, affordable housing, health care and food security, is expected to stimulate economic activity and boost growth.

3.4 Inflation

Overall inflation remained elevated in the first half of 2017, owing to increased food prices occasioned by unfavorable weather conditions during the first half of 2017. Consequently, annual average inflation increased to 8.0 percent in 2017 from 6.3 percent in 2016. Inflation crossed the upper bound of the medium term Government target band of 5±2.5 percent in February 2017, and remained up until September 2017, when it reverted to the upper band. Inflation peaked at 11.7 percent in May 2017 before it started declining as weather conditions improved. In addition, Government measures including increased importation of maize grains, milk products and sugar, as well as provision of maize floor subsidies lowered prices of key food items, thus reinforcing the decline. By November 2017, inflation had fallen within the lower band of the Government medium term target. It stood at 4.7 percent and 4.5 percent in November 2017 and December 2017, respectively.

Overall inflation is expected to remain within the Government medium term target range in the near term, supported by relatively lower food prices on account of favorable weather conditions. However, the rising cost of energy poses a risk.

3.5 Exchange rates

The foreign exchange market remained relatively stable in 2017 supported by stable growth in 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 11).**

Table 11: Exchange Rate Developments

	U.S DOLLAR	POUND STRERLING	EURO	USHS/KSH	TSHS/KSH	RWF/KSH	BIF/KSH
2016	101.5	137.68	112.38	33.66	21.54	7.58	15.96
2017	103.41	133.11	116.69	34.94	21.63	8.05	16.66

Source: CBK

3.6 Interest Rates

All interest rates except the interbank rate remained stable in 2017. The average 91-day Treasury bill rate declined slightly to 8.37 percent in 2017 compared with 8.62 percent in the previous year, while the average 182-day Treasury bill rate decreased to 10.42 percent from 10.9 percent in 2016. Stability in the interest rates for government securities was a reflection of the fact that implementation of government domestic borrowing program supported market stability.

Commercial banks' average lending interest rates remained stable within the interest rate caps. The average commercial bank lending rate declined to 13.67 percent in 2017 compared to 16.59 percent in 2016. The interest rate capping law was effected in mid-September 2016. Average commercial banks' deposit rate increased to 8.22 percent in 2017 from 7.07 percent in 2016, also driven by the interest rate capping law. The interest rate spread declined from a peak of 6.64 percent in April 2017 to 5.41 percent in December 2017.

On the other hand, the interbank rate was relatively volatile during the year, reflecting liquidity conditions coupled with market segmentation along bank tiers. The weighted interbank rate ranged from an average of 4.46 percent in March 2017 to a peak average of 8.86 percent in November 2017. The weighted average interbank rate increased to 6.45 percent in 2017 from an average of 4.77 percent in 2016.

3.7 Balance of Payments

The current account is estimated to have widened to 6.7 percent of GDP in 2017 from 5.2 percent in 2016. The widening of the current account in 2017 is attributed to higher food imports (to meet domestic shortfalls) and oil imports (caused by higher global oil prices).

3.8 Fiscal Developments

Total government revenues and grants amounted to Ksh.721.0 billion in the period July 2017-December 2017, representing an increase of 6.7 percent from Ksh.675.8 billion collected in a similar period of the FY 2016/2017. However, all taxes fell below set targets in the first half FY2017/18, due to a slowdown in the economy which affected revenue collection adversely. Total expenditure and net lending increased by 2.7 percent during the first half of the FY 2017/18 to Ksh.929.0 billion in comparison to Ksh.904.4 billion in a similar period in 2016. Consequently, Government budgetary operations during the period under review, resulted in a deficit of Ksh.208 billion (2.7 percent of GDP) on both commitment and cash basis compared with a deficit of Ksh228.7 billion (3.2 percent of GDP) incurred in the same period in 2016. The deficit remained within the target of 2.9 percent of GDP.

Kenya's public and publicly guaranteed debt recorded a moderate increase of 3.7 percent during the first half of the FY 2017/18 with both domestic and external debt increasing by 5.4 percent and 2.4 percent respectively. Correspondingly, the ratio of domestic debt to GDP increased from 27.9 percent to 28.7 percent during the six months to December 2017. The ratio of external debt to GDP declined marginally from 30.4 percent to 30.3 percent during the first half of the FY 2017/18, reflecting partial repayment of the 2- year syndicated loan contract in 2015.

3.9 Performance of the Banking Sector

In tandem with the subdued economic activities in the period to December 2017, the banking sector registered a decline in performance in the year ended December 2017, the sector recorded a decline of 9.6 percent in pre-tax profits during the year. Similarly, asset quality registered a decline with the non-performing loans (NPLs) ratio increasing from 9.3 percent in December 2016 to 12.3 percent in December 2017. Institutions that experienced deterioration in asset quality were closely monitored during the year. However, the sector recorded strong capitalization levels as a result of retention of profits and additional capital injection.

3.10 Commercial Banks Balance Sheet Analysis

The banking sector registered improved financial strength in 2017, with total net assets recording an increase of 8.3 percent from Ksh.3,695.9 billion in December 2016 to Ksh.4,002.7 billion in December 2017 as indicated in Table 12. This is attributable to increased investment in Government securities by 15.3 percent from Ksh.866 billion in December 2016 to Ksh.998.41 Billion in December 2017. Increase in investment in Government securities might be attributed to interest rate capping which is more secure than lending with interest rate capping.

The loans and advances, government securities and placements which accounted for 50.3 percent, 24.9 percent and 4.2 percent of the total net assets respectively remained the main components of the banks' balance sheet. Net loans and advances registered a decrease of 7.7 percent from Ksh.2,182.6 billion in December 2016 to Ksh.2,013.6 billion in December 2017.

Table 12: GLOBAL BALANCE SHEET ANALYSIS (Ksh. M)

	Dec-16	Dec-17	% Change
Assets			
Cash	62,719	63,973	2.00%
Balances at Central bank	158,914	168,103	5.78%
Placements	160,944	168,153	4.48%
Government securities	865,990	998,413	15.29%
Investments	31,157	32,133	3.13%
Loans and Advances (Net)	2,182,631	2,013,610	-7.74%
Other assets	233,588	558,356	139.03%
Total Assets	**3,695,943**	**4,002,741**	**8.30%**
Liabilities and Share-holders' Funds			
Customer Deposits	2,618,390	2,899,993	10.75%
Other Liabilities	480,012	458,560	-4.47%
Capital and Reserves	597,542	644,188	7.81%
Total Liabilities and Shareholders' Funds	**3,695,943**	**4,002,741**	**8.30%**

Source: CBK

Customer deposits, which are the main source of funding for the banks grew by 10.75 percent from Ksh.2,618.4 billion in December 2017 to Ksh.2,900.0 billion in December 2017. The growth was supported by mobilization of deposits through agency banking and mobile phone platforms.

In 2017, the banking sector capital and reserves increased by 7.8 percent from Ksh.597.5 billion in December 2016 to Ksh.644.2 billion in December 2017.The increase in capital and reserves is attributable to additional capital injections by commercial as well as retained earnings from the profits realized in the year.

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

In 2017, the largest proportion of the banking sector gross loans and advances were channeled through the Personal/Household, Trade, Real Estate and Manufacturing Sectors. In total, these four economic sectors accounted for 73.08 percent of gross loans in December 2017 (Table 13) an increase from 70.89 percent in 2016. Personal/Households, Trade and Real Estate sectors accounted for the highest number of loan accounts with a total of 97.61 percent. Trade, Personal/Household, and Manufacturing and Real Estate sectors accounted for the highest value of non-performing loans by registering 75.07 percent. This was mainly due to delayed remittances by employers, slow uptake of housing units and delayed payments from public and private sectors.

Table 13: Sectoral Distribution of Loan Accounts, Gross Loans and NPLs-December 2017

	No of Loan A/Cs	% of Total	Gross Loans Ksh. M	% of Total	Gross NPLs Ksh. M	% of Total
Personal/Household	6,673,095	85.41%	542,107	25.11%	43,101	16.29%
Trade	242,987	3.11%	416,135	19.28%	78,337	29.60%
Real Estate	26,959	0.35%	346,394	16.05%	37,799	14.28%
Manufacturing	12,767	0.16%	272,744	12.64%	39,540	14.94%
Transport and Communication	33,946	0.43%	163,722	7.58%	17,418	6.58%
Energy and water	2,062	0.03%	111,864	5.18%	6,015	2.27%
Building and construction	9,496	0.12%	87,834	4.07%	19,230	7.27%
Agriculture	91,940	1.18%	79,975	3.71%	8,973	3.39%
Financial Services	14,511	0.19%	73,065	3.38%	4,441	1.68%
Tourism, restaurant and Hotels	4,429	0.06%	53,993	2.50%	7,323	2.77%
Mining and Quarrying	1,045	0.01%	10,696	0.50%	2,439	0.92%
Total	**7,813,225**	**100.00%**	**2,158,530**	**100.00%**	**264,617**	**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, uncertainties due to elections and poor weather conditions. As a result, non-performing loans (NPLs) increased by 23.4 percent to Ksh.264.6 billion in December 2017 from Ksh.214.3 billion in December 2016. Similarly, the ratio of gross NPLs to gross loans increased from 9.3 percent in December 2016 to 12.3 percent in December 2017 as shown in **Table 14** and **Appendix III.**

Table 14: Asset Quality and Provisions (Ksh. M)			
	Dec-16	Dec-17	% Change
Net Assets	3,695,943	4,002,741	8.3%
Gross Loans and Advances	2,293,190	2,158,530	-5.9%
Total Loans	2,257,489	2,114,804	-6.3%
Net Loans	2,182,631	2,013,610	-7.7%
Gross Non-Performing Loans	214,374	264,617	23.4%
Interest in Suspense	35,701	43,726	22.5%
Total Non-Performing Loans	178,674	220,891	23.6%
Total Provisions	74,858	101,193	35.2%
Net Non- Performing Loans	103,815	119,698	15.3%
Gross Loans/ Net Assets (%)	62.0%	53.9%	-8.1%
Gross NPLs/ Gross Loans (%)	9.3%	12.3%	2.9%
Net NPLs/ Gross Loans (%)	4.5%	5.5%	1.0%
Source: CBK			

3.12.1 Risk Classification of Loans and Advances

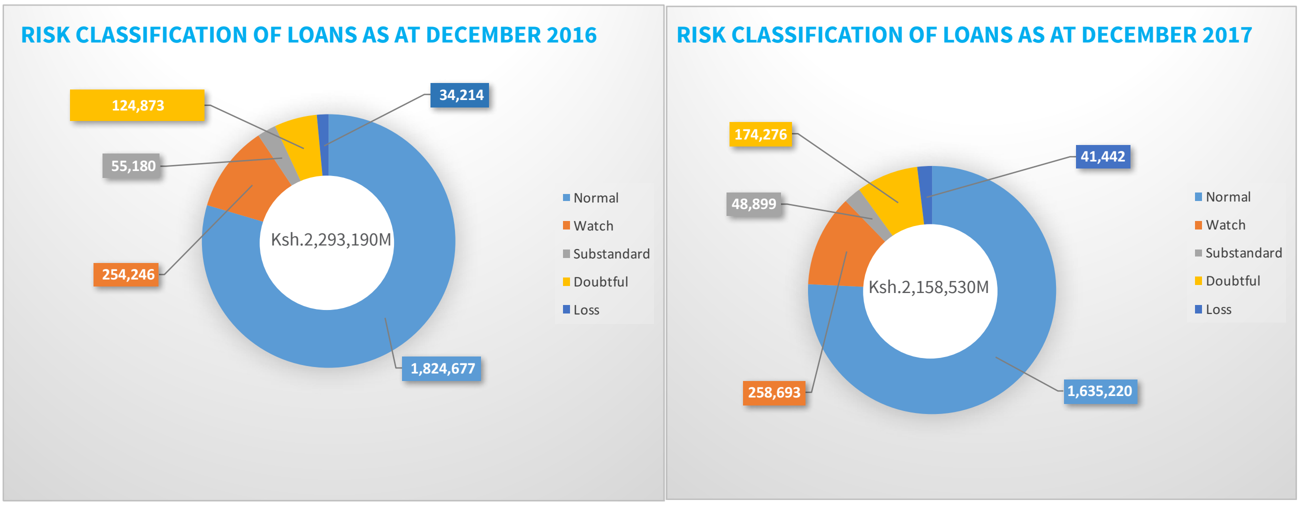
The Central Bank's Prudential Guideline on Risk Classification of Assets and Provisioning requires commercial banks to classify facilities extended to their customers based on performance. The performance criteria are based on repayment capability of the borrower and the loans are classified as either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

The loans and advances in the normal category decreased by 10.38 percent from Ksh.1,824.7 billion in December 2016 to Ksh.1,635,220 billion in December 2017.The normal category also accounted for 75.6 percent of the total loans in 2017 compared to 79.6 percent in 2016. This is explained by the deteriorating asset quality of banking sector in the year as explained below.

The loans and advances in the watch, doubtful and loss categories increased by 1.8 percent, 39.6 percent and 21.1 percent respectively (Table 15). This is also reflected by the increased levels of these categories in the entire loan book. The watch, doubtful and loss categories accounted for 12.1 percent, 8.1 percent and 1.9 percent of the loan book in 2017 compared to 11.1 percent, 5.5 percent and 1.5 percent in 2016. These increases were occasioned by deteriorating asset quality as a result of delayed government payments, enhanced reclassification and provisioning of loans and challenges in the business environment.

Table 15: Risk Classification of Loans and Advances (Ksh.m)				
	2016	% of Total	2017	% of Total
Normal	1,824,677	79.6%	1,635,220	75.76%
Watch	254,246	11.1%	258,693	11.98%
Substandard	55,180	2.4%	48,899	2.27%
Doubtful	124,873	5.5%	174,276	8.07%
Loss	34,214	1.5%	41,442	1.92%
Total	**2,293,190**	**100.00%**	**2,158,530**	**100.00%**
Source: CBK				

Chart 5: Risk Classification of Loans and Advances



Source: CBK

3.13 Capital Adequacy

The Central Bank of Kenya (CBK) Prudential Guideline on Capital Adequacy requires banks to adhere to the prescribed capital adequacy prudential ratios. The minimum regulatory capital adequacy ratios of Core Capital and Total Capital to Total Risk Weighted Assets, are 10.5 percent and 14.5 percent respectively. Core Capital to Total Risk Weighted Assets declined to 16.5 percent in December 2017 from 18.8 percent in December 2016. Similarly, Total Capital to Total Risk Weighted Assets declined to 18.8 percent from 19.8 percent over the same period (Table 16). The decline in core capital and total capital ratios is attributed to a slower growth in capital compared to the growth in total risk weighted assets. The ratio of core capital to total deposits decreased from 20.0 percent in 2016 to 18.9 percent in December 2017. The decrease is attributed to a higher increase in deposits compared to the increase in core capital. In 2017, the banking industry complied with the capital adequacy ratios **(Table 16).**

Table 16: Capital Adequacy Ratios

	2014	2015	2016	2017	Minimum Capital Adequacy Ratios
Core Capital/ TRWA	16%	16%	17.0%	16.5%	10.5%
Total Capital/ TRWA	20%	19%	19.8%	18.8%	14.5%
Core Capital/ Total Deposits	19%	18%	20.0%	18.9%	8.0%
Key: TRWA-Total Risk Weighted Assets					
Source: CBK					

3.14 Liquidity

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

The average liquidity ratio as at December 2017 stood at 43.7 percent compared to 40.3 percent registered in December 2016. The increase in the liquidity ratio is mainly attributed to a higher growth in total liquid assets compared to the growth in total short-term liabilities. Total liquid assets grew by 16.8 percent while total short-term liabilities grew by 10.1 percent. The banking sector's average liquidity in the twelve months to December 2017 was above the statutory minimum requirement of 20 percent. CBK has been closely monitoring the banking sector particularly on liquidity and credit risks which remained elevated in 2017.

3.15 Profit and Loss

The banking sector registered a decline in profitability in 2017 with profit before tax decreasing by 9.6 percent to Ksh.133.2 billion in December 2017 from Ksh.147.4 billion in December 2016 **(Table 17).** The decrease in profitability is attributed to a higher decrease in income (Ksh.15.7 billion) compared to decline in expenses (Ksh.1.8 billion). The decrease in income was mainly attributed to an 11.23 percent decline in interest income on advances **(Table 17)**

3.15.1 Income

Total income for the banking sector decreased by **3.1 percent** from Ksh.502.0 billion in December 2016 to Ksh.486.3 billion in December 2017 as shown in **Table 17** below. The decrease in income was largely attributed to decrease in interest on advances which declined by Ksh.33.5 billion occasioned by decreased lending associated with the subdued economic activities. Foreign exchange trading income increased by **15.0 percent** to Ksh.27.6 billion in 2017 from Ksh.24.0 billion in 2016 **(Appendix II).**

Table 17: Income and Expenditure Items as a Percentage of Total Income/Total Expenses

	Dec-16		Dec-17	
Income	**Ksh. M**	**% of Total Income**	**Ksh.M**	**% of Total Income**
Interest on Advances	298,191	59.40%	264,694	54.43%
Fees and Commission for Loans and Advances	23,207	4.62%	26,051	5.36%
Other Fees and Commission Income	41,849	8.34%	44,571	9.16%
Interest on Government Securities	89,566	17.84%	102,788	21.14%
Interest on Placement	5,855	1.17%	4,821	0.99%
Other Income	43,300	8.63%	43,392	8.92%
Total Income	**501,968**	**100.00%**	**486,316**	**100.00%**
Expenses				
Interest Expenses	135,426	38.16%	128,430	36.37%
Bad Debts Charge	42,455	11.96%	41,861	11.85%
Salaries and Wages	84,761	23.88%	90,298	25.57%
Other Expenses	92,248	25.99%	92,531	26.20%
Total Expenses	**354,890**	**100.00%**	**353,121**	**100.00%**
Profit Before Tax	**147,445**	**41.55%**	**133,196**	

Source: CBK

3.15.2 Expenses

As shown in Table 17 above, the banking sector expenses declined by **0.5 percent** to Ksh.353.1 billion in December 2017 from Ksh.354.9 billion in December. Banks registered a decrease in interest expenses by Ksh.7.0 billion in 2017. Interest expenses accounted for **36.4 percent** of the total banking sector expenses in 2017. Interest expense as a ratio of income decreased from 30.3 percent in 2016 to 26.4 percent in 2017. Other expenses including training, advertising, printing and management fees increased by 0.3 percent to Ksh.92.5 billion in December 2017 from Ksh.92.2 billion in December 2016. Salaries and wages increased by 6.5 percent from Ksh.84.8 billion in December 2016 to Ksh.90.3 billion in December 2017. Salaries and wages as a ratio of income increased to 18.6 percent in 2017 from 16.9 percent in 2017. This reflects enhanced salaries and wages in the sector given that overall staff levels decreased.

3.16 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 satisfactory in 2017 as compared to a strong rating which was achieved in 2016. The decline in the industry overall rating was mainly due to a decline in capital adequacy and a deterioration in asset quality in 2017. The institutions rated strong, satisfactory, fair and marginal in December 2017 were 9, 16, 12 and 3 respectively **(Table 18).** The institutions rated strong decreased from 11 in 2016 to 9 in 2017.

Table 18: Banking Sector Performance Rating (Ksh. M)

Performance	2016	2017				
	No. of Institutions	Total Net Assets	Market Share	No. of Institutions	Total Net Assets	Market Share
Strong	11	1,845,960	49.95%	9	1,234,627	30.94%
Satisfactory	16	1,438,960	38.93%	16	2,285,671	57.84%
Fair	11	295,908	8.01%	12	132,835	8.37%
Marginal	1	115,114	3.11%	3	349,608	2.85%
Unsatisfactory						
Total*	**39**	**3,695,943**	**100.00%**	**40**	**4,002,741**	**100.00%**
Overall Rating	**Strong**	**Satisfactory**				

** Charterhouse Bank in Statutory Management, and Imperial Bank and Chase Bank in Receivership have been excluded in the 2017 statistics*

Source: CBK

3.17 Compliance with Supervisory and Regulatory Requirements

During the year ended December 31, 2017, fifteen banks were in violation of the Banking Act and CBK Prudential Guidelines as compared to twelve banks in the previous year, 2016. The increase in the number of banks in violation was mainly in respect to non-compliance with single borrower limit which was mainly on account of decline in core capital in some banks attributed to additional provisions for loans and advances.

The specific incidences of non-compliance noted during the year ended December 31, 2017 were as follows:

Liquidity Management

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 maintain a minimum liquidity ratio of 20 percent.

Single Borrower Limit

Eight 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.

Capital Adequacy

Four 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.

Three institutions were 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 Ksh.1 billion.

Two institutions were in violation of CBK Prudential Guideline (CBK/PG/03) on Capital Adequacy, which requires an institution to have a minimum core capital to total deposits ratio of 8 percent.

Prohibited Business

Four 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. This was attributed to declines in core capital due to additional provisions for loans and advances.

One institution was in violation of Clause 3.2.3 of CBK Prudential Guideline (CBK/PG/07) on Prohibited Business, which limits total insider borrowings to 100 percent of Core Capital. This was attributed to declines in core capital due to additional provisions for loans and advances.

Corporate Governance

One institution was 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 in any financial year.

One institution was in violation of Section 11 (1) of the Banking Act which requires every bank to seek Board approval for any loan granted to the Board members and to ensure that these credit facilities are fully secured.

Foreign Exchange Exposure

Two institutions were in violation of CBK Prudential Guideline (CBK/PG/06) on Foreign Exchange Exposure, which requires an institution to be within a foreign exchange exposure of 10 percent.

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

3.18 Performance of Microfinance Banks

The microfinance banks reported an overall decline in performance with a combined loss before tax of Ksh.622 million for the year ended December 31, 2017. This was a deterioration from the performance reported in December 31, 2016, where the microfinance sector registered a loss before tax of Ksh.377 million **(Table 19).** The decline in profitability in the sector was largely attributed to reduction of financial income by **7.0 percent** or Ksh.1.0 billion. As a result of the decline in performance, the sector reported a lower return on assets and equity ratio at negative 0.9 percent and negative 5.5 percent, compared to the previous year in 2016 at negative 0.5 percent and negative 3.2 percent respectively.

Customer deposits declined by 3.2 percent from Ksh.40.2 billion in 2016 to Ksh.38.9 billion. The decline in deposits was attributed to increased demand from customers for higher interest returns, while facing stiff competition from commercial banks as they implement the law on interest rates capping.

Similarly, the net loan portfolio declined by 8.9 percent from Ksh.47.0 billion in 2016 to Ksh.42.8 billion. The shrinkage of the loan book was partly attributed to the deliberate move by most institutions to slow-down lending, in light of the uncertainties associated with the electioneering period; and partly by the capping of the interest rates, which resulted to a shift in customers to cheaper facilities from the commercial banks.

