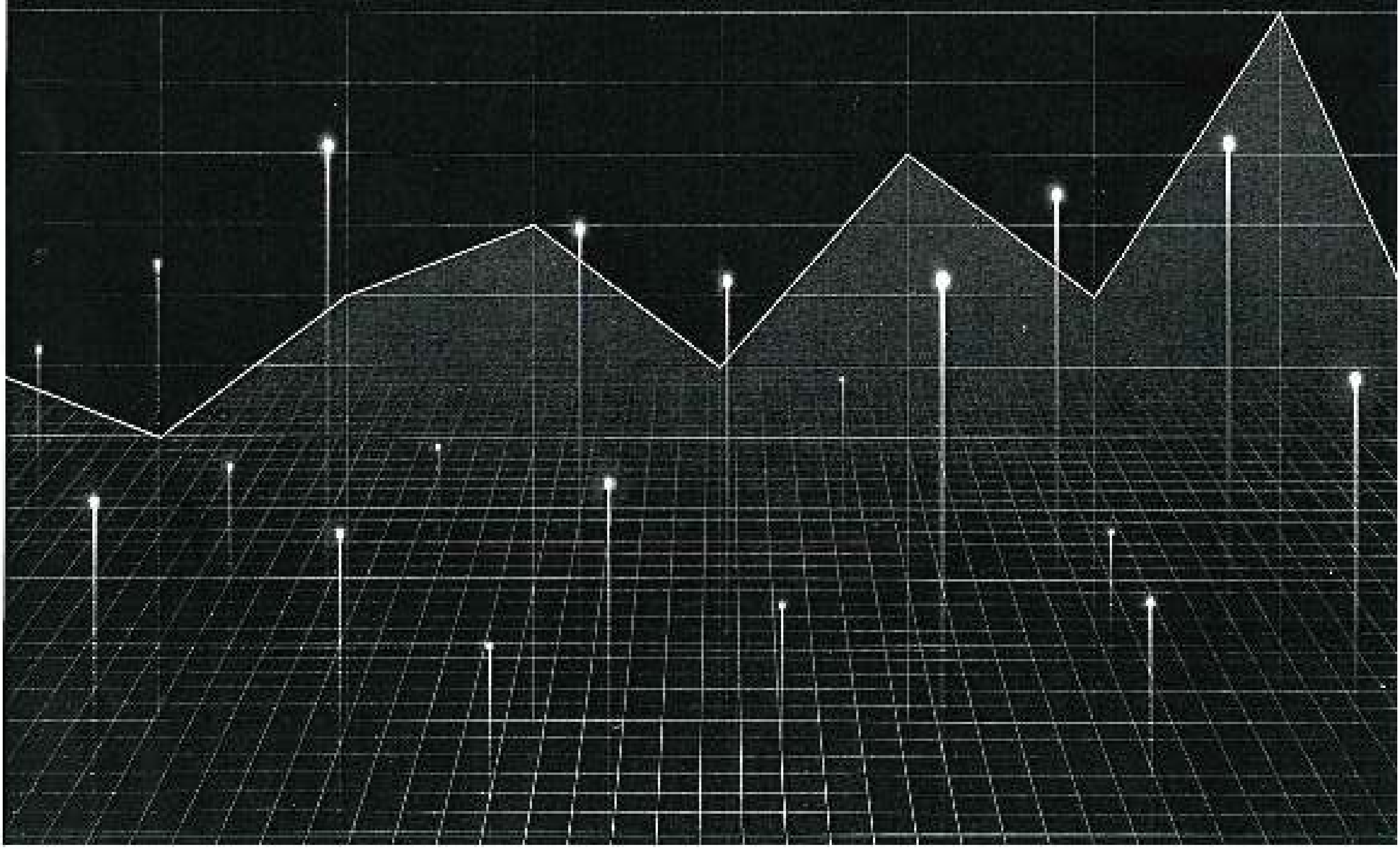
Central Bank of Kenya

BANK SUPERVISION ANNUAL REPORT 2018



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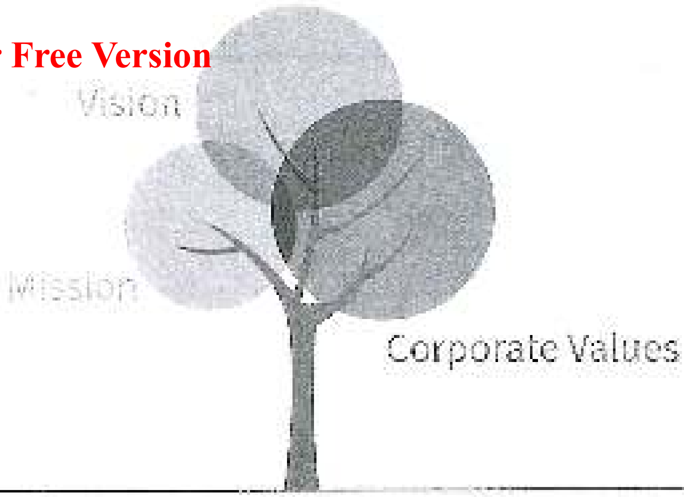


Vision Statement

The Central Bank of Kenya's vision statement is to be a world-class modern Central Bank reflected in its People, Systems and Processes. The Bank pursues its vision in support of economic growth, guided by law, national development agenda and international best practice.

The Bank's Mission

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

The other objectives of CBK are: -

- To foster the liquidity, solvency and proper functioning of a stable market-based financial system.
- To formulate and implement foreign exchange policy.
- To hold and manage its foreign exchange reserves.
- To license and supervise authorized dealers.
- To formulate and implement such policies as best promote the establishment, regulation and supervision of efficient and effective payment, clearing and settlement systems.
- To act as banker and advisor to, and as fiscal agent of the Government.

Mission of Bank Supervision Department

To promote and maintain the safety, soundness and integrity of the banking system through the implementation of policies and standards that are in line with international best practices for bank supervision and regulation.

The Bank's Core Values

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

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

The year 2018 was characterised by growing resilience in the face of vulnerabilities in the global banking sector. The resilience is mainly attributable to the adoption of technology to drive efficiency, manage emerging risks and seize business opportunities. This was also supported by continued implementation of post global financial crisis reforms. Banks had higher levels of capital and liquidity buffers as compared to pre-financial crisis years.

Vulnerabilities in the global banking system were also apparent. Increasing debt in the household and corporate sectors left banks in some countries exposed to borrowers with high debt-service burdens. Similarly, stiffer competition from big tech platform companies steadily encroached the traditional banking arena owing to changing customer expectations and behaviors. In addition, increased cyber attacks led to enhanced cybersecurity risk management. Customers were also not left behind as they continued to demand 'anytime anywhere' financial services.

In Africa, the Sub-Saharan Africa Region continued to exhibit robust economic growth. This was mainly driven by increased industrial activity, higher oil production, good agricultural harvests and increased investments in infrastructure and manufacturing. However, some African countries experienced marginal growth in per capita gross domestic product. This was due to rising public debt burdens posing debt sustainability risks, weaker than expected commodity prices as well as tighter global financial conditions.

Kenya's economy expanded by 6.3 percent in 2018 compared to 4.9 percent in 2017. The main contributors to this growth were increased agricultural production, accelerated manufacturing activities, sustained growth in transportation and vibrant service sector activities. Agricultural activities benefited from sufficient rains that were well spread throughout the country. Similarly, the increased precipitation was a significant boost to electricity generation and enabled growth during the review period.

The Kenyan macroeconomic environment was relatively stable with various macroeconomic fundamentals remaining supportive of growth. This was reflected in the resilient banking sector performance in the year. Total net assets rose by 10.24 percent to Ksh.4.41 trillion in 2018 from Ksh.4 trillion in 2017. Gross lending increased by 2.9 percent to Ksh.2.48 trillion in 2018 from Ksh.2.41 trillion in 2017. Total customer deposits also increased by 12.41 percent to Ksh.3.26 trillion in 2018 from Ksh.2.9 trillion in 2017. Shareholders' equity grew by 5.2 percent to Ksh.678 billion in 2018 from Ksh.644 billion in 2017. The capital adequacy and liquidity ratios at 18.8 percent and 45.6 percent respectively were above the statutory minimums of 14.5 percent and 20 percent respectively. On the whole, the banking sector was stable and resilient.

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

- **Acquisition of certain assets and liabilities of Chase Bank (Kenya) Limited (In Receivership)**

  SBM Bank Kenya Limited was granted approval by the Central Bank of Kenya (CBK) to acquire 75 percent of the value of moratorium deposits at Chase Bank (Kenya) Limited (In Receivership) (CBLR), transfer majority of staff and 50 branches. 25 percent of the value of moratorium deposits remained in CBLR. CBK and Kenya Deposit Insurance Corporation (KDIC) continue to recover and realise the assets that remained in CBLR, in order to enhance the recovery for CBLR stakeholders.

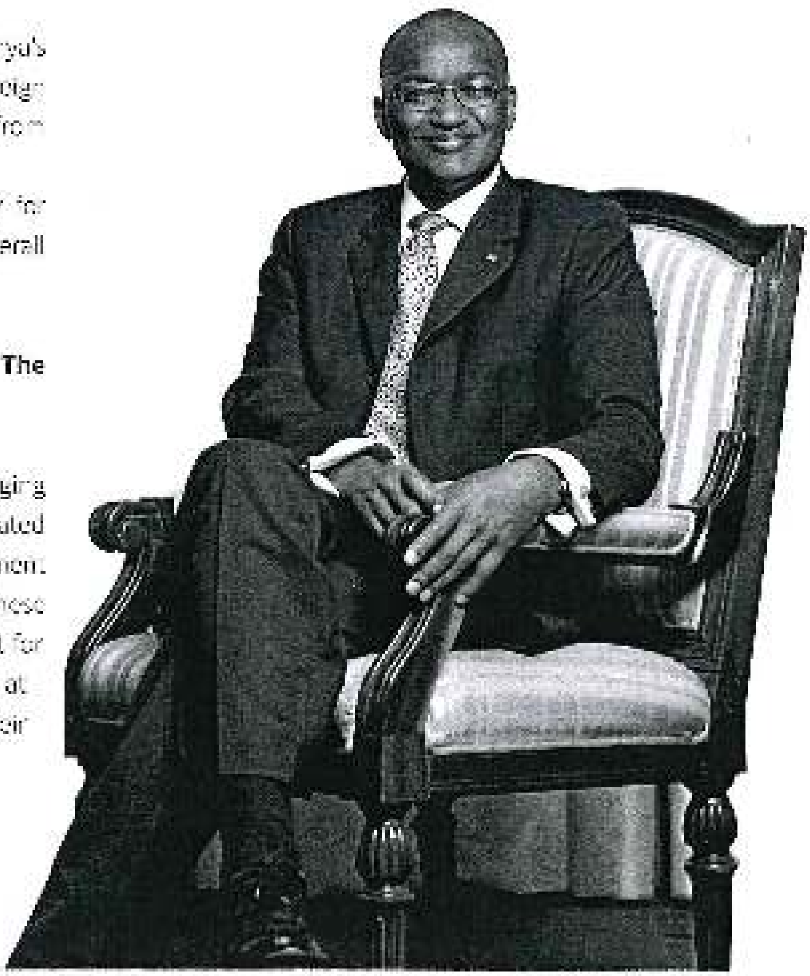
This is the most significant transaction in Kenya in recent times and it will enhance: -

- Competitiveness and the resilience of Kenya's banking sector through entry of strong foreign players who bring experience and expertise from other markets.
- Stability and resilience of the banking sector for the benefit of depositors, creditors and the overall strengthening of the Kenyan financial sector.

- **Strengthening Financial Integrity in The Banking Sector**

Kenya is remarkable in several dimensions ranging from strategic geographic positioning, sophisticated financial infrastructure, enabling business environment as well as innovative and hardworking people. These favourable factors have made Kenya a prime target for criminals, money launderers and terrorists that aim at leveraging on Kenya's sound attributes to execute their reprehensible deeds. During the year, CBK undertook several measures aimed at safeguarding public interest and maintaining the integrity of the financial sector. CBK adopted a Risk-Based Supervisory Framework for Anti-Money Laundering and Combating Financing of Terrorism (AML/CFT) to complement the existing prudential regulatory framework.

CBK's vision of the banking sector is a responsible and disciplined sector that works for and with all Kenyan banks. Four planks underpin this vision: customer-centricity, risk-based pricing, transparency and ethical culture. As institutions respond to emerging non-conventional technology-driven innovations, they need to keep the customer at the heart of everything they do.



Dr. Patrick Njoroge
Governor, Central Bank of Kenya

The Kenyan banking sector remained stable and resilient in 2018. The sector's gross loans and advances increased by 3.07 percent from Ksh.2.41 trillion in December 2017 to Ksh.2.49 trillion in December 2018. All the economic sectors registered growth, with the highest proportion of the banking industry gross loans and advances being channeled to the Personal/Household, Trade, Real Estate and manufacturing sectors.

