Central Bank of Kenya

Credit Officer Survey

June 30, 2022

CENTRAL BANK OF KENYA COMMERCIAL BANKS' CREDIT OFFICER SURVEY FOR THE THE QUARTER ENDED JUNE 30, 2022

1.0 COMMERCIAL BANKS' CREDIT OFFICER SURVEY

1.1 BACKGROUND

Credit risk is the single largest factor affecting the soundness of financial institutions and the financial system as a whole. This is because lending is the principal business for banks. The ratio of gross loans to total assets increased marginally from 55.4 percent in the quarter ended March 31, 2022, to 55.9 percent in the quarter ended June 30, 2022.

The Central Bank of Kenya (CBK) undertakes a quarterly Credit Officer Survey to identify the potential drivers of credit risk. The survey requires senior credit officers of banks to indicate their banks perception or actual position in the immediate past quarter and the subsequent quarter in terms of demand for credit, credit standards, asset quality, credit recovery efforts, deployment of liquidity and impact of implementing new standards.

1.2 SURVEY METHODOLOGY

Senior Credit Officers[1] complete most of the survey and collate inputs from senior officers responsible for the other aspects. For the quarter ended June 30, 2022, 38 operating commercial banks and 1 mortgage finance company participated in the Commercial Banks Credit Officer Survey.

The survey sought to establish the lending behavior in the banking sector in respect to all the eleven economic sectors. Questions were posed on demand for credit, credit standards for approving loans, non-performing loans, credit recovery efforts, implementation of International Financial Reporting Standards (IFRS) 9 on Financial Instruments and IFRS 16 on Leases. The survey questions are generally phrased in terms of changes over the past three months or expected changes over the next three months.

The survey also included questions concerning liquidity in the banks. The banks were required to state their liquidity trend and appetite for the deployment of liquidity towards extension of credit, interbank lending and other forms of investment.

Following the declaration by the World Health Organization of coronavirus (COVID-19) outbreak as a pandemic in March 2020, CBK has continued to assess the impact of the pandemic on the banking sector.

[1]These are officers involved in most of the credit and liquidity decisions hence are able to provide reasonably accurate and complete responses from their bank's perspective. They also collate input on non-credit aspects from their counterparts.

1.3 KENYAN BANKING SECTOR PERFORMANCE

The Kenyan Banking Sector recorded growth in the quarter ended June 30, 2022, compared to the quarter ended March 31, 2022. Some of the sector's performance indicators are as follows: -

- The aggregate balance sheet increased by 2.4 percent to Ksh.6,249.7 billion in June 2022, from Ksh.6,103.0 billion in March 2022.

- Gross loans increased by 3.3 percent from Ksh.3,382.4 billion in March 2022, to Ksh.3,492.8 billion in June 2022. The increase in gross loans was largely witnessed in the Trade, Manufacturing, and Personal and Household sectors. The increase in gross loans was mainly due to increased credit granted for working capital purposes, and loans granted to individual borrowers.

- Total deposits increased by 3.3 percent from Ksh.4,466.7 billion in March 2022, to Ksh.4,616.3 billion in June 2022.

- The asset quality, measured by gross non-performing loans to gross loans ratio deteriorated from 14 percent in March 2022, to 14.7 percent in June 2022. This was due to an 8.6 percent increase in gross NPLs as compared to a 3.3 percent increase in gross loans.

- The capital adequacy ratio decreased marginally from 18.9 percent in March 2022, to 18.8 percent in June 2022. The decreased capital adequacy ratio was mainly due to lower increase in Total Capital of 1.3 percent as compared to 1.9 percent increase in Total Risk Weighted Assets. The capital adequacy ratio reported in the two periods were above the minimum statutory limit of 14.5 percent.

- Quarterly profit before tax increased by Ksh.5.2 billion from Ksh.57.3 billion in March 2022, to Ksh.62.5 billion in June 2022. The increase in profitability was mainly attributable to a higher increase in quarterly income by Ksh.15.8 billion as compared to the increase in quarterly expenses by Ksh.10.6 billion.

- Return on Equity (ROE) increased from 25.1 percent in March 2022, to 26.8 percent in June 2022. The increase in ROE was due to increased profit before tax between the two quarters under review.

- Liquidity in the banking sector decreased marginally from 55.0 percent in March 2022, to 52.5 percent in June 2022. This was well above the minimum statutory ratio of 20 percent.

1.4 SUMMARY OF CREDIT OFFICER SURVEY FINDINGS

- **Demand for credit:** In the second quarter of 2022, the perceived demand for credit remained unchanged in nine economic sectors. It increased in two sectors (Trade, and Personal and Household).
- **Credit Standards[2]:** In the second quarter of 2022, credit standards remained unchanged in all the eleven economic sectors.
- **Non-Performing Loans per sector:** Respondents indicated that the level of NPLs is expected to remain constant in all economic sectors during the next quarter.

[2] *Credit standards are guidelines used by commercial banks in determining whether to extend a loan to an applicant.*

- **Credit Recovery Efforts:** For the quarter ended September 30, 2022, banks expect to intensify their credit recovery efforts in eight economic sectors and retain in three sectors (Mining and Quarrying, Energy and Water, and Financial Services). The intensified recovery efforts are aimed at improving the overall quality of the asset portfolio.
- **International Financial Reporting Standard (IFRS) 9 on Financial Instruments:** Most banks have adopted a tight credit risk appraisal, ensuring that facilities are well secured and that alternative sources of repayment are available.
- **International Financial Reporting Standard (IFRS) 16 on Leases:** During the quarter ended June 30, 2022, 95 percent of the respondents had implemented IFRS 16. In the same quarter, 95 percent of the respondents had assessed the impact of IFRS 16 on their financial performance and position.
- **Liquidity risk:** During the quarter ended June 2022, 57 percent of the respondents indicated that their liquidity position had improved.