Table 19: Performance of MFBs – Ksh.Million

Parameter	2016	2017	% Change
Pre-Tax Profits	(377)	(622)	(65.0)
Customer Deposits	40,198	38,916	(3.2)
Loan Portfolio (Net)	47,047	42,849	(8.9)
Core Capital/Total Risk Weighted Assets	20%	19.2%	(4.0)
Total Capital/Total Risk Weighted Assets	22.6%	21.4%	(4.9)
Return on Assets	(0.5)%	(0.9)%	(80)
Return on Shareholder's funds	(3.2)%	(5.5)%	(71.9)
Number of Branches	112	115	2.7
Total number of staff	**4,423**	**4,328**	**2.1**

Source: CBK

As at December 2017, the MFBs' ratio of core capital to risk weighted assets declined from 20 percent to 19.2 percent and was above the minimum requirement of 10 percent **(Appendix X)**. The ratio of total capital to total risk weighted assets was 21.4 percent for the period ended December 2017, having declined from 22.6 percent and was above the minimum statutory requirement of 12 percent. While the sector injected additional capital of Ksh.456 million within the year 2017, core and total capital levels have been eroded by the losses reported by the sector.

The branch network grew from 112 branches in 2016 to 115 branches in 2017 while the marketing offices grew from 105 to 110. Similarly, third party agents increased from 2,060 to 2,191 agents as at December 31, 2017, as institutions continue to embrace agent banking.

The total staff complement for the 13 microfinance banks was 4,328 as at December 31, 2017, in comparison to 4,423 in 2016. The decline in the number of employees in the sector was attributed to the deployment of innovative technology-enabled delivery channels and products such as mobile, internet and agency banking aimed at improving efficiency.

3.19 Agency Banking

I. Introduction

Delivery of financial services through the agent banking model continued to increase in 2017. During this period, 18 commercial banks and 5 microfinance banks (MFBs) had contracted 61,290 and 2,191 bank agents respectively recording an increase from 53,833 and 2,068 agents reported in December 2016.

The change implies a 14 percent (increase by 7,457 agents) and 6 percent (increase by 123 agents) growth of the number of agents contracted by commercial banks and microfinance banks, respectively.

Over 89 percent of the approved commercial bank agents were concentrated in 3 banks with the largest physical branch presence namely; Equity Bank with 28,663 agents, Kenya Commercial Bank with 14,466 and Cooperative Bank with 11,207. On the other hand, for the MFBs, over 94 percent of the agents are contracted by the largest MFB – Kenya Women Finance MFB. The overall increase in the number of agents is attributed to the growing confidence and acceptability of the agency banking model by the public.

During the same period, MFBs had established 110 deposit-taking marketing offices marking a slight improvement; up from 105 deposit-taking marketing offices in 2016. 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 business expansion.

II. Number of Transactions

The number of banking transactions undertaken through bank agents increased by 34.1 percent from 104,193,459 transactions recorded in 2016 to 139,751,189 in December 2017 **(Table 20a).**

Table 20a: Type of Transactions	Number of Transactions			
	2016	2017	% Change	Cumulative (2010-2017)
Cash Deposits	56,056,750	72,021,597	28.5%	225,102,799
Cash Withdrawals	33,280,161	48,981,216	47.2%	165,787,764
Payment of Bills	1,283,300	1,937,698	51.0%	4,129,740
Payment of Retirement and Social Benefits	2,029,458	2,352,493	15.9%	5,558,586
Transfer of Funds	15,490	5,193	-66.5%	41,897
Account balance enquiries	11,338,113	14,228,339	25.5%	59,360,776
Mini statement requests	117,889	150,638	27.8%	488,239
Collection of loan applications forms	75	-	-0.0%	77
Collection of account opening application forms	71,217	74,015	3.9%	1,665,686
Collection of debit and credit card application forms	1,006	-	-	118,064
Collection of debit and credit cards	-	-	-	60,580
Total	**104,193,459**	**139,751,189**	**34.1%**	**462,314,208**
Number of Agents	**53,833**	**61,290**	**13.9%**	

Source: CBK

The increase in total transactions was mainly as a result of increases in transactions relating to the payment of bills, cash withdrawals, cash deposits and mini statements requests which increased by 51.01 percent, 47.2 percent, 28.5 percent and 27.8 percent, respectively. In a similar pattern in the year 2016, the increased transactions were attributable to payment of retirement and social benefits, payment of bills, cash deposits and mini statements requests which increased by 882.1 percent, 275.5 percent, 54.0 percent and 44.1 percent, respectively.

Cash deposits, cash withdrawals and account balance enquiries were the major transactions carried out by bank agents in 2017, representing 51.5 percent, 35.0 percent and 10.2 percent of the total transactions in the year, respectively.

During 2017, only the transfer of funds transactions recorded a decline as compared to 2016 where several transactions which included: collection of debit and credit cards, collection of debit and credit card application forms, account balance enquiries and collection of account opening application forms, had recorded declines. The transfer of funds transactions experienced a decline of 66.5 percent. The decline was as a result of competition from other alternative delivery channels, including mobile phone banking and PesaLink, on electronic bank to bank transfer service, which was launched in February 2017, which are considered more convenient as compared to use of agents.

III. Value of Transactions

Table (20b) Agency Banking data for banks – Value of Transactions in Ksh. 'M'

Type of Transactions				
	2016	2017	% Change	Cumulative (2010 to 2017)
Cash Deposits	538,273.37	791,701.83	47.1%	2,132,041.03
Cash Withdrawals	175,242.59	175,242.56	42.7%	799,689.01
Payment of Bills	5,996.91	13,683.15	128.2%	33,222.86
Payment of Retirement and Social Benefits	14,492.88	18,990.50	31.0%	38,047.33
Transfer of Funds	176.21	376.11	113.4%	705.88
Total	**734,181.99**	**1,074,820.40**	**46.4%**	**3,003,706.39**

Source: CBK

In 2017, the value of banking transactions undertaken through agents increased by 46.4 percent from the previous year; from Ksh.734.2 billion (USD 7.1 billion) in 2016 to Ksh.1 trillion (USD 10.5 billion) in December 2017. The large increase was attributed to the growth of transactions relating to payment of bills, transfer of funds, cash deposits and cash withdrawals. These transactions experienced a growth of 128.2 percent, 113.4 percent, 47.1 percent and 42.7 percent respectively. Notably, cash deposit transactions recorded the highest increased (Ksh.253.4 billion) as a result of the banks' change of business model by moving their customers from "brick and mortar" channels to digital channels.

The continued increase in agency transactions was mainly due to increase in the market presence of bank agents, their products and services they offer. Further, the increase in number and value of transactions underlines Kenyans' growing confidence and acceptability of the agency banking model by banks and the public.

3.20 Credit Reference Bureaus

The Credit Information Sharing (CIS) mechanism has evolved in scope and gained increasing acceptance as an integral component of the credit market in Kenya since rollout of the mechanism in July 2010. Consequently, as at December 31, 2017, subscribing banks requested for a total of 19.6 million credit reports from the licensed Credit Reference Bureaus (CRBs) which remain three (3) namely; Transunion CRB, Metropol CRB and Creditinfo CRB.

The requests for credit reports by customers increased by 56 percent during the election year (2017) partly fueled by demand for CRB clearance certificates as a requirement for eligibility to contest for various political posts. However, the use of credit reports for credit appraisal process by commercial banks and microfinance banks, registered a decline of 10 percent from 4.9 million reports in 2016 to 4.4 million reports in 2017 indicating that the demand for credit was low during the year due to the long electioneering period and the credit squeeze by banks following enactment of the interest rate caps in September 2016.

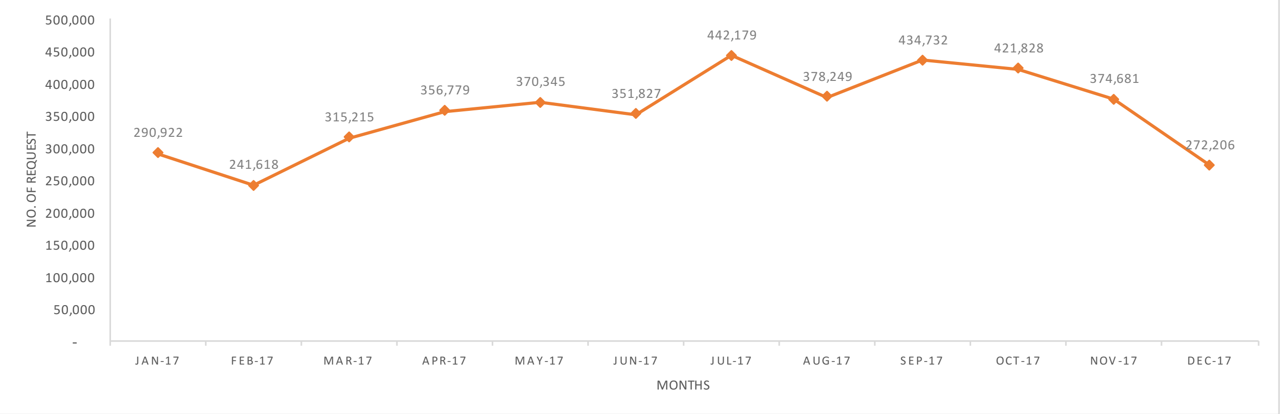
Table 21 shows the credit reports accessed from the CRBs since inception of the CIS mechanism in July 2010:

Table 21: Number of credit reports requested since August 2010

Period	Banks and 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%
January-December 2017	4,381,442	-10%	131,587	56%
Total	**20,558,390**		**379,613**	

Source: CBK

Chart 6: Total monthly credit report requests by banks to three CRBs in 2017



Source: CBK

The graph indicates there are high and low seasons in the credit report requests made by banks to the CRBs with generally an increasing trend throughout the year but a decline towards year end indicating decreased economic activity in December.

The CIS mechanism continues to receive significant interest from third party data providers. As at December 31, 2017, CBK had approved a total of 1,434 third party data providers in accordance with Regulation 23(2) of the Credit Reference Bureau Regulations, 2013 compared to 797 data sources approved in the year 2016. The 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. Additionally, Metropol CRB was granted approval to roll-out 139 specific third party agents in 2016 where the number increased to 209 specific agents by December 2017.

In a bid to address the challenges the CIS mechanism faces such as low uptake of bureau credit scores by banks, poor data quality and negative public perception, the Central Bank of Kenya (CBK), in consultation with industry participants and the World Bank Group, initiated a reform project with the aim of strengthening the CIS mechanism and enhancing its value in the credit market. The work plan has been categorized into five key objectives termed as the 'Kenya Credit Reporting Strengthening Project' as follows:

i. **Promote adoption of credit scores and analytics** by banks and financial institutions in credit extension and for risk management. This will entail harmonization/ streamlining of credit scoring parameters by CRBs and integration of CRB credit scores in pricing of credit.
ii. **Improvement of Data Quality.** The CIS mechanism relies heavily on the quality of the data being shared. It is therefore important to address impediments by reviewing the data specification template, adoption of common data validation rules, training of bank staff among other data improvement solutions.
iii. **Enhanced Supervisory capacity for compliance monitoring.** This relates to capacity enhancement for CBK supervision of the CIS mechanism and CRBs.
iv. **Increase in level of awareness of credit reporting.** A public awareness campaign will be carried out on usage and benefits of credit reporting, in particular to remove the negative perception that CRBs are used for blacklisting customers.
v. **Increased credit bureau usage** by integrating SACCOS, other non-bank financial institutions and digital finance data into the credit reporting system. It is envisaged that broadening coverage of the CIS mechanism will lead to a more comprehensive database that will enhance predictive aspects and deter over-indebtedness of borrowers.

3.21 Money Remittance Providers

In the past, remittance services were conducted through banking institutions. Given the growing importance of diaspora remittances in supporting the growth and development of an economy through the supply of foreign exchange, the Central Bank of Kenya established a framework in 2013 to enable stand-alone entities conduct money remittance business. Consequently, the Money Remittance Regulations were published in 2013 and the Central Bank of Kenya has since licensed 19 Money Remittances Providers (MRPs), inclusive of 2 new MRPs in 2017.

The MRPs conduct both inbound and outbound international remittances and have established 38 outlets out of which 33 are located in Nairobi, 3 in Mombasa and 2 in Garissa. In addition, the MRPs have engaged 73 agents across the country which has increased access to financial services by members of the public. The distribution of the agents is shown in **Table 22.**

Table 22: Distribution of MRP agents

No.	City/Town	No. of Agents	% of Total
1	Nairobi	28	38.4%
2	Mombasa	7	9.6%
3	Dadaab	4	5.5%
4	Nakuru	3	4.1%
5	Eldoret	3	4.1%
6	Garissa	3	4.1%
7	Kitale	2	2.7%
8	Kajiado	2	2.7%
9	Kakuma	1	1.4%
10	Moyale	2	2.7%
11	Mandera	2	2.7%
12	Wajir	2	2.7%
13	Isiolo	2	2.7%
14	Namanga	2	2.7%
15	Habaswen	2	2.7%
16	Malindi	2	2.7%
17	Elwak	1	1.4%
18	Busia	1	1.4%
19	Kisumu	1	1.4%
20	Malaba	1	1.4%
21	Kisii	1	1.4%
22	Meru	1	1.4%
23	Lamu	1	1.4%
	Total	**74**	**100%**

Source: CBK

Total remittances to the country during the year 2017 amounted to USD 1,947 million having increased by 12.9 percent from USD 1,724 million in the year 2016. The steady growth in remittances over the last few years has contributed significantly to the growth of the licensed MRPs.

CHAPTER 4

DEVELOPMENTS IN SUPERVISORY FRAMEWORK

4.1 Introduction

In 2017, Central Bank of Kenya undertook a number of initiatives aimed at improving the stability and resilience of the banking sector which include: -

- Pursuant to the Guidance Note issued in November 2016 by the CBK on the Internal Capital Adequacy Assessment Process (ICAAP), institutions submitted their ICAAP documents in the first half of 2017. The ICAAP is intended to strengthen institutions' capital and risk management processes.
- To address the growing threat of cyber-risk and the risk posed to business continuity, the CBK issued a Guidance Note to banks on cybersecurity in August 2017. The Guidance Note sets out minimum regulatory expectations on cybersecurity and recommends measures to guard against this growing threat. Under the Guidance Note, banks were required to develop cybersecurity policies and strategies and submit them to CBK for review by the end of November 2017.
- In December 2017, the Central Bank Kenya released a draft Guidance Note to the banking industry on implementation of IFRS 9 on Financial Instruments for review and comment. As reporting entities, banks will be required to recognize not only incurred credit losses but also losses that are expected in future. IFRS 9 seeks to improve credit risk provisioning by reporting institutions to enhance their resilience and capacity to withstand losses occasioned by loan defaults.
- To strengthen the Anti-Money Laundering and Combating the Financing of Terrorism Framework (AML/CFT), the CBK released a draft Guidance Note on Conducting Money Laundering/ Terrorism Financing Risk Assessment in December 2017 for review. The Guidance Note was designed to assist financial institutions conduct a money laundering/ terrorism finance risk assessment.

4.2 Cyber Security Guidance Note

On August 18, 2017, the Central Bank of Kenya (CBK) rolled out a Guidance Note on Cybersecurity to commercial banks and mortgage finance companies. The aim of the Guidance Note was to set the minimum cybersecurity requirements upon which the banks would build their cyber threat landscape, nature of business, size and risks faced. The Guidance Note (GN) recommends among other things that commercial banks and mortgage institutions;

- Incorporate cyber-risk into the enterprise-wide risk management framework and governance.
- Develop an effective control and response frameworks for cyber-risk, including ensuring the implementation of general sound risk management practices in the context of cyber-risk.
- Consider as starting points the existing technical standards on cyber-and information security for any regulation relating to cyber-risk.
- Put more emphasis in promoting cyber-security awareness among staff.
- Benefit from further collaboration with the industry in strengthening bank's cyber-security.

Cybersecurity is a collaborative process that entails the board of directors setting the 'tone from the top' by approving the overall cyber security governance framework. On its part, the senior management has the responsibility of formulating and implementing cybersecurity strategies, policy, procedures and guidelines. The Chief Information Security Officer (CISO) also has a critical role of implementing the institution's framework and enforcing the cybersecurity policy.

The required reporting requirements are also included in the Guidance Note which includes:-

- Submission to CBK of the institution's Cybersecurity Policy, strategies and frameworks.
- Notify CBK within 24 hours of any Cybersecurity incident(s) that could have a significant and adverse impact on the institution's ability to provide adequate services to its customers, its reputation or financial condition.
- Provide CBK with a report indicating the occurrence and handling of Cybersecurity incidents within the quarter.

CBK considers the issuance of the Cyber Security Guidance Note as an important first step in enhancing the overall cyber resilience of the Kenyan banking sector. As an immediate next step, CBK has commenced the process of formulating and issuing a Cyber Security Guidance Note to Payment Systems Participants authorized under the National Payments Systems Act. Kenya's payments arena particularly Mobile Phone Financial Services (MFS) is growing at an exponential rate. MFS platforms are increasingly connected to banks and it is equally critical to enhance their cyber resilience. This will in turn strengthen the overall cyber resilience of Kenya's financial sector.

4.3 International Financial Reporting Standard 9 (IFRS 9)

The International Financial Reporting Standard (IFRS) 9 came into effect on January 1, 2018. Previously provisioning for accounting purposes was guided by International Accounting Standard (IAS) 39. Under IAS 39, credit loss recognition was based on incurred losses i.e. when evidence of loss is apparent. This was criticized by the Basel Committee on Banking Supervision during the global financial crisis on the basis that accounting recognition for credit losses was "too little too late".

The impairment (provisioning) requirements of IFRS 9 are based on the Expected Credit Loss (ECL) approach. This approach requires financial institutions to recognize expected credit losses at all times, that is, not just when evidence of a loss is apparent. It considers past events, current conditions and forecasts. The ECL approach is broadly consistent with how supervisors approach provisioning for loans based on guidance from the Basel Committee. Supervisors in addition to incurred losses also take into account expected losses. Implementation of IFRS 9 is expected to increase banks' loan loss provisions as the standard requires the reporting entities to make provisions on both actual and expected losses on performing and non-performing loans.

Currently, loan loss provisions for most banks based on the CBK Prudential Guideline CBK/PG/04 are higher than provisions required under IAS 39. The increased provisions under IFRS 9 are expected to impact banks' reported profits negatively due to higher amounts that will be charged to the income statement. Banks' reported profits are expected to be significantly reduced, with the following impact: -

- Those with low profits are likely to report losses.
- Dividend policies (returns on equity and capital) are likely to be negatively affected by the expected reduction in distributable profits.
- Core capital positions will be negatively affected.

In view of the anticipated impact of the ECL, pursuant to Section 33(4) of the Banking Act, and Section 48(2A) (b) of the Microfinance Act, 2006, CBK issued a draft guidance note on IFRS 9. The purpose of the draft guidance note was to guide institutions in the computation of the regulatory capital following the coming into effect of IFRS 9. CBK proposed a five-year transition period during which the incremental provisions may be added back to earnings for purposes of computing core capital. The expected credit losses to be added back shall be those relating to loans existing and performing as at the end of 2017 and new loans booked in the year 2018.

Any incremental provisions under the ECL model should be charged to the income statement but the same should be added back over a five-year period for purposes of computing core capital to lower the impact of the additional provisions on core capital during the transition period.

During the transition period, institutions should disclose, in their published results, their core and total capital ratios both before and after the additional expected credit loss provisions have been added back. This is aimed at facilitating assessment of the impact of the additional ECL provisions on the institution's capital position and bottom line.

Where the CBK provisions are higher than IFRS 9, the excess provisions shall be treated as an appropriation of retained earnings and not expenses in determining profit and loss. Therefore, such excess shall be credited to the statutory loan loss reserve as provided in CBK/PG/04 on Risk Classification of Assets and Provisioning.

The draft guidance note was expected to be issued in final form in early 2018.

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

AML/CFT Risk Assessment

Bank Supervision Department (BSD) undertook a review of commercial banks' money laundering/ terrorism financing (ML/TF) risk assessment frameworks. All banks made presentations to the Bank Supervision Department on the ML/TF risk assessments that they had conducted. The main areas requiring strengthening related to assessment of effectiveness of AML/CFT controls, data analysis and determination of residual AML/CFT risk.

The observed gaps necessitated the issuance of a Guidance Note on how to Conduct Money Laundering/ Terrorism Financing Risk Assessment to address the areas needing strengthening. The Guidance Note expounds the requirements of Central Bank of Kenya (CBK) Prudential Guideline on Anti-Money Laundering and Combating the Financing of Terrorism (CBK/PG/08- Clause 5.5). The draft guidance note was circulated to the banking sector for review and comments in December 2017. The guidance note was in draft form at the end of the year and the final Guidance Note was to be issued in early 2018.

Technical Assistance, AML Training and Awareness Initiatives:

Workshops conducted in 2017 included:

- Training Course on AML and Wildlife Crimes, Kenya - June 12-15, 2017 held in Naivasha. The training focused on Investigation and Prosecution of AML and Wildlife Cases.
- The Anti-Money Laundering Examination Seminar that was jointly organized by the Central Bank of Nigeria (CBN) and the US Federal Reserve System. The Seminar was conducted from July 10 to July14, 2017 at CBN and focused on the elements of a sound AML/ CFT program.
- The ESAAMLG Assessors' Training that took place from September 10 to September 14, 2017 in Zanzibar. The training focused on mutual assessments of countries' compliance to FATF requirements.

CHAPTER 5

REGIONAL AND INTERNATIONAL DEVELOPMENTS AND INITIATIVES

5.1 Introduction

In 2017, CBK continued its participation in a broad range of regional and global initiatives that focus on the Bank's supervisory mandate and in line with its strategic imperatives. CBK takes part in these initiatives either by virtue of its' membership in regional/global forums or by invitation. The engagements are beneficial in that they enable CBK keep up to date with the rapidly changing regional and international regulatory environment, broaden exposure to international developments and provide opportunities to enhance technical capacity. Ultimately, the exposure facilitates better execution of the CBK's mandate.

Some of the international initiatives in which CBK participated in 2017 are highlighted below.