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

- Total net assets grew by 10.14 percent from Ksh.4.00 trillion in December 2017 to Ksh.4.41 trillion in December 2018. This is attributable to increased investment in Government securities and loans and advances supported by the increase in customer deposits.
- Customer deposits increased by 12.41 percent from Ksh.2.9 trillion in December 2017 to Ksh.3.26 trillion in December 2018. The growth was supported by the mobilization of deposits through agency banking and mobile phones platforms.
- The pre-tax profit for the sector increased by 14.64 percent from Ksh.133.2 billion in December 2017 to Ksh.152.7 billion in December 2018. The increase in profitability was attributed to a higher increase in income compared to the rise in expenses. The banks' income increased by 8.7 percent in 2018 whereas expenses increased by 3.5 percent over the same period. The increase in income was mainly driven by the increase in interest on government securities which increased by Ksh.16.2 billion in 2018.
- The banking sector average liquidity ratio as at December 2018 stood at 48.5 percent as compared to 43.7 percent registered in December 2017. The increase in the ratio is mainly attributed to higher growth in total liquid assets compared to the growth in total short-term liabilities. Total liquid assets grew by 24.1 percent while total short-term liabilities grew by 11.5 percent. The banking sector's average liquidity in the twelve months to December 2018 was above the statutory minimum requirement of 20 percent.
- The ratio of gross non-performing loans to gross loans increased from 12.3 percent in December 2017 to 12.7 percent in December 2018. The increase in gross non-performing loans to gross loans ratio in 2018 was mainly attributable to delayed payments by government agencies and the private sector, a challenging business environment and low uptake in the property market.

CBK issued a Guidance Note on conducting Money Laundering/Terrorism Finance (ML/TF) Risk Assessment in March 2018. The Guidance Note provides that on an annual basis, institutions should provide CBK with a report on the results of its ML/TF risk assessment. The report should be submitted by 31st December of the year. The Guidance Note clarifies the regulatory requirements under Kenya's Anti Money Laundering and Combating Financing of Terrorism legislation on the process of undertaking ML/TF risk assessment. It further provides guidance on the factors that banking institutions should consider when assessing their ML/TF risk exposure.

CBK granted authority to Bank Al Habib Ltd of Pakistan (BAHL) to open a representative office in Kenya (referred to as "BAHL – Representative Office") on April 18, 2018. Bank Al Habib Ltd of Pakistan is the ninth foreign bank to establish a representative office in Kenya.

The banking sector is projected to remain stable and sustain its growth momentum in 2019 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 and the Microfinance Act.
- Deployment of Regulatory Technology (Reg-tech) and Supervisory Technology (Sup-tech) in surveillance processes.
- Enhancement of the Credit Information Sharing (CIS) mechanism.
- Strengthening of the Supervisory Framework for Islamic Banking.

Gerald Nyaoma
Director, Bank Supervision Department

"Agility and Resilience". In the year 2018, the Kenyan Banking sector performance improved tremendously as the sector rebounded from the "perfect storm" that was 2017. The year 2018, was not unique or without vulnerabilities to the banking sector. Cyber risk, operational risk and credit risk continued to persist. However, the sector remained resilient to these vulnerabilities.

In 2018, the sector's capital adequacy ratio stood at **19.5 percent** an increase from **18.8** percent registered in 2017. Similarly, the banking sector's average liquidity ratio increased to 48.6 percent in 2018 from **43.7 percent** in 2017. The ratios were well above the regulatory requirement of **14.5 percent (for capital adequacy)** and **20.0 percent (liquidity).** The banking sector profitability increased with profit before tax increasing from **Ksh.133.2 billion** in 2017 to **Ksh.152.7 billion** in 2018.

The global and regional economies. Global economic outputs decreased from 3.8 percent in 2017 to 3.6 percent in 2018. This was as a result of a confluence of factors that include trade tensions and tariff hikes between the United States and China, decline in business confidence, a tightening of financial conditions and heightened policy uncertainty. The regional economy (Sub-Saharan Africa (SSA)) growth picked up from 2.9 percent in 2017 to an estimated 3.0 percent in 2018 driven largely by improvement in output among commodity exporters.

The domestic economic growth increased to 6.3 percent in 2018 from 4.9 percent in 2017. This was largely on account of improved performance across all agricultural activities following favorable weather conditions compared to 2017. Inflation remained within the Government target range of 5+/-2.5 percent, reflecting stable food prices, lower fuel and electricity prices, and muted demand pressures arising from prudent monetary policy. Overall inflation averaged 4.7 percent in 2018 compared to 8.0 percent in 2017.

Performance of the banking sector. The Kenyan banking sector registered improved financial position between 2017 and 2018 as evidenced by a 10.1 percent increase in total assets. The increase in total assets was mainly supported by growth in investment in government securities. Similarly, the sector recorded a 14.6 percent growth in profitability attributed to a decrease in operating expenses. Over the same period, the banking sector capital and reserves registered a 5.3 percent increase attributable to additional capital injections as well as retained earnings.

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 banking sector is projected to remain resilient in 2019. Banks are expected to continue reviewing their business models and delivery channels prompted by disruptive technologies. Similarly, reorganisations (mergers and acquisitions) experienced in 2018 are expected to continue in 2019 leading to stronger and more resilient institutions.

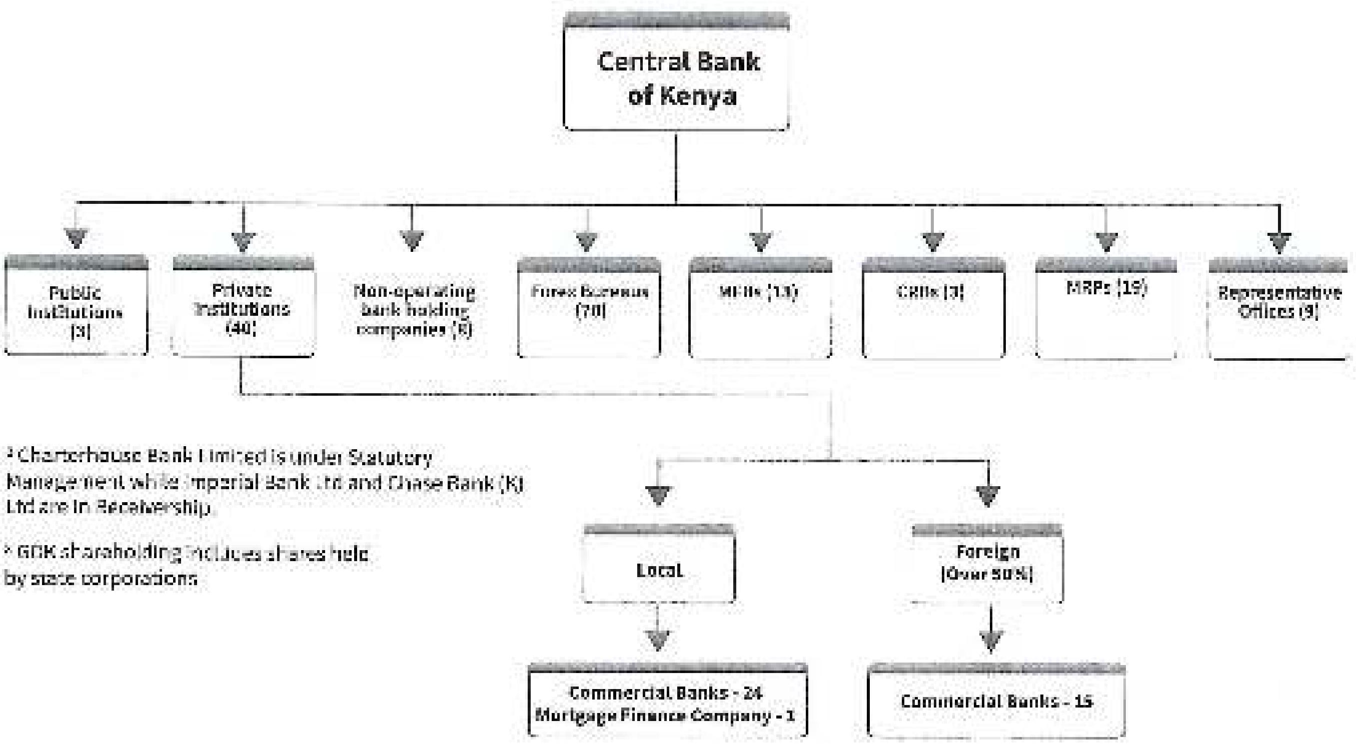
CHAPTER 1

STRUCTURE OF THE BANKING SECTOR

1.1 The Banking Sector

As at December 31, 2018, 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 70 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. The 25 locally owned institutions comprised 24 commercial banks and 1 mortgage finance company. Of the 15 foreign-owned institutions, all are commercial banks with 12 being local subsidiaries of foreign banks and 3 are branches of foreign banks. All licensed forex bureaus, microfinance banks, credit reference bureaus, money remittance providers, non-operating bank holding companies and are privately owned. Chart 1 below depicts the structure of the banking sector as of December 31, 2018.

Chart 1: Structure of the Banking Sector - December 2018



[3] Charterhouse Bank Limited is under Statutory Management while Imperial Bank Ltd and Chase Bank (K) Ltd are in Receivership.

[4] GOK shareholding includes shares held by state corporations

Bank Supervision Department

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

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

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

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

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

iv. Conducting offsite surveillance of institutions licensed under the Banking Act, Microfinance Act and Foreign Exchange Bureaus and Money Remittance Providers licensed under the Central Bank of Kenya Act through the receipt and analysis of returns received periodically. The Department also processes corporate approvals for banking institutions in regard to opening and closing of places of business, the appointment of directors and senior managers, appointment of external auditors, the introduction of new products/services, increase of bank charges and review of annual license renewal applications in accordance with statutory and prudential requirements.

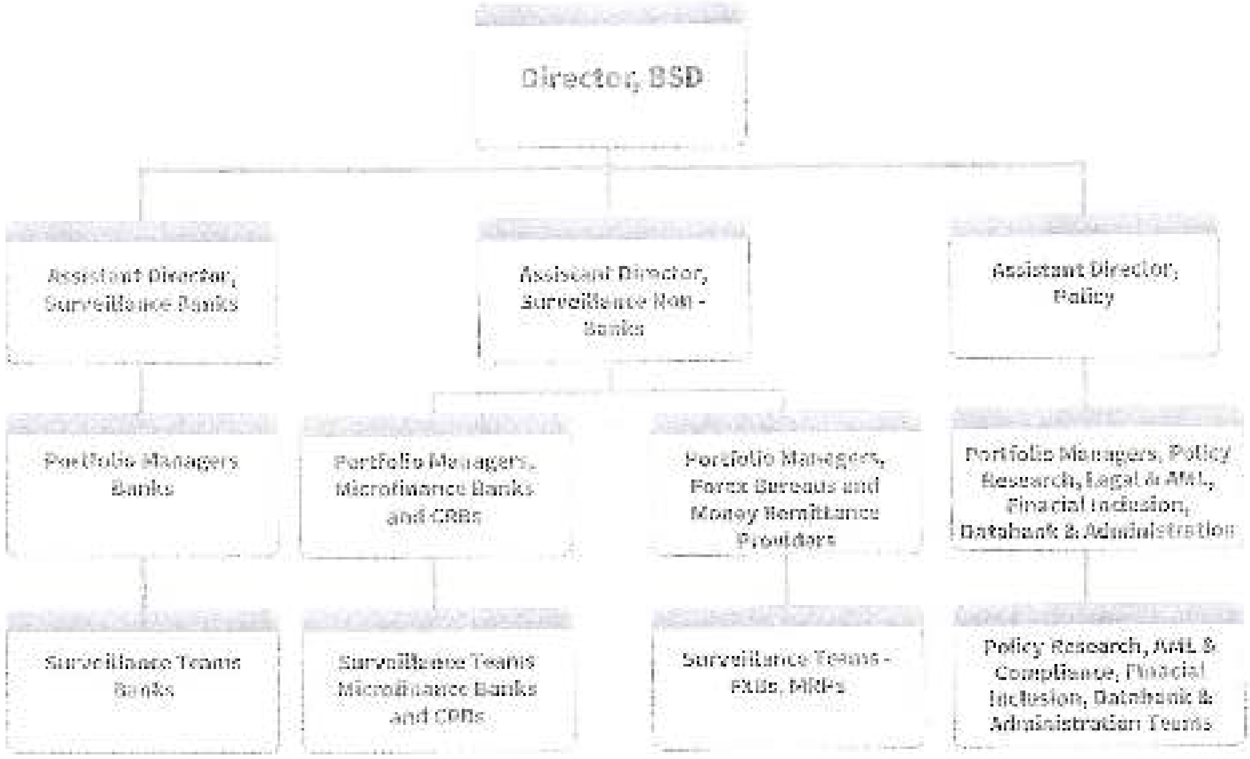
v. Hosting of the Secretariat for the National Task Force on Money Laundering (NTF), whose mandate is to develop a legal and regulatory framework to counter and prevent the use of the Kenyan financial system for money laundering. NTF is chaired by the National Treasury. Through the NTF, BSD participates 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, 2018, the Bank Supervision Department had a staff complement of seventy-nine (79) comprising sixty-nine (69) technical staff and ten (10) support staff. The department is divided into three divisions as shown in **Chart 2.**

Chart 2: Bank Supervision Organogram



1.2 Ownership and Asset Base of Commercial Banks

The total net assets in the banking sector stood at Ksh.4.4 trillion as at December 31, 2018. There were 22 local private commercial banks and 3 local public commercial banks which accounted for 63.8 percent and 3.2 percent of total net assets respectively. A total of 15 commercial banks were foreign owned and accounted for 33.0 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	143,354	3.2
Local Private Commercial Banks*	22	55.0	2,817,710	63.8
Foreign Commercial Banks	15	37.5	1,455,174	33.0
Total	40	100.0	4,416,238	100.0

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

Source: CBK

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

1.3 Distribution of Commercial Banks Branches

The number of bank branches decreased from 1,518 in 2017 to 1,505 in 2018, which translates to a decrease of 13 branches. Nairobi County registered the highest decrease in the number of branches by 11 branches **(Appendix XVI.)** A total of 10 counties registered an increase of 12 bank branches while 9 counties registered a decrease of 25 bank branches and in 28 counties there was no change in bank branches. The decrease in physical bank branches is mainly attributed to the adoption of alternative delivery channels such as mobile banking, internet banking and agency banking.