  Banks intend to deploy the additional liquidity towards lending to the private sector (27 percent), investing in Treasury Bonds (27 percent), investing in Treasury Bills (19 percent), interbank lending (15 percent), CBK liquidity management through repos (8 percent), increase their cash holdings (2 percent), and invest in other instruments including offshore (2 percent).

2.0 SURVEY FINDINGS

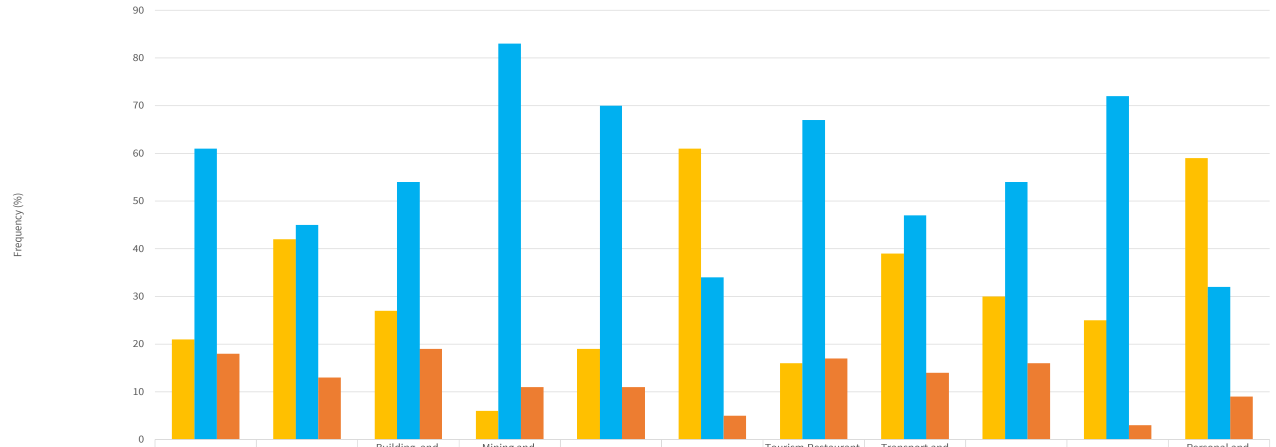
2.1 Demand for Credit

- In the second quarter of 2022, the perceived demand for credit remained unchanged in nine economic sectors. It increased in two sectors (Trade, and Personal and Household).
- The main sectors with unchanged demand for credit are Mining and Quarrying, Financial Services, Energy and Water and Tourism.
- Perceived demand for credit increased in Trade, and Personal and Household sectors. This is attributed to the ongoing return to normalcy of economic activities following the lifting of movement restrictions imposed during the COVID-19 pandemic.
- **Chart 1** and **Table 1** below present the trend in the perceived demand for credit in the last two quarters.

Table 1: Change in Demand for Credit

	March 2022			June 2022		
Percentage (%)	**Increased**	**Remained Unchanged**	**Decreased**	**Increased**	**Remained Unchanged**	**Decreased**
Agriculture	28	59	13	21	61	18
Manufacturing	44	38	18	42	45	13
Building and Construction	35	51	14	27	54	19
Mining and Quarrying	16	73	11	6	83	11
Energy and Water	21	68	11	19	70	11
Trade	64	31	5	61	34	5
Tourism, Restaurant and Hotels	37	47	16	16	67	17
Transport and Communication	41	49	10	39	47	14
Real Estate	37	53	10	30	54	16
Financial Services	26	54	20	25	72	3
Personal and Household	63	29	8	59	32	9

Chart 1: Demand for Credit

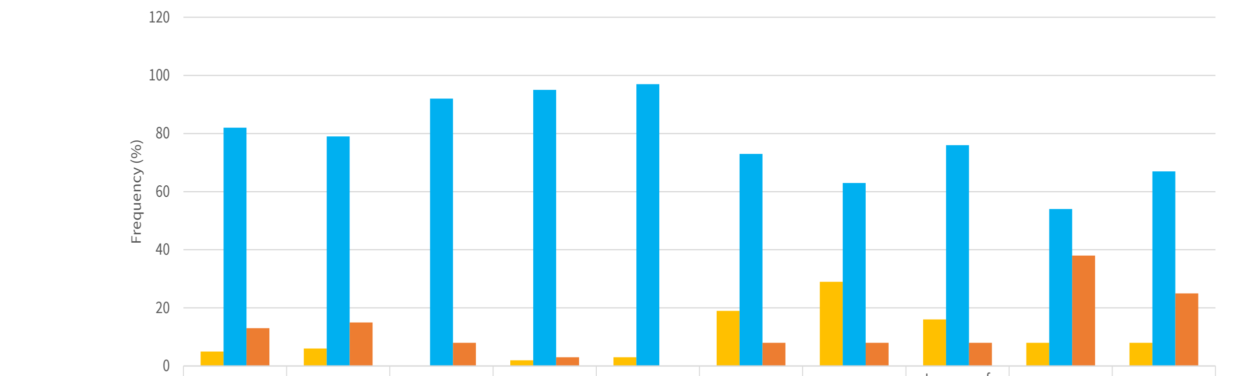


	Agriculture	Manufacturing	Building and Construction	Mining and Quarrying	Energy and Water	Trade	Tourism,Restaurant and Hotels	Transport and Communication	Real Estate	Financial Services	Personal and Household
Increased(%)	21	42	27	6	19	61	16	39	30	25	59
Remained Unchanged (%)	61	45	54	83	70	34	67	47	54	72	32
Decreased (%)	18	13	19	11	11	5	17	14	16	3	9

2.2 Factors Affecting Demand for Credit

- In the quarter ended June 30, 2022, all the ten factors affecting demand for credit had no significant impact. This is depicted in **Chart 2** and **Table 2**.
- Issuance of equity, issuance of debt securities, and loans from non-banks were cited as having had the least impact on the demand for credit during the quarter under review. These were reported by 97 percent, 95 percent and 92 percent of the respondents respectively.