5.2 Regional and International Initiatives

Monetary Affairs Committee of the East African Community

- The Monetary Affairs Committee (MAC) of the East African Community (EAC) is composed of the Governors' of the Central Banks of the six EAC member states[2]. The main task of MAC is to coordinate efforts by Central Banks of EAC member states towards greater regional financial integration, stability and harmonization of financial systems. Ultimately, MAC aims at facilitating the establishment of the envisaged East African Monetary Union (EAMU). MAC initiatives focus on areas pertinent to financial stability, including bank supervision, and are implemented through committees of technical officials guided by the Governors. In 2017, the Bank Supervision Department participated in various MAC activities, including the following:
- The 21st Ordinary meeting of the EAC's Monetary Affairs Committee (MAC) was held in Kampala, Uganda from August 21 - 25, 2017. The meeting reviewed the progress of implementation of the decisions of the 20th MAC meeting also held in Kampala in August 2016. Among the matters reviewed at the meeting were the progress of implementation of the convergence criteria on harmonization of the regional supervisory rules and practices, development of national crisis management frameworks for banking groups with regional operations, progress of regional financial inclusion initiatives as well as other pertinent regional initiatives.
- The meeting of the MAC Working Group on Crisis Management held in Kampala, Uganda from November 28 – Dec 1, 2017. The objective of the Working Group on Crisis Management is to strengthen the key pillars of regional crisis management regimes which include strong legal frameworks, strong financial supervision with early intervention powers, emergency liquidity assistance arrangements, effective resolution frameworks and cross-border co-operation. The meeting also continued discussions towards development of a Resolution Funding Framework. In addition, discussions focused on enhancement of prompt Corrective Actions (PCAs) mechanisms for banks within the EAC.
- The meeting of MAC's Macro-Prudential Analysis, Stress Testing and Statistics Working Group (MASS-WG) held in Kampala, Uganda on December 4 – 8, 2017. The meeting reviewed member countries' Financial Stability Reports (FSRs) and assessed systemic threats and vulnerabilities to the regional financial sector. It also explored options on how the risks identified can best be mitigated.

East African Monetary Union (EAMU)

In 2017, CBK continued its participation in regional activities aimed at operationalizing the East African Monetary Union (EAMU) Protocol that was launched in January 2015.

Bank Supervision Department was represented at a meeting convened by the EAC Secretariat on July 19 – 21, 2017 in Arusha, Tanzania, to review the report of the Task Force formed to develop draft EAMU bills. The development of the draft bills are part of efforts by the EAC to develop a legal framework for the proposed EAC Financial Services

Commission. A harmonized regional legal framework is among the prerequisites for implementation of the agreed convergence criteria for the EAMU

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. To achieve this vision, COMESA is working towards harmonization of monetary and supervisory practices. In particular, CBK participated in:

- The Validation Workshop for the Manual on Systemic Risk Assessment Tools held in Nairobi, Kenya on October 9 – 13, 2017. The objective of the manual is to equip users with practical understanding of systemic risk analysis tools.
- The 12th Meeting of the Financial System Development and Stability Sub-Committee held in Nairobi, Kenya on October 14, 2017. The main agenda of the meeting was for members to report on the implementation status of the COMESA Assessment Framework, review the reports on Validation Workshops for four Financial Stability Manuals and review of the Sub-Committee Work Plan for 2018.
- The 22nd Meeting of the COMESA Committee of Governors of Central Banks held on Bujumbura, Burundi March 29 – 30, 2017. During the meeting the members reported on the progress and challenges of implementing COMESA Monetary Integration Programme. Amongst the areas reported on by the members was the status of implementation of the Regional Payment and Settlement System (REPSS).

REPSS is a Multilateral Netting System with end-of-day settlement in a single currency that provides a single gateway for Central Banks within the region to effect payment in a multi-currency environment. Importers and exporters are therefore able to pay and receive payment for goods and services through an efficient and cost effective platform thus increase intra-regional trade.

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

The Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG) is among the eight (8) regional Financial Action Taskforce Style Regional Bodies (FSRBs) that form part of the Financial Action Task Force's (FATF) global network.

In 2017, the Bank Supervision Department continued to coordinate the National Taskforce on Anti-Money Laundering and Combating the Financing of Terrorism (NTF) activities. BSD coordinated Kenya's participation in ESAAMLG activities including the:

- 33rd ESAAMLG Taskforce of Senior Officials Meeting held in Arusha, Tanzania from April 2 to 7, 2017;
- 34th ESAAMLG Taskforce of Senior Officials Meeting; and
- 17th Council of Ministers' Meeting both held in Zanzibar from September 3 to 7, 2017. Some of the outcomes of the meetings included the following:
    - The approval of the de-risking report. The report highlighted the impact of de-risking to the financial system which included:
        a. undermining financial system resilience;
        b. hindering competition;
        c. creating obstacles to trade;
        d. causing financial exclusion; and
        e. promoting underground financial channels that could be misused by criminals or terrorists.
    - A proposal to organize a risk-based supervision workshop.
    - A proposal to organize the Public/Private Sector Dialogue (PPSD) at the next Council meeting. The PPSD is a dialogue, which draws participants from public and private sectors and representatives from the Cooperating Nations and Organizations to discuss topical issues in AML/CFT arena for instance De-Risking.
- Under the revised program, Kenya is due for the second round of Mutual Evaluations which will be assessing the effectiveness of the AML/CFT legal

frameworks in 2021. 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.

- Review Group D membership – to exclusively review and assist countries in the FATF International Cooperation Review Group (ICRG) monitoring process. The group comprises of experts from 6 countries including Kenya.
- A work programme of ESAAMLG Secretariat was developed for the financial year 2018/2019 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.
    - Increase and sustain the knowledge of money laundering and terrorist and proliferation financing trends and techniques in the region in order to effectively contribute to regional and international AML/CFT policy formulation.
    - 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/CFT measures which support implementation of financial inclusion initiatives.
    - Consolidating the sustainability and efficiency of ESAAMLG and its Secretariat through implementing the recommendations of the Efficiency Scrutiny Working Group.

- Kenya's Post Implementation Evaluation report that is used to gauge the effectiveness of the AML/CFT system in place was considered. It was recorded 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;
    - Regulation, supervision and monitoring – DNFBPs;
    - Statistics;
    - Legal persons and beneficial ownership; and
    - Legal arrangements and beneficial ownership.

Alliance for Financial Inclusion (AFI)

CBK continued to be an active member of the Alliance for Financial Inclusion (AFI) in 2017. AFI is a member-based entity whose members and partners includes central banks and other financial regulatory institutions from developing countries. The AFI network currently includes members from more than 90 countries. As one of the world's leading organization on financial inclusion policy and regulation, AFI continues to deliver on its mandate of empowering policymakers to increase access to quality financial services for the poorest populations.

AFI spearheaded a number of initiatives and activities for its members in 2017 of which CBK participated in the following:

i. The 9th AFI Global Policy Forum (GPF)

The 9th AFI Global Policy Forum (GPF) held in Sharm El Sheikh, Egypt from September 13-15, 2017. The Forum was co-hosted by the Central Bank of Egypt and AFI which marked the first time the event was being hosted in the Arab Region. Under the theme ***"Exploring Diversity, Promoting Inclusion,"*** the Forum illustrated how the diversity of culture, experience and background, within the AFI network, creates and promotes effective financial inclusion policy reforms and innovations. The event was attended by over 800 participants, including CBK, from across the world. Green Finance and Climate Change, a session that has continued to elicit interest during the GPF was given great importance during this event. Building on discussions from the 7th and 8th GPF, the Sharm El Sheik Accord on financial inclusion, green finance and climate change was formed. The Accord was endorsed by 94 per cent of AFI members and commits AFI members to work together and with partners to identify, understand and implement financial inclusion policy solutions that also have positive outcomes for the environment, focusing on communities that are most vulnerable to climate change.

ii. African Financial Inclusion Policy Initiative (AfPI)

The African Mobile Phone Financial Services Policy Initiative (AMPI) was conceptualized in March 2011 and officially launched on 15th February 2013 in Zanzibar, Tanzania by 18 African members of AFI. The initiative was established to provide a platform for AFIs African members to support and develop policy and regulatory frameworks, and coordinate regional peer learning efforts, to advance financial inclusion through Mobile-Phone Financial Services (MFS) in Africa.

In May 2017, during the annual (AMPI) Leaders Roundtable in Maputo, Mozambique, leaders from AFIs African member countries resolved to broaden the scope of AMPI and change its name to the African Financial Inclusion Policy Initiative (AfPI). This renewal was in response to the expanding focus of financial inclusion policy in African countries, moving beyond MFS. While the scope of the AMPI had been to create an enabling regulatory environment for scaling-up MFS, the broader scope of AfPI encompassed the development of policy solutions for Small and Medium Enterprise (SME) finance, agriculture finance and gender which are focal areas that also have great potential towards deepening financial inclusion in Africa. During this meeting, the renewed AfPI charter was approved. The charter outlines the objectives of the initiative, composition of its membership, corporate governance and operational structure and activities and engagements to be conducted therein.

CBK is represented in the governing structure of AfPI, represented by heads' of AFIs African members, who provide strategic guidance and oversight towards fulfilling the objectives of AfPI. CBK also forms part of the Expert Group of the African Financial Inclusion Policy Initiative (EGFIP), which is the technical implementing committee of the initiative, constituted to execute the work of AfPI. This group is currently working on reviewing the developments in the areas of (i) Interoperability and (ii) Digitally-Enabled Cross Border remittances within the African region.

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

The Bank has participated 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 2018:

- **11th Meeting of the FSB RCG for SSA:** CBK was represented at the 11th Meeting of the FSB RCG for SSA which was held in Pretoria, South Africa, on November 14-15, 2017. The meeting reviewed the progress of implementation of the international post-crisis policy reforms coordinated by the FSB. The meeting also reviewed the evaluation framework developed by FSB of the effects of reforms on financial intermediation. Participants at the meeting recognized the need for enhanced capacity for effective implementation of global standards to address challenges engendered by global "de-risking" with particular reference to AML/CFT. Other regional and international developments discussed include the decline in correspondent banking relationships in the region, cross-border crisis management and effective recovery and resolution planning, and the challenges of cross-border cooperation between authorities in home and host countries.

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 agricultural and rural finance in Africa. CBK is one among thirteen (13) Central Banks in Africa who are members of the Association. AFRACA's mission is to improve the African rural finance environment through the promotion of appropriate policy framework and to support member institutions to provide sustainable and quality financial services to the rural population.

Part of AFRACA's objective is to develop an inclusive financial sector by enhancing the capacity of member and partner institutions to provide quality and sustainable financial services to the rural and agricultural communities in Africa. It is in this regard that AFRACA organized the 6th International Exposure Visit Program on Mobile and Agency Banking at the Kenya School of Monetary Studies from April 24-28, 2017.

The workshop was attended by delegates from Central Banks and other financial institutions from Zambia, Zimbabwe, Tanzania, Liberia, Uganda, Ghana and Sudan. The workshop also garnered local participation from CBK, commercial banks, microfinance banks, telecommunication companies and related associations. Discussions focused on emerging technology within agricultural and rural finance, with specific focus on mobile and agency banking. The meeting noted that most African countries are keen on developing innovative products to address financial inclusion gaps and especially through agricultural finance.

Bank Supervision Application (BSA)

The Bank Supervision Application (BSA) is a 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 14 (fourteen) regulatory Institutions, namely: Banco de Cabo Verde, Banco de Moçambique, Bank of Namibia, Bank of Uganda, Bank of Zambia, Banque Centrale du Congo, Banque de la République du Burundi, Central Bank of Kenya, Central Bank of Lesotho, Central Bank of Swaziland, Reserve Bank of Malawi, Reserve Bank of Zimbabwe, National Bank of Ethiopia, Central Bank of the Republic of Madagascar and the Financial Services Regulatory Authority of the Kingdom of Swaziland .

The implementation of BSA in the Central Bank of the Republic of Madagascar and The National Bank of Ethiopia was launched in January 2017 and in October 2017 respectively. The Bank of Mozambique currently hosts the BSA Support Office (BSO), responsible for development, maintenance and providing 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. BSO officially launched the implementation of BSA V 4.0 in August 2017. The BSA version 4.0 replaces the version 3.0. The upgrade was informed by the need to respond to several new user requirements and improvement of security aspects emanating from the technological evolution.

The BSA V.4.0 is complemented by 4 modules - Risk Analysis Automated System (RAAS), Institutional Information Submission System (IISS) and Bank Supervision System (BSS) and Customer Protection System (CPS) module. The Customer Protection System (CPS) module is a new feature aimed at improving the quality of services and products offered to bank customers. CPS will enable customers of banks to report any kind of complaint that he/she has with a bank.

The BSA V.4.0 will inter alia have the following features;

- Accessed through a mobile phone (have a link to the users mobile phone).
- Dash board for a unified data visualization and graphical analysis of prudential indicators.
- Artificial intelligence algorithms for segmentation of institutions and prediction of indicators.

The Bank of Zambia hosted the BSA User Group meeting in August 2017. The meeting further validated BSA v4.0 development requirements. The meeting was also appraised on BSA v4.0 Development status.

International Institute of Finance

CBK marked two years since joining the International Institute of Finance (IIF) as an Associate Member. Over the previous two years, the CBK has had the benefit of access to IIF's extensive 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 authority. In 2017, the Bank continued exploring options towards participation in IIF's capacity building programmers for the enhancement of staff skills and competencies.

Financial Stability Institute (FSI) Connect e-Learning Tool

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

- **Utilisation of FSI Connect:** To enhance staff skills and keep abreast of regulatory developments, CBK renewed its subscription to the FSI's on-line learning tool, FSI Connect in 2017 for the year to October 2018. In 2017, 75 members of technical staff in BSD had been allocated user licenses in FSI Connect, granting them unlimited on-line access to a broad range of technical areas in financial services and regulation.

- **Participation in FSI Connect Survey:** In 2017, CBK also participated in a FSI Connect user survey aimed at gathering feedback to give the FSI a better view of users' needs. Specifically, the survey sought feedback on recent and potential future enhancements to FSI Connect. The feedback will inform FSI's continued development of new content and products that address the needs of users.

Knowledge Exchanges

The Central Bank of Kenya continued to host delegations from Africa in 2017 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 2017 are as indicated in **Table 23.**

Table 23: Knowledge Exchanges

Period	Institution(s)	Area(s) of Interest
May 2017	Reserve Bank of Malawi	Mortgage Finance in Kenya
December 2017	National Bank of Rwanda	Islamic Banking in Kenya

Source: CBK

Memorandum of Understanding (MOUs)

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. Appendix XV details the various MOUs in 2017.

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

The number of Kenyan banks/institutions with subsidiaries operating in the East African Community (EAC), Partner States and South Sudan remained at nine as at December 31, 2017. The banks comprise: 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. Commercial Bank of Africa made an entry to the Rwandan Market through a 100 percent acquisition of Crane Bank Rwanda Ltd in November 2017. The Kenyan bank's regional presence is as illustrated in **Table 24.**

Table 24: 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	14	5	11	-	60
2	Diamond Trust Bank	38	28	-	4	-	-	70
3	Commercial Bank of Africa	2	11	1	-	-	-	14
4	Guaranty Trust Bank	8	-	13	-	-	-	21
5	Equity Group Holdings	32	15	13	-	5	39	104
6	I&M Bank	-	8	14	-	-	-	22
7	ABC Bank	4	-	-	-	-	-	4
8	NIC Bank	2	5	-	-	-	-	7
9	The Co-operative Bank of Kenya	-	-	-	-	4	-	4
TOTAL		**102**	**81**	**55**	**9**	**20**	**39**	**306**

Source: CBK

In addition to 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) Ltd has 50 percent shareholding in Bank One Limited in Mauritius, Prime Bank (Kenya) Ltd has 11.24 percent shareholding of First Merchant Bank Ltd in Malawi and 11.46 percent shareholding of Capital Bank of Botswana and Equity Group Holdings Limited has 79 percent ownership of ProCredit Bank of Democratic Republic of Congo (DRC).

KCB Group continued scaling down its operations in South Sudan following the deteriorating security conditions which started in 2016. Its branch network was scaled down to 11 branches from 17 in 2016. On the other hand, Equity Group scaled up its operations in DRC from 31 to 39 branches during the period.

The performance analysis for the nine banks as at 31st December 2017 is illustrated below. The analysis is based on the number of branches, number of employees, assets, loans, deposits and profits.

Performance Highlights

1. Branches

A total of 306 branches were in operation as at December 31, 2017 compared to 297 branches in December 2016. The increase is mainly attributed to the increase in Equity Group Branches in DRC.

- Uganda had the highest number of branches in the region at 102 compared to 99 the previous year followed by Tanzania at 81 and Rwanda at 55 branches.
- Equity Group as of 31st December 2017 had the highest number of branches in the region at 104. It was followed by Diamond Trust Bank with 70 and KCB Group with 60. The increasing number of branches demonstrates potential for banking services within the region.

2. Number of Employees

The subsidiaries had a total of 6,106 employees compared to 6,223 the previous year. This attributable to banks reviewing their business model, automation of processes and shift from brick and mortar to alternative digital channels. Uganda had the highest number of employees at 1,879 accounting for 30.8 percent as Uganda has the largest proportion of subsidiaries branches in the region.

3. Total assets

Total assets of subsidiaries stood at Ksh.526 billion compared to Ksh.445 billion the previous year. The increase by Ksh.81 billion in terms of total assets in the subsidiaries was contributed to significantly by Bank One Mauritius (Ksh.25.6 billion), Equity Bank Uganda Limited (Ksh.10.96 billion), ProCredit Congo (KShs.9.36 billion), Equity Bank Rwanda Limited (KShs.5.69 billion), I&M Bank Rwanda Ltd (Ksh.5.84 billion) respectively. Individual performance per region are as follows:

- Subsidiaries operating in Tanzania accounted for 28.59 percent of the total assets.
- Subsidiaries operating in Uganda accounted for 21.23 percent of the total assets.
- Subsidiaries operating in Rwanda accounted for 15.69 percent of the total assets.
- Subsidiaries operating in Burundi accounted for 1.89 percent of the total assets.
- Subsidiaries operating in South Sudan accounted for 5.91 percent of the total assets.
- Subsidiaries operating in Democratic Republic of Congo accounted for 8.14 percent of the total assets.
- Subsidiaries operating in Mauritius accounted for 18.55 percent of the total assets.

4. Gross loans

Gross loans of subsidiaries stood at Ksh.286.6 billion compared to Ksh.242.4 billion the previous year. The KShs.44.29 billion was as a result of increased lending in the following institutions: Bank One Mauritius (Ksh.22.48 billion), Equity Bank Rwanda Limited (Ksh.5.02 billion), Procredit–Congo (Kshs.4.15 billion) and I&M Bank Rwanda Ltd (Ksh.3.98 billion).

- Subsidiaries operating in Tanzania had the highest loan amount at Ksh.95.1 billion and accounted for 33.18 percent of the total loans.
- Subsidiaries operating in Uganda accounted for 16.77 percent of the total loans while Rwanda followed closely at 16.59 percent.

5. Deposits

Gross deposits stood at Ksh.402.1 billion compared to Ksh.348.7 billion in the previous year. The Ksh.53.48 billion are as a result of increased mobilization of deposits especially in the following institutions: Bank One Mauritius (Ksh.24 billion), Procredit–Congo (Ksh.8.01 billion), Equity Bank Uganda Limited (Ksh.7.05 billion), I&M Bank Rwanda Ltd (Ksh.5.57 billion) and Diamond Trust Bank Burundi (KShs.4.47 billion). The regional spread is as follows:

- Subsidiaries operating in Tanzania had the highest deposit concentration at Ksh.111.4 billion and accounted for 27.7 percent of the total deposits.
- Subsidiaries operating in Uganda accounted for 19.90 percent of the total deposits.
- Subsidiaries operating in Rwanda accounted for 16.08 percent of the total deposits.

6. Profitability

The regional subsidiaries registered a slight decrease in total profit before tax at Ksh.8.79 billion compared to Ksh.8.88 billion the previous year. The decrease was noted specifically in two countries Tanzania and Uganda. In Tanzania, the subsidiaries faced a challenging operating environment as reflected by the losses reported by CBA Tanzania (Ksh.317.22 million), NIC Tanzania (Ksh.155.74 million). In Uganda, three subsidiaries realised losses ABC Uganda (Ksh.12.27 million), CBA Uganda (Ksh.47 million) and Guaranty Trust Uganda (Ksh.39.88 million).

- Subsidiaries operating in Rwanda accounted for the highest profits at 29.44 percent of the total profits.
- Subsidiaries operating in Uganda accounted for 19.54 percent of the total profits while subsidiaries in Tanzania accounted for 17.85 percent of the total profits.
- Six subsidiaries registered losses before tax. Out of the loss making subsidiaries, three were operating in Uganda and two in Tanzania indicating presence of stiff competition and market dominance. One was in Rwanda, which was acquired in November 2017, thus relatively new and therefore still yet to get its footing in the market.