1.4 Commercial Banks Market Share Analysis

The Kenyan commercial banks are classified into three peer groups using a weighted composite index. The index comprises net assets, customer deposits, capital and reserves, number of deposit accounts and number of loan accounts. A bank with a weighted composite index of 5 percent and above is classified as a large bank. A medium bank has a weighted composite index of between 1 percent and 5 percent while a small bank has a weighted composite index of less than 1 percent.

For the year ended December 31, 2018, there were 9 large banks with a combined market share of 70.28 percent, 10 medium banks with a combined market share of 21.22 percent and 21 small banks with a combined market share of 8.50 percent as shown in **Table 2, Chart 4** and **Appendix IV.**

Table 2: Commercial Banks Market Share Analysis

Peer Group	Combined Weighted Market Share (%)		No. of Institutions		Total Net Assets (Ksh. B)		Total Deposits (Ksh. B)		Capital and Reserves (Ksh. B)		Profit Before Tax (Ksh. B)	
	Dec-17	Dec-18	Dec-17	Dec-18	Dec-17	Dec-18	Dec-17	Dec-18	Dec-17	Dec-18	Dec-17	Dec-18
Large	65.98	70.28	8	9	2,641	3,103	2,020	2,367	415	472	115	130
Medium	26.10	21.22	[illegible]	10	1,053	929	787	713	172	146	20	23
Small	7.92	8.50	21	21	309	377	219	277	58	60	(2)	(0.1)
Total*	100	100	40	40	4,003	4,409	3,026	3,358	644	678	133	153

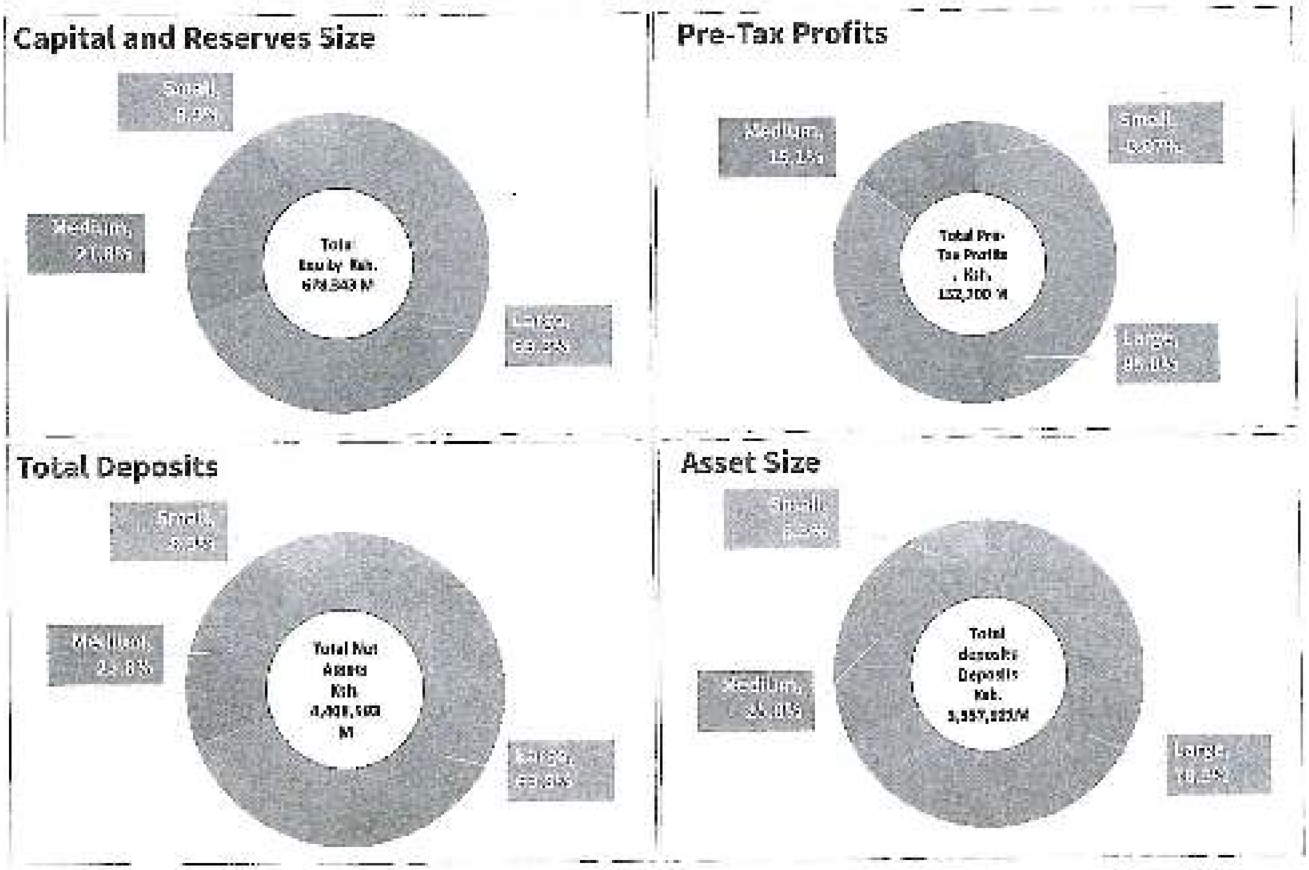
** Charterhouse Bank Ltd. which is under Statutory Management, Imperial Bank Ltd. and Chase Bank (K) Ltd. Which are in Receivership have been excluded*

Source: CBK

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

- Banks in large peer group increased their combined market share from 63.98 percent in December 2017 to 70.28 percent in December 2018. This was due to movement of I & M Bank Ltd from medium peer group in 2017 to large peer group in December 2018 after the merger with Giro Commercial Bank Ltd.
- The combined market share of banks in the medium peer group decreased from 25.10 percent in December 2017 to 21.72 percent in December 2018. This was due to movement of;
  - Bank of Africa Limited from medium peer group in 2017 to small peer group in 2018 as a result of decreased net assets
  - I & M Bank Ltd from medium peer group in 2017 to large peer group in December 2018.
- SBM Kenya Limited from small peer group in 2017 to medium peer group in 2018.
- Banks in small peer group increased their combined market share from 7.92 percent in December 2017 to 8.50 percent in December 2018. This was due to the entry of Bank of Africa Limited into small peer group in December 2018 from medium peer group in 2017.

Chart 4: Commercial Banks Market Share (%) December 2018



Source: CBK

In 2018, the banking sector capital and reserves increased by 5.30 percent from Ksh.644.19 billion in December 2017 to Ksh.678.34 billion in December 2018. The large and small peer group banks registered increased capital and reserves while the medium peer group banks registered a decrease. The increase in capital and reserves is attributable to additional capital injections by commercial banks as well as retained earnings from the profits realized in the year.

The banking sector registered improved performance in 2018 with profit before tax increasing by 14.6 percent to Ksh.152.7 billion in December 2018 from Ksh.133.20 billion in December 2017. The increase in profitability was attributed to a higher increase in income compared to the rise in expenses. The banks' income increased by 8.7 percent in 2018 whereas expenses increased by 3.8 percent over the same period.

The large peer group accounted for 84.99 percent of the total pre tax profit, an increase from 78.6 percent recorded in 2017. The small peer group proportion of total pre-tax profit increased from negative 1.33 percent in 2017 to negative 0.07 percent in 2018. This was attributable to 8 banks making losses at a lower magnitude in 2018 compared to 5 banks which made losses of bigger magnitude in 2017. The medium peer group proportion of total pre-tax profit declined to 15.06 percent from 21.2 percent due to HFC Ltd which made a loss of Ksh.395 million in December 2018 as compared to a profit of Ksh.393 million in December 2017.

Customer deposits increased by 10.89 percent from Ksh.3.03 trillion in December 2017 to Ksh.3.36 trillion in December 2018. The growth was supported by the mobilization of deposits through agency banking and mobile phones platforms.

1.5 Automated Teller Machines (ATMs)

The number of Automated Teller Machines (ATMs) increased by 37 (1.32 percent) to 2,833 in December 2018 from 2,796 in January 2018 as indicated in Table 2. During the year 2018, there was a fluctuation in the movement in number of ATMs. The general increase in ATMs in 2018 reflects the deliberate decision by banks to avail convenience to customers at strategic locations. The increase in use of technology by banks has been driven mainly by stiff competition among the banks. The banks have had to adopt cost-effective delivery channels in offering financial services to ensure efficiency and maintain their market shares.

Table 2: ATM Network

Month	No of ATMs	Monthly Increase	% Growth
January 2018	2,796	-29	-1.03
February 2018	2,842	46	1.65
March 2018	2,848	6	0.21
April 2018	2,852	4	0.14
May 2018	2,821	-31	-1.09
June 2018	2,828	7	0.25
July 2018	2,805	-23	-0.81
August 2018	2,843	38	1.35
September 2018	2,840	-3	-0.11
October 2018	2,844	4	0.14
November 2018	2,831	-13	-0.46
December 2018	2,833	2	0.07

Source: CBK

1.6 Asset Base of Microfinance Banks

The number of licensed Microfinance Banks remained constant at thirteen (13), as at December 31, 2018. Out of the thirteen Microfinance Banks, two hold community microfinance bank licenses, while the remaining eleven held nationwide microfinance bank licenses.

The microfinance sector registered a 4.7 percent growth in total assets in the year 2018. The total assets as at December 31, 2018 stood at Ksh.70.8 billion, in comparison to Ksh.67.6 billion reported in the year ended 2017. This was an improvement from the 7 percent decline in total assets reported in 2017.

Net advances increased by 3.1 percent from Ksh.42.8 billion in 2017 to Ksh.44.2 billion in December 2018. The growth in loans was attributed to increased demand for credit by the various economic sectors, and the adoption of technology as a lending platform. As highlighted under Table 4, lending remained the single most undertaken activity by microfinance banks as the net loan portfolio accounted for 62 percent of the microfinance bank's total assets.

Similarly, customer deposits increased by 5.3 percent from Ksh.38.9 billion in 2017 to Ksh. 41.0 billion. The growth in deposits was supported by the mobilization of deposits through agency banking and mobile phone platforms, as the two delivery channels gained traction in the sector. Customer deposits and borrowings were the main sources of funding, accounting for 58 percent, and 21 percent of the microfinance banks' total funding sources.

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

ASSETS	2017	% of Total	2018	% of Total
Cash Balance (Local and Foreign notes and coins)	1,743	3	3,371	5
Deposit balances at banks and financial institutions	10,025	15	9,497	13
Government securities	2,500	4	1,885	3
Net Advances	42,847	63	44,178	62
Accounts Receivables	1,161	2	2,770	4
Net Fixed Assets	6,663	10	5,246	8
Other Assets	2,658	4	3,806	5
TOTAL NET ASSETS	67,597	100	70,754	100
LIABILITIES AND EQUITY FUNDS				
Deposits	38,916	57	40,981	58
Borrowings	13,413	20	14,567	21
Other Liabilities	3,767	6	4,713	6
Capital and Shareholders Funds	11,501	17	10,443	15
TOTAL LIABILITIES AND EQUITY FUNDS	67,597	100	70,754	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, 2018, there were three (3) large microfinance banks with an aggregate market share of 87.6 percent, four (4) medium microfinance banks with a combined market share of 9.8 percent and six (6) small microfinance banks with an aggregate market share of 2.6 percent as shown in **Table 5**.

Table 5: Microfinance Banks Market Share Analysis - December 31, 2017 and December 31, 2018

2017	Market Size Index (%)	2018	Market Size Index (%)	Gross Assets	Total Deposits	Total Capital	Number of Active Deposit Accounts	Number of active Loan Accounts
				0.33	0.33	0.33	0.005	0.005
Large		Large						
Kenya Women MFB	44.0	Kenya Women MFB	41.6	32,925	16,139	3,337	504	225
Faulu MFB	36.4	Faulu MFB	36.0	30,981	18,530	2,805	194	38
Rafiki MFB	7.3	Rafiki MFB	8.0	7,821	2,324	616	29	5
	89.7		87.6	71,537	36,993	7,759	727	268
Medium		Medium						
SMEP MFB	3.5	SMEP MFB	4.2	3,421	1,886	254	53	8
Caritas MFB	1.7	Caritas MFB	2.3	1,333	934	263	21	2
Sumac MFB	1.7	Sumac MFB	2.2	1,636	900	303	6	2
		U & I MFB	1.1	567	283	169	5	0.3
	7.0		9.5	6,627	3,613	1,009	85	12.2
Small		Small						
U & I MFB	0.9	Century MFB	0.7	444	341	65	24	3
Remu MFB*	0.7	Key MFB	0.7	510	129	97	2	0.4
Uwezo MFB	0.7	Uwezo MFB	0.6	279	19	132	7	2
Maisha MFB	0.5	Maisha MFB	0.5	381	262	11	153	22
Century MFB	0.2	Daraja MFB	0.1	184	120	(35)	4	0.5
Daraja MFB	0.2	Choice MFB	-0.1	125	104	(51)	4	0.2
Choice MFB	0.1							
	3.3		2.5	1,923	972	237	384	27.0
Grand Total	100.0		100.0	80,447	41,578	8,949	4,008	310.2

Source: CBK

** Remu MFB changed its name to Key MFB in December 2018*

The market share analysis indicates that the large and small peer groups registered a decline of 7.1 percent and 0.8 percent respectively from the 2017 market share, whereas the medium peer group experienced a growth of 2.7 percent. The ranking of the institutions in the large peer category remained unchanged although there were movements in the individual institution's market share. U & I MFB joined the medium peer category whose number of institutions grew from three (3) in the previous year to four (4) in 2018. The movement of the individual institution's market share is as follows:

- In the large peer category, Kenya Women MFB's market share declined by 2.4 percent, Faulu MFB's market share declined marginally by 0.4 percent while Rafiki MFB's market share grew by 0.7 percent.
- In the medium peer group, SMEP MFB's market share grew by 0.6 percent while both Caritas MFB and Sumac MFB market share grew by 0.5 percent each.