Chart 2: Factors affecting Demand for Credit



	Internal Financing	Loans from other banks	Loans from non banks	Issusance of debt securities	Issuance of equity	Cost of borrowing	Available investment opportunities	Increase of the Central Bank Rate (CBR)	Political Risk	COVID – 19 pandemic
Increased (%)	5	6	0	2	3	19	29	16	8	8
Remained Unchanged (%)	82	79	92	95	97	73	63	76	54	67
Decreased (%)	13	15	8	3	0	8	8	8	38	25

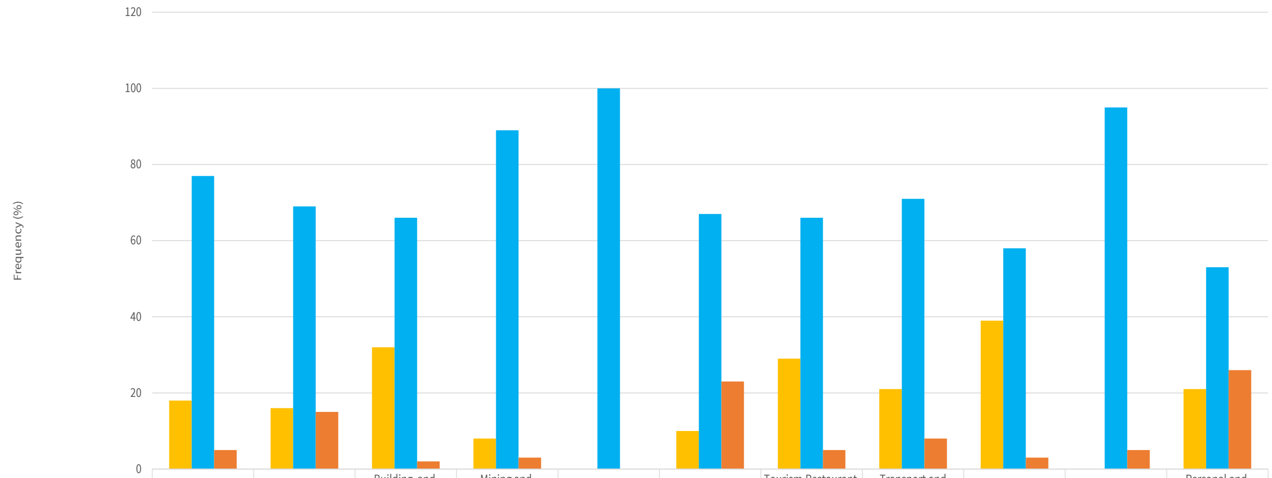
Table 2: Factors Affecting Demand for Credit

Percentage (%)	March 2022			June 2022		
	Increased	Remained Unchanged	Decreased	Increased	Remained Unchanged	Decreased
Internal Financing	5	82	13	5	82	13
Loans from other banks	8	79	13	6	79	15
Loans from non-banks	8	85	7	0	92	8
Issuance of debt securities	5	92	3	2	95	3
Issuance of equity	5	95	0	3	97	0
Cost of borrowing	18	74	8	19	73	8
Available investment opportunities	18	68	14	29	63	8
Increase of the Central Bank Rate (CBR)	13	87	0	16	76	8
Political Risk	17	59	24	8	54	38
COVID – 19 pandemic	15	51	34	8	67	25

2.3 Credit Standards

- In the second quarter of 2022, credit standards remained unchanged in all the eleven economic sectors.
- This is presented in **Chart 3** and **Table 3** below.

Chart 3: Credit Standards



	Agriculture	Manufacturing	Building and Construction	Mining and Quarrying	Energy and Water	Trade	Tourism,Restaurant and Hotels	Transport and Communication	Real Estate	Financial Services	Personal and Household
Tightened (%)	18	16	32	8	0	10	29	21	39	0	21
Remained Unchanged (%)	77	69	66	89	100	67	66	71	58	95	53
Eased (%)	5	15	2	3	0	23	5	8	3	5	26

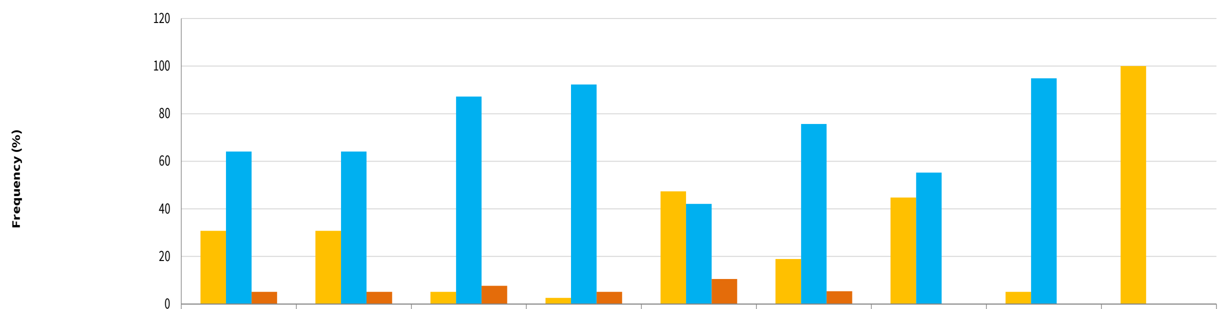
Table 3: Credit Standards for Loans to Various Economic Sectors

Percentage (%)	March 2022			June 2022		
	Tightened	Remained Unchanged	Eased	Tightened	Remained Unchanged	Eased
Agriculture	25	72	3	18	77	5
Manufacturing	18	69	13	16	69	15
Building and Construction	38	59	3	32	66	2
Mining and Quarrying	14	81	5	8	89	3
Energy and Water	13	82	5	0	100	0
Trade	15	64	21	10	67	23
Tourism, Restaurant and Hotels	37	50	13	29	66	5
Transport and Communication	33	51	16	21	71	8
Real Estate	53	37	10	39	58	3
Financial Services	15	82	3	0	95	5
Personal and Household	21	50	29	21	53	26

2.4 Factors Influencing Credit Standards

- In the quarter ended June 30, 2022, seven factors had little impacton credit standards whereas COVID-19 and expectations regarding general economic activities led to tightening of credit standards.
- Investment in Government Securities, Competition from Saccos, Microfinance banks, and other Credit Providers, and Competition from other banks are the main factors that had no impact on credit standards. These were reported by 95 percent, 92 percent and 87 percent of the respondents respectively.
- A comparison of the trend in the factors affecting the banks' credit standards are shown in **Chart 4** and **Table 4**.