APPENDIX I

BANKING SECTOR BALANCE SHEET - DECEMBER 2017-Ksh.M

		Dec-16				Dec-17			
A	**ASSETS**	**BANKS**	**NBFIS**	**GRAND TOTAL**	**% OF TOTAL**	**BANKS**	**NBFIS**	**GRAND TOTAL**	**% OF TOTAL**
1	Cash (both Local & Foreign)	62,242	477	62,719	1.7%	63,526	447	63,973	1.6%
2	Balances due from Central Bank of Kenya	156,019	2,895	158,914	4.3%	165,279	2,823	168,103	4.2%
3	Kenya Government and other securities held for dealing purposes	28,759	-	28,759	0.8%	46,461	-	46,461	1.2%
4	Financial Assets at fair value through profit and loss	1,132	-	1,132	0.0%	1,221	-	1,221	0.0%
5	Investment Securities:	-	-	-	0.0%	-	-	-	0.0%
	a) Held to Maturity:				0.0%	-	-	-	0.0%
	a. Kenya Government securities	411,587	3,557	415,144	11.2%	419,944	746	420,690	10.5%
	b. Other securities	6,476	-	6,476	0.2%	10,714	-	10,714	0.3%
	b) Available for sale:				0.0%	-	-	-	0.0%
	a. Kenya Government securities	421,559	529	422,087	11.4%	529,721	1,541	531,262	13.3%
	b. Other securities	11,336	-	11,336	0.3%	24,101	-	24,101	0.6%
6	Deposits and balances due from local banking institutions	40,249	2	40,251	1.1%	61,224	1,531	62,755	1.6%
7	Deposits and balances due from banking institutions abroad	73,167	1,657	74,824	2.0%	104,627	770	105,398	2.6%
8	Tax recoverable	2,013	37	2,050	0.1%	7,408	195	7,603	0.2%
9	Loans and advances to customers (net)	2,128,162	54,470	2,182,631	59.1%	1,963,971	49,640	2,013,610	50.3%
10	Balances due from banking institutions in the group	63,475	-	63,475	1.7%	301,413	-	301,413	7.5%
11	Investments in associates	5,590	-	5,590	0.2%	5,954	-	5,954	0.1%
12	Investments in subsidiary companies	23,876	-	23,876	0.6%	24,177	-	24,177	0.6%
13	Investments in joint ventures	-	274	274	0.0%	-	255	255	0.0%
14	Investment properties	1,417	-	1,417	0.0%	1,747	-	1,747	0.0%
15	Property and equipment	58,127	1,455	59,582	1.6%	56,290	1,514	57,804	1.4%
16	Prepaid lease rentals	1,152	39	1,191	0.0%	1,057	38	1,095	0.0%
17	Intangible assets	24,193	1,212	25,406	0.7%	26,249	1,072	27,321	0.7%
18	Deferred tax asset	23,979	751	24,730	0.7%	33,170	816	33,986	0.8%
19	Retirement benefit asset	876	-	876	0.0%	1,018	-	1,018	0.0%
20	Other assets	82,473	730	83,203	2.3%	91,344	737	92,080	2.3%
21	**TOTAL ASSETS**	**3,627,858**	**68,085**	**3,695,943**	**100.0%**	**3,940,615**	**62,127**	**4,002,741**	**100.0%**
B	**LIABILITIES**								
22	Balances due to Central Bank of Kenya	21,747	-	21,747	0.7%	18,162	-	18,162	0.5%
23	Customer deposits	2,580,234	38,156	2,618,390	84.5%	2,863,095	36,898	2,899,993	86.3%
24	Deposits and balances due to local banking institutions	36,486	625	37,111	1.2%	57,687	84	57,770	1.7%
25	Deposits and balances due to foreign banking institutions	77,986	-	77,986	2.5%	68,662	-	68,662	2.0%
26	Other money market deposits	-	-	-	0.0%	-	-	-	0.0%
27	Borrowed funds	185,222	18,790	204,011	6.6%	154,623	14,589	169,212	5.0%
28	Balances due to banking institutions in the group	46,955	-	46,955	1.5%	68,383	-	68,383	2.0%
29	Tax payable	6,870	-	6,870	0.2%	334	-	334	0.0%
30	Dividends payable	47	-	47	0.0%	27	-	27	0.0%
31	Deferred tax liability	141	-	141	0.0%	106	-	106	0.0%
32	Retirement benefit liability	238	-	238	0.0%	292	-	292	0.0%
33	Other liabilities	84,167	740	84,906	2.7%	75,019	593	75,612	2.3%
34	**TOTAL LIABILITIES**	**3,040,092**	**58,310**	**3,098,402**	**100.0%**	**3,306,390**	**52,163**	**3,358,553**	**100.0%**
C	**SHAREHOLDERS' FUNDS**	-	-	-		-		-	
35	Paid up /Assigned capital	173,558	5,000	178,558	29.9%	194,537	5,000	199,537	31%
36	Share premium/(discount)	65,921	3,514	69,435	11.6%	74,778	3,514	78,292	12%
37	Revaluation reserves	4,608	-	4,608	0.8%	9,658	180	9,838	2%
38	Retained earnings/Accumulated losses	301,304	807	302,111	50.6%	303,321	601	303,921	47%
39	Statutory loan loss reserves	21,023	453	21,477	3.6%	26,407	641	27,048	4%
40	Other Reserves	(1,822)	(50)	(1,872)	-0.3%	(480)	(22)	(502)	0%
41	Proposed dividends	20,805	-	20,805	3.5%	23,634	-	23,634	4%
42	Capital grants	2,369	51	2,420	0.4%	2,369	51	2,420	0%
43	**TOTAL SHAREHOLDERS' FUNDS**	**587,767**	**9,775**	**597,542**	**100.0%**	**634,225**	**9,963**	**644,188**	**100.0%**
44	Minority Interest	-	-	-					
45	**TOTAL LIABILITIES AND SHAREHOLDERS' FUNDS**	**3,627,858**	**68,085**	**3,695,943**		**3,940,615**	**62,127**	**4,002,741**	

Source : Commercial Banks Published Financial Statements (December 2017)

APPENDIX II

BANKING SECTOR PROFIT & LOSS

	Ksh. Millions	Dec-16				Dec-17			
		BANKS	**NBFIS**	**GRAND TOTAL**	**% OF TOTAL**	**BANKS**	**NBFIS**	**GRAND TOTAL**	**% OF TOTAL**
1	**INTEREST INCOME**								
1.1	Loans and advances	290,301	7,889	298,191	81.3%	257,980	6,713	264,694	74.0%
1.2	Government securities	89,062	504	89,566	24.4%	102,474	314	102,788	28.7%
1.3	Deposits and placements with banking institutions	5,641	214	5,855	1.6%	4,716	105	4,821	1.3%
1.4	Other Interest Income	2,950	-	2,950	0.8%	1,443	-	1,443	0.4%
1.5	Total interest income	387,955	8,607	396,562	108.1%	366,613	7,133	373,745	104.4%
2.0	INTEREST EXPENSE				0.0%				
2.1	Customer deposits	110,228	2,940	113,169	30.8%	104,109	2,323	106,432	30.1%
2.2	Deposits and placement from banking institutions	9,389	2	9,391	2.6%	8,545	111	8,656	2.5%
2.3	Other interest expenses	11,165	1,702	12,867	3.5%	11,702	1,640	13,342	3.8%
2.4	Total interest expenses	130,782	4,644	135,426	36.9%	124,356	4,074	128,430	36.4%
3.0	**NET INTEREST INCOME/(LOSS)**	**257,172**	**3,963**	**261,136**	**71.2%**	**242,257**	**3,058**	**245,315**	
4.0	**NON-INTEREST INCOME**								
4.1	Fees and commissions on loans and advances	23,058	149	23,207	6.3%	26,000	51	26,051	7.3%
4.2	Other fees and commissions	41,730	119	41,849	11.4%	44,476	95	44,571	12.5%
4.3	Foreign exchange trading income/(Loss)	24,033	4	24,037	6.6%	27,577	50	27,627	7.7%
4.4	Dividend Income	-	-	-	0.0%	304	-	304	0.1%
4.5	Other income	16,224	89	16,313	4.4%	13,931	88	14,019	3.9%
4.6	**Total Non-interest income**	**105,413**	**360**	**105,773**	**28.8%**	**112,287**	**284**	**112,571**	**31.5%**
5.0	**TOTAL OPERATING INCOME**	**362,586**	**4,323**	**366,909**	**100.0%**	**354,544**	**3,342**	**357,886**	**100.0%**
6.0	**OTHER OPERATING EXPENSES**								
6.1	Loan loss provision	41,756	699	42,455	12.0%	41,285	576	41,861	11.9%
6.2	Staff costs	83,973	787	84,761	23.9%	86,667	854	87,521	24.8%
6.3	Directors' emoluments	2,267	19	2,286	0.6%	2,770	7	2,778	0.8%
6.4	Rental charges	10,356	99	10,455	2.9%	11,111	110	11,221	3.2%
6.5	Depreciation charge on property and equipment	11,458	152	11,609	3.3%	11,879	168	12,046	3.4%
6.6	Amortisation charges	4,976	172	5,149	1.5%	5,913	182	6,095	1.7%
6.7	Other operating expenses	61,799	950	62,748	17.7%	62,117	1,052	63,169	17.9%
6.8	Total Other Operating Expenses	216,585	2,878	219,464	61.8%	221,741	2,949	224,691	63.6%
	TOTAL EXPENSES (2.4+6.8)	**347,368**	**7,522**	**354,890**	**100.0%**	**346,097**	**7,024**	**353,121**	**100.0%**
7	Profit/(loss) Before Tax and Exceptional Items	146,000	1,445	147,445		132,803	393	133,196	
8.0	Exceptional Items	878	(19)	859		464	20	484	
9.0	Profit/(Loss) After Exceptional Items	145,122	1,464	146,586		132,338	373	132,711	
10.0	Current Tax	50,346	623	50,969		41,931	278	42,209	
11.0	Deferred Tax	(7,453)	(160)	(7,612)		(5,569)	(86)	(5,655)	
12.0	Profit/(Loss) After Tax and Exceptional Items	102,229	1,001	103,230		95,976	181	96,157	
13.0	Minority Interest	-	-	-					
14.0	Profit/(loss) after tax, exceptional items and Minority Interest	(100,513)	(1,001)	(101,514)		(95,976)	(181)	(96,157)	
15.0	Other Comprehensive Income	-	-	-					
15.1	Gains/(Losses) from translating the financial statements of foreign operations	175	-	175		323		323	
15.2	Fair value changes in available for sale financial assets	6,671	(23)	6,648		9,097	40	9,137	
15.3	Revaluation surplus on Property, plant and equipment	2,388	-	2,388		589	189	778	
15.4	Share of other comprehensive income of associates	-	-	-		-	-	-	
15.5	Income tax relating to components of other comprehensive income	(1,131)	7	(1,124)		(1,407)	(21)	(1,428)	
16.0	Other Comprehensive Income for the year net of tax	8,103	(16)	8,086		8,602	207	8,809	
17.0	**TOTAL COMPREHENSIVE INCOME FOR THE YEAR**	**110,331**	**985**	**111,316**		**104,578**	**388**	**104,966**	

Source: Commercial Banks Published Financial Statements (December 2017)

APPENDIX III

BANKING SECTOR OTHER DISCLOSURES – DECEMBER 2017

	2016			2017			
	BANKS	**NBFIS**	**GRAND TOTAL**	**BANKS**	**NBFIS**	**GRAND TOTAL**	**ANNUAL % GRIOWTH**
NON-PERFORMING LOANS AND ADVANCES							
(a) Gross Non-performing loans and advances	208,181	6,193	214,374	256,405	8,212	264,617	23.44%
(b) Less: Interest in Suspense	34,683	1,018	35,701	42,465	1,261	43,726	22.48%
(c)Total Non-Performing Loans and Advances (a-b)	**173,498**	**5,176**	**178,674**	**213,940**	**6,951**	**220,891**	**23.63%**
(d) Less: Loan Loss Provision	73,560	1,298	74,858	99,464	1,729	101,193	35.18%
(e) Net Non-Performing Loans and Advances(c-d)	**99,938**	**3,878**	**103,815**	**114,475**	**5,222**	**119,698**	**15.30%**
(f) Discounted Value of Securities	95,080	3,878	98,957	105,056	5,222	110,278	11.44%
(g) Net NPLs Exposure (e-f)	**4,858**	**-**	**4,858**	**9,420**	**-**	**9,420**	**93.91%**
				-		-	
INSIDER LOANS AND ADVANCES							
(a) Directors, Shareholders and Associates	31,297	582	31,879	28,086	508	28,593	-10.31%
(b) Employees	68,325	1,140	69,465	68,364	1,020	69,383	-0.12%
(c)Total Insider Loans and Advances and other facilities	**99,621**	**1,722**	**101,344**	**96,449**	**1,527**	**97,977**	**-3.32%**
				-		-	
OFF-BALANCE SHEET ITEMS							
Letters of credit, guarantees, acceptances	386,407	1,053	387,460	416,329	280	416,609	7.52%
Forwards, swaps and options	227,435	400	227,834	357,126	1,445	358,571	57.38%
Other contingent liabilities	33,880	-	33,880	32,387		32,387	-4.41%
Total Contingent Liabilities	**647,721**	**1,453**	**649,174**	**805,841**	**1,726**	**807,567**	**24.40%**
CAPITAL STRENGTH							
Core capital	512,247	8,519	520,766	540,284	8,298	548,582	5.34%
Minimum Statutory Capital	38,000	1,000	39,000	1,000	1,000	1,000	-97.44%
Excess/(Deficiency)(a-b)	474,247	7,519	481,766	539,284	7,298	546,582	13.45%
Supplementary Capital	84,974	1,060	86,034	74,846	811	75,658	-12.06%
Total Capital (a+d)	597,220	9,580	606,800	615,130	9,109	624,239	2.87%
Total risk weighted assets	**3,016,165**	**54,161**	**3,070,327**	**3,272,158**	**53,576**	**3,325,733**	**8.32%**
Core Capital/Total deposits Liabilities	20.0%	22.3%	20.0%	18.9%	22.5%	18.9%	
Minimum statutory Ratio	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	
Excess/(Deficiency) (g-h)	12.0%	14.3%	12.0%	10.9%	14.5%	10.9%	
Core Capital / total risk weighted assets	17.0%	15.7%	17.0%	16.5%	15.5%	16.5%	
Minimum Statutory Ratio	10.5%	10.5%	10.5%	10.5%	10.5%	10.5%	
Excess (Deficiency) (j-k)	6.5%	5.2%	6.5%	6.0%	5.0%	6.0%	
Total Capital/total risk weighted assets	19.8%	17.7%	19.8%	18.8%	17.0%	18.8%	
Minimum statutory Ratio	14.5%	14.5%	14.5%	14.5%	14.5%	14.5%	
Excess/(Deficiency) (m-n)	5.3%	3.2%	5.3%	4.3%	2.5%	4.3%	
LIQUIDITY							
(a) Liquidity Ratio	41.8%	18.9%	41.4%	44.0%	19.0%	43.7%	
(b) Minimum Statutory Ratio	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	
(c) Excess (Deficiency) (a-b)	21.8%	-1.1%	21.4%	24.0%	-1.0%	23.7%	
Performance Indicators							
Yield on Earning Assets	12.8%	14.0%	12.9%	11.3%	12.9%	11.3%	
Cost of Funding Earning Assets	4.1%	7.6%	4.1%	3.6%	7.3%	3.6%	
Interest Margin on Earning Assets	8.8%	6.5%	8.7%	7.7%	5.6%	7.7%	
Yield on Advances	13.4%	14.2%	13.4%	11.3%	13.2%	11.4%	
Cost of Deposits	5.0%	12.2%	5.1%	4.3%	11.0%	4.4%	
Return on Assets (ROA)	3.3%	2.0%	3.2%	2.7%	0.6%	2.6%	
Return on Equity (ROE)	24.6%	14.9%	24.4%	20.8%	3.9%	20.6%	
Overheads to Earnings	43.5%	32.1%	43.3%	45.9%	39.8%	45.8%	
Gross NPLs/Gross Loans	9.2%	10.9%	9.3%	12.2%	15.6%	12.3%	
RATINGS	**1**	**2**	**1**	**2**	**2**	**2**	
Capital Adequacy	2	2	1	2	2	2	
Asset Quality	1	2	1	2	4	2	
Earnings	1	3	2	1	3	1	
Liquidity	1.25	2	1.25	1.75	2.75	1.75	
Composite Score	Strong	Satisfactory	Strong	Satisfactory	Fair	Satisfactory	
Performance Category							
Rating	**MANAGE-MENT** Total Weighted Score	**EARNINGS** Net Profits/ Total Assets (%)	**LIQUIDITY** Net Liquid Assets/Total (%)	**MANAGE-MENT** Total Weighted Score	**EARNINGS** Net Profits/ Total Assets (%)	**LIQUIDITY** Net Liquid Assets/Total (%)	**LIQUIDITY** Net Liquid Assets/Total (%)
1	1.0 - 1.4	Over 3%	Over 34%	1.0 - 1.4	Over 3%	Over 34%	Over 34%
2	1.5 - 2.4	2.0%-2.9%	26%-34%	1.5 - 2.4	2.0%-2.9%	26%-34%	26%-34%
3	2.5 - 3.4	1.0%-1.9%	20%-25%	2.5 - 3.4	1.0%-1.9%	20%-25%	20%-25%
4	3.5 - 4.4	0.0%-0.9%	15%-19%	3.5 - 4.4	0.0%-0.9%	15%-19%	15%-19%
5	4.5 - 5.0	Net Loss	Under 15%	4.5 - 5.0	Net Loss	Under 15%	Under 15%

Source: Commercial Banks Published Financial Statements (December 2017)

Appendix IV

BANKING SECTOR MARKET SHARE - DECEMBER 2017

		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 (Millions)	% of the Market	Number loan accounts (Millions)	% of the Market
			Ksh. M		Ksh. M		Ksh. M					
	Weighting		0.33		0.33		0.33		0.005		0.005	
	large Peer group >5%											
1	KCB Bank Kenya Ltd	14.14%	555,630	13.88%	445,398	14.72%	88,991	13.81%	5.586	11.77%	1.263	17.76%
2	Equity Bank Kenya Ltd	9.93%	406,402	10.15%	298,703	9.87%	61,906	9.61%	10.142	21.36%	0.620	8.71%
3	Co - operative Bank of Kenya	9.85%	382,830	9.56%	285,990	9.45%	68,227	10.59%	3.222	6.79%	0.670	9.42%
4	Standard Charetered Bank (K) Ltd	7.11%	285,125	7.12%	226,051	7.47%	44,584	6.92%	0.205	0.43%	0.050	0.71%
5	Diamond Trust (K) Ltd	6.72%	270,082	6.75%	209,254	6.91%	43,004	6.68%	0.844	1.78%	0.015	0.21%
6	Barclays Bank of Kenya	6.57%	271,682	6.79%	189,305	6.26%	43,559	6.76%	1.531	3.23%	0.222	3.13%
7	Commercial Bank of Africa	6.04%	229,525	5.73%	186,444	6.16%	31,571	4.90%	21.487	45.26%	3.920	55.12%
8	Stanbic Bank Kenya Ltd	5.62%	239,408	5.98%	178,696	5.90%	33,051	5.13%	0.159	0.34%	0.032	0.44%
	Sub-Total	**65.98%**	**2,640,684**	**65.97%**	**2,019,840**	**66.74%**	**414,894**	**64.41%**	**43.176**	**90.95%**	**6.792**	**95.50%**
	Medium Peer Group(1-5%)											
9	I & M Bank Ltd	4.78%	183,953	4.60%	134,247	4.44%	35,024	5.44%	0.132	0.28%	0.015	0.22%
10	NIC Bank PLC	4.62%	192,817	4.82%	142,006	4.69%	28,938	4.49%	0.116	0.24%	0.037	0.52%
11	Bank of Baroda (K) Ltd	2.56%	96,132	2.40%	77,694	2.57%	17,900	2.78%	0.047	0.10%	0.003	0.04%
12	Citibank N.A Kenya	2.56%	98,232	2.45%	65,461	2.16%	20,177	3.13%	0.002	0.00%	0.001	0.01%
13	National Bank of Kenya Ltd	2.37%	109,942	2.75%	100,165	3.31%	7,048	1.09%	0.598	1.26%	0.046	0.64%
14	Prime Bank Ltd	2.01%	76,438	1.91%	58,951	1.95%	14,338	2.23%	0.030	0.06%	0.005	0.07%
15	Family Bank Ltd	1.71%	69,051	1.73%	47,627	1.57%	11,608	1.80%	2.113	4.45%	0.087	1.22%
16	Bank of India	1.55%	56,631	1.41%	44,825	1.48%	11,625	1.80%	0.016	0.03%	0.001	0.01%
17	HFC Ltd	1.43%	62,127	1.55%	36,981	1.22%	9,963	1.55%	0.086	0.18%	0.009	0.13%
18	Ecobank Ltd	1.27%	53,456	1.34%	45,856	1.52%	6,439	1.00%	0.054	0.11%	0.007	0.10%
19	Bank of Africa (K) Ltd	1.25%	54,191	1.35%	33,335	1.10%	8,468	1.31%	0.120	0.25%	0.015	0.21%
	Sub-Total	**26.10%**	**1,052,969**	**26.31%**	**787,147**	**26.01%**	**171,527**	**26.63%**	**3.313**	**6.98%**	**0.226**	**3.17%**
	Small Peer Group<1%											
20	Guaranty Trust Bank Ltd	0.85%	27,628	0.69%	16,601	0.55%	8,609	1.34%	0.016	0.03%	0.001	0.02%
21	Gulf African Bank Ltd	0.77%	31,316	0.78%	26,105	0.86%	4,419	0.69%	0.088	0.18%	0.010	0.14%
22	Victoria Commercial Bank Ltd	0.71%	25,985	0.65%	18,886	0.62%	5,612	0.87%	0.004	0.01%	0.001	0.02%
23	African Banking Corporation Ltd	0.59%	24,804	0.62%	20,104	0.66%	3,160	0.49%	0.037	0.08%	0.001	0.02%
24	Sidian Bank Ltd.	0.49%	19,302	0.48%	14,140	0.47%	3,447	0.54%	0.256	0.54%	0.017	0.24%
25	Habib A.G. Zurich	0.45%	18,708	0.47%	13,808	0.46%	2,842	0.44%	0.005	0.01%	0.000	0.01%
26	Guardian Bank Ltd	0.40%	15,803	0.39%	13,120	0.43%	2,375	0.37%	0.011	0.02%	0.001	0.01%
27	First Community Bank Ltd	0.39%	17,360	0.43%	14,783	0.49%	1,709	0.27%	0.214	0.45%	0.002	0.03%
28	Credit Bank Ltd	0.38%	14,465	0.36%	11,485	0.38%	2,665	0.41%	0.030	0.06%	0.002	0.03%
29	Development Bank of Kenya Ltd	0.37%	16,320	0.41%	7,665	0.25%	2,930	0.45%	0.002	0.00%	0.001	0.02%
30	Jamii Bora Bank Ltd	0.35%	12,851	0.32%	5,612	0.19%	3,454	0.54%	0.130	0.27%	0.025	0.35%
31	M Oriental Commercial Bank Ltd	0.32%	10,577	0.26%	7,463	0.25%	3,028	0.47%	0.004	0.01%	0.001	0.01%
32	Transnational Bank Ltd	0.28%	10,295	0.26%	7,950	0.26%	2,132	0.33%	0.085	0.18%	0.013	0.19%
33	Consolidated Bank of Kenya Ltd	0.26%	13,456	0.34%	8,855	0.29%	1,068	0.17%	0.052	0.11%	0.004	0.06%
34	SBM Bank (Kenya) Ltd	0.25%	11,745	0.29%	6,842	0.23%	1,607	0.25%	0.007	0.01%	0.001	0.01%
35	Paramount Bank Ltd	0.25%	9,541	0.24%	7,729	0.26%	1,760	0.27%	0.008	0.02%	0.003	0.04%
36	Spire Bank Ltd	0.23%	11,148	0.28%	6,822	0.23%	1,188	0.18%	0.024	0.05%	0.008	0.11%
37	UBA Kenya Bank Ltd	0.21%	6,505	0.16%	4,194	0.14%	2,162	0.34%	0.005	0.01%	0.001	0.01%
38	Middle East Bank Kenya Ltd	0.14%	5,121	0.13%	3,908	0.13%	1,162	0.18%	0.002	0.00%	0.000	0.01%
39	Mayfair Bank Ltd	0.11%	3,548	0.09%	2,080	0.07%	1,169	0.18%	0.001	0.00%	0.000	0.00%
40	DIB Bank Kenya Ltd	0.10%	2,610	0.07%	1,285	0.04%	1,269	0.20%	0.001	0.00%	0.000	0.00%
41	Chase Bank Kenya Ltd**	-	-	-	-	-	-	-	-	-	-	-
42	Charterhouse Bank Ltd*	-	-	-	-	-	-	-	-	-	-	-
43	Imperial Bank Ltd**	-	-	-	-	-	-	-	-	-	-	-
	Sub-Total	**7.92%**	**309,088**	**7.72%**	**219,438**	**7.25%**	**57,768**	**8.97%**	**0.982**	**2.07%**	**0.095**	**1.33%**
	Total	**100%**	**4,002,741**	**100.00%**	**3,026,425**	**100.00%**	**644,188**	**100.00%**	**47.472**	**100.00%**	**7.112**	**100.00%**