- In the small peer category, Century MFB's market share grew by 0.3 percent and was ranked first in the category. Key MFB and Maisha MFB's market share remained unchanged at 0.7 percent and 0.5 percent respectively. Both Uwezo MFB and Daraja MFB's market share declined by 0.1 percent each while Choice MFB's market share declined by 0.2 percent.

3.8 Distribution of Foreign Exchange Bureaus

Forex bureaus were established with the main objective of fostering competition, narrowing the exchange rate spread and creating a micro-structure market for foreign exchange in the country. The forex bureaus are regulated under the Central Bank of Kenya Act and the guidelines issued by the Central Bank from time to time.

There were seventy (70) licensed forex bureaus as at December 31, 2018 having declined from seventy-three (73) in December 2017. The number of forex bureaus declined due to closure of four (4) forex bureaus and the licensing of one new bureau during the year. Out of the four (4) closed bureaus, two (2) were closed on voluntary basis while the other two (2) were closed due to non-compliance with Forex Bureau Guidelines, 2011.

The Forex Bureau Guidelines, 2011 provides for the opening of outlets across the country by forex bureaus and as at December 31, 2018 there were a total of 106 forex bureau outlets countrywide. Most of the forex bureau outlets are located in Nairobi as shown in **Table 6.**

Table 6: Distribution of Forex Bureau Outlets

City/ Town	Number of outlets	% of Total
Nairobi	86	81
Mombasa	9	8
Kisumu	2	2
Eldoret	2	2
Busia	2	2
Nakuru	1	1
Garissa	1	1
Watamu	1	1
Malindi	1	1
Namanga	1	1
Total	106	100

Source: CBK

CHAPTER 2

DEVELOPMENTS IN THE BANKING SECTOR

2.1 Introduction

In 2018, the banking sector continued witnessing changes prompted by developments in the domestic, regional and global operating environment. These changes took place on the legal, policy, social and technological fronts. Among the key developments that influenced the banking sector in 2018 are the following:

- On the legal and policy front, CBK launched a review of the Microfinance Act, 2006 through a release of a consultative paper seeking stakeholder comments. The consultative paper drew wide responses from a diverse range of stakeholders which were reviewed and incorporated in developing the draft Microfinance Bill 2018.
- CBK also released a draft Banking Sector Charter in 2018 aimed at entrenching a responsible and disciplined banking sector that is responsive to market needs. The draft Charter drew comments from across the banking industry. The feedback was under consideration at the end of the year.
- As part of efforts to benchmark the banking sector's financial reporting and disclosure regime with global standards, CBK issued a Guidance Note on International Financial Reporting Standard (IFRS) 9 to commercial and microfinance banks in April 2018 on implementation of IFRS 9 on Financial Instruments. IFRS 9 was promulgated by the International Financial Standards Board (IFSB) and came into effect in January 2018. CBK's issuance of the Guidance Note was aimed at guiding institutions on computation of regulatory capital under the Expected Credit Loss (ECL) model that was introduced under IFRS 9.
- As part of efforts to enhance banking sector integrity, CBK issued a Guidance Note to commercial and microfinance banks on strengthening their Risk Assessment functions for Money Laundering / Terrorist Financing (ML/TF) in March 2018. The Guidance Note was aimed at setting out clear standards on the identification, assessment, management, control and/or mitigation of ML/TF risks within the operating environment.
- During the year, CBK and other investigative agencies investigated the operations of the National Youth Service-related bank accounts and transactions and assessed the bank's compliance with the requirements of Kenya's Anti-Money Laundering/ Combating Financing of Terrorism (AML/CFT) laws and regulations. Monetary penalties were levied on all banks found non-compliant. The actions taken by CBK were aimed at safeguarding public interest and maintaining a healthy financial sector.
- A significant boost to the stability of the financial sector was also achieved regarding Chase Bank Limited (In Receivership) (CBLIR). The following is pertinent in that regard:
    - SBM Bank (Kenya) Limited (SBM Kenya) was on June 13, 2018 granted approval by CBK to acquire certain assets and assume certain liabilities of CBLIR as provided under Section 9 of the Banking Act and under the Central Bank Prudential Guidelines.
    - Following the acquisition and assumption process on August 17, 2018, SBM Kenya assumed 75 percent of the value of the moratorium deposits at CBLIR with the remaining 25 percent remaining in CBLIR. The transaction enabled customers with moratorium deposits to have structured access to their deposits. Non-moratorium depositors were also transferred to SBM Kenya and they continued to have full and unrestricted access to their funds.
    - The completion of the transaction saw SBM Kenya's market share increase from 0.25 percent to about 1.37 percent. This heralded the bank's transition from being a small to a medium-sized bank. The positive turn of events was also noteworthy since up to fifty branches of CBLIR were re-opened and a significant amount of staff were retained in SBM Kenya.

The successful completion of the transaction underscored CBK's commitment to protect the interest of depositors, creditors, and the wider public interest.

- With regard to Imperial Bank Limited (In Receivership) (IBLIR), in December 2018, CBK and Kenya Deposit Insurance Corporation (KDIC) accepted a Binding Offer from KCB Bank Kenya Limited. The Binding Offer included the granting of access to 12.7 percent of eligible depositor balances remaining at IBLIR. This resulted in a total recovery of approximately 35 percent of original eligible deposits held at IBLIR at the date of receivership. The Binding Offer constituted a viable proposal for the resolution of IBLIR for the benefit of depositors and the strengthening of the Kenyan financial sector.

Other key banking sector developments in 2018 are the following:

2.2 Transparency in Credit Pricing

The Central Bank of Kenya (CBK) continued to support initiatives encouraging transparency in credit pricing. These initiatives include:

- **The Total Cost of Credit (TCC) Website:** CBK and the Kenya Bankers Association (KBA) successfully launched the Total Cost of Credit (TCC) website in June 2017. The site provides information on the TCC and features a simple Cost of Credit Calculator, which loan applicants can use to estimate the total cost of a bank loan. Banks are required by the Central Bank of Kenya to provide customers with a Total Cost of Credit breakdown as well as a loan repayment schedule. CBK and KBA continuously monitored the uptake and usage of the portal in 2018. More specifically a survey was undertaken to assess the uptake and usage as well as understand the challenges that the Commercial Banks may be facing with the project.

  From the survey, it was evident that the portal is serving the purpose it was designed to serve, however it was evident that uptake was rather low. There is need to publicize the website more to encourage more usage. In addition, there is need to develop calculators for additional products. Currently, the site provides TCC for three products which are; personal secured loans, personal unsecured and mortgages. There is also need to consistently improve the functionalities on the site to support all parameters for loans to reflect the actual TCC of the banks. CBK will continue to work with KBA to ensure the optimal use of the site so as to encourage further transparency in the banking sector.

- **The Mystery Shopping Survey:** CBK in collaboration with the Financial Sector Deepening (FSD) Kenya carried out a mystery shopping survey to establish commercial banks' compliance with CBK Consumer Protection Prudential Guidelines. The Consumer Protection Guideline requires commercial banks to, among other things, disclose all the necessary information to a customer who needs to open an account or take a loan with the respective bank. This is to encourage transparency in pricing for all products including credit pricing.

From the study, it was noted that there is need to enhance transparency and disclosure across the banking sector.

- **The Banking Sector Charter** which was released to the industry for comments in August 2018, represents a commitment from institutions in the banking sector to entrench a responsible and disciplined banking sector cognizant of, and responsive to, the unique socio economic realities of the Kenyan populace.

The Charter is premised on the banking sector's vision hinged on four central pillars: -

i) Adoption of customer-centric business models by banks;
ii) Risk-based credit pricing;
iii) Enhanced transparency and information disclosure; and
iv) Entrenching an ethical culture in banks - doing the right thing.

Once the comments are incorporated and the Banking Charter released for industry implementation in 2019, it will go a long way towards transforming the banking sector to being responsible, disciplined and aligned to the needs of their customers.

2.3 Comprehensive Review of the Microfinance Act

CBK began the comprehensive review of the Microfinance Act in 2017 to address the various challenges that the sector is facing owing to the rapid growth of the sector and the changing market dynamics, which have impacted the performance of the microfinance banking industry.

The key challenges and issues which the review sought to address include; weak corporate governance, weak business models and inadequate capital and liquidity buffers to support viable and profitable business models.

Following receipt of the comments from the public sought through the first consultative paper issued in 2017, the CBK consolidated the comments and sought further comments through a second consultative paper issued in February 2018. This was followed by a consultative workshop with the industry players in July 2018 which discussed the proposed amendments in line with the comments received from the public.

The consultations then advised the draft of the revised Microfinance Act which will be subjected to public consultation in 2019 and thereafter forwarded to Parliament for finalization.

2.4 Developments in Information and Communications Technology (ICT)

2018 was characterized by a lower level of activity in the Information and Communication Technology (ICT) space in terms of the acquisition or upgrade of existing core banking systems in Kenya's banking sector. In contrast, Kenya's banking sector in the last 3 years has witnessed interest by institutions to leverage on digital platforms to drive business strategies.

The Central Bank of Kenya (CBK) in conjunction with the Monetary Authority of Singapore, in recognition of the critical role played by Fintech in the banking space, organized a Fintech conference on October 20, 2018 at the Kenya School of Monetary Studies. The conference, themed "Enablers of an inclusive digital ecosystem" brought together Fintech companies, financial services institutions and regulators. The conference explored the balance between enabling financial innovations on the one hand and addressing challenges to market and financial integrity, consumer protection, and financial stability on the other hand.

The Central Bank of Kenya is leveraging on Supervisory Technology (SupTech) to implement a centralized repository for all its data, acquired from both internal and external sources. This data will be maintained in a centralized data lake environment that will contain an Enterprise Data Warehouse (EDW). Data collection from regulated institutions will be through secure Application Programming Interfaces (APIs) for automated reporting of highly granular data.

SWIFT related activities during the year 2018

The Society for Worldwide Interbank Telecommunication (SWIFT) in cooperation with CBK organized the following activities in 2018:

- **SWIFT Standards Message Type (MT) Release 2018** - Ensured that Kenyan commercial banks that are on the SWIFT network have complied with the

'SWIFT Standards MT Release 2018'. The annual MT standards release ensures that the message types (MTs) exchanged by SWIFT users remain suitable for the business areas in which they are used, by enabling new business functionality and compliance with changing regulations.

- **SWIFT Cybersecurity and Country Resilience Workshop** - SWIFT held a workshop on September 5, 2018 at the Kenya School of Monetary Studies (KSMS) to train SWIFT participants on the Standard MT Release 2018 and its impact, Customer Security Programme (CSP) re-attestation, and updates on additional controls. The workshop was attended by 130 participants.
- **SWIFT Executive Dinner with Commercial Bank Chief Executive Officers** - SWIFT held a dinner with commercial bank Chief Executive Officers (CEOs) on October 2, 2018 to sensitize them on cybersecurity on the SWIFT network. During his keynote remarks, the Governor noted that cybersecurity might easily be the cause for the next global financial crisis and urged CEOs to manage cybersecurity as a top level strategic and leadership issue.
- **SWIFT's Customer Security Programme Attestation Status for Kenya** - The growing threat of cyberattacks has seen instances of payment frauds in SWIFT's customers' local environments, demonstrating the necessity for industry-wide collaboration to fight against these threats. While all SWIFT customers remain primarily responsible for protecting their own environments, SWIFT aims to support its community in the fight against cyber-attacks and have identified 19 mandatory and 10 optional security controls for all its customers worldwide. SWIFT's customers will have to attest compliance to all 19 mandatory controls by the end of 2019.

CBK facilitated follow up on attestation status for Kenyan banks that had not attested. CBK was involved in ensuring all participants in Kenya's SWIFT network have submitted their Customer Security Programme (CSP) self-attestations for 2018.

- **Kenya SWIFT National Member Group** - CBK pioneered the formation of the Kenya SWIFT National Member Group for ease of coordination of activities among SWIFT participants in the country.

2.4.2 Other Emerging Technological trends in the Banking industry and their expected impact.

2018 saw a number of Kenyan banks engage CBK on various emerging financial technology use cases.

i. **Cloud computing:** Cloud computing is an emerging technology that delivers computing services such as online business applications, online data storage, and webmail over the internet. Cloud services are of four types based on the services provided:

   - **Private Cloud,** with infrastructure being owned and managed sometimes by the customer, but more often by a Cloud Service Provider (CSP). The infrastructure is located either on customer premises or, again more typically, on the CSP's premises. In all cases, access to the data and services on the Private Cloud is managed exclusively by the particular customer.
   - **Public Cloud** with infrastructure being owned and managed by the CSP and is located off-premise from the customer. Although the data and services are protected from unauthorized access, the infrastructure is used and shared by a variety of customers. Public Cloud is also referred to as a 'multi-tenanted solution' because there are multiple customers who will all have their data managed in the same infrastructure.
   - **Community Cloud** serves members of a community of customers with similar computing needs or requirements, such as security, reliability and resiliency. The infrastructure may be owned and managed by members of the community or by a CSP. The infrastructure is located either on customer premises or the CSP's premises.