Chart 4: Factors affecting Credit Standards



	Bank's cost of funds and Balance sheet constraints	Constraints relating to Bank's capital position	Competition from other banks	Competition from Microfinance Banks, Saccos and other non-bank credit providers	Expectations regarding general economic activity	Increase of the Central Bank Rate (CBR)	Political Risk	Investment in Government securities	Covid 19
Tightened (%)	31	31	5	3	47	19	45	5	100
Remained unchanged (%)	64	64	87	92	42	76	55	95	0
Eased (%)	5	5	8	5	11	5	0	0	0

Table 4: Factors affecting credit standards

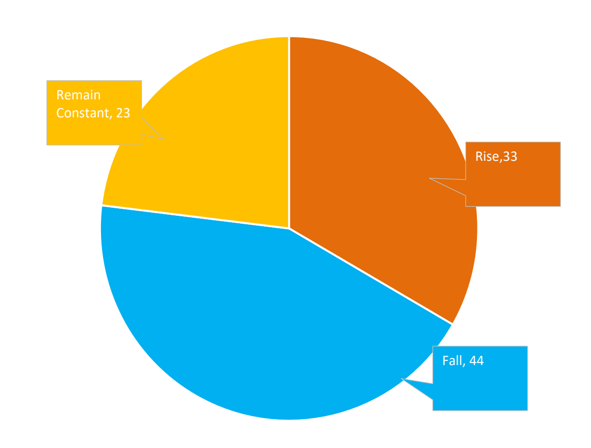
	March 2022			June 2022		
	Tightened	Remained Unchanged	Eased	Tightened	Remained Unchanged	Eased
Bank's cost of funds and Balance sheet constraints	28	67	5	31	64	5
Constraints relating to Bank's capital position	33	62	5	31	64	5
Competition from other banks	8	79	13	5	87	8
Competition from DTMs, Saccos, and other Credit Providers	3	90	7	3	92	5
Expectations regarding general economic activity	46	41	13	47	42	11
Increase of the Central Bank Rate (CBR)	5	89	6	19	76	5
Political Risk	26	67	8	45	55	0
Investment in Government Securities	0	95	5	5	95	0
COVID-19	95	5	0	100	0	0

2.5. Non-Performing Loans (NPLs)

2.5.1 Expected Movements of Non-Performing Loans in the next quarter

- 44 percent of the respondents indicated that NPLs are likely to fall in the third quarter of 2022. This is attributed to enhanced recovery efforts being implemented by most banks.
- 33 percent of the respondents expect the level of NPLs to rise in the third quarter of 2022. The increase in NPLs is mainly due to subdued business activities because of slowed recovery from coronavirus (COVID-19) pandemic.
- 23 percent of respondents expect NPLs to remain constant. This is depicted in **Chart 5**.

Chart 5: Expected movements of NPLs in the next Quarter (%)



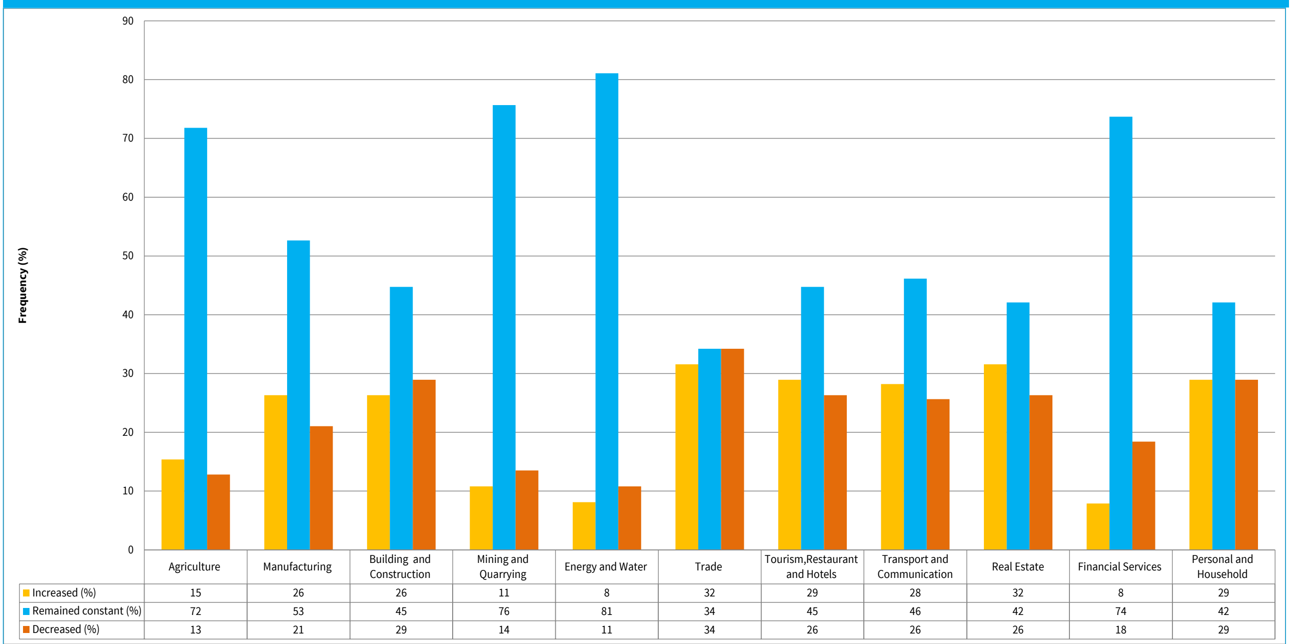
2.5.2 Expected Non-Performing Loans per sector during the next Quarter

- Respondents indicated that the level of NPLs is expected to remain constant in all economic sectors during the next quarter.
- **Table 5** and **Chart 6** depicts this.