** Banks under statutory management*

** *Banks under receivership*

APPENDIX V

BANKING SECTOR PROFITABILITY - DECEMBER 2017

			RETURN ON ASSETS		RETURN ON EQUITY	
		Profit/(loss) Before Tax, (Ksh.M)	TOTAL ASSETS, (Ksh.M)	% of (1/2)	SHAREHOLDERS' FUNDS, (Ksh.M)	% of (1/4)
		1	2	3	4	5
1	KCB Bank Kenya Limited	27,472	555,630	4.94%	88,991	30.9%
2	Equity Bank (Kenya) Limited	23,086	406,402	5.68%	61,906	37.3%
3	Co-operative Bank of Kenya Limited	16,502	382,830	4.31%	68,227	24.2%
4	Barclays Bank of Kenya Limited	10,006	271,682	3.68%	43,559	23.0%
5	Standard Chartered Bank Kenya Limited	9,510	285,125	3.34%	44,584	21.3%
6	Diamond Trust Bank Kenya Limited	8,228	270,082	3.05%	43,004	19.1%
7	I & M Bank Limited	7,516	183,953	4.09%	35,024	21.5%
8	Commercial Bank of Africa Limited	7,189	229,525	3.13%	31,571	22.8%
9	Citibank N.A Kenya	6,373	98,232	6.49%	20,177	31.6%
10	NIC Bank Kenya PLC	5,676	192,817	2.94%	28,938	19.6%
11	Stanbic Bank Kenya Limited	5,599	239,408	2.34%	33,051	16.9%
12	Bank of Baroda (K) Limited	5,053	96,132	5.26%	17,900	28.2%
13	Bank of India	2,675	56,631	4.72%	11,625	23.0%
14	Prime Bank Limited	1,977	76,438	2.59%	14,338	13.8%
15	Victoria Commercial Bank Limited	849	25,985	3.27%	5,612	15.1%
16	National Bank of Kenya Limited	740	109,942	0.67%	7,048	10.5%
17	Habib Bank A.G Zurich	409	18,708	2.19%	2,842	14.4%
18	HFC Limited	393	62,127	0.63%	9,963	3.9%
19	Gulf African Bank Limited	254	31,316	0.81%	4,419	5.7%
20	Guaranty Trust Bank (Kenya) Limited	241	27,628	0.87%	8,609	2.8%
21	Guardian Bank Limited	228	15,803	1.44%	2,375	9.6%
22	First Community Bank Limited	216	17,360	1.25%	1,709	12.7%
23	African Banking Corporation Limited	203	24,804	0.82%	3,160	6.4%
24	Credit Bank Limited	179	14,465	1.24%	2,665	6.7%
25	M-Oriental Bank Limited	116	10,577	1.10%	3,028	3.8%
26	Paramount Bank Limited	96	9,541	1.01%	1,760	5.5%
27	Development Bank of Kenya Limited	58	16,320	0.35%	2,930	2.0%
28	Transnational Bank Limited	54	10,295	0.52%	2,132	2.5%
29	Bank of Africa Kenya Limited	35	54,191	0.06%	8,468	0.4%
30	UBA Kenya Bank Limited	14	6,505	0.21%	2,162	0.6%
31	Middle East Bank (K) Limited	(41)	5,121	-0.81%	1,162	-3.6%
32	Mayfair Bank Limited	(297)	3,548	-8.38%	1,169	-25.4%
33	SBM Bank (Kenya) Limited	(361)	11,745	-3.07%	1,607	-22.4%
34	Consolidated Bank of Kenya Limited	(439)	13,456	-3.26%	1,068	-41.0%
35	Sidian Bank Limited	(633)	19,302	-3.28%	3,447	-18.4%
36	Jamii Bora Bank Limited	(762)	12,851	-5.93%	3,454	-22.0%
37	DIB Bank Kenya Limited	(839)	2,610	-32.15%	1,269	-66.1%
38	Family Bank Limited	(1,371)	69,051	-1.99%	11,608	-11.8%
39	Ecobank Kenya Limited	(1,434)	53,456	-2.68%	6,439	-22.3%
40	Spire Bank Limited	(1,576)	11,148	-14.14%	1,188	-132.7%
41	Charterhouse Bank Limited*					
42	Chase Bank (K) Limited**					
43	Imperial Bank Limited**					
	TOTAL	**133,196**	**4,002,741**	**3.33%**	**644,188**	**20.68%**

**Banks under statutory management*

***Banks in receivership*

Source: Commercial Banks Published Financial Statements (December 2017)

APPENDIX VI					
BANKING SECTOR GROSS LOANS AND NON-PERFORMING LOANS- DECEMBER 2017					
	BANKS	**Gross Loans and Advances, Ksh. M**		**Gross Non-Performing Loans, Ksh. M**	
		Dec-16	**Dec-17**	**Dec-16**	**Dec-17**
1	KCB Bank Ltd	373,031.31	411,666	28,333	34,182
2	Standard Chartered Bank (K) Ltd	132,497.35	139,406	15,038	17,621
3	Barclays Bank of Kenya Ltd	176,348.53	177,224	11,472	12,615
4	Bank of India	19,354.22	20,771	272	435
5	Bank of Baroda (K) Ltd	38,089.50	43,943	3,392	2,666
6	Commercial Bank of Africa Ltd	105,082.15	107,038	7,450	7,798
7	Prime Bank Ltd	40,170.01	39,763	1,855	2,252
8	Co - operative Bank of Kenya Ltd	241,394.75	7,232	11,273	18,714
9	National Bank of Kenya Ltd	68,615.72	68,153	29,987	27,658
10	M-Oriental Commercial Bank Ltd	7,108.71	7,741	856	809
11	Citibank N.A. Kenya	28,241.78	38,080	805	1,724
12	Habib Bank A.G. Zurich	5,361.37	5,680	158	592
13	Middle East Bank (K) Ltd	4,014.75	3,242	1,193	1,438
14	Bank of Africa (K) Ltd	37,480.16	33,589	10,794	10,571
15	Consolidated Bank of Kenya Ltd	10,317.36	9,882	2,038	2,481
16	Credit Bank Ltd	8,360.64	10,171	676	877
17	Transnational Bank Ltd	7,026.35	7,365	891	1,595
18	Chase Bank Ltd*	-	-	-	
19	Stanbic Bank (K) Ltd	118,483.10	135,443	7,013	10,359
20	African Banking Corporation Ltd	15,022.00	16,371	2,840	3,535
21	Imperial Bank Ltd *	-	-	-	-
22	NIC Bank PLC	112,509.00	118,459	12,650	13,265
23	Ecobank Kenya Ltd	27,392.64	21,456	5,359	8,287
24	Spire Bank Ltd	8,319.31	6,867	1,322	2,349
25	Paramount Bank Ltd	6,242.85	6,345	778	778
26	Jamii Bora Bank Ltd	10,497.28	9,929	2,141	2,106
27	Guaranty Trust Bank (Kenya) Ltd	13,418.47	13,746	994	1,421
28	Victoria Commercial Bank Ltd	15,292.83	18,887	-	17
29	Guardian Bank Ltd	9,604.09	10,303	787	1,122
30	I&M Bank Ltd	104,302.16	126,983	5,072	17,669
31	Development Bank of Kenya Ltd	10,082.53	10,710	2,594	2,310
32	SBM Bank (Kenya) Ltd	-	6,680	-	3,917
33	Diamond Trust Bank (K) Ltd	141,702.28	156,843	5,520	11,901
34	Charterhouse Bank Ltd **	-	-	-	-
35	Mayfair Bank Ltd	-	235		-
36	Sidian Bank Ltd	14,487.83	12,330	2,459	2,596
37	Equity Bank Kenya Ltd	221,038.83	221,698	15,457	14,758
38	Family Bank Ltd	53,485.10	46,928	7,015	9,478
39	Gulf African Bank Ltd	16,685.77	20,144	1,617	1,962
40	First Community Bank Ltd	11,925.98	10,995	3,853	4,399
41	DIB Bank Kenya Ltd	-	291		-
42	UBA Kenya Bank Ltd	3,126.70	3,309	69	152
43	HFC Ltd	56,785.56	52,630	6,193	8,212
	Total	**2,272,898.96**	**2,158,530**	**210,219**	**264,617**

**- The banks are in receivership hence excluded*

***- The bank is under statutory management*

Source: Commercial Banks Published Financial Statements (December 2017)

APPENDIX VII						
BANKING SECTOR CAPITAL AND RISK WEIGHTED ASSETS DECEMBER 2017						
	Banks	**Core Capital, (Ksh. M)**	**Total Capital, (Ksh. M)**	**Overall Risk Weighted Assets, (Ksh. M)**	**Core Capital/ TRWA**	**Total Capital/ TRWA**
1	KCB Bank Kenya Ltd	71,970	78,020	483,986	14.9%	16.1%
2	Equity Bank Kenya Ltd	59,198	61,902	374,209	15.8%	16.5%
3	Co - operative Bank of Kenya Ltd	58,859	81,048	357,310	16.5%	22.7%
4	Barclays Bank of Kenya Ltd	38,768	43,934	243,728	15.9%	18.0%
5	Standard Chartered Bank (K) Ltd	35,628	42,242	228,112	15.6%	18.5%
6	Diamond Trust Bank (K) Ltd	35,344	38,790	204,039	17.3%	19.0%
7	Stanbic Bank Kenya Ltd	32,569	36,208	206,090	15.8%	17.6%
8	I & M Bank Ltd	29,790	32,227	173,455	17.2%	18.6%
9	NIC Bank Kenya PLC	27,652	32,964	165,647	16.7%	19.9%
10	Commercial Bank of Africa Ltd	20,394	26,130	150,898	13.5%	17.3%
11	Citibank N.A. Kenya	19,037	19,763	77,348	24.6%	25.6%
12	Bank of Baroda (K) Ltd	16,203	16,909	52,365	30.9%	32.3%
13	Prime Bank Ltd	11,176	11,796	52,478	21.3%	22.5%
14	Family Bank Ltd	10,832	13,147	66,207	16.4%	19.9%
15	Bank of India	10,665	11,069	20,508	52.0%	54.0%
16	HFC Ltd	8,298	9,109	53,576	15.5%	17.0%
17	Ecobank Kenya Ltd	5,767	5,995	37,495	15.4%	16.0%
18	Victoria Commercial Bank Ltd	5,363	5,517	24,265	22.1%	22.7%
19	Guaranty Trust Bank (Kenya) Ltd	5,257	5,354	19,923	26.4%	26.9%
20	Bank of Africa (K) Ltd	4,946	6,986	44,275	11.2%	15.8%
21	Gulf African Bank Ltd	4,247	4,836	29,847	14.2%	16.2%
22	National Bank of Kenya Ltd	3,503	4,771	87,998	4.0%	5.4%
23	Sidian Bank Ltd	3,325	3,354	20,377	16.3%	16.5%
24	M - Oriental Commercial Bank Ltd	2,780	2,887	8,506	32.7%	33.9%
25	Habib Bank A.G. Zurich	2,770	2,842	10,505	26.4%	27.1%
26	Credit Bank Ltd	2,594	2,644	16,679	15.6%	15.9%
27	African Banking Corporation Ltd	2,488	2,906	19,239	12.9%	15.1%
28	Guardian Bank Ltd	2,307	2,375	11,746	19.6%	20.2%
29	Jamii Bora Bank Ltd	2,283	2,349	12,156	18.8%	19.3%
30	UBA Kenya Bank Ltd	2,162	2,162	5,575	38.8%	38.8%
31	Transnational Bank Ltd	1,888	2,010	6,663	28.3%	30.2%
32	Development Bank of Kenya Ltd	1,617	1,898	8,060	20.1%	23.6%
33	Paramount Bank Ltd	1,555	1,638	5,974	26.0%	27.4%
34	First Community Bank Ltd	1,407	2,021	13,173	10.7%	15.3%
35	DIB Bank Kenya Ltd	1,269	1,269	1,811	70.1%	70.1%
36	Mayfair Bank Ltd	1,169	1,169	1,237	94.5%	94.5%
37	Middle East Bank (K) Ltd	1,143	1,157	2,717	42.1%	42.6%
38	SBM Bank (Kenya) Ltd	1,020	1,041	6,331	16.1%	16.4%
39	Spire Bank Ltd	987	1,206	9,537	10.4%	12.7%
40	Consolidated Bank of Kenya Ltd	354	595	11,686	3.0%	5.1%
41	Chase Bank Kenya Ltd**	-	-	-	0.0%	0.0%
42	Imperial Bank Ltd**	-	-	-	0.0%	0.0%
43	Charterhouse Bank Ltd*	-	-	-	0.0%	0.0%
	Total	**548,582**	**624,239**	**3,325,733**	**16.5%**	**18.8%**
Banks under statutory management						
***Banks in receivership*						
Source: Commercial Banks Published Financial Statements (December 2017)						

Appendix VIII

BANKING SECTOR ACCESS TO FINANCIAL SERVICES – NUMBER OF DEPOSIT ACCOUNTS - DECEMBER 2017

		Peer	DEC. 2016			DEC. 2017			
	BANKS	Group - 2016	< 100,000	>100,000	Total	< 100,000	>100,000	Total	% change
1	KCB Bank Kenya Ltd	Large	4,395,318	198,403	4,593,721	5,367,184	218,738	5,585,922	21.60%
2	Co - operative Bank of Kenya Ltd	Large	2,745,025	193,613	2,938,638	3,009,759	212,124	3,221,883	9.64%
3	Equity Bank Kenya Ltd	Large	9,021,740	294,613	9,316,353	9,829,345	312,486	10,141,831	8.86%
4	Barclays Bank of Kenya Ltd	Large	1,524,564	108,812	1,633,376	1,423,800	107,484	1,531,284	-6.25%
5	Standard Chartered Bank (K) Ltd	Large	154,733	65,610	220,343	140,709	64,454	205,163	-6.89%
6	Commercial Bank of Africa Ltd	Large	17,460,619	41,349	17,501,968	21,406,134	80,856	21,486,990	22.77%
7	Diamond Trust Bank (K) Ltd	Medium	747,046	46,658	793,704	790,928	53,080	844,008	6.34%
8	Stanbic Bank Kenya Ltd	Medium	110,240	28,319	138,559	127,166	32,142	159,308	14.97%
9	NIC Bank PLC	Medium	71,216	30,158	101,374	82,276	33,305	115,581	14.01%
10	I & M Bank Ltd	Medium	75,962	36,589	112,551	88,007	43,494	131,501	16.84%
11	National Bank of Kenya Ltd	Medium	483,041	37,054	520,095	557,761	39,888	597,649	14.91%
12	Chase Bank Ltd**	Medium	-	-	-	-	-	-	-
13	Citibank N.A. Kenya	Medium	590	1,441	2,031	557	1,416	1,973	-2.86%
14	Family Bank Ltd	Medium	1,944,211	62,632	2,006,843	2,017,252	95,691	2,112,943	5.29%
15	Bank of Baroda Ltd	Medium	20,537	25,319	45,856	20,811	26,351	47,162	2.85%
16	Bank of Africa Kenya Ltd	Medium	99,298	9,130	108,428	110,853	9,143	119,996	10.67%
17	Prime Bank Ltd	Medium	15,952	13,243	29,195	16,266	14,129	30,395	4.11%
18	HFC Ltd	Medium	95,361	12,320	107,681	73,114	12,491	85,605	-20.50%
19	Ecobank Kenya Ltd	Medium	48,203	10,834	59,037	46,645	7,765	54,410	-7.84%
20	Bank of India	Medium	6,935	8,402	15,337	7,041	8,739	15,780	2.89%
21	Imperial Bank Ltd**	Medium	-	-	-	-	-	-	-
22	Guaranty Trust Bank (Kenya) Ltd	Small	12,440	5,282	17,722	10,378	5,333	15,711	-11.35%
23	Gulf African Bank Ltd	Small	66,442	11,543	77,985	74,420	13,292	87,712	12.47%
24	African Banking Corporation Ltd	Small	31,114	4,831	35,945	31,813	5,359	37,172	3.41%
25	Victoria Commercial Bank Ltd	Small	1,263	2,612	3,875	1,371	3,065	4,436	14.48%
26	Mayfair Bank Ltd	Small				323	411	734	100%
27	Sidian Bank Ltd	Small	247,986	8,572	256,558	248,400	7,409	255,809	-0.29%
28	SBM Bank (Kenya) Ltd	Small	4,552	1,700	6,252	5,020	1,684	6,704	7.23%
29	Development Bank of Kenya Ltd	Small	818	869	1,687	1024	893	1,917	13.63%
30	Jamii Bora Bank Ltd	Small	133,995	2,918	136,913	128,072	2,283	130,355	-4.79%
31	Spire Bank Ltd	Small	20,633	2,575	23,208	21,114	2,460	23,574	1.58%
32	First Community Bank Ltd	Small	65,982	78,873	144,855	77,580	136,890	214,470	48.06%
33	DIB Bank Kenya Ltd	Small				1,227	260	1,487	100%
34	Guardian Bank Ltd	Small	7,171	4,684	11,855	6,847	3,703	10,550	-11.01%
35	Consolidated Bank of Kenya Ltd	Small	42,709	5,438	48,147	46,493	5,348	51,841	7.67%
36	Habib Bank A.G. Zurich	Small	2,602	2,851	5,453	2,182	2,920	5,102	-6.44%
37	Transnational Bank Ltd	Small	64,139	3,810	67,949	80,429	4,772	85,201	25.39%
38	Paramount Bank Ltd	Small	1,369	8,302	9,671	1,254	6,823	8,077	-16.48%
39	M-Oriental Commercial Bank Ltd	Small	2,832	1,468	4,300	2,794	1,490	4,284	-0.37%
40	Credit Bank Ltd	Small	21,510	2,808	24,318	26,941	3,175	30,116	23.84%
41	Middle East Bank (K) Ltd	Small	990	886	1,876	1151	679	1,830	-2.45%
42	UBA Kenya Bank Ltd	Small	1,364	172	1,536	4,918	455	5,373	249.80%
43	Charterhouse Bank Ltd*	Small	3,478	1,343	4,821	3,478	1,343	4,821	0.00%
	Sub-Totals		39,753,980	1,376,036	41,130,016	45,892,837	1,583,823	47,476,660	15.43%
	Microfinance Banks								
1	Kenya Women Microfinance Bank Limited	Large	1,030,498	9,272	1,039,770	900,025	9,534	909,559	-12.52%
2	Faulu Microfinance Bank Limited	Large	499,322	9,150	508,472	364,015	8,494	372,509	-26.74%
3	Rafiki Microfinance Bank Limited	Large	192,732	1,175	193,907	139,210	1,845	141,055	-27.26%
4	SMEP Microfinance Bank Limited	Medium	133,010	2,125	135,135	502,112	1,319	503,431	272.54%
5	REMU Microfinance Bank Limited	Medium	8,589	93	8,682	9,185	131	9,316	7.30%
6	Century Microfinance Bank Limited	Small	19,657	102	19,759	22,829	1,148	23,977	21.35%
7	Sumac Microfinance Bank Limited	Medium	6,553	76	6,629	3,962	212	4,174	-37.03%
8	Uwezo Microfinance Bank Limited	Small	4,397	38	4,435	5,313	36	5,349	20.61%
9	U & I Microfinance Bank Limited	Small	3,094	151	3,245	7,304	98	7,402	128.10%
10	Caritas Microfinance Bank Limited	Small	7,073	248	7,321	7,073	248	7,321	0.00%
11	Choice Microfinance Bank Limited	Small	5,094	80	5,174	6,165	99	6,264	21.07%
12	Daraja Microfinance Bank Limited	Small	2,913	49	2,962	3,906	57	3,963	33.79%
13	Maisha Microfinance Bank Limited		809	23	832	87,559	45	87,604	10429.33%
	Sub-Totals		1,913,741	22,582	1,936,323	2,058,658	23,266	2,081,924	7.52%
	Grand Total		41,667,721	1,398,618	43,066,339	48,265,933	1,616,123	49,556,363	15.07%

**Banks under statutory management*

***Banks in receivership*

Source: Banks Published Financial Statements (December 2017)