- **Hybrid Cloud** is a combination of two or more of Private Cloud, Public Cloud or Community Cloud. Hybrid Cloud infrastructure can be owned and managed by the customer, or by a CSP and in either case the infrastructure may be located on-premise or off premise, or both (e.g. some on-premise Private Cloud integrated with off premise Community Cloud or Public Cloud). The data and services can be managed based on the design of the solution, corresponding to whether the architecture has public, private or community characteristics. Hybrid Cloud may be a 'multi-tenanted solution', if multiple customers use the same infrastructure. It can however also provide a 'dedicated' solution or component.

CBK recognises that cloud services are increasingly becoming an important option for financial institutions' technical infrastructure and budget management. It is important that financial institutions innovate responsibly and thus CBK expects that any implementation of cloud services is undertaken with appropriate due care and attention. Correspondingly, financial institutions need to approach cloud services with a high degree of sensitivity to ensure compliance with regulatory and data protection requirements, often across multiple jurisdictions.

ii. Data Centre Outsourcing

A number of Kenyan banks have outsourced the hosting of their secondary (disaster recovery) data centres to Data centre colocation service providers. Data center outsourcing (DCO) is the allocation of all or portions of the day-to-day responsibilities of managing servers to a specialist third-party service provider. The DCO may be an annual or multi-year contract in which the data center service provider offers professional and product support services to ensure that the customer's data center runs efficiently.

DCO allows an institution to realize its business value at ready-to-run, cost-effective computing power, and capacity, which can be customized to meet the company's business needs as well as accommodate any changing needs.

It is important for banks to evaluate service providers in terms of commitment to quality/service level agreements (SLAs), proven competencies, price, data confidentiality, technology fit and scope of resources. Other considerations include the provider's geographical location, cultural fit, reputation and references. This should also be done in adherence to CBK Prudential Guidelines on Outsourcing.

iii. Customer Data Protection

There has been growing concern about the safety of personal data. As technological innovations improve the ability of businesses to capture and use customer data, uncertainties about what it means to use customer data appropriately could cause a loss of trust that could lead to instability in the financial services system. Policy-makers across the world recognize the need for guidance in the protection of customer data, and have been implementing legislative responses, most notably through the European Union's General Data Protection Regulation (GDPR). Several other countries have passed similar laws, including Kenya that has a draft data protection bill. According to the draft bill, companies will now have to inform users of any personal data they are collecting, the purpose for collecting that data and how long the same will be stored. The law also gives users the right to decline to have their data collected or processed as well as demand to have false data corrected or deleted upon demand.

iv. Growth in Digital banking

The digital banking space has grown at an accelerating pace in recent years. Since the launch of the M-Shwari platform in 2012, a vast number of platforms offering similar services have emerged. As at December 2018, there were over 15 million active mobile phone deposit accounts valued at over Ksh.205 billion, corresponding to 30.43 percent and 3.1 percent of total industry deposit accounts numbers and values respectively. Over the same period, there were 7 million active mobile phone loan accounts valued at over Ksh.60 billion, corresponding to 97.49 percent and 2.41 percent of total industry loan accounts numbers and values respectively.

v. **Artificial Intelligence**

The growth in digital banking and in particular digital lending can be enhanced by the adoption of algorithms that leverage on emerging technologies such as artificial intelligence (AI). AI can be used in analysing consumer financial behaviour especially on income trends and spending patterns. This in turn will aid financial institutions in making more accurate underwriting decisions, which results in the reduction in loan defaults. The analysis also presents opportunities in areas of products marketing as consumers spending can be traced to specific goods and services they are paying for. However, financial institutions need to be cognisant of risks of sharing customers' data with unauthorized parties contrary to provisions of consumer protection laws and regulations.

vi. **Leveraging on Big data**

Digital banking eases availability of large volume of customers' financial data stored in a common database. This enables institution to leverage on big data analytics to profile customers such as assessing their financial needs for the purpose of loan applications. Big data analytics can also be used for credit scoring and to inform product development.

- **Technology and employee efficiency**

  On average, in 2018, one employee was serving 1,733 customers whereas in 2017 an employee was serving 1,544 customers (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	4,123,452	21,657	190
2008	6,429,508	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	28,436,292	36,923	770
2015	35,154,496	36,212	972
2016	41,203,518	33,695	1,222
2017	47,714,527	30,903	1,544
2018	55,279,475	31,889	1,733

Source: CBK

2.5 Mobile Phone Financial Services

In the last decade, Kenya has indeed witnessed an unprecedented upsurge of technology – driven innovations that have greatly revolutionized Kenya's economic and financial landscape and the world at large. This is largely driven by Mobile-Phone Financial Services (MFS). The pioneer MFS provider in Kenya was Safaricom's M-PESA platform introduced in 2007 through the "test and learn" approach. This approach allowed the technology enabled financial innovation to foster financial inclusion and setting the pace for a digital economy, while at the same time considering emerging financial stability concerns through analysing and mitigating existing and potential risks. So far, five (4) other mobile money transfer and mobile money commerce operators are providing these services. These include; Airtel (Airtel Money), Telkom (T-Kash), Finserve Africa Ltd (Equitel) and Mobile Pay Ltd (Tangaza).

Kenya's MFS ecosystem has since grown from a money transfer system in 2007 to include credit and saving platforms as well as e-commerce through linkages with various financial and non – financial institutions. This has given rise to products such as M-Shwari, KCB-MPESA and Equitel. In addition, it has grown to accommodate payment for goods and services. This service has driven partnerships with other industries including health, water and sanitation, education, energy, insurance and agriculture, thus modernizing the economy. MFS has also provided an opportunity for use of unconventional credit rating measures by fintechs such as airtime, mobile money transactions and savings data. This has helped meet the changing customer preferences and demands seamlessly in a more efficient, affordable and user-friendly manner.

2.5.1 Summary of MFS Transactions data

Since inception of MFS, there are now over 223,931 agents, over 49 million customers and 787.5 million transactions valued at Ksh2.1 trillion as at December 2018. The mobile penetration rate has grown from 30.5 percent in 2007 to 106.2 percent in 2018. The penetration level is more than 100 percent owing to the multiple Subscriber Identity Module (SIM) cards ownership across the country. Mobile money subscriptions have also grown tremendously from 1.35 million to 31.62 million. The value of transactions has been growing over the years with an increase of 10 per cent from Ksh.332.622 billion in 2017 to Ksh.357.77 billion in 2018. These figures are captured in the table below;

Table 8: Mobile Transaction Data

Digital Financial Inclusion 2007 - 2018	2007	2008	2012	2017	2018
Mobile Subscribers (million)	11.34	16.23	30.73	42.8	49.5
Mobile Penetration (percent)	30.5	43.64	78	94.3	106.2
Mobile Money Subscriptions (million)	1.35	5.36	21.08	30.0	31.62
Value of Transactions (Monthly) (Ksh.million)	1.28	10.2	55.96	139.93	155.77
Value of Transactions (Ksh. billion)	3.8	26.99	160.16	332.62	357.77
Avg Value of Transactions (Daily) (Ksh. million)	126.67	899.86	5,005.3	11,087.4	12,666.7
Active Mobile Money Agents	1,582	8,104	76,912	182,472	223,931

Source: CBK

2.6 New Products

CBK continued to approve new banking products and related charges as provided for under Section 44 of the Banking Act which provides that no banking institution can increase its rate of banking or other charges except with the prior approval of the Minister. The Cabinet Secretary, The National Treasury delegated this role to the Governor of the Central Bank of Kenya via Legal Notice 34 of May 2006 on the Banking (Increase of rate of banking and other Charges) Regulations 2006.

While processing such applications, the CBK considers:

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

The Financial services industry is being 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 2018, banks submitted over 60 applications seeking CBK's approval to introduce new products and related charges. Most of the applications sought to introduce cashless payment systems, money transfer services in partnership with international money remittance service providers while others were enhancing existing products. The products will facilitate cashless payment of goods and services and aid in flow of foreign remittances.

2.7 Operations of Representative Offices of Authorized Foreign Financial Institutions

CBK is mandated under section 43 of the Banking Act (Cap 488) to authorize Representative Offices of foreign banks that wish to establish a presence in Kenya. CBK is also empowered to supervise the activities of all Representative Offices operating in Kenya.

Representative Offices are only allowed to undertake marketing or liaison roles on behalf of their parent and affiliated entities. In addition, a Representative Office also provides information to any local party who intends to develop its activities in other countries where the foreign institution operates. Representative Offices are expressly prohibited from undertaking banking business[1] as defined in the Banking Act.

In 2018, CBK granted authority to Bank Al-Habib Ltd of Pakistan to open a representative office in Kenya by the name BAHL Kenya Representative Office. This brought the number of Representative Offices operating in Kenya to 9 as at the end of December 2018.

The Representative Offices facilitated business worth an estimated Ksh.355.58 billion (USD3.51 billion) in 2018. There was a notable increase in the business activities facilitated in 2018 when compared to Ksh.291.27 billion (USD3.03 billion) facilitated in 2017. The activities facilitated largely comprised of corporate finance, syndicated finance and correspondence banking. The facilitated business for 2018 compared to 2017 is detailed in Table 9 below.

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

Table 9: Business activities facilitated by Representative Offices

Year	Amount in 2018		Amount in 2017	
	USD Billions	Ksh. Billions	USD Billions	Ksh. Billions
Corporate Finance	0.13	13.67	0.09	9.61
Syndicated Finance	0.42	42.84	0.37	37.97
Correspondence Banking	0.28	28.29	0.40	41.38
Project Financing	0.07	7.37	0.11	11.22
Specialized Finance	0.02	19.99	0.19	19.56
Trade Finance	1.07	108.25	0.91	93.52
Others (term loans, borrowing base, working capital and bilateral receivable discounting)	1.35	137.81	0.97	93.75
Total value of business facilitated	3.51	[illegible]	3.03	[illegible]

2.7.1 Central Bank of Kenya's policy on Licensing of Representative Offices

CBK's policy position for allowing international banks to establish representative offices in Kenya is for them to understand the market with a view to transition to fully fledged banking in the short to medium term. This vision presents significant opportunities for Representative Offices who already have a presence in Kenya and are uniquely positioned to scale up and exploit existing opportunities.

CBK in 2018 had several consultative meetings with the Representative Offices in Kenya to discuss their strategies going forward. The continued interaction aims at ensuring adherence to the policy position on licensing of Representative Offices.

2.8 Surveys 2018

2.8.1 Residential Mortgages Market Survey 2018

The Central Bank of Kenya (CBK) conducts an annual mortgage survey to monitor developments and challenges in the mortgage market for residential housing. A detailed questionnaire was distributed to the banks to collect data for the year ending 2018. The information collected comprised: -

a. Size of Mortgage Portfolio.
b. Mortgage Risk Characteristics.
c. Mortgage Loan Characteristics.
d. Obstacles to Mortgage Market Development.
e. Suggested measures to support the mortgage market.
f. Impact of interest capping law on residential mortgage loans.
g. Impact of the implementation of International Financial Reporting Standards (IFRS 9).
h. Mortgage outlook for 2019.

Below are the highlights of the residential mortgage survey as at December 31, 2018.

a) Size of Mortgage Portfolio

i. The value of mortgage loan assets outstanding increased from Ksh.223.2 billion in December 2017 to Ksh.224.9 billion in December 2018, representing a growth of Ksh. 1.7 billion or 0.76 percent due to increased appetite for home ownership.
ii. About 75.1 percent of lending to the mortgage market was by 6 institutions that is, one medium sized bank (15.0 percent) and five banks from the large peer group (61.1 percent) as compared to 73.5 percent lending by one medium sized bank (20.9 percent) and five banks from the large peer group (55.6 percent) in 2017.
iii. The outstanding value of non-performing mortgages increased from Ksh.27.5 billion in December 2017 to Ksh.38.1 billion in December 2018. The mortgage NPLs to gross mortgage loans was 16.8 percent in December 2018 as compared to 12.2 percent in December 2017. The ratios were above the industry gross NPLs to gross loans ratio of 12.3 percent in December 2017 and 12.7 percent in December 2018.
iv. There were 26,504 mortgage loans in the market in December 2018 up from 26,187 in December 2017 an increase of 317 loan accounts or 1.2 percent.
v. The average mortgage loan size decreased from Ksh.8.52 million in 2017 to Ksh.8.48 million in 2018 due to banks tightened credit standards to the mortgage market.
vi. The number of institutions offering mortgages to customers were 33 in 2018 as compared to 31 in 2017. Three banks in the small peer group started offering mortgage loans in 2018 as indicated in **Appendix XIII**.

b) Mortgage Risk Characteristics

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

i. Collateral/security Value: Nature and value of the collateral.
ii. Repayment ability of the borrower.
iii. Default/character risk of the borrower.

iv. Sustainability of the borrower income -terms of employment.
v. Due diligence on the property.
vi. Legitimacy of the property- it should be free of encumbrances.
vii. Credit history and Credit Reference Bureau reports.
viii. Caveats on 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.

About 68 percent of 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 12.4 percent and it ranged between 10.0 percent to 13.2 percent as compared to an average of 14.7 percent with a range of 10.5 percent - 18.0 percent in 2017.
ii. About 88.8 percent of mortgage loans were on variable interest rates basis in 2018 as compared to 78.4 percent in 2017. This could be attributed to the banks reduced appetite for mortgages.
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. This could be attributed to the stability in the fluctuation of the interest rates after the interest capping was effected.
iv. The average loan maturity was 10.5 years with minimum of 4 years and a maximum of 22 years in 2018 as compared to average loan maturity of 11.9 years with a minimum of 5 years and a maximum of 25 years in 2017. This could be attributed to banks review of mortgage terms to offer mortgage loans in shorter periods to mitigate on increasing credit risk in the real estate sector.