Table 5: Non-Performing Loans Trend Per Economic Sector

Percentage (%)	March 2022			June 2022		
	Increase	Remain constant	Decrease	Increase	Remain constant	Decrease
Agriculture	15	67	18	15	72	13
Manufacturing	11	71	18	26	53	21
Building and Construction	24	47	29	26	45	29
Mining and Quarrying	8	81	11	10	76	14
Energy and Water	5	79	16	8	81	11
Trade	23	54	23	32	34	34
Tourism, Restaurant and Hotels	21	50	29	29	45	26
Transport and Communication	28	46	26	28	46	26
Real Estate	24	50	26	32	42	26
Financial Services	8	78	14	8	74	18
Personal and Household	32	42	26	29	42	29

Chart 6: Non-Performing Loans Trend per Economic Sector



2.6 Credit Recovery Efforts in the next Quarter

- For the quarter ended September 30, 2022, banks expect to intensify their credit recovery efforts in nine economic sectors and remain constant in two sectors (Mining and Quarrying, and Financial Services). The intensified recovery efforts are aimed at improving the overall quality of the asset portfolio.
- The main sectors that banks intend to intensify credit recovery efforts: -

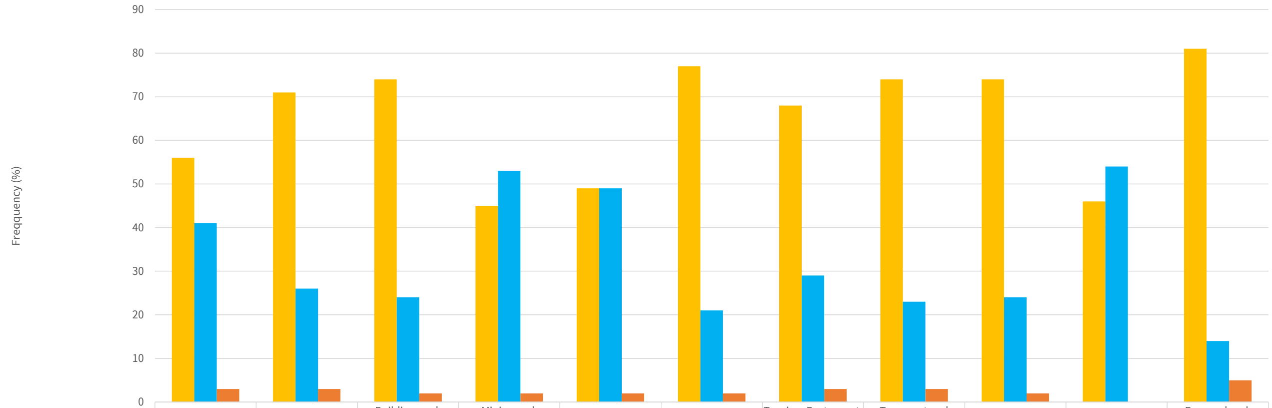
i. Personal and Household (81 percent).
ii. Trade (77 percent).
iii. Transport and Communication (74 percent).
iv. Real Estate (74 percent).
v. Building and Construction (74 percent).

- The responses on the expected credit recovery efforts by the banks are depicted in **Chart 7** and **Table 6**.

Table 6: Credit Recovery Efforts

	March 2022			June 2022		
	Intensified	Remained Unchanged	Eased	Intensified	Remained Unchanged	Eased
Agriculture	51	46	3	56	41	3
Manufacturing	68	29	3	71	26	3
Building and Construction	71	26	3	74	24	2
Mining and Quarrying	43	54	3	45	53	2
Energy and Water	47	50	3	49	49	2
Trade	72	26	3	77	21	2
Tourism, Restaurant and Hotels	71	26	3	68	29	3
Transport and Communication	74	24	3	74	23	3
Real Estate	68	29	3	74	24	2
Financial Services	47	53	0	46	54	0
Personal and Household	81	16	3	81	14	5

Chart 7: Credit Recovery Efforts



	Agriculture	Manufacturing	Building and Construction	Mining and Quarrying	Energy and Water	Trade	Tourism,Restaurant and Hotels	Transport and Communication	Real Estate	Financial Services	Personal and Household
Tightened (%)	56	71	74	45	49	77	68	74	74	46	81
Remained Unchanged (%)	41	26	24	53	49	21	29	23	24	54	14
Eased (%)	3	3	2	2	2	2	3	3	2	0	5

2.7 International Financial Reporting Standard (IFRS) 9 on Financial Instruments

- The International Financial Reporting Standard (IFRS) 9 on Financial Instruments became effective from January 1, 2018. This standard replaced International Accounting Standard (IAS) 39 on Financial Instruments (Recognition and Measurement).
- IFRS 9 introduced a new method of determining provisions for expected losses on loans extended by lending institutions.
- Institutions are required to recognize expected credit losses at all times and to update the amount of expected credit losses recognized at each reporting date to reflect changes in the credit risk of financial instruments.
- In the quarter ended June 30, 2022, the Central Bank of Kenya assessed: -

  i. The challenges that banks still experience in the implementation of IFRS 9 and mitigation measures implemented.

  ii. Whether the banks have made any changes in the assumptions used in IFRS 9 and if they are more reliable.

2.7.1 Challenges experienced in the Implementation of IFRS 9

- Most banks have adopted a tight credit risk appraisal, ensuring that facilities are well secured and that alternative sources of repayment are available.

  However, implementation of IFRS 9 has had some challenges. These are the prevalent challenges pointed out by the respondents.

  i. Lack of uniformity in probability of defaults (IFRS 9 models) across all banks in Kenya.

  ii. There is constant model redevelopments that occur with the emergence of new information. This is costly as banks have to keep improving and updating their existing models.

  iii. Macro-Economic factors brought about by the pandemic have made it more difficult to compute the Probability of Default (PD).