Appendix IX

BANKING SECTOR PROTECTED DEPOSITS - DECEMBER 2017

			2016			2017		
	BANKS		INSURED DEPOSITS, Ksh M	CUSTOMER DEPOSITS, Ksh. M	INSURED DEPOSITS, Ksh M	CUSTOMER DEPOSITS, Ksh. M	CHANGE IN INSURED DEPOSITS	CHANGE IN CUSTOMER DEPOSITS
1	KCB Bank Kenya Ltd	Large	37,180	386,391	41,741	440,164	12.27%	13.92%
2	Co - operative Bank of Kenya Ltd	Large	37,616	256,796	40,078	285,566	6.55%	11.20%
3	Equity Bank Ltd	Large	62,876	277,135	64,656	298,703	2.83%	7.78%
4	Barclays Bank of Kenya Ltd	Large	17,025	198,515	15,148	186,245	-11.02%	-6.18%
5	Standard Chartered Bank Ltd	Large	8,838	191,082	8,576	213,349	-2.97%	11.65%
6	Commercial Bank of Africa Ltd	Large	10,874	161,197	14,936	178,378	37.35%	10.66%
7	Diamond Trust Bank Ltd	Large	6,243	170,421	6,967	190,469	11.60%	11.76%
8	Stanbic Bank Kenya Ltd	Large	4,029	122,888	4,247	153,009	5.42%	24.51%
9	NIC Bank Ltd	Medium	4,071	103,402	4,627	130,561	13.66%	26.27%
10	I & M Bank Ltd	Medium	4,712	118,553	5,588	132,801	18.58%	12.02%
11	National Bank of Kenya Ltd	Medium	6,544	97,851	6,913	94,544	5.64%	-3.38%
12	Chase Bank Kenya Ltd**	Medium	-	-	0	0	0.00%	0
13	Citibank N.A. Kenya	Medium	152	65,170	149	64,369	-1.44%	-1.23%
14	Family Bank Ltd	Medium	9,255	41,473	12,418	47,425	34.17%	14.35%
15	Bank of Baroda Ltd	Medium	2,978	64,874	3,082	73,005	3.48%	12.53%
16	Bank of Africa Ltd	Medium	1,592	36,646	1,555	31,572	-2.31%	-13.84%
17	Prime Bank Ltd	Medium	1,597	49,165	1,686	57,555	5.55%	17.06%
18	HFC Ltd	Medium	1,945	38,772	1,934	36,898	-0.55%	-4.83%
19	Ecobank Kenya Ltd	Medium	1,671	32,239	1,137	43,686	-31.93%	35.51%
20	Bank of India Ltd	Medium	983	31,852	1,014	31,286	3.20%	-1.78%
21	Imperial Bank Ltd	Medium						
22	Guaranty Trust Bank Ltd	Small	666	17,051	680	15,141	2.07%	-11.20%
23	Gulf African Bank Ltd	Small	1,776	21,213	2,030	26,074	14.30%	22.91%
24	African Banking Corporation Ltd	Small	666	16,078	714	19,701	7.14%	22.53%
25	Victoria Commercial Bank Ltd	Small	296	15,696	344	18,677	16.38%	18.99%
26	Mayfair Bank Limited	Small	-	-	49	2,080	100.00%	100.00%
27	Sidian Bank Limited	Small	2,081	13,684	1579	12,761	-24.11%	-6.75%
28	SBM Bank (Kenya) Ltd	Small	234	4,677	228	6,429	-2.77%	37.46%
29	Development Bank of Kenya Ltd	Small	104	6,635	105	6,249	1.44%	-5.81%
30	Jamii Bora Bank Ltd	Small	669	7,924	485	5,383	-27.44%	-32.07%
31	Spire Bank Limited	Small	391	8,531	358	6,816	-8.44%	-20.10%
32	First Community Bank Ltd	Small	8,967	12,660	15,376	14,774	71.47%	16.70%
33	DIB Bank Kenya Ltd	Small	-	-	36	1,181	100.00%	100.00%
34	Guardian Bank Ltd	Small	568	12,313	465	13,120	-18.06%	6.55%
35	Consolidated Bank of Kenya Ltd	Small	870	9,535	859	8,646	-1.25%	-9.32%
36	Habib Bank A.G. Zurich	Small	358	11,753	358	12,468	-0.02%	6.08%
37	Trans-National Bank Ltd	Small	653	7,922	748	7,874	14.49%	-0.61%
38	Paramount Universal Bank Ltd	Small	976	7,708	831	7,729	-14.89%	0.28%
39	M Oriental Bank Ltd	Small	185	6,937	189	7,463	2.15%	7.59%
40	Credit Bank Ltd	Small	394	8,972	449	10,940	13.99%	21.93%
41	Middle East Bank Ltd	Small	106	3,894	86	3,908	-18.55%	0.35%
42	UBA Kenya Bank Ltd	Small	23	1,731	89	2,993	285.96%	72.93%
43	Charterhouse Bank Ltd*	Small	180	3,809	-		0.00%	0.00%
	Sub-Totals		**240,341**	**2,643,144**	**262,511**	**2,899,993**	**9.22%**	**9.72%**
	Microfinance Banks				-	-		
1	Kenya Women Microfinance Bank Limited	Large	9,285	17,167	8,941	16,457	-3.70%	-4.14%
2	Faulu Microfinance Bank Limited	Large	2,282	16,390	1,499	15,738	-34.32%	-3.98%
3	SMEP Microfinance Bank Limited	Medium	692	1,422	668	1,604	-3.50%	12.79%
4	Rafiki Microfinance Bank Limited	Large	487	3,028	438	2,489	-10.03%	-17.79%
5	REMU Microfinance Bank Limited	Small	40	106	38	124	-4.31%	17.19%
6	Century Microfinance Bank Limited	Medium	31	144	144	222	363.46%	54.33%
7	U & I Microfinance Bank Limited	Small	18	208	19	201	8.07%	-3.53%
8	Uwezo Microfinance Bank Limited	Small	14	29	10	29	-30.01%	-1.41%
9	Sumac Microfinance Bank Limited	Medium	25	233	34	413	35.24%	77.44%
10	Caritas Microfinance Bank Limited	Small	44	287	44	287	-0.34%	-0.10%
11	Choice Microfinance Bank Limited	Small	20	66	23	81	14.13%	22.74%
12	Daraja Microfinance Bank Limited	Small	12	85	16	97	33.05%	13.92%
13	Maisha Microfinance Bank Ltd	Small	4.656	78	25	236	436.92%	202.59%
	Sub-Totals		**12,949**	**39,165**	**11,899**	**37,978**	**-8.11%**	**-3.03%**
	Grand total		**253,290**	**2,682,308**	**274,410**	**2,937,971**	**8.34%**	**9.53%**

**Banks under statutory management*

***Banks in receivership*

Source: Banks Published Financial Statements (December 2017)

APPENDIX X

MICROFINANCE BANKS BALANCE SHEET - DECEMBER 2017

		KENYA WOMEN	FAULU	RAFIKI	SMEP	CARITAS	SUMAC	REMU	U & I	UWEZO	DARAJA	MAISHA	CENTURY	CHOICE	TOTAL
		Ksh. M	Ksh. M	Ksh. M	Ksh. M	Ksh. M	Ksh. M	Ksh. M	Ksh. M	Ksh. M	Ksh. M	Ksh. M	Ksh. M	Ksh. M	Ksh. M
A) STATEMENT OF FINANCIAL POSITION															
1.0	**ASSETS**														
1.1	Cash and bank balances	1,260	297	109	24	8	7	5	17	7	4	2	2	1	1,743
1.2	Short term deposits with banks	4,421	1,890	2,348	426	418	227	63	24	38	19	55	78	18	10,025
1.3	Government securities	-	2,500	-	-	-	-	-	-	-	-	-	-	-	2,500
1.4	Advances to customers (net)	19,374	16,958	2,856	1,677	351	623	218	325	126	53	156	103	31	42,849
1.5	Due from related organisations														
1.6	Other receivables	349	954	876	92	42	164	17	18	6	18	25	30	10	2,601.0
1.7	Tax recoverable	129	238	15	27	-	-	9	2	0	-	-	2	-	422
1.8	Deferred tax Asset	183	-	320	68	-	9	26	0	5	45	24	38	42	760
1.9	Other investment	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1.10	Investment in associate companies	1	49	-	-	-	0	1	-	-	-	3	-	-	54
1.11	Intangible assets	103	1,290	54	109	22	46	10	8	17	12	13	10	26	1,721
1.12	Property and equipment	3,214	2,439	203	420	60	107	15	20	29	28	39	35	34	6,643
	TOTAL ASSETS	28,931	25,325	6,727	2,734	879	1,137	354	406	212	168	302	288	136	67,597
2.0	**LIABILITIES**														
2.1	Cash collaterals held	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2	Customer deposits	16,374	16,450	2,524	1,607	565	413	124	200	29	95	231	222	81	38,916
2.3	Borrowings	6,774	3,572	1,954	579	20	395	52	39	-	-	-	18	10	13,413
2.4	Deposit & balances due to banking institutions	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.5	Deferred tax liability	-	134.86	-	-	-	-	-	-	-	-	-	-	-	135
2.6	Due to related organisations	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.7	Other liabilities	1,076	684	1,832	46	20	78	11	5	13	20	5	34	7	3,832
	TOTAL LIABILITIES	24,224	20,840	6,310	2,232	605	886	187	244	42	115	236	275	99	56,296
3.0	**SHARE CAPITAL & RESERVES**														
3.1	Share capital	186	480	1,000	541	500	163	223	138	197	136	130	293	133	4,121
3.2	Share premium	2,851	2,900	-	2	-	61	16	-	-	27	10	-	5	5,872
3.3	Retained earnings	1,404	294	(597)	(217)	(227)	27	(78)	23	(28)	(112)	(73)	(280)	(102)	36
3.4	Revaluation reserve	-	260	-	133	-	-	(1)	-	-	1	-	-	-	393
3.5	Statutory reserve	266	551	13	42	-	-	7	-	-	-	-	-	-	880
3.6	Total Shareholders' funds	4,707	4,485	417	501	273	251	167	162	169	52	67	13	37	11,301
	TOTAL LIABILITIES AND EQUITY	28,931	25,325	6,727	2,734	879	1,137	354	406	212	168	302	288	136	67,597

Source: Microfinance Banks Published Financial Statements (December 2017)

APPENDIX XI

MICROFINANCE BANKS PROFIT & LOSS ACCOUNT - DECEMBER 2017

		KENYA WOMEN	FAULU	RAFIKI	SMEP	CARITAS	SUMAC	REMU	U & I	UWEZO	DARAJA	MAISHA	CENTURY	CHOICE	TOTAL
1.0	**Income**	Ksh. M	Ksh. M	Ksh. M	Ksh. M	Ksh. M	Ksh.M	Ksh. M	Ksh. M	Ksh. M	Ksh. M	Ksh. M	Ksh. M	Ksh. M	Ksh. M
1.1	Interest on Loan Portfolio	6,121	3,566	651	430	34	214	51	76	25	13	29	24	13	11,249
1.2	Fees and Commission on Loan Portfolio	422	443	32	76	9	15	7	12	20	4	3	12	3	1,059
1.3	Government Securities	4	321	-	-	-	-	-	-	-	-	-	-	-	325
1.4	Deposit and Balances with Banks and Financial Inst.	191	160	21	15	39	1	5	-	-	2	4	-	-	438
1.5	Other Investments	-	-	-	-	-	-	0	-	-	-	-	-	2	2
1.6	Other Operating Income	238	101	90	42	5	2	5	-	0	2	0	3	-	488
1.7	Non- Operating Income	53	63	-	-	-	-	-	13	-	-	-	-	-	129
	Total Income	7,029	4,653	794	563	88	232	69	102	46	20	37	38	19	13,690
2.0	**Expenses**														
2.1	Interest and Fee Expense on Deposits	810	1,457	196	73	17	45	7	19	1	9	12	20	7	2,672
2.2	Other Fees and Commissions expense	99	114	3	-	-	8	1	-	-	-	-	-	-	225
2.3	Provision for Loan Impairment	101	232	91	26	5	4	5	2	3	6	8	3	4	490
2.4	Staff Costs	2,759	1,032	345	258	53	31	40	20	24	30	28	32	27	4,677
2.5	Director's Emoluments	109	15	-	12	5	4	1	2	1	3	2	1	3	157
2.6	Rental Charges	316	276	97	86	19	12	9	5	7	3	4	10	5	849
2.7	Depreciation Charges	392	158	34	24	15	10	2	3	4	3	5	2	3	653
2.8	Amortization Charges	41	63	9	14	3	7	1	2	1	4	3	7	4	160
2.9	Other Administrative Expense	1,386	585	366	123	42	46	20	28	17	22	26	26	19	2,705
2.10	Non-Operating Expense	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Total Expenses	6,012	3,932	1,140	616	158	167	86	80	58	80	87	101	71	12,590
3.0	Operating Profit	1,017	721	(346)	(54)	(70)	65	(17)	22	(12)	(60)	(50)	(63)	(53)	1,100
4.0	Interest and Fee Expense on Borrowings(Finance Costs)	980	499	106	67	1	54	8	6	-	-	-	-	1	(1,100)
5.0	Profit/(Loss) before tax	37	222	(452)	(120)	(71)	10	(25)	16	(12)	(60)	(50)	(63)	(54)	2,200
6.0	Current Tax	18	69	-	-	-	5	-	5	-	-	-	-	-	98
6.1	Deferred Tax	-	10	(123)	(88)	-	-	(7)	-	(3)	(13)	(8)	-	(16)	(249)
7.0	Net Profit (After Taxes and Before Donations)	19	143	(329)	(32)	(71)	5	(17)	11	(9)	(47)	(42)	(63)	(38)	2,351
8.0	Donations for Operating Expense	-	-	-	-	-	-	-	-	-	-	-	-	-	-
9.0	Net Profit After Taxes	19	143	(329)	(32)	(71)	5	(17)	11	(9)	(47)	(42)	(63)	(38)	2,351
	Other Comprehensive Income	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Surplus on revaluation of building	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Deferred tax on revaluation surplus	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Total comprehensive income	19	143	(329)	(32)	(71)	5	(17)	11	(9)	(47)	(42)	(63)	(38)	2,351

Source: Microfinance Banks Published Financial Statements (December 2017)

APPENDIX XII

MICROFINANCE BANKS OTHER DISCLOSURES - DECEMBER 2017

		KENYA WOMEN	FAULU	RAFIKI	SMEP	CARITAS	SUMAC	REMU	U & I	UWEZO	DARAJA	MAISHA	CENTURY	CHOICE	TOTAL
1	**NON-PERFORMING LOANS AND ADVANCES**	**Ksh. M**	**Ksh. M**	**Ksh. M**	**Ksh. M**	**Ksh. M**	**Ksh. M**	**Ksh. M**	**Ksh. M**	**Ksh. M**	**Ksh. M**	**Ksh. M**	**Ksh. M**	**Ksh. M**	**Ksh. M**
(a)	Gross Non-Performing Loans and Advances	4,073	2,849	1,705	316	20	53	77	29	91	11	16	55	6	9,300
(b)	Less: Interest in Suspense	410	272	481	22	1	-	1	1	-	6	-	20	1	1,216
(c)	Total Non-Performing Loans and Advances (a-b)	3,663	2,577	1,224	294	19	53	76	27	91	5	16	35	5	8,084
(d)	Less: Impairment Loss Allowance	394	320	486	203	2	27	33	5	12	10	6	17	5	1,519
(e)	Net Non-Performing Loans (c-d)	3,269	2,257	738	91	17	26	43	22	79	(5)	10	17	0	6,565
2	INSIDER LOANS AND ADVANCES														
(a)	Directors, Shareholders and Associates	123	14	-	20	5	6	7	6	4	-	-	-	-	185
(b)	Employees	616	333	16	50	13	11	5	7	0	2	3	4	5	1,066
(c)	Total Insider Loans, Advances and Other Facilities	739	348	16	70	18	17	12	13	4	2	3	4	5	1,251
3	**OFF-BALANCE SHEET ITEMS**														
(a)	Guarantees and Com-mitments	18	800	1,133	-	-	-	-	-	-	-	8	-	-	1,959
(b)	Other Contingent Liabilities	42	122	-	-	-	-	-	-	-	-	-	-	-	164
(c)	Total Contingent Liabilities	60	922	1,133	-	-	-	-	-	-	-	8	-	-	2,123
4	**CAPITAL STRENGTH**														
(a)	Core Capital	4,257	3,674	403	231	273	249	132	160	164	7	43	(33)	(8)	9,549
(b)	Minimum Statutory Capital	60	60	60	60	60	60	60	60	60	20	60	60	20	700
(c)	Excess/(Deficiency) (a-b)	4,197	3,614	343	171	213	189	72	100	104	(13)	(17)	(93)	(28)	8,849
(d)	Supplementary Capital	662	316	106	19	-	-	7	-	-	1	-	-	-	1,112
(e)	Total Capital (a+d)	4,919	3,990	509	250	273	249	139	160	164	7	43	(33)	(8)	10,661
(f)	Total Risk Weighted Assets	20,296	20,085	4,560	1,893	530	913	297	318	179	104	254	222	119	49,770
(g)	Core Capital/ Total Deposit Liabilities	26%	22%	16%	14%	48%	60%	106%	80%	560%	7%	19%	-15%	-10%	25%
(h)	Minimum Statutory Ratio	8%	8%	8%	8%	8%	8%	8%	8%	8%	8%	8%	8%	8%	8%
(i)	Excess/(Deficiency) (g-h)	18%	14%	8%	6%	40%	52%	98%	72%	552%	-1%	11%	-23%	-18%	17%
(j)	Core Capital/ Total Risk Weighted Assets	21%	18%	9%	12%	52%	27%	44%	50%	91%	6%	17%	-15%	-7%	19%
(k)	Minimum Statutory Ratio	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%
(l)	Excess/(Deficiency) (j-k)	11%	8%	-1%	2%	42%	17%	34%	40%	81%	-4%	7%	-25%	-17%	9%
(m)	Total Capital/ Total Risk Weighted Assets	24%	20%	11%	13%	52%	27%	47%	50%	91%	7%	17%	-15%	-7%	21%
(n)	Minimum Statutory Ratio	12%	12%	12%	12%	12%	12%	12%	12%	12%	12%	12%	12%	12%	12%
(O)	Excess/(Deficiency) (m-n)	12%	8%	-1%	1%	40%	15%	35%	38%	79%	-5%	5%	-27%	-19%	9%
5	**LIQUIDITY**														
(a)	Liquidity Ratio	29%	26%	19%	23%	30%	60%	54%	21%	108%	24%	25%	26.9%	10%	36%
(b)	Minimum Statutory Ratio	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%
(c)	Excess/(Deficiency) (a-b)	9%	6%	-1%	3%	10%	40%	34%	1%	88%	4%	5%	7%	-10%	16%

Source: Microfinance Banks Published Financial Statements (December 2017)

APPENDIX XIII								
RESIDENTIAL MORTGAGES MARKET LENDING– SURVEY DECEMBER 2017								
	Dec-16				Dec-17			
Institution	Mortgage Outstanding (Ksh. M)	No. of Mortgage Accounts	Value of NPLs Mortgage (Ksh. M)	No. of Mortgage NPLs Accounts	Mortgage Outstanding (Ksh. M)	No. of Mortgage Accounts	Value of NPLs Mortgage (Ksh. M)	No. of Mortgage NPLs Accounts
KCB Bank Kenya Ltd	54,333.00	6,496	3,584.00	483	65,554.00	7,617	4,731.00	550
HFC Ltd	51,754.00	5,711	5,862.00	509	46,652.00	5,114	7,656.00	517
Standard Chartered Bank (K) Ltd	22,900.00	2,379	393.00	65	20,681.00	1,965	367.00	52
Stanbic Bank Kenya Ltd	14,972.00	1,660	671.00	117	18,936.00	1,920	1,078.00	185
Co - operative Bank of Kenya Ltd	16,161.23	928	1,167.07	73	10,192.00	1,658	1,137.00	140
Equity Bank Kenya Ltd	8,882.00	1,746	794.40	127	8,847.00	1,795	1,155.00	193
Barclays Bank of Kenya Ltd	7,539.00	1,000	72.00	17	8,420.00	1,048	143.40	27
Chase Bank Kenya Ltd**	7,238.29	259	4,586.27	131	6,620.48	232	5,493.03	147.00
Commercial Bank of Africa Ltd	5,035.00	529	384.00	36	5,573.00	1,496	213.00	156
Development Bank of Kenya Ltd	3,043.43	559	1,142.52	98	3,810.00	614	973.00	91
I&M Bank Ltd	3,491.69	348	117.47	13	3,728.00	380	340.00	30
Family Bank Ltd	3,344.07	353	249.39	28	3,657.66	337	314.41	30
Jamii Bora Bank Ltd	3,439.00	343	965.00	61	3,188.00	253	881.00	55
NIC Bank PLC	2,300.00	182	46.00	13	2,474.00	212	621.00	30
First Community Bank Ltd	990.18	224	136.74	37	2,067.00	213	350.00	49
Bank of Africa Ltd	3,110.95	191	293.95	21	1,916.33	180	5.77	1
National Bank of Kenya Ltd	2,321.00	405	502.00	87	1,709.00	282	201.00	34
SBM Bank Kenya Ltd	1,885.00	48	439.00	11	1,619.00	48	799.00	11
Guardian Bank Ltd	541.68	22	-	-	1,062.20	38	183.93	4
Bank of Baroda Ltd	854.40	102	29.03	2	1,020.73	112.00	28.40	2.00
Sidian Bank Ltd	49.00	4	-	-	960.79	176	214.84	52
Gulf African Bank Ltd	957.12	120	178.93	15	847.45	99	81.18	9
Diamond Trust Bank of Kenya Ltd	678.20	65	28.20	3	753.67	74	22.80	3
African Banking Corporation Ltd	920.59	40	65.60	3	729.78	37	52.53	3
Ecobank Kenya Ltd	922.71	138	143.66	26	609.00	97	59.00	12
Consolidated Bank of Kenya Ltd	631.11	97	112.70	13	607.86	101	120.48	17
Bank of India Kenya Ltd	375.96	28	-	-	304.47	21.00	-	-
Paramount Bank Ltd	357.76	27	23.28	1	291.63	21	9.41	2
Prime Bank Ltd	319.00	30	21.00	2	259.00	27	-	-
Spire Bank Ltd	63.87	10	-	-	86.20	15	8.70	2
Middle East Bank (K) Ltd	69.00	6	20.00	1	59.00	5	28.00	1
M-Oriental Commercial Bank Ltd	28.18	2	-	-	-	-	-	-
Charterhouse Bank Ltd**	-	-	-	-	-	-	-	-
Citibank N.A. Kenya	-	-	-	-	-	-	-	-
Credit Bank Ltd	-	-	-	-	-	-	-	-
Guaranty Trust Bank (K) Ltd	-	-	-	-	-	-	-	-
Habib Bank AG Zurich	-	-	-	-	-	-	-	-
Victoria Commercial Bank Ltd	126.00	6	-	-	-	-	-	-
Imperial Bank Ltd*	-	-	-	-	-	-	-	-
Transnational Bank Ltd	-	-	-	-	-	-	-	-
UBA Kenya Bank Ltd	3.88	1	-	-		-	-	-
Total	**219,638**	**24,059**	**22,028**	**1,993**	**223,236**	**26,187**	**27,268**	**2,405**

** Banks under Statutory Management*

*** Banks under receivership*

Source: Commercial Banks Annual Residential Mortgage

APPENDIX XIV			
BANKING CIRCULARS ISSUED IN 2017			
Circular No.	**Date**	**Title**	**Purpose**
1	May 29, 2017	Unlicensed deposit-taking entities and pyramid schemes	To draw attention on the re-emergence of unlicensed deposit-taking entities and Ponzi/pyramid schemes
2	June 6, 2017	Operationalization of the Cost of Credit Website Initiative	To provide standardized information on the total cost of credit disclosure tools and highlight the importance of their participation in the initiative
3	October 10, 2017	The implementation of United Nations (UN) Security Council Resolution (2206) of 2015 and its successor Resolutions (2290) of 2016 and (2353) of 2017	To immediately take steps to implement the UNSCR 2260 of 2015 and its successor resolutions, and report to CBK on the steps taken.
Source: CBK			