Obstacles to Mortgage Market Development

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

Table 10: Residential Mortgages Market Survey – December 2018

Mortgage Market Obstacles	Frequency of response	
	Dec-17	Dec-18
High cost of housing units	30	28
High cost of land for construction	27	25
High incidental costs (legal fee, valuation fee, stamp duty)	26	29
Difficulties with property registration/titling	28	24
Low level of income	25	20
Limited access to affordable long term finance	23	25
Stringent land laws	21	18
Lengthy charge process timelines	19	17
Lengthy process of security realization by banks in case of default	14	14
Credit risk	10	9

Source: CBK

Based on the above ranking of mortgage market constraints, banks identified, high cost of housing units, high cost of land for construction units, high incidental costs (legal fee, valuation fee, stamp duty) and limited access to affordable long term finance as the major impediments to the growth of their mortgage portfolios. There was no change in mortgage constraints between 2018 and 2019.

d) **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. Implementation of affordable housing program by the government.
ii. Availability of low cost housing options.
iii. Availability of affordable long term funds through initiatives such as the recently launched Kenya Mortgage Refinance Company (KMRC).
iv. Government incentives for low for low cost housing solutions.
v. Provision of basic infrastructure services to developers by national and county governments.
vi. Availability of alternative construction technologies to developers.
vii. Establishment of a one-stop-shop for all the statutory approvals for development/ construction.

e) **Impact of interest capping law on residential mortgage loans**

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

i. There is increased demand for mortgage loans due to perceived affordability of the interest on mortgage loans.
ii. There is also increased appetite for mortgages as more borrowers perceive that they can qualify for higher amounts.
iii. 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.
iv. There is reduced lending to borrowers with informal incomes in the Small and Medium-sized Enterprise (SMEs) as banks consider them risky. Commercial banks are preferring investment in government securities which is less risky as compared to financing of mortgages.

f) **Impact of the implementation of International Financial Reporting Standard (IFRS 9) on Residential Mortgage Loans**

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

i. Mortgages are fully secured loans hence no major impact of IFRS 9 on the mortgage loans is anticipated.
ii. The collateral value of the mortgage loans is higher than the mortgage loans hence no effect on provisioning to cover expected losses.
iii. Banks with Mortgage Loans with Loan to Value higher than 100 percent have put in place stringent lending conditions on the mortgage loans to lower probability of default.

g) **Mortgage Outlook for 2019**

Mortgage uptake is expected to increase with the implementation of affordable housing program and the formation of KMRC by the government. The initiative by the government to provide low cost housing will also boost the mortgage uptake. KMRC is an initiative of National Treasury and World Bank to support the affordable housing agenda by providing secure, long-term funding to the mortgage lenders, thereby increasing the availability and affordability of mortgage loans to Kenyans.

2.8.2 The FinAccess Business Supply Side Survey on Bank Financing of the Micro, Small and Medium Enterprises (MSME)

Following the Financial Access Business supply-side survey carried out by CBK and Financial Sector Deepening (FSD) and published in September 2015, CBK has carried out other surveys in 2017 and 2018 to update the data on Micro, Small and Medium Enterprises (MSMEs[2]) financing by the banking sector in Kenya. This followed the various reforms and developments in the banking sector between 2014 and 2018 as the last survey captured data between 2009 and 2013. Some of these developments include; the introduction of interest capping which is expected to have an effect on the financing of MSMEs in Kenya.

Below is the summary of the findings from the surveys;

As at December 2018, the total lending to the MSME sector was Ksh.393.0 billion, representing an increase from Ksh.332 billion registered in December 2013. In 2017, the total lending to the MSME sector stood at Ksh.413.9 billion as indicated in **Table 11** below.

Table 11: MSME Lending compared to Total Banking Sector Loan Portfolio (Kshs. Billion)

Period (as at December)	MSMEs Loan Portfolio	Total Banking Sector Loan Portfolio	MSMEs Loans/Total Loan Portfolio
2018	393.0	2,487.34	15.8
2017	413.9	2,155.73	19.2
2013	332.0	1,418.80	23.4
2011	225.0	1,076.56	20.9
2009	132.0	682.05	19.5

The composition of lending to the MSME sector, as a percentage of total banking industry loans and advances, decreased to 15.8 percent as at the end of 2018, from 23.4 percent in December 2013. In 2017, 2011 and 2009 this stood at 19.2 percent, 20.9 percent and 19.5 percent respectively as shown in Table 11. The lending to MSME's by banks as a percentage of total loans has declined from a high of 23.4 percent in 2013 to a low of 15.8 percent in 2018.

[2] Micro enterprises refer to any firm that has an annual turnover that does not exceed Ksh.500,000 and employing (or rather engaging) 1- 9 people. The total assets and financial investment or the registered capital of the enterprise does not exceed Ksh.10 million in the manufacturing sector and does not exceed Ksh.5 million in the service and farming sector.
Small enterprises are firms that post an annual turnover of between Ksh.500, 000 and Ksh.5 million and have 10-49 employees. In the manufacturing sector, investment in plant and machinery should be between Ksh.10 million and Ksh.50 million and registered capital of the enterprise between Ksh.5 million and Ksh.25 million in the service and farming sector.

Contribution of MSMEs Lending to the Total Banking Sector Income

MSMEs continue to be a critical funding and revenue source for banking industry. In 2018, MSMEs generated revenues worth Ksh.58.3 billion for the banking industry, representing 15.5 percent of the total income generated by the banking industry. This was a decrease from 2017 when MSMEs registered revenues worth Ksh.74.1 billion for the banking industry representing 20.7 percent of the total income as shown in **Table 12**.

Table 12: Contribution of MSMEs Lending to the Total Banking Sector Income

Period (as at December)	MSMEs Lending Contribution	Total Income	(%)
2018	58.3	375.16	15.5
2017	74.1	357.80	20.7

MSMEs Deposits

In terms of deposits, a core funding source for the banking industry, MSMEs accounted for 20.1 percent and 25.1 percent of total customer deposits for commercial banks and microfinance banks, respectively in 2018. While this represents a decrease in the Microfinance sector from 70.7 percent in 2017, there was no change for commercial banks as MSMEs accounted for 20.2 percent of the total customer deposits in 2017.

Table 13a: MSMEs Deposits Value (Ksh. Billions) - Commercial Banks

Period (as at December)	MSMEs Deposits	Total Customer Deposits	(%)
2018	653.60	3,255.48	20.1
2017	585.80	2,899.99	20.2

Table 13b: MSMEs Deposits Value (Ksh. Billions) - Microfinance Banks

Period (as at December)	MSMEs Deposits	Total Customer Deposits	(%)
2018	10.29	40.961	25.1
2017	27.53	38.916	70.7

Short-term credit facilities continue to be the most popular financing option for MSMEs. Overdrafts were the most preferred financing option for MSMEs within commercial banks, while term loans (with a maturity of less than 24 months) were the most common financing tool for MSMEs within microfinance banks.

Overall, more banks and microfinance banks are now offering MSME differentiated products and service from those for their retail and corporate clients signaling the change of business model by institutions. Currently, there are innovative products that range from business-specific accounts and digital banking systems with attractive features. In addition, they offer other value addition services such as membership to business clubs and networking opportunities. These innovations have contributed to the increase of the MSMEs loan portfolio from Ksh.332 billion in 2013 to Ksh.393 billion in 2018.

MSME Lending Compound Annual Growth Rate (CAGR)

The compound annual growth rate for MSMEs lending by commercial banks and mortgage finance companies, has been declining from 25.7 percent for the period 2009-2013 to -5 percent for the period 2017-2018, as indicated in Table 14 below. This was despite an increase in the absolute amount lent to MSMEs by commercial banks and mortgage finance companies, with an exception of 2018 where a decline was reported as shown in **Table 11** above. This is an indicator of a reduced credit risk appetite by commercial banks towards MSMEs.

Table 14: MSME Lending Compound Annual Growth Rate (CAGR)

Period	CAGR (%)
2017 - 2018	-5.0
2013 - 2017	5.7
2009 - 2013	25.7

These and other findings from the survey will be used to generate relevant policy reforms to facilitate increased financial access by MSMEs to propel economic growth.

2.9 Employment Trend in the Banking Sector

The banking sector staff levels increased by 986 (3.19 percent) from 30,903 in December 2017 to 31,889 in December 2018 **(Table 15).** This is unlike in 2017 when there was a decrease in number of staff. All staff levels increased except Clerical and Secretarial staff, which decreased by 409. The decrease in Clerical and Secretarial staff could be as a result of continued automation of banking procedures and processes. The increase in Management, Supervisory and Support staff is an indicator of the banks business growth.

Table 15: Employment in the Banking Sector

	2017	2018	Change	% Change
Management	10,298	10,499	201	1.95
Supervisory	6,188	6,785	597	9.65
Clerical and Secretarial	12,840	12,431	-409	-3.19
Support Staff	1,830	2,174	344	18.80
Total	**30,903**	**31,889**	**986**	**3.19**

Source: CBK

3.0 Future Outlook

The banking sector is poised to witness significant developments in the coming years. Market driven reorganisations (mergers and acquisitions) experienced in 2018 are expected to continue in 2019 with some banks having pronounced plans to adopt the model for growth locally and regionally. Similarly, the continued introduction of disruptive financial technologies will result in banks reviewing their business models and delivery channels for them to remain competitive. Financial technology (Fintech) is not only introducing efficiency in banking but also cost cutting and convenience to the customers.

CBK has not been left behind in exploring benefits of fintech. CBK has embarked on initiatives to enhance its supervisory practices by leveraging on Regulatory Technology (Regtech) and Supervisory Technology (Suptech). This will enhance surveillance of the banking sector.

CHAPTER 3

MACROECONOMIC CONDITIONS AND BANKING SECTOR PERFORMANCE

3.1 Global Economy

Global economic output is estimated to have declined to 3.6 percent in 2018 from 3.8 percent in 2017. The deceleration in growth was a result of a confluence of factors that include trade tensions and tariff hikes between the United States and China, a decline in business confidence, a tightening of financial conditions, and heightened policy uncertainty. Growth is projected to slow down further to 3.3 percent in 2019 before recovering to 3.6 percent in 2020 **(Table 16)**.

Economic growth in the advanced economies declined to 2.2 percent in 2018 from 2.4 percent in 2017. The slowdown was occasioned by weaker growth in the Euro area which declined to 1.8 percent in 2018 from 2.4 percent in 2017. This partly reflects growing concerns about the possibility of a no-deal Brexit which weighed on investment spending within the Euro area as well as macroeconomic stresses in Argentina and Turkey. A disruption to the auto sector in Germany following the introduction of new fuel emission standards for diesel powered vehicles also affected economic activity. The IMF forecasts Euro area economic growth to decline to 1.3 percent and 1.5 percent in 2019 and 2020, respectively. On the contrary, economic activity in the United States remained robust amid a tight labor market and strong consumption growth. Growth in the United States increased by 2.9 percent in 2018 from 2.2 percent in 2017. It is expected to decline to 2.3 percent and further to 1.9 percent in 2019 and 2020, respectively **(Table 16)**.

Table 16: World Economic Outlook Projections

Real GDP Growth (%) IMF		Projections		Difference from Oct 2018 WEO	
	2018	2019	2020	2019	2020
World Output	3.6	3.3	3.6	-0.4	0.1
Advanced Economies	2.2	1.8	1.7	-0.3	0.0
United States	2.9	2.3	1.9	-0.2	0.1
Euro Area	1.8	1.3	1.5	-0.6	-0.2
Germany	1.5	0.8	1.4	-1.1	-0.2
France	1.5	1.3	1.4	0.3	-0.2
Italy	0.9	0.1	0.9	-0.9	0.0
Spain	2.5	2.1	1.9	-0.1	0.0
Japan	0.8	1.0	0.5	0.1	0.2
United Kingdom	1.4	1.2	1.4	-0.3	-0.1
Emerging Market and developing Economies	4.5	4.4	4.8	-0.3	-0.1
Russia	2.3	1.6	1.7	-0.2	-0.1
China	6.6	6.3	6.1	0.1	-0.1
India	7.1	7.3	7.5	-0.1	-0.2
Brazil	1.1	2.1	2.5	0.3	0.2
MENA, Afghanistan, and Pakistan	1.8	1.5	3.2	-1.2	0.2
Sub-Saharan Africa	3.0	3.5	3.7	-0.3	-0.2
Nigeria	1.9	2.1	2.5	-0.2	0.0
South Africa	0.8	1.2	1.5	-0.2	-0.2

Source: IMF WORLD ECONOMIC OUTLOOK OUTLOOK (WEO) April 2019

In the emerging markets and developing economies, activity was subdued reflecting worsening global financial market sentiments in the second half of 2018 compounded by country specific factors. Aggregate growth for this region was 4.5 percent in 2018 from 4.8 percent in 2017. According to IMF estimates, the region is expected to slow down to 4.4 percent in 2019 before picking up to 4.8 percent in 2020. China's growth declined from 6.8 percent in 2017 to 6.6 percent in 2018. Weaker import demand appeared to have had an adverse impact on trading partner exports in Asia and Europe.

Risks to the Global Growth Outlook

The balance of risks to the world economic outlook are tilted to the downside. In particular, further escalation of trade tensions and associated increases in policy uncertainty could further weaken growth. In addition, a rapid assessment by markets of the monetary policy stance in the United States could also tighten global financial conditions. Climate change and political discord remain a key risk and could lower global potential output.