2.7.2 Mitigation Measures implemented in dealing with challenges faced in the Implementation of IFRS 9

- Banks have implemented the following mitigation measures: -

  i. Increasing the robustness of the predictive model to ensure the PDs generated are as representative as possible.
  ii. Seeking for additional capital injection to accommodate the expected rise in Credit Losses.
  iii. Realignment of business models to minimize credit losses on unutilized limits and to enhance efficiency in internal operations.
  iv. Insistence on good quality security in all borrowings to help minimize provisions.
  v. Investment in credit scoring systems.

2.7.3 Changes made by commercial banks on the assumptions used in IFRS 9

- Banks have increased the PD rate.
- Some banks have updated the segmentation of the loan book to be more relevant in the COVID-19 environment. The segmentation has moved away from the size of the loans and is now based on the industry of their customers.

2.7.4 Actions by the commercial banks to ensure that the assumptions are reliable

- Banks have improved their data quality over the past two years to ensure assumptions can easily be tested.
- Some banks compare the assumptions with current and forecasted business environment.
- Information is sourced by banks from credible vendors and subjected to rigorous statistical tests to ensure consistency and accuracy.

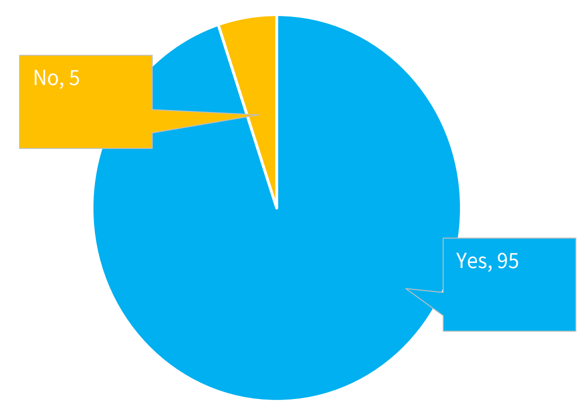
2.8. International Financial Reporting Standard (IFRS) 16 on Leases

- The International Financial Reporting Standard (IFRS) 16 on Leases became effective from January 1, 2019. This standard replaced International Accounting Standard (IAS) 17 on Leases.
- The main difference between IAS 17 and IFRS 16 is the treatment of operating leases by lessees. Under IAS 17, a lessee was not obligated to report assets and liabilities from operating leases on their balance sheet but instead report the leases as off-balance sheet items. IFRS 16 changes this by requiring lessees to recognize operating leases right of use (ROU) assets and lease liabilities on the balance sheet.
- IFRS 16 aims to improve the quality of financial reporting for companies with material off balance sheet leases.

2.8.1 Implementation of IFRS 16

- During the quarter ended June 30, 2022, 95 percent of the respondents had implemented IFRS 16. This is depicted in **Chart 8**.

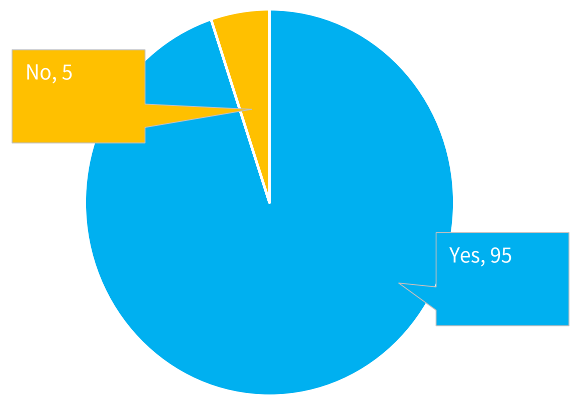
Chart 8: Banks that have implemented IFRS 16 on Leases (%)



2.8.2 Assessment of the Impact of IFRS 16

- During the quarter ended June 30, 2022, 95 percent of the respondents had assessed the impact of IFRS 16 on their financial performance and position. This is depicted in **Chart 9**.

Chart 9: Banks that assessed the likely impact of IFRS 16 (%)



2.8.3 Impact of IFRS 16 on Banks' Financial performance and position

Most banks indicated that implementation of IFRS 16 :-

- Increased their risk weighted assets.
- Increase in operating lease costs arising from straight line depreciation of the resultant right of use asset (ROU) and an additional finance charge based on the net lease liability and an appropriate discount rate (IBR).

2.8.4 Financial indicators for Leases

- Following the implementation of IFRS 16 on January 1, 2019, the value of the financial indicators for leases in the banking industry as at June 30, 2022 are indicated in **Table 7**.

Table 7: Financial elements bank value as at June 30, 2022

Banking Industry (Ksh '000)	March 2022	June 2022
Right of use (ROU) assets	35,381,434.30	35,947,813.26
Lease liabilities	30,212,023.60	29,635,859.70
Depreciation of the right of use asset	6,536,178.26	7,972,780.09
The finance charge associated with the lease liability	1,126,251.05	1,500,078.79

2.8.5 Challenges experienced in the Implementation of IFRS 16

- Most banks indicated that the major challenge they faced in implementation of IFRS 16 include: -

  i. Determining the discounting rates is a challenge.

  ii. Accounting for VAT by banks, which forms part of business costs.

  iii. Volatility of exchange rates where rent is payable in foreign currencies.

2.8.6 Mitigation measures on the challenges experienced in Implementation of IFRS 16

- As a mitigation measure, banks have indicated that they: -

  i. Use the yield on Treasury bonds that mirror the tenor of existing leases as the appropriate discount rate (IBR).

  ii. Maintain database of all leases; clearly differentiating short term and long-term in line with the standard.

  iii. Have automated the operationalization of IFRS 16.