Appendix XV		
A Summary of Signed MOUs		
No.	**Memorandum of Understanding (MOU)**	**Date of Signing**
1.	Multilateral MOU by the Central Banks of the East African community member states (Bank of the Republic of Burundi (BRB), Central Bank of Kenya (CBK), National Bank of Rwanda (NBR), Bank of Uganda (BOU) and Bank of Tanzania (BOT)	28.01.2009 Amended in March 2016
2.	Multilateral MOU by the Domestic Financial Sector Regulators (Capital Markets Authority, Central Bank of Kenya (CBK), Insurance Regulatory Authority (IRA) and Retirement Benefit Authority (RBA)	31.08.2009 Amended on 28.08.2013
3.	Bilateral MOU between South Africa Reserve Bank (SARB) and Central Bank of Kenya (CBK)	01.07.2010
4.	Bilateral MOU between Central Bank of Nigeria (CBN) and Central Bank of Kenya (CBK)	23.06.2011
5.	Bilateral MOU between Bank of Mauritius (BoM) and Central Bank of Kenya (CBK)	08.08.2011
6.	Bilateral MOU on Technical Cooperation between the Bank of Southern Sudan and the Central Bank of Kenya	19.12.2012
7.	Bilateral MOU between Reserve Bank of Malawi (RBM) and Central Bank of Kenya (CBK)	23.04.2013
8.	Bilateral MOU between Reserve Bank of Zimbabwe (RBZ) and Central Bank of Kenya (CBK)	15.05.2013
9.	Bilateral MOU between Bank of Zambia (BoZ) and Central Bank of Kenya (CBK)	12.06.2013
10.	Bilateral MOU between the Financial Reporting Centre and Central Bank of Kenya (CBK)	30.09.2013
11.	Bilateral MOU between the Reserve Bank of India and Central Bank of Kenya (CBK)	16.10.2014
Source: CBK		

APPENDIX XVI

BANKS BRANCH NETWORK PER COUNTY- DECEMBER 2017

		Dec-16	Dec-17	Increase/Decrease
1	Baringo	10	10	0
2	Bomet	9	9	0
3	Bungoma	17	16	-1
4	Busia	11	10	-1
5	Elgeyo/Marakwet	6	6	0
6	Embu	13	13	0
7	Garissa	9	9	0
8	Homa Bay	10	10	0
9	Isiolo	7	7	0
10	Kajiado	50	49	-1
11	Kakamega	17	17	0
12	Kericho	16	16	0
13	Kiambu	76	76	0
14	Kilifi	34	34	0
15	Kirinyaga	16	17	1
16	Kisii	25	24	-1
17	Kisumu	44	42	-2
18	Kitui	14	15	1
19	Kwale	12	11	-1
20	Laikipia	15	16	1
21	Lamu	9	9	0
22	Machakos	31	31	0
23	Makueni	14	13	-1
24	Mandera	3	3	0
25	Marsabit	7	7	0
26	Meru	41	39	-2
27	Migori	13	13	0
28	Mombasa	133	131	-2
29	Murang'a	20	20	0
30	Nairobi City	625	611	-14
31	Nakuru	59	62	3
32	Nandi	12	12	0
33	Narok	13	13	0
34	Nyamira	5	5	0
35	Nyandarua	10	10	0
36	Nyeri	29	28	-1
37	Samburu	2	2	0
38	Siaya	7	7	0
39	Taita/Taveta	10	9	-1
40	Tana River	3	3	0
41	Tharaka-Nithi	4	4	0
42	Trans Nzoia	18	15	-3
43	Turkana	5	5	0
44	Uasin Gishu	44	45	1
45	Vihiga	7	7	0
46	Wajir	4	4	0
47	West Pokot	2	3	1
	Total	**1,541**	**1,518**	**-23**

Source: CBK

Appendix XVII NO.	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, 223922, 2251540/1, 217856/7/8. Fax: +254-20-2222437 Email: headoffice@abcthebank.com; talk2us@abcthebank.com Website: http://www.abcthebank.com Physical Address: ABC Bank House, Mezzanine Floor, Koinange Street, Nairobi Date Licensed: 08-12-1984 Peer Group: Small Branches: 13
2	**Bank of Africa Kenya Limited** Managing Director: Mr. Ronald Marambii Postal Address: P.O. Box 69562-00400 Telephone numbers: +254 20 3275000 Email: yoursay@boakenya.com Website: www.boakenya.com Facebook: Bank of Africa Kenya Twitter: BankofAfrica_Ke Physical Address: BOA House, Karuna Close, Off Waiyaki Way, Westlands, Nairobi Date Licensed: 22-07-2004 Peer Group: Medium Number of Branches: 30, Business Centres 2
3	**Bank of Baroda (Kenya) Ltd** Managing Director: Mr. Saravanakumar Appavu Banks' Postal Address: 300333; 00100 Nairobi Telephone numbers: +254(20)2248402/2248412/2226416 Fax: +254(20)3316070/310439 Email: ho.kenya@bankofbaroda.com Website: kenya@bankofbaroda.com Physical Address: Baroda House, 29 Koinange Street, Nairobi Date Licensed: 01-07-1953 Peer Group: Medium Number of Branches: 14
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, Nairobi Date Licensed: 05-06-1953 Peer Group: Medium Branches: 7

Appendix XVII NO.	DIRECTORY OF COMMERCIAL BANKS, MORTGAGE FINANCE COMPANIES, KENYA BANKERS ASSOCIATION, NON-OPERATING HOLDING COMPANIES AND AUTHORISED REPRESENTATIVE OFFICES
5	**Barclays Bank of Kenya Limited** Managing Director: Mr. Jeremy Awori Postal Address: PO Box 30120 - 00100 Telephone numbers: +254 (20) 4254000 Fax: +254 (20) 4455491 Email: barclays.kenya@barclays.com Website: www.barclays.co.ke Physical Address: Barclays Westend Building, Off Waiyaki Way, Nairobi Date Licensed: 1916 Peer Group: Large Number of Branches: 107
6	**Charterhouse Bank Ltd** UNDER - STATUTORY MANAGEMENT Postal Address: P. O. Box 43252 Nairobi Telephone: +254-20-2242246 /7 /8 /53 Fax: +254-20-2219058, 2223060, 2242248 Email: info@charterhouse-bank.com Website: Physical Address: Longonot Place, 6th Floor, Kijabe Street, Nairobi Date Licensed: 11-11-1996 Peer Group: Small Branches: 10
7	**Chase Bank (K) Limited** IN RECEIVERSHIP Postal address P.O Box 66015-00800 Nairobi Telephone: +254-20-2774000, 0732174100, 0703074000, 0736-432025, 07030741101 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, Nairobi Date Licensed: 01-04-1991 Peer Group Medium Branches: 58
8	**Citibank N.A Kenya** Chief Executive Officer: Ms. Joyce-Anne Wainaina Postal Address: P. O. Box 30711, 00100 Nairobi, Kenya Telephone numbers: +254 020 2754444 Email: citiservice@citi.com Website: https://citigroup.com/citi/about/countrypresence/kenya.html Physical Address: Citibank House, Upper Hill, Nairobi Date Licensed: 01-07-1974 Peer Group: Medium Number of Branches: 3
9	**Commercial Bank of Africa Limited** Chief Executive Officer: Mr. Jeremy Ngunze Postal Address: P.O. Box 30437-00100, Nairobi, Kenya Telephone numbers: 020-2884000 Email: contact @cbagroup.com Website: www.cbagroup.com Physical Address: CBA Center, Mara / Ragati Roads, Upper Hill, Nairobi Date Licensed: 1-1-1967 Peer Group: Large Branches: 28 branches and 9 agencies

Appendix XVII NO.	DIRECTORY OF COMMERCIAL BANKS, MORTGAGE FINANCE COMPANIES, KENYA BANKERS ASSOCIATION, NON-OPERATING HOLDING COMPANIES AND AUTHORISED REPRESENTATIVE OFFICES
10	**Consolidated Bank of Kenya Ltd** Chief Executive Officer: Mr. Thomas Kipkemei Kiyai Postal Address: 51133-00200, Nairobi. Telephone numbers: +254 20 3215000, +254 703 016 000 Email: tellus@consolidated-bank.com Website: www.consolidated-bank.com Physical Address: Consolidated Bank House, 6th Floor, Koinange Street, Nairobi Date Licensed: 18-12-1989 Peer Group: Small Number of Branches: 18
11	**Co-operative Bank of Kenya Limited** Managing Director: Dr. Gideon Muriuki, CBS Postal Address: P.O Box 48231-00100 Telephone numbers: 020-3276000, 0703027000 Email: Customerservice@co-opbank.co.ke Website: www.co-opbank.co.ke Physical Address: Co-operative Bank House, Haile Selassie Avenue, Nairobi Date Licensed: 1968 Peer Group: Large Branches: 147
12	**Credit Bank Limited** Chief Executive Officer: Ms. Betty C. Maritim- Korir Postal Address: P. O. Box 61064, Nairobi Telephone: +254 20 2283000 /+254 709072000 / +254 738 222300 Fax: +254-20-2216700 Email: customerservice@creditbank.co.ke Website: www.creditbank.co.ke Physical Address: Mercantile House, Ground Floor, Koinange Street, Nairobi Date Licensed: 30-11-1994 Peer Group: Small Branches: 18
13	**Development Bank of Kenya Ltd.** General Manager: Mr. Victor J.O Kidiwa Postal Address: P. O. Box 30483 - 00100, Nairobi Telephone: +254-20-340401 /2 /3, 340416, 2251082, 340198 Fax: +254-20-2250399 Email: dbk@devbank.com Website: www.devbank.com Physical Address: Finance House, 16th Floor, Loita Street, Nairobi Date Licensed: 20-09-1996 Peer Group: Small Branches: 3
14	**DIB Bank Kenya Limited** Chief Executive Officer: Mr. Peter M. Makau Banks' Postal Address: P.O. Box 6450 – 00200 Nairobi Telephone numbers: +254 20 513 1300 / +254 709 913 000 Fax: N/A Email: contact@dibkenya.co.ke Website: www.dibkenya.co.ke Physical Address: Upper Hill Building, Bunyala/Lower Hill Rd Junction, Nairobi Date Licensed: 13-4-2017 Peer Group: Small Number of Branches: 4

Appendix XVII **NO.**	 **DIRECTORY OF COMMERCIAL BANKS, MORTGAGE FINANCE COMPANIES, KENYA BANKERS ASSOCIATION, NON-OPERATING HOLDING COMPANIES AND AUTHORISED REPRESENTATIVE OFFICES**
15	**Diamond Trust Bank (K) Ltd.** Group CEO and Managing Director: Mrs. Nasim M. Devji Postal Address: P. O. Box 61711 – 00200, Nairobi Telephone: +254-20-2849000, +254 719 031 888, +254 732 121 888 Fax: +254-20-2245495 Email: contactcentre@dtbafrica.com Website: https://dtbk.dtbafrica.com Physical Address: DTB Centre, Mombasa Road, Nairobi Date Licensed: 1-1-1946 Peer Group: Large Branches: 70
16	**Ecobank Kenya Limited** Managing Director: Mr. Samuel Ashitey Adjei Postal Address: P.O Box 49584 - 00100 Nairobi, Kenya Telephone numbers: (+254) 719 098 000, Toll Free 0800 221 2218 Fax: +254 020 2883304 Email: Kenya@ecobank.com Website: www.ecobank.com Physical Address: Fortis Office Park, Muthangari Drive Off Waiyaki Way, Nairobi Date Licensed: 16-06-2008 Peer Group: Medium Number of Branches: 18
17	**Equity Bank (Kenya) Limited** Managing Director and CEO: Dr. James N. Mwangi, CBS Postal Address: P.O. BOX 75104-00200, Nairobi Telephone numbers: +254 (0) 763 063 000 Fax: +254 020-2711439 Email: info@equitybank.co.ke Website: www.ke.equitybankgroup.com Physical Address: Equity Centre, Upper Hill, Hospital Road, Nairobi Date Licensed: 28-12-2004 Peer Group: Large Branches: 170. Sub-branches 12.
18	**Family Bank Limited** Managing Director and CEO: Dr. David Thuku Postal Address: 74145-00200, Nairobi Telephone numbers: +254 703 095 445 / +254 705 325 325 / +254 703 095 000 Email: info@familybank.co.ke Website: www.familybank.co.ke Physical Address: Family Bank Tower, Muindi Mbingu Street, Nairobi Date Licensed: 01-05-2007 Peer Group: Medium Number of Branches: 90
19	**First Community Bank Ltd** Chief Executive: Mr. Fazal Mehmood Saib Postal Address:26219-00100, Nairobi Telephone numbers:020-2843000 Fax: N/A Email: queries@fcb.co.ke Website: www.first communitybank.co.ke Physical Address: FCB Mihrab, Mezzanine 1 Lenana Road/Ring Road Kilimani, Nairobi Date Licensed: 29-04-2008 Peer Group: Small Number of Branches:17

Appendix XVII **NO.**	**DIRECTORY OF COMMERCIAL BANKS, MORTGAGE FINANCE COMPANIES, KENYA BANKERS ASSOCIATION, NON-OPERATING HOLDING COMPANIES AND AUTHORISED REPRESENTATIVE OFFICES**
20	**Guaranty Trust Bank (Kenya) Limited** Chief Executive: Ms. Ibukunoluwa Odegbaike Postal Address: 20613-00200, Nairobi Telephone numbers: +254 020 3284000 / 0703084000 Fax: N/A Email: customercareke@gtbank.com Website: www.gtbank.co.ke Physical Address: Plot 1870/IX/167, Sky Park, Westlands, Nairobi Date Licensed: 13-01-1995 Peer Group: Small Number of Branches: 9
21	**Guardian Bank Limited** Managing Director: Mr. Vasant K. Shetty Banks' Postal Address: Box 67437 – 00200, Nairobi Telephone numbers:(+254) 020 2226771/4 Mobile:0722282213 / 0733888060 Email: Headoffice@guardian-bank.com Website:www.guardian-bank.com Physical Address: Guardian Centre, Biashara Street, Nairobi Date Licensed: 20-12-1995 Peer Group: Small Number of Branches: 10
22	**Gulf African Bank Limited** Chief Executive Officer: Mr. Abdalla Abdulkhalik Postal Address: P.O Box 43683 - 00100 Nairobi, Kenya Telephone numbers: Tel: +254-20-2740000/0711-075000 Fax: N/A Email: info@gab.co.ke Website: http://www.gulfafricanbank.com Physical Address: Geminia Insurance Plaza, Upper Hill, Nairobi Date Licensed: 01-11-2007 Peer Group: Small Number of Branches: 18
23	**Habib Bank AG Zurich** Country Manager: Mr. Mohammed Ali Hussain Postal Address: Po Box 30584 - 00100, Nairobi Telephone numbers: 020-3341172/6/7 Fax: 020- 2218699 Email: info.ke@habibbank.com Website: www.habibbank.com Physical Address: Habib House, Koinange Street, Nairobi Date Licensed: 01-07-1978 Peer Group: Small Number of Branches: 5
24	**Imperial Bank Ltd** IN-RECEIVERSHIP Postal Address: P. O. Box 44905 – 00100, Nairobi Telephone: +254-20-2874000, 343416 /12/17/18/19/94, 342373, 2719617 /8 /9 Fax: +254-20-2719705/2719652, 342374 Email: info@imperialbank.co.ke Website: www.imperialbank.co.ke Physical Address: Imperial Court, Westlands Road, Nairobi Date Licensed: 08-12-1994 Peer Group: Medium Branches: 26

Appendix XVII NO.	DIRECTORY OF COMMERCIAL BANKS, MORTGAGE FINANCE COMPANIES, KENYA BANKERS ASSOCIATION, NON-OPERATING HOLDING COMPANIES AND AUTHORISED REPRESENTATIVE OFFICES
25	**I & M Bank Ltd** Chief Executive Officer: Mr. Christopher M. Kihara Postal Address: P.O. Box 30238 – 00100, Nairobi Telephone: +254 20 322 1000, +254 719 088 000, +254 732 100 000 Fax: +254-20-2713757 / 2716372 Email: customercare@imbank.co.ke Website: http://www.imbank.com Physical Address: I & M Bank House, 2nd Ngong Ave, Nairobi Date Licenced: 1-1-1974 Peer Group: Large Branches: 42
26	**Jamii Bora Bank Ltd** Chief Executive Officer: Mr. Samuel Kimani Postal Address: P.O Box 22742 -00400, Nairobi Telephone numbers: 0709881000 Fax: N/A Email: customerservice@jamiiborabank.co.ke Website: www.jamiiborabank.co.ke Physical Address: Jamii Bora Towers, Argwings Kodhek Road, Kilimani Date Licensed: 02-03-2010 Peer Group: Small Number of Branches: 27
27	**KCB Bank Kenya Limited** Chief Executive Officer: Mr. Joshua Oigara Postal Address: P.O. Box 48400 – 00100, Nairobi Telephone numbers: +254 20 3270000, 2852000, 2851000, +254 711012000/ 734 108200 Email: contactus@kcbgroup.com Website: www.kcbgroup.com Physical Address: Kencom House, Moi Avenue, Nairobi Date Licensed:01-01-1896 Peer Group: Large Branches: 199
28	**Mayfair Bank Limited** Managing Director: Mr. Raminder Bir Singh Postal Address: P.O Box 2051-00606, Nairobi Telephone numbers: +254 20 3951 000/ + 254 709 063 000 Fax: N/A Email: info@mayfair-bank.com Website: www.mayfair-bank.com Physical Address: Kam House, Mezzanine Floor, Mwanzi Road, Westlands, Nairobi Date Licensed: 20-06-2017 Peer Group: Small Branches: 4
29	**Middle East Bank Kenya Limited** Managing Director: Mr. Dhirendra Rana Postal Address: P.O. Box 47387 00100, Nairobi Telephone numbers: +254 020 2723130 Fax: N/A Email: ho@mebkenya.com Website: www.mebkenya.com Physical Address: Mebank Tower, Jakaya Kikwete Road (formerly Milimani Road), Nairobi Date Licensed: 15-12-1980 Peer Group: Small Branches: 5

NO.	Appendix XVII DIRECTORY OF COMMERCIAL BANKS, MORTGAGE FINANCE COMPANIES, KENYA BANKERS ASSOCIATION, NON-OPERATING HOLDING COMPANIES AND AUTHORISED REPRESENTATIVE OFFICES
30	**M Oriental Bank Limited** Managing Director: Mr. Alakh Kohli Postal Address: P.O. Box 44080-00100 Telephone numbers: 0722 209 585/ 0734 333 291 Email: info@moriental.co.ke Website: www.moriental.co.ke Physical Address: Finance House, 7 Koinange Street, Nairobi Date Licensed: 08-02-1991 Peer Group: Small Number of Branches: 8
31	**National Bank of Kenya Ltd** Managing Director and CEO: Mr. Wilfred Musau Postal Address: P. O. Box 72866 - 00200 Nairobi Telephone: 020 282 8900, 0703 088 900, 0732 118 900 Fax: +254-20-311444/2223044 Email: callcentre@nationalbank.co.ke Website: www.nationalbank.co.ke Physical Address: National Bank Building, Harambee Ave, Nairobi Date Licenced:01-01-1968 Peer Group: Medium Branches: 73
32	**NIC Bank Kenya PLC** Group Managing Director: Mr. John Gachora Banks' Postal Address: 44599, 00100 Nairobi, Kenya Telephone numbers: +254-20-2888217 / +254711041111 / +254732141111 Fax: NA Email: info@nicgroup.com Website: www.nicgroup.com Physical Address: NIC House, Masaba Road, Nairobi Date Licensed: 08-02-1991 Peer Group: Medium Branches: 38
33	**Paramount Bank Limited** Chief Executive Officer: Mr. Ayaz A. Merali Banks' Postal Address: P. O Box 14001-00800, Nairobi Telephone numbers: 020 4449266/7 or 0709 935000 Fax: 020-4449265 Email: info@paramountbank.co.ke Website: www.paramountbank.co.ke Physical Address: Sound Plaza, Woodvale Grove Road, Nairobi Date Licensed:05-07-1995 Peer Group: Small Number of Branches: 8
34	**Prime Bank Ltd** Chief Executive Officer: Mr. Bharat Jani Banks' Postal Address: P.O. Box 43825- 00100 Telephone numbers: (020) 4203000/4203116/4203148 Fax: 020-4451247 Email: headoffice@primebank.co.ke Website: www.primebank.co.ke Physical Address: Prime Bank Building – Riverside Drive, Nairobi Date Licensed: 03-09-1992 Peer Group: Medium Number of Branches: 21

Appendix XVII NO.	DIRECTORY OF COMMERCIAL BANKS, MORTGAGE FINANCE COMPANIES, KENYA BANKERS ASSOCIATION, NON-OPERATING HOLDING COMPANIES AND AUTHORISED REPRESENTATIVE OFFICES
35	**SBM Bank (Kenya) Ltd** Managing Director: Mr. Moez Mahmood Mir Postal Address: P. O. Box 34886 - 00100, Nairobi Telephone: (254) (20) 2242348 / 2248842 / 2244187 Fax: +254-20-2243389/2245370 Emailsbm@sbmgroup.mu Web: https://www.sbmgroup.mu/ Physical Address: I.P.S Building, 7th Floor, Kimathi Street, Nairobi Date Licenced:07-03-1996 Peer Group: Small Branches: 11
36	**Sidian Bank Limited** Chief Executive Officer: Mr. Chege Thumbi Postal Address: P. O. Box 25363 – 00603, Nairobi Telephone: (+254)0711-058000, (+254)0732-158000, +254)020-3906000 Fax: +254-20-3873178 / 3568998 Email: talktous@sidianbank.co.ke Website: www.sidianbank.co.ke Physical Address: K-Rep Centre Wood Avenue, Kilimani, Nairobi Date Licensed: 23-03-1999 Peer Group: Small Branches: 41
37	**Spire Bank Ltd** Ag. Managing Director: Mr. Norman Ambunya Postal Address: 52764 - 00200 Telephone numbers: +254 -020- 4981000 Email: letstalk@spirebank.co.ke Website: spirebank.co.ke Physical Address: Mwalimu Towers, Hill Lane, Upper Hill, Nairobi Date Licensed: 23-06-1995 Peer Group: Small Branches: 13
38	**Stanbic Bank Kenya Limited** Chief Executive Officer: Mr. Charles Mudiwa Postal Address: P. O. Box 72833 - 00200 Nairobi Telephone: +254-20-36380000. /11 /17 /18 /20 /21, 0711-0688000 Fax: +254-20-3752905/7 Email: customercare@stanbic.com Website: https://www.stanbicbank.co.ke Physical Address: Stanbic Bank Centre, Westlands Road, Chiromo, Nairobi Date Licensed: 5/14/1955 Peer Group: Medium Branches: 26
39	**Standard Chartered Bank Kenya Limited** Chief Executive Officer: Mr. Lamin Kemba Manjang Postal Address: P. O. Box 30003, 00100, Nairobi, Kenya Telephone numbers: +254 (0)20 3293000 Fax: +254 (0)20 3747880 Email:Ke.Service@sc.com Website:www.sc.com/ke Physical Address: Standard Chartered Building, Chiromo 48, Westlands Road, Nairobi Date Licensed: 10-1-1910 Peer Group: Large Number of Branches: 37