3.2 Regional Economy

In Sub-Saharan Africa (SSA), growth picked up from 2.9 percent in 2017 to 3.0 percent in 2018, and is expected at 3.5 percent and 3.7 percent in 2019 and 2020 respectively supported by rise in commodity prices and continued macroeconomic stability. The main drivers of growth in SSA region are Nigeria on account of rising commodity prices. The Nigerian economy emerged from a recession in 2015 to grow at 0.8 percent in 2017 and 1.9 percent in 2018. It is projected to grow by 2.1 percent in 2019 and 2.5 percent in 2020. South Africa is equally on a growth trajectory. It grew by 0.8 percent in 2018 from 0.4 percent in 2017, and is forecast to grow by 1.2 percent and 1.5 percent in 2019 and 2020, respectively.

3.3 Domestic Economy

Real GDP Growth rebounded to 6.3 percent in 2018 from 4.9 percent in 2017 supported by strong agricultural performance, buoyant services and a resurgence in industrial activity. The economy grew by 6.6 percent, 6.3 percent, 6.4 percent, and 5.8 percent in the first, second, third, and fourth quarters of 2018, respectively (Table 17).

Agriculture sector grew by 6.4 percent in 2018, the highest since 2010 largely on account of broad based performance across all agricultural activities following improved weather conditions compared to 2017. In 2018, the performance of the sector was highest in the first quarter at 7.5 percent, and it grew by 3.9 percent in the fourth quarter compared to -0.7 percent in the same period of 2017. Increased agricultural activities are reflected mainly in increased production of cereals, horticulture, temporary industrial crop and livestock.

Industrial production increased substantially mainly on account of improved agro processing, mineral production and renewable electricity generation. The sector grew by 5.3 percent compared to 3.8 percent in 2017, and 5.2 percent in the fourth quarter of 2018, from 4.4 percent in the fourth quarter of 2017.

Manufacturing sector growth improved significantly to 4.2 percent from 0.5 percent in 2017. The sector grew by 3.1 percent in the fourth quarter of 2018 compared to 0.2 percent in the fourth quarter of 2017. Total credit advanced to the sector grew by 6.5 percent in 2018 but was lower than 14.3 percent in 2017. The performance of the sector was largely supported by production of sugar, milk, assembled vehicles, tea processing, electricity and water supply.

Services sector remained buoyant and grew by 6.9 percent compared to 6.5 percent in 2017. The robust growth was reflected in improved performance of the Transport and Storage, Finance and Insurance, Wholesale and Retail Trade and Information and Communication. More specifically:

- Transport and Storage Sector recorded strong performance of 8.8 percent compared to 7.2 percent in 2017. The improved performance in 2018 reflected increased activities in rail, road, sea and air transport. However, growth was lower at 9.3 percent in the fourth quarter of 2018 compared to 9.7 percent in a similar period in 2017.
- Finance and Insurance Sector recorded strong growth of 5.6 percent compared to 2.8 percent in 2017, mainly supported by improvement in financial activities which outweighed a deceleration in the growth of insurance activities. The significant improvement in 2018 was attained despite interest rate caps. Growth in the fourth quarter of 2018 significantly improved to 7.0 percent from 2.0 percent in the fourth quarter of 2017.
- Information and Communication Sector expanded by 11.4 percent in 2018 compared to 11.0 percent in 2017. This was mainly supported by the continued expansion of the telecommunications sub-sector especially mobile telephony and internet services that have been integrated into most personal, institutional and business activities. The performance of the sector in the fourth quarter of 2018 improved by 11.8 percent compared to 9.2 percent in the fourth quarter of 2017.
- Wholesale and Retail trade was boosted by the entry of international supermarket chains and continued expansion of domestic players. The sector grew by 6.3 percent in 2018 compared to 5.7 percent in 2017. However, growth in the fourth quarter of 2018 was slightly lower at 6.5 percent compared to 7.5 percent in a similar period of 2017.

Table 17: Real GDP Growth Rates (Percent)

	Annual				Quarterly			
	2015	2016	2017	2018	2018Q1	2018Q2	2018Q3	2018Q4
1. Agriculture	5.3	4.7	1.9	6.4	7.5	6.5	6.9	3.9
2. Non-Agriculture	6.4	6.9	5.8	6.5	6.2	6.4	6.2	6.4
2.1 Industry	7.3	5.8	3.8	5.5	4.9	5.4	6.7	5.5
2.2 Services	6.0	6.8	6.5	6.9	6.9	7.1	6.8	7.1
Wholesale & Retail Trade	5.3	3.7	5.7	6.3	5.3	6.3	6.6	6.5
Accommodation & restaurant	(1.3)	13.3	14.3	15.6	13.1	15.4	15.7	21.3
Transport & Storage	8.0	6.5	7.2	8.8	8.5	8.4	9.0	9.3
Information & Communication	7.4	8.9	11.0	11.4	12.5	11.0	9.8	11.8
Financial & Insurance	9.4	6.9	2.8	5.6	5.2	4.6	5.4	7.0
Public administration	5.5	5.6	6.5	6.1	6.2	5.3	6.1	6.4
Professional, Administration & Support Services	2.5	4.5	3.7	5.9	4.0	15.6	3.2	0.9
Real estate	7.2	8.8	6.1	4.1	5.3	4.6	3.8	2.8
Education	4.9	5.3	5.1	5.8	4.9	5.6	5.8	7.0
Health	5.6	4.8	4.3	4.5	4.5	4.1	5.5	4.0
Other services	3.9	4.3	5.1	4.3	4.2	5.1	4.9	5.3
FISIM	13.5	0.5	(3.3)	1.1	0.2	0.1	1.7	2.2
2.3 Taxes on products	2.8	4.4	6.4	5.2	4.7	6.6	6.6	4.3
Real GDP Growth	5.7	5.9	4.9	6.3	6.0	6.4	6.2	6.0

Economic outlook for 2019

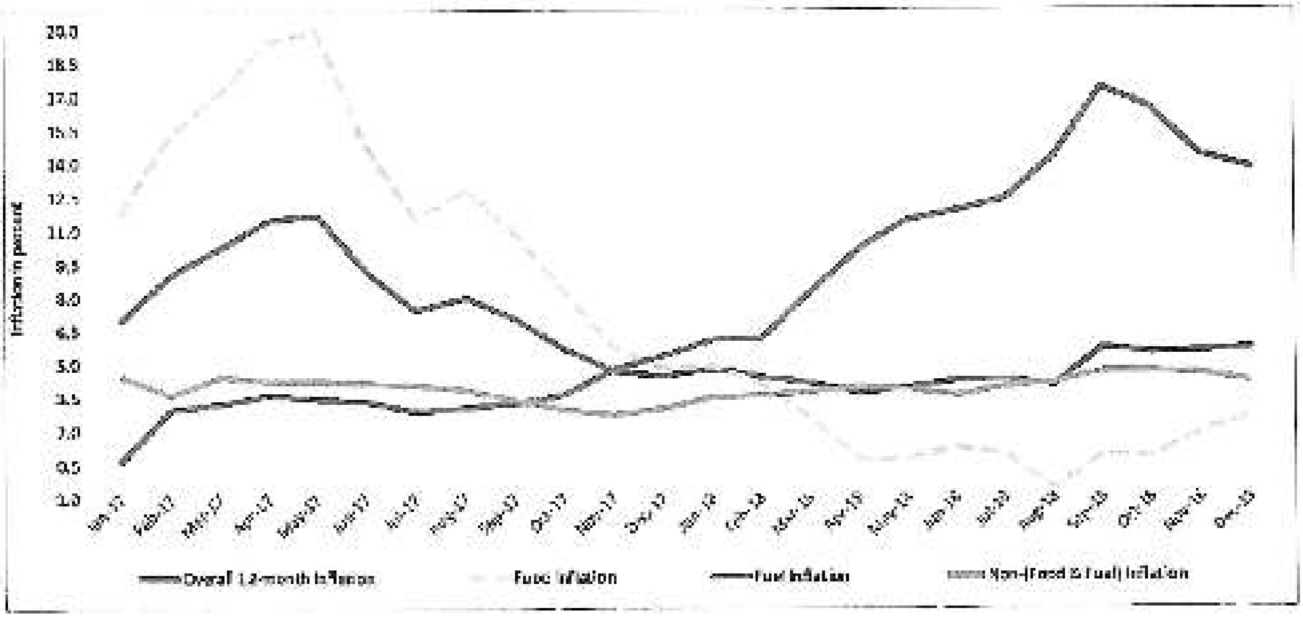
Economic growth is expected to remain robust, supported by growth in agricultural sector, continued good performance of the services sector and macroeconomic stability. The economy is also expected to benefit from continued improvements in the business environment and Government prioritization of the Big 4 agenda.

3.4 Inflation

Inflation remained within the Government target range of 5+/-2.5 percent throughout 2018, reflecting stable food prices, lower fuel and electricity prices, and muted demand pressures arising from prudent monetary policy. Overall inflation averaged 4.7 percent in 2018 compared to 8.0 percent in 2017. The inflationary pressures witnessed in 2017 were due to drought that mainly affected food and electricity prices (Chart 5).

Overall inflation is expected to remain within the midpoint of the government target in 2019, mainly due to low fuel inflation as a result of dissipating impact of restrictions on charcoal trade; stable food prices and cheaper; and reliable electricity sources. However, the main risks to the inflation outlook include: (i) the delayed onset of the March-May long rains across the country that may exert an upward pressure on prices of some food items and undermine hydro based generation of electricity and (ii) rising international crude oil prices.

Chart 5: Developments in inflation



3.5 Exchange rate

The foreign exchange market remained stable supported by a continued narrowing in the current account deficit and balanced flows. The Kenya shilling strengthened against the US dollar to exchange at an average rate of 101.30 in 2018 from an average of 103.4 in 2017 **(Table 18)**.

Table 18: Exchange rate developments

	USD DOLLAR	POUND STERLING	EURO	USHS	TSH	RWF	BIF
2017	103.41	133.19	116.72	34.75	21.63	8.07	16.65
2018	101.3	135.53	119.7	36.73	22.47	8.6	17.47

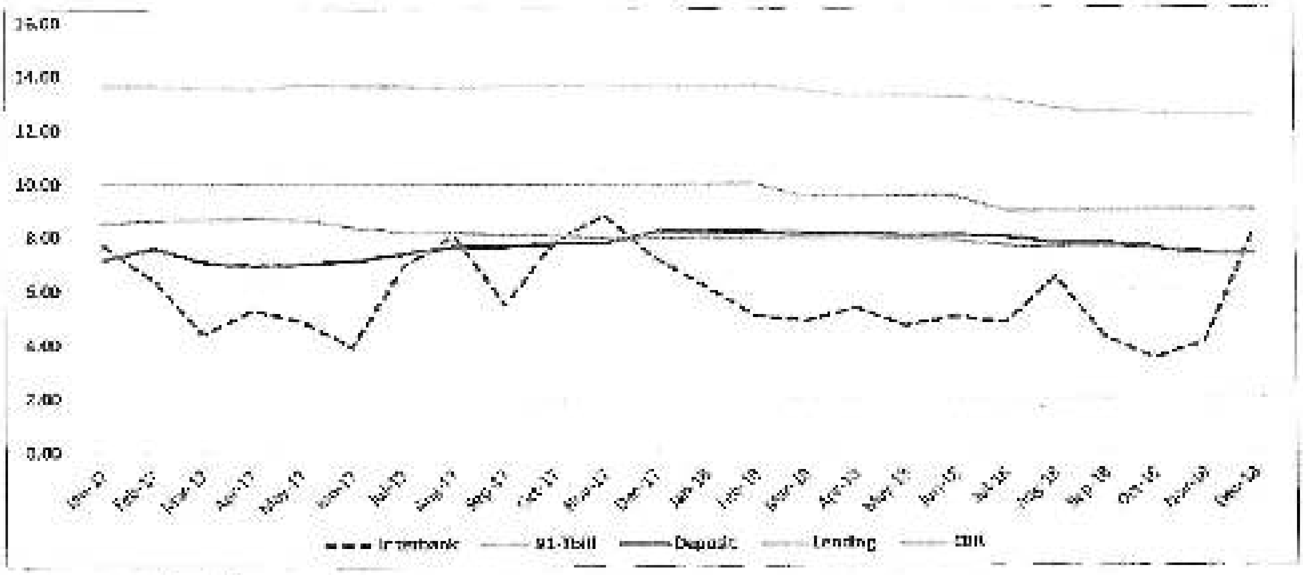
3.6 Interest rates

All interest rates generally declined in 2018, reflecting the reduction in the Central Bank Rate (CBR) during 2018. The MPC lowered the CBR from 10.0 percent in 2017 to 9.50 percent in March 2018, and further to 9.00 percent in July 2018, noting that inflation expectations were well anchored within the Government target range and that economic output was below its potential level. The average 91-day Treasury bill rate declined to 7.76 percent in 2018 from 8.37 percent in 2017, while the average 182-day Treasury bill rate declined to 9.53 percent from 10.42 percent **(Chart 6)**.

Commercial banks' average lending interest rates remained within the interest rate caps. The average commercial banks' lending rate declined to 13.06 in 2018 from 13.67 percent in 2017. The average commercial banks' deposit rate increased slightly from 7.52 percent to 7.91 percent in 2018, partly reflecting increased competition for deposits by banks during the first half of 2018. The deposits rates declined in the second half of 2018, as the minimum (floor) interest rate granted on deposit was removed in August 2018, through amendment of the Banking Act by Parliament.

The interest rate spread declined to an average of 5.15 percent in 2018 from 6.15 percent in 2017. The average interbank rate declined to 5.22 percent in 2018 from 6.45 percent in 2017, largely reflecting improved liquidity conditions in the money market. However, the interbank rate was relatively volatile during the year, ranging from an average of 3.49 percent in October to a peak of 8.15 percent in December 2018, partly reflecting market segmentation.