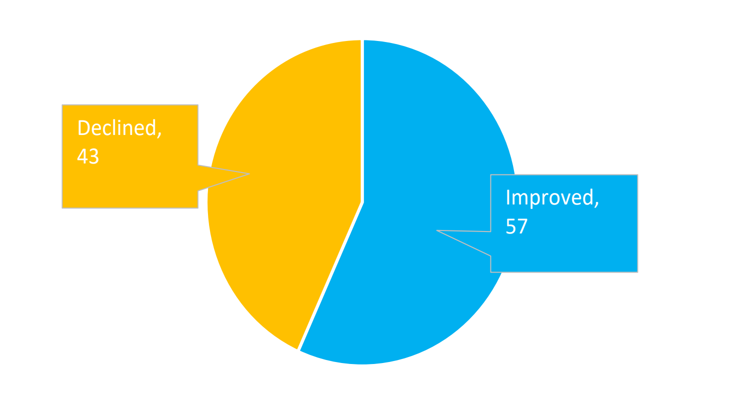
2.9 Liquidity Risk

- Banks were required to state the status of their liquidity positions, factors that led to improved liquidity, their plans with improved liquidity, measures being taken with deteriorated liquidity and their involvement in interbank activities during the quarter ended June 30, 2022.

2.9.1 Commercial Banks' liquidity positions

- During the quarter ended June 2022, 57 percent of the respondents indicated that their liquidity position had improved as indicated in **Chart 10**.

Chart 10: Movement in liquidity position (%)



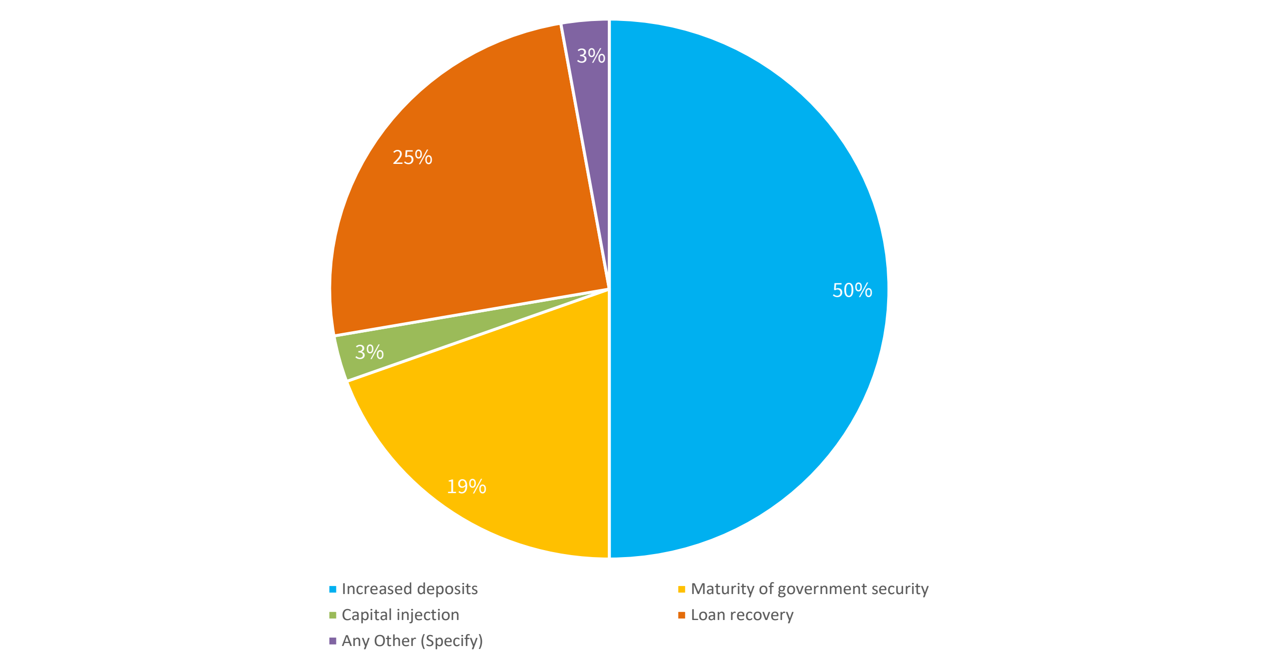
2.9.2 Factors that led to improved liquidity in the quarter ended June 30, 2022

- During the quarter ended June 30, 2022, liquidity improved mainly as a result of: -

  i). Increased deposits (50 percent).
  ii). Loan recovery (25 percent).
  iii). Maturity of government securities (19 percent).
  iv). Capital injection (3 percent).

- The drivers of improved liquidity are indicated in **Chart 11** below.

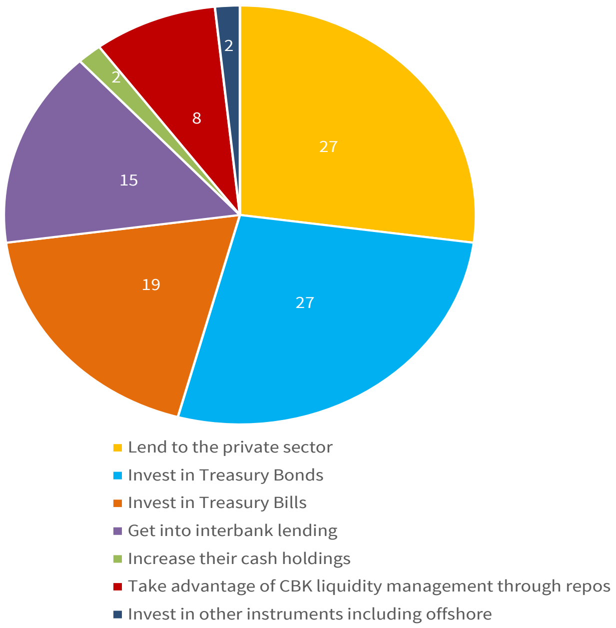
Chart 11: Reasons for improved liquidity (%)



2.9.3 Commercial Banks' plans with improved liquidity

- As indicated in **Chart 12**, with the improved liquidity, it is expected that in the third quarter of 2022, credit to private sector will increase as several banks intend to deploy the additional liquidity towards lending to the private sector (27 percent), investing in Treasury Bonds (27 percent), investing in Treasury Bills (19 percent), interbank lending (15 percent), increase their cash holdings (8 percent), CBK liquidity management through repos (2 percent), and invest in other instruments including offshore (2 percent).