Appendix XVII NO.	DIRECTORY OF COMMERCIAL BANKS, MORTGAGE FINANCE COMPANIES, KENYA BANKERS ASSOCIATION, NON-OPERATING HOLDING COMPANIES AND AUTHORISED REPRESENTATIVE OFFICES
40	**Transnational Bank Limited** Chief Executive: Mr. Sammy Langat Postal Address: P. O. Box 34353 - 00100 Nairobi Telephone: 020-2252188/91, 0780022224, 0720081772 Fax: +254-20-2252225 Email: customerservice@tnbl.co.ke Website: www.tnbl.co.ke Physical Address: Transnational Plaza, Mama Ngina Street, Nairobi Date licensed: 8/1/1985 Peer Group: Small Branches: 28
41	**UBA Kenya Bank Limited** Managing Director: Mr. Isaac Njiru Mwige Postal Address: P.O. Box 34154 00100 Nairobi Telephone numbers: +254 711027099 / +254 203612099 Fax: N/A Email: cfckenya@ubagroup.com Website: https://www.ubagroup.com/countries/ke Physical Address: 1st Floor, Apollo Centre, Vale Close, Ring Road, Westlands, Nairobi Date Licensed: 25-09-2009 Peer Group: Small Number of Branches: 3
42	**Victoria Commercial Bank Limited** Managing Director: Dr. Yogesh Pattni Banks' Postal Address: P.O. Box 41114-00100 Telephone numbers: 0709 876100 Fax: N/A Email: yogesh@vicbank.com Website: www.victoriabank.co.ke Physical Address: Victoria Towers, Upper Hill, Nairobi Date Licensed: 11-01-1996 Peer Group: Small Number of Branches: 4
B. MORTGAGE FINANCE COMPANIES	
1	**HFC Limited** Managing Director: Mr. Sam Mwaniki Waweru Postal Address: P.O. Box 30088 – 00100, Nairobi Telephone numbers: 020 326 2000/ 0709 438 000 Fax: (+254 20) 2250858 Email: customer.service@hfgroup.co.ke Website: https://www.hfgroup.co.ke/ Physical Address: Rehani House, Kenyatta Avenue/Koinange Street, Nairobi Date Licensed: 07.05.1965 Peer Group: Medium Number of Branches: 26
C. KENYA BANKERS ASSOCIATION	
1	Chief Executive Officer: Dr. Habil Olaka Postal Address: P.O. Box 73100-00200, Nairobi Tel: +254-20-2221704/2224014/2224015/2217757 Fax: +254-20-2221792 Email: ceo@kba.co.ke Website: www.kba.co.ke Physical Address: International House,13th Floor, Mama Ngina Street, Nairobi

Appendix XVII

NO. DIRECTORY OF COMMERCIAL BANKS, MORTGAGE FINANCE COMPANIES, KENYA BANKERS ASSOCIATION, NON-OPERATING HOLDING COMPANIES AND AUTHORISED REPRESENTATIVE OFFICES

D. AUTHORISED NON-OPERATING BANK HOLDING COMPANIES

1	**Bakki Holdco Limited** Licensed Subsidiary: Sidian Bank Ltd Postal Address: P.O. Box 10518 -00100, Nairobi Telephone: 0709902000 E-mail: info@centum.co.ke Website:www.centum.co.ke (NB: Bakki Holdco is a subsidiary of Centum Ltd) Physical Address: 5th Floor, International Life House, Mama Ngina Street, Nairobi Date Authorised: 31st December, 2014
2	**Equity Group Holdings Limited** Licensed Subsidiary: Equity Bank Kenya Ltd Postal Address: P.O. Box 75104 –00200, Nairobi Telephone: +254 763 3026000 Contact Centre: +254 763 063 000 E-mail: info@equitygroupholdings.com Website: www.equitygroupholdings.com Physical Address: Equity Centre, 9th Floor, Hospital Road, Upper Hill, Nairobi Date Authorised: 31st December, 2014
3	**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
4	**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 22000 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
5	**KCB Group PLC** Licensed Subsidiary: KCB Bank Kenya Ltd Postal Address: P.O. Box 48400 – 00100, Nairobi Telephone: +254 20 3270000 / 2851000 /2852000 / +254 711012 000 / 734 108200 / Sms: 22522 E-mail: contactus@kcbbankgroup.com Website: www.kcbbankgroup.com Physical Address: Kencom House, Nairobi Date Authorised: 1st November, 2015
6	**M Holdings Limited** Licensed Subsidiary: M Oriental Bank Ltd Postal Address: P O Box73248-00200|Nairobi, Kenya Telephone: +254 20 2149923 E-mail address: mholdings2014@gmail.com Physical address: Jadala Place, 3rd Floor, Ngong Lane, Ngong Road, Nairobi Date Authorised: 18th February, 2015

Appendix XVII NO.	DIRECTORY OF COMMERCIAL BANKS, MORTGAGE FINANCE COMPANIES, KENYA BANKERS ASSOCIATION, NON-OPERATING HOLDING COMPANIES AND AUTHORISED REPRESENTATIVE OFFICES
7	**NIC Group PLC** Licensed Subsidiary: NIC Bank Kenya Plc Postal Address: P O Box44599-00100|Nairobi, Kenya Telephone: +254 20 2888000 E-mail address: info@nic-bank.com Physical address: NIC House, Masaba Road, Upper Hill, Nairobi Date Authorised:15th February, 2017
8	**Stanbic Holdings PLC** Licensed Subsidiary: Stanbic Bank Kenya Ltd Postal Address: P.O Box 72833-00200, Nairobi Telephone: +254203638000 E-mail: customercare@stanbic.com Website: http://www.stanbicbank.co.ke Physical Address: Stanbic Bank Centre, 1st Floor, Westlands Road, Chiromo, Nairobi Date Authorised: 21st June 2013
E. AUTHORISED REPRESENTATIVE OFFICES	
1	**Bank of China Limited - Kenya Representative Office** Chief Representative Officer: Mr. Qi Wang Address: P.O. Box 21357 - 00505 – Nairobi, Kenya Telephone No.: +254 - 20 - 3862811 / 2 Mobile: +254 - 788808600 E-mail: wangq@bankofchina.com Physical Address: Unit 1, 5th Floor, Wing B, Morningside Office Park, Ngong Road, Nairobi Date Authorised: 29th June 2012
2	**Bank of Kigali Ltd - Kenya Representative Office** Chief Representative Officer: Mr. Gerard Nyangezi Postal Address: P.O. Box 73279-00200 GPO– Nairobi, Kenya Telephone No.: +254 (20) 2711076 E-mail: gnyangezi@bk.rw Physical Address: Ground Floor, Capitol Hill Square, Off Chyulu Road, Upper Hill, Nairobi Date Authorised: 12th February 2013
3	**FirstRand Bank Limited - Kenya Representative Office** Chief Representative Officer: Mrs. Alfetta Koome Mungai Postal Address: P.O. Box 35909, 00200 – Nairobi, Kenya Telephone No.: +254 20 4908201 / 4908206 Cell: +254790469978 E-mail: Alfetta.Koome@rmb.co.za Physical Address: Ground Floor, Eaton Place, UN Crescent, Gigiri, Nairobi Date Authorized: 29th November 2011
4	**HDFC Bank Limited - Kenya Representative Office** Chief Representative Officer: Mr. Rajesh Kumar Saboo Postal Address: P.O. Box 14235 - 00800 – Nairobi, Kenya Mobile No.: +254 713597593 Telephone No: +254 20 3749857/63 E-mail address : rajesh.saboo@hdfcbank.com Physical Address: Prosperity House, Westlands Road, Off Museum Hill, Westlands, Nairobi Date Authorised: 26th June 2008
5	**Mauritius Commercial Bank Limited - Kenya Representative Office** Chief Representative Officer: Ms. Seema Dhanani Postal Address: P.O. Box 35699 - 00800 – Nairobi, Kenya Telephone No: +254 20 44931000 Mobile No: +254 798 362 948 E-mail address : Seema.Dhanani@mcb.mu Physical Address: Bloom Centre, KMA Centre, Mara Road, Upper Hill, Nairobi Date Authorised: 27th November 2014

Appendix XVII NO.	DIRECTORY OF COMMERCIAL BANKS, MORTGAGE FINANCE COMPANIES, KENYA BANKERS ASSOCIATION, NON-OPERATING HOLDING COMPANIES AND AUTHORISED REPRESENTATIVE OFFICES
6.	**Nedbank Limited - Kenya Representative Office** Chief Representative Officer: Mr. Jaap van Luijk Postal Address: P.O Box 39218 - 00623, Nairobi, Kenya Telephone: +254-20 - 8045102 E-mail: kenyacontact@nedbank.co.ke Physical Address: The Exchange Building, 3rd Floor, 55 Westlands Road, Nairobi Date Authorised: 18th June 2010
7	**Co-operatieve Rabobank U.A - Kenya Representative Office** Chief Representative Officer: Mr. Adrianus Cornelis Verbeek Postal Address: P.O. Box 1105-00606, Nairobi, Kenya Telephone : +254 202 955 000/1/2 | Mobile : +254 799 434 963 E-mail: kees.verbeek@rabobank.com Website Address: www.rabobank.com Physical Address: 17th Floor, Delta Corner Tower, Waiyaki Way, Nairobi Date Authorised: 5th June 2014
8	**Société Générale - Kenya Representative Office** Chief Representative Officer: Mr. George Mutua Postal Address: P.O. Box 1795-00606, Nairobi, Kenya Telephone : +254 774995860 | Mobile : +254 710764933 E-mail: George.Mutua@sgcib.com Website Address: www.societegenerale.com Physical Address: Unit 2, 8th Floor, Tower 3, The Mirage, Chiromo Road, Westlands, Nairobi Date Authorised: 28th August 2017
9	**BAHL - Representative Office** Chief Representative Officer: Mr. Ali Raza Yousuf Postal Address: P.O. Box 2445-00606, Nairobi, Kenya Telephone: +254 799743776 | Mobile: +254 799743777 E-mail: bahl.kenyaro@bankalhabib.com / aliraza.yousuf@bankalhabib.com Website Address: www.bankalhabib.com Physical Address: Unit 5, 8th Floor, The Mirage Tower, Waiyaki Way, Nairobi Date Authorised: 9th April, 2018

Appendix XVIII

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 Otunga Plaza, Ground Floor, Kaunda Street, Nairobi Date Licensed: 02.06.2015 Branches: 5
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: Bihi Towers, 8th Floor, Moi Avenue, Nairobi Date Licensed: 17.09.2012 Branches: 3
3	**Choice Microfinance Bank Limited** Ag. Chief Executive Officer: Mr. Josephat Njeru 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, Kajiado 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: info@darajabank.co.ke Website: www.darajabank.co.ke Physical Address: Daraja House, Karandini Road, off Naivasha Road, Nairobi Date Licensed: 12.01.2015 Branches: 2
5	**Faulu Microfinance Bank Limited** Managing Director: Mr. Apollo Njoroge Nderitu Postal Address: P. O. Box 60240 - 00200, Nairobi Telephone: +254 - 020 - 3877290/3/7; 3872183/4; 3867503, 0711 - 074074, 0708 - 111000 Fax: +254-20-3867504, 3874875 Email: info@faulukenya.com, customercare@faulukenya.com, contact@faulukenya.com Website: www.faulukenya.com Physical Address: Faulu Kenya House, Ngong Lane - Off Ngong Road, Nairobi Date Licensed: 21.05.2009 Branches: 37
6	**Kenya Women Microfinance Bank PLC** Managing Director: Mr. James Mwangi Githaiga Postal Address: P. O. Box 4179-00506, Nairobi Telephone: +254 - 020 - 3067000, 2470272-5/2715334-5, 0729920920, 0732633332, 0703 - 067000 Email: info@kwftbank.com Website: www.kwftbank.com Physical Address: Akira House, Kiambere Road, Upper Hill, Nairobi Date Licensed: 31.03.2010 Branches: 32

Appendix XVIII

NO.	DIRECTORY OF MICROFINANCE BANKS
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@maishabank.co.ke Website: www.maishabank.com Physical Address: Chester House, 2nd Floor, Koinange Street, Nairobi 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, Nairobi 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.remu.co.ke Physical Address: Finance House, 14th Floor, Loita Street, Nairobi 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, Nairobi 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, Nairobi Date Licensed: 29.10.2012 Branches: 5
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, Nairobi Date Licensed: 08.04.2013 Branches: 2

Appendix XVIII **NO.**	**DIRECTORY OF MICROFINANCE BANKS**
13	**UWEZO Microfinance Bank Limited** Chief Executive Officer: Mr. Wilson Nguyo Postal Address: 1654 - 00100, Nairobi Telephone: 0720-350808, 0729-211829 Email: info@uwezomfbank.com Website: www.uwezomfbank.com Physical Address: Park Plaza, Ground Floor, Moktar Daddah Street, Nairobi Date Licensed: 08.11.2010 Branches: 3

Appendix XIX

DIRECTORY OF CREDIT REFERENCE BUREAUS	
1.	**Credit Reference Bureau Africa Limited (Trading as TransUnion)** Chief Executive Officer: Mr. Billy Osano Owino Postal Address: P.O. Box 46406 - 00100, Nairobi Telephone: +254 - 020 - 3751799/3751360/2/4/5 Fax: +254 - 020 - 3751344 Email: info@transunion.co.ke Website: www.transunionafrica.com Physical Address: Delta Corner Annex, 2nd Floor, Ring Road, Westlands, Nairobi Date Licensed: 9.02.2010
2.	**Creditinfo Credit Reference Bureau Kenya Limited** Chief Executive Officer: Mr. Stephen Kamau Kunyiha Postal Address: P.O. Box 38941 - 00623, Nairobi Telephone: +254 - 020 – 3757272/0735-880880 Email: cikinfo@creditinfo.co.ke or consumercare@creditinfo.co.ke Website: www.creditinfo.co.ke Physical Address: Park Suites, Office 12, Second Floor, Parklands Road, Nairobi Date Licensed: 29.04.2015
3.	**Metropol Credit Reference Bureau Limited** Managing Director: Mr. Sam Omukoko Postal Address: P.O. Box 35331 - 00200, Nairobi Telephone: +254 - 020 - 2713575 Email: info@metropol.co.ke Website: www.metropolcorporation.com Physical Address: 1st Floor, KCB Towers, Upper Hill, Nairobi Date Licensed: 6.04.2011

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DIRECTORY OF FOREIGN EXCHANGE BUREAUS			
NO.	**Name of Bureau**	**Location**	**E-mail Address & Fax**
1	Alpha Forex Bureau Ltd P. O. Box 476 – 00606 Nairobi Tel: 4451435/7	Pamstech House Woodvale Grove Westlands, Nairobi	alphaforexbureau@hotmail.com Fax: 254-2-4451436
2	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	TBA	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
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

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DIRECTORY OF FOREIGN EXCHANGE BUREAUS

NO.	Name of Bureau	Location	E-mail Address & Fax
13	Continental Forex Bureau Ltd P. O. Box 49580 – 00400 Nairobi Tel: 2222140, 3168025	Old Mutual building, ground floor, Kimathi Street, Nairobi	cfbbusiness@yahoo.com Fax: 254 2-216163
14	Cosmos Forex Bureau Ltd P. O. Box 10284 – 00100 Nairobi Tel: 250582/5	Rehema House, Ground Floor, Standard/Kaunda Street, Nairobi	cosmosforex@yahoo.com Fax: 254-2-250591
15	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
16	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
17	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
18	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
19	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
20	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
21	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
22	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
23	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
24	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

NO.	Name of Bureau	Location	E-mail Address & Fax
25	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
26	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
27	Junction Forex Bureau Limited P. O. Box 43888 – 00100 Nairobi Tel: 3861268/9, 0725-852840	The Junction of Ngong Road/ Dag-oretti Corner, Nairobi	junctionforexbureaultd@yahoo.com
28	Kenza Exchange Bureau Ltd P. O. Box 21819 – 00400 Nairobi Tel: 822504/ 2245863	JKIA, Arrival Unit 1 Nairobi	okambua@gmail.com, rokora@yahoo.com
29	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
30	Legacy Forex Bureau Ltd P. O. Box 15710 – 00100 Nairobi Tel. 0791587614, 0719670281, 0728647131	The Hub Karen, Dagoretti Road, Nairobi	info@legacyforexbureau.co.ke or info@syzointernational.co.ke
31	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
32	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
33	Magnum Forex Bureau De Change Ltd P. O. Box 46434 – 00100 Nairobi	Nakumatt Mega, Uhuru Highway, Nairobi	magnumkenya@gmail.com
34	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
35	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
36	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
37	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

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DIRECTORY OF FOREIGN EXCHANGE BUREAUS

NO.	Name of Bureau	Location	E-mail Address & Fax
38	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
39	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
40	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
41	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
42	Nairobi Bureau De Change Ltd P. O. Box 644 – 00624, Village Market Nairobi Tel: 822884	Unit 2 JKIA Nairobi	info@nairobibureau.com Fax: 254-2-241307
43	Namanga Forex Bureau Ltd P. O. Box 12577 – 00100 Nairobi Tel: 02-213642/ 045-5132476	Immigration Building, Namanga Town	namangaforexbureau@yahoo.com
44	Nawal Forex Bureau Ltd P. O. Box 43888 – 00100 Nairobi Tel: 2720111	Chaka Place, Chaka Road, Nairobi	nawalforexbureau@yahoo.com Fax: 254-2-272011
45	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
46	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
47	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
48	Pearl Forex Bureau Ltd P. O. Box 58059 – 00200 Nairobi Tel: 2724769/ 2724778	Hurlingham Shopping Centre, Unipen Flats, Nairobi	pearlforex@rocketmail.com Fax: 254-2-2724770
49	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
50	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

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DIRECTORY OF FOREIGN EXCHANGE BUREAUS

NO.	Name of Bureau	Location	E-mail Address & Fax
51	Rand Forex Bureau Limited P. O. Box 30923 - 00100 Nairobi Tel: 0722200815	Kampus Mall, University Way, Nairobi	info@randforex.co.ke
52	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
53	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
54	Safari Forex Bureau Ltd P. O. Box 219 Eldoret Tel: 053-2063347	KVDA Plaza, Eldoret	safariforexbureau@yahoo.com Fax: 254-053-2063997
55	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
56	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
57	Sisi Forex Bureau Limited P.O. Box 60770 - 00200 Nairobi Tel: 2445846/0722-382995	Agip House, Haile Selasie Avenue, Nairobi	sisiforex@sisi.co.ke
58	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
59	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
60	Southend Forex Bureau Limited P. O. Box 3321– 00506 Nairobi Tel: 0724788075/ 0719806999	TBA	Southendforexbureau@gmail.com
61	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
62	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
63	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
64	Tower Forex Bureau Limited P.O. Box 25934 - 00100 Nairobi Tel. 0723434343, 0739270511, 0772372744	I & M Bank Tower, Kenyatta Avenue, Nairobi	nim711@hotmail.com

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DIRECTORY OF FOREIGN EXCHANGE BUREAUS

NO.	Name of Bureau	Location	E-mail Address & Fax
65	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
66	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
67	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
68	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
69	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
70	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
71	Westlands Forex Bureau Ltd P. O. Box 45746 – 00100 Nairobi Tel: 3748786	14 Riverside Drive, Nairobi	westforex@wananchi.com Fax: 254-2-3748785
72	Yaya Centre Exchange Bureau Ltd P. O. Box 76302 – 00508 Nairobi Tel: 02-3869097	Yaya Centre Towers, Argwings Kod- hek Road, Nairobi	info@yayaforex.co.ke Fax: 254-2-3870869

Appendix XXI

DIRECTORY OF MONEY REMITTANCE PROVIDERS (MRPs)

	Name of MRP	Location	Email Address
1	Airtel Money Transfer Limited P.O. Box 73146 – 00200 NAIROBI Tel: 0734110000	Parkside Towers, Mombasa Road, Nairobi	IMT@ke.airtel.com
2	Amal Express Money Transfer Limited P.O.BOX 3165 – 00100 Nairobi Tel: 0722878597 or 0723281122	Amal Plaza, 1st Avenue Eastleigh, Nairobi	info@amalexpress.co.ke
3	Amana Money Transfer Ltd P.O. Box 68578 – 00622 Nairobi Tel : 6761296 / 2379824	Amana Shopping Complex, Captain Mungai Street, Eastleigh, Nairobi.	amanamnytransfer@gmail.com/ amanaforex@hotmail.com
4	Bakaal Express Money Transfer Ltd P.O.BOX 71248 – 00610 Nairobi Tel: 2394513 or 0717399039	Amco Shopping Mall, 1st Avenue Eastleigh, Nairobi	nbiinfo@bakaal.com
5	Continental Money Transfer Limited P.O. Box 49387 – 00100 Nairobi Tel : 2217138/40	Eco Bank Towers, Kaunda Street, Nairobi	info@continentalmoneytransfer.com
6	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
7	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
8	Global Money Transfer Limited P.O. Box 47583 – 00100 Nairobi Tel: 020-2321972/ 0722701990	1st Floor Shariff Centre, Eastleigh Nairobi	Globalfrx@gmail.com
9	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
10	Iftin Express Money Transfer Limited P.O. Box 100184 – 00101 Nairobi Tel: 2629818	AMCO Shopping Mall, 1st Avenue, Eastleigh, Nairobi	iftinforex@gmail.com
11	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
12	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
13	Kendy Money Transfer Limited P.O.BOX 76163 – 00508 Nairobi Tel: 0202377054	Sameer Business Park, Block E, Off Mombasa Road	info@kendytechnologies.co.ke

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DIRECTORY OF MONEY REMITTANCE PROVIDERS (MRPs)

	Name of MRP	Location	Email Address
14	Mobex Money Transfer Services Ltd P.O. Box 1956 - 00621 NAIROBI Tel: 0733701243/0731005504	4th Floor, Woodlands Office Park, Woodlands Road, Nairobi.	contactus@terrapay.com regulatory@terrapay.com
15	Real Value Money Transfer Limited P.O. Box 26530-00100 Nairobi Tel:0721297906	Shariff Complex, 5th Avenue, Eastleigh, Nairobi	realvaluemtransfer@gmail.com
16	Safaricom Money Transfer Services Limited P. O. Box 66827 – 00800 Nairobi Tel: 20 4273272 / 0722003272 0722000000	Safaricom House, Waiyaki Way, Westlands, Nairobi	ceo@safaricom.co.ke
17	Tawakal Money Transfer Limited P.O. BOX 42909 – 00100 Nairobi Tel : 6766171	Ubah Center, 5th Street Eastleigh, Nairobi.	tfbureau@yahoo.com
18	Unimoni Money Transfer P.O Box 51695 – 00100 Nairobi Tel: 2220101	IPS Building, Kimathi Street, Nairobi.	customercare.kenya@unimoni.com
19	Upesi Money Transfer Limited P.O Box 60776-00200 Nairobi Tel:0726499656/0726500404	1st Floor N.H.I.F Building, Upper Hill, Nairobi	info@upesi.co.ke

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