Chart 12: Plans with improved liquidity (%)



2.9.4 Measures being taken by Commercial banks to enhance deteriorated liquidity

- During the quarter ended June 2022, 43 percent of the respondents indicated that their liquidity position had deteriorated as indicated in **Chart 10**.
- The affected banks are enhancing their deposit mobilization campaigns to enhance their liquidity positions.

2.9.5 Commercial Banks' interbank activities during the quarter

- During the quarter ended June 30, 2022, 51 percent of the respondents indicated that their interbank lending activities increased. This is indicated in **Chart 13** below.
- 66 percent of the respondents indicated that their interbank borrowing decreased. This is indicated in **Chart 14** below.
- Interbank borrowing has generally decreased due to tightening of credit standards by institutions for all categories of facilities.

Chart 13: Increase in interbank lending (%)

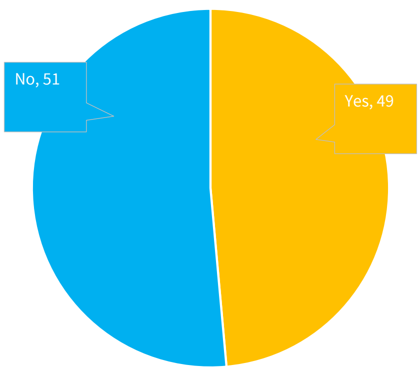
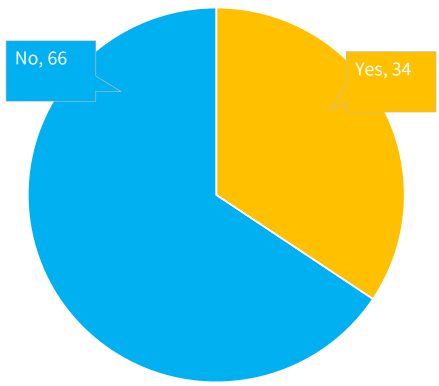


Chart 14: Increase in Interbank borrowing (%)



2.10 Coronavirus (COVID-19) Pandemic on the Banking Sector

The economic impacts of COVID-19 have been adverse and wide-ranging, disrupting international trade, transport, tourism, and urban services activity. CBK through the credit survey assessed the impact of the pandemic on the banking sector. In the quarter ended June 30, 2022, the survey covered areas relating to: -

i) Adverse impact of the pandemic on the banks.
ii) Measures banks are taking to curb the adverse impact of the pandemic on banks' business.
iii) The key risks that have been increased by the pandemic.
iv) Opportunities that have arisen from the pandemic.

2.10.1 Adverse Impact of Coronavirus (COVID-19) pandemic on the banks

The commercial banks have indicated that the pandemic has had an adverse impact on their business including:-

- Delayed repayment of loans.
- Several requests for loan moratorium and restructure extension.
- Increase in default rate especially on household loans.
- Low business income.

2.10.2 Opportunities arising from Coronavirus (COVID-19) pandemic on the banks

Some of the opportunities arising from the pandemic include:

- Emergent opportunities in certain industry segments like Health, Manufacturing, Fast-Moving Consumer Goods (FMCG) and Information Communication Technology (ICT) which have continued to expand.

2.10.3 Key Risks arising from Coronavirus (COVID-19) pandemic on the banks

Some of the key risks increased by the pandemic include:

- **Credit risk**: Due to the adverse effect of the pandemic on the economy hence affecting customers' ability to meet their financial obligations. There is also uncertainty on customer incomes and employment coupled with reducing collateral values.
- **Operational risk**:This can occur in case of mass infection among the staff.
- **Cyber security risk**: Due to increased use of digital banking and staff working remotely.

2.10.4 Measures taken by banks to curb the potential impact of coronavirus pandemic

Commercial banks have put in place the following measures to curb the adverse impact of the pandemic: -

- Banks grant additional loans support to customers.
- Banks are striving to become more liquid.
- Banks are aiming to enhance their capital.

LIST OF RESPONDENTS

1. Absa Bank Kenya Plc.
2. Access Bank (Kenya) Plc.
3. African Banking Corporation Ltd.
4. Bank of Africa Kenya Ltd.
5. Bank of Baroda (K) Ltd.
6. Bank of India.
7. Citibank N.A Kenya.
8. Consolidated Bank of Kenya Ltd.
9. Co-operative Bank of Kenya Ltd.
10. Credit Bank Plc.
11. Development Bank of Kenya Ltd.
12. Diamond Trust Bank (K) Ltd.
13. DIB Bank Kenya Ltd.
14. Ecobank Kenya Ltd.
15. Equity Bank Ltd.
16. Family Bank Ltd.
17. First Community Bank Ltd.
18. Guaranty Trust Bank (Kenya) Ltd.
19. Guardian Bank Ltd.
20. Gulf African Bank Ltd.
21. Habib Bank A.G Zurich.
22. HFC Ltd.
23. I & M Bank Ltd.
24. Kingdom Bank Ltd.
25. KCB Bank Kenya Ltd.
26. Mayfair CIB Bank Ltd.
27. Middle East Bank (K) Ltd.
28. M Oriental Bank Ltd.
29. National Bank of Kenya Ltd.
30. NCBA Bank Kenya Plc.
31. Paramount Bank Ltd.
32. Prime Bank Ltd.
33. SBM Bank Kenya Ltd.
34. Sidian Bank Ltd.
35. Spire Bank Ltd.
36. Stanbic Bank Kenya Ltd.
37. Standard Chartered Bank (K) Ltd.
38. Victoria Commercial Bank Ltd.
39. UBA Kenya Bank Ltd.

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