Chart 6: Interest Rates (percent)

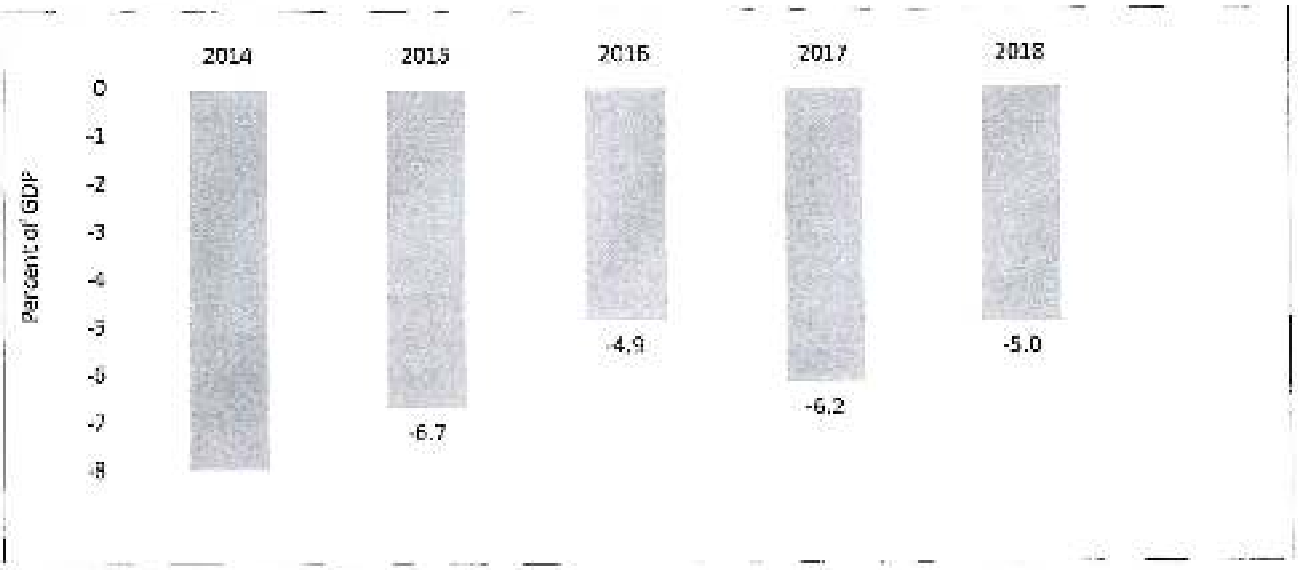


Source: Central Bank of Kenya

3.7 Balance of Payments

The current account deficit narrowed to 5.0 percent of GDP in 2018, from 6.2 percent in 2017. This was due to the strong performance of agricultural exports particularly horticulture, resilient diaspora remittances, improved receipts from service exports, particularly tourism, and, reduced imports of food and machinery **(Chart 7)**.

Chart 7: Developments in Current Account



Source: KNBS and Central Bank of Kenya

3.8 Fiscal Developments

Total government revenues and grants amounted to Ksh.803.[illegible] billion in the period July-December 2018, representing an increase of 11.4 percent from Ksh.721.0 billion collected in a similar period of the Financial Year (FY) 2017/18. However, all taxes fell below set targets in the first half FY2018/19, due to a slowdown in the economy which adversely affected revenue collection. Total expenditure and net lending increased by 15.8 percent during the first half of the FY 2018/19 to Ksh.1075.3 billion in comparison to Ksh.929.0 billion in a similar period in 2017. Consequently, Government budgetary operations during the period under review, resulted in a deficit of Ksh.272.0 billion (3.1 percent of GDP) on both commitment and cash basis compared with a deficit of Ksh208.0 billion (2.5 percent of GDP) incurred in the same period in 2017. The deficit was above the target of 2.5 percent of GDP **(Table 19).**

Kenya's public and publicly guaranteed debt recorded a moderate increase of 15.4 percent during the first half of the FY 2018/19 with both domestic and external debt increasing by 14.8 percent and 15.9 percent respectively. Correspondingly, as a ratio of GDP, domestic debt increased from 27.3 percent to 30.6 percent while that of external debt increased from 28.8 percent to 30.6 percent during the first half of the FY 2018/19 largely reflecting continuous increase in debt uptake.

3.9 Performance of the Banking Sector

In tandem with the improved economic activities and adjustments of business models to the changing dynamics, the banking sector recorded strong performance in the year ended December 2018. The sector recorded a 14.0 percent growth in pre-tax profits during the year. Over the same period, the sector recorded strong capitalization levels as a result of retention of profits and additional capital injection.

Table 19: Fiscal Developments

	FY 2017/18		FY 2018/19				Over (+) %	
	Q2	Cumulative to Dec-2017	Q1	Q2	Cumulative to Dec-2018	Target	Below (-) Target	Variance
1. TOTAL REVENUE & GRANTS	374.8	721.0	389.6	428.7	808.5	873.2	(72.7)	(8.3)
Ordinary Revenue	330.0	658.5	332.2	473.3	722.3	775.0	(52.7)	
Tax Revenue	315.0	638.4	323.3	357.4	680.8	762.5	(81.8)	
Non Tax Revenue	23.0	23.5	2.9	38.6	41.5	12.5	29.1	
Appropriations-in-A/c	21.7	49.3	33.8	38.5	72.4	80.7	(8.3)	
External Grants	13.2	14.8	3.3	5.1	8.8	20.5	(11.7)	
2. TOTAL EXPENSES & NET LENDING	516.7	829.0	457.6	616.0	1,075.5	1,130.7	(55.2)	(4.9)
Recurrent Expenses	334.6	634.5	345.4	317.8	643.9	768.5	(121.7)	
Development Expenses	119.1	204.8	83.6	220.6	308.9	231.9	77.0	
County Transfers	54.2	84.7	23.5	31.6	119.7	125.3	(5.6)	
Others		1.3		-	2.9	4.9	(1.9)	
3. DEFICIT (INCL. GRANTS) (1-2)	(142.8)	(238.0)	(82.0)	(187.4)	(272.0)	(254.5)	(17.5)	6.9
As percent of GDP	(1.7)	(2.4)	(0.8)	(1.9)	(3.0)	(2.5)		
4. ADJUSTMENT TO CASH BASIS	-	8.0		-				
5. DEFICIT INCL. GRANTS ON A CASH BASIS	(142.8)	(200.0)	(82.0)	(187.4)	(272.0)	(254.5)	(17.5)	
As percent of GDP	(1.7)	(2.3)	(0.8)	(1.9)	(3.1)	(2.5)		
6. DISCREPANCY: Expenditure (+) / Revenue (-)	-	-					-	
7. FINANCING	143.7	200.3	96.0	213.1	278.2	254.5	23.8	8.6
Domestic (Net)	57.9	107.2	89.2	85.6	130.6	217.7	(83.9)	
External (Net)	84.2	91.6	16.8	125.5	144.4	34.6	109.7	
Capital Receipts (domestic loan receipts)	1.0	1.0		1.2	1.0	2.0	(1.0)	

Source: National Treasury

However, asset quality registered a decline with the non-performing loans (NPLs) ratio increasing from 12.3 percent in December 2017 to 12.7 percent in December 2018. Institutions that experienced deterioration in asset quality were closely monitored during the year.

3.10 Commercial Banks Balance Sheet Analysis

The banking sector registered improved financial strength in 2018, with total net assets recording an increase of 10.14 percent from Ksh.4,002.7 billion in December 2017 to Ksh.4,408.6 billion in December 2018 (**Table 20**). This is attributable to increased investment in Government securities and loans and advances. Government securities increased by 19.03 percent from Ksh.998.4 billion in December 2017 to Ksh.1,188.4 billion in December 2018. Net loans and advances registered an increase of 15.1 percent from Ksh.2,013.6 billion in December 2017 to Ksh.2,318.1 billion in December 2018. Net loans and advances, government securities and placements accounted for 52.6 percent, 27.0 percent and 4.5 percent of the total net assets respectively and remained the main components of the banks' balance sheet.

Table 20: Global Balance Sheet Analysis (Ksh.M)

	Dec-17	Dec-18	% Change
Cash	63,975	68,636	7.28
Balances at Central bank	168,103	247,581	47.28
Placements	168,153	199,799	18.82
Government Securities	998,413	1,188,458	19.03
Investments	32,133	32,981	2.34
Loans and Advances (Net)	2,013,610	2,318,071	15.12
Other assets	558,256	592,003	36.76
Total Assets	4,062,741	4,488,980	10.14
Liabilities and Shareholders' Funds			
Customer Deposits	2,898,993	3,259,434	12.40
Other liabilities	458,560	470,796	2.66
Capital and Reserves	644,189	678,313	5.30
Total Liabilities and Shareholders' Funds	4,002,741	4,408,593	10.14

Customer deposits, which are the main source of funding for the banks grew by 12.4 percent from Ksh.2,899.99 billion in December 2017 to Ksh.3,259.5 billion in December 2018. The growth was supported by mobilization of deposits through agency banking and mobile phone platforms.

In 2018, the banking sector capital and reserves increased by 5.3 percent from Ksh.644.2 billion in December 2017 to Ksh.678.3 billion in December 2018. The increase in capital and reserves is attributable to increase in retained earnings and paid up capital. Retained earnings increased by Ksh.23.8 billion from Ksh.303.9 billion in December 2017 to Ksh.327.7 billion in December 2018. Paid up capital increased by Ksh.1.9 billion from Ksh.199.5 billion in December 2017 to Ksh.201.4 billion in December 2018.

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

The largest proportion of the banking industry gross loans and advances were channeled to the Personal/Household, Trade, Real Estate and Manufacturing Sectors. In total, these four economic sectors accounted for 63.57 percent of gross loans in December 2018 as indicated in Table 21. Personal/households, Trade and Real Estate sectors accounted for the highest number of loan accounts with a total of 97.79 percent. Trade, Manufacturing, Real Estate and Personal/Household sectors accounted for the highest value of non-performing loans by registering 61.40 percent. This was mainly due to delayed payments from public and private sectors and slow uptake of commercial and housing units.

The concentration of non-performing loans was mainly in Trade, Manufacturing, Real Estate and Personal/Household economic sectors in December 2018. CBK will closely monitor the four economic sectors and ensure that commercial banks give adequate provisions for the loans in the four economic sectors to mitigate risk of default.

Table 21: Sectoral Distribution of Loan Accounts, Gross Loans and NPLs-December 2018

	No of Loan A/Cs	% of Total	Gross Loans Ksh. M	% of Total	Gross NPLs Ksh. M	% of Total
Personal /Household	3,728,258	93.63	661,480	26.63	45,672	14.42
Trade	255,409	3.55	475,723	19.14	81,622	25.77
Real Estate	28,050	0.39	376,237	15.15	47,058	14.85
Manufacturing	15,213	0.21	323,817	13.04	51,791	16.35
Transport and Communication	30,455	0.42	164,271	6.61	14,674	4.63
Energy and water	2,196	0.03	109,613	4.41	6,859	2.17
Building and construction	10,559	0.15	102,837	4.14	23,692	7.48
Financial Services	14,986	0.21	95,780	3.86	6,049	1.91
Agriculture	95,158	1.32	89,931	3.62	30,152	9.52
Tourism, Restaurant and Hotels	4,048	0.06	72,134	2.90	6,392	2.02
Mining and Quarrying	1,143	0.02	11,987	0.48	2,478	0.78
Total	7,185,965	100.00	2,483,518	100.00	316,712	100.00

Source: CBK

3.12 Asset Quality

The stock of non-performing loans (NPLs) increased by 19.6 percent from Ksh.264.6 billion in December 2017 to Ksh.316.7 billion in December 2018. Consequently, asset quality, which is measured by the ratio of gross NPLs to gross loans deteriorated from 12.3 percent in December 2017 to 12.7 percent in December 2018 as shown in Table 22 and Appendix III. Deterioration in asset quality was mainly attributed to among other factors, subdued business activities, delayed payments from public and private entities and low uptake of housing and commercial units.

Table 22: Asset Quality and Provisions (Ksh. M)

	Dec-17	Dec-18	% Change
Net Assets	4,002,741	4,408,303	10.1
Gross Loans and Advances	2,413,651	2,488,117	3.08
Total Loans	2,370,125	2,433,570	2.68
Net Loans	2,268,932	2,318,371	2.17
Gross Non-Performing Loans	264,617	316,712	19.7
Interest in Suspense	43,726	54,447	24.5
Total Non-Performing Loans	220,891	262,265	18.7
Total Provisions	101,153	115,599	14.2
Net Non-Performing Loans	119,558	146,666	22.5
Gross Loans/ Net Assets (%)	60.30	56.4	2.5
Gross NPLs/ Gross Loans (%)	10.96	12.7	0.4
Net NPLs/ Gross Loans (%)	4.96	5.3	0.4

Source: CBK

3.12.1 Risk Classification of Loans and Advances

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

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

The loans and advances in the normal and watch categories increased by 3.5 percent and 6.2 percent from Ksh.1,840.5 billion and Ksh.281.2 billion in December 2017 to Ksh.1,908.8 billion and Ksh 299.6 billion in December 2018 respectively. The normal category accounted for 75.8 percent of the total loans in 2018 compared to 76.7 percent in 2017 whereas, the watch category accounted for 11.8 percent of the total loans in 2018 compared to 12.1 percent in 2017.

The loans and advances in the substandard, doubtful and loss categories increased by 24.3 percent, 9.2 percent and 46.3 percent respectively **(Table 23)**. This is also reflected by the increased levels of these categories to the entire loan book. The substandard, doubtful and loss categories accounted for 2.52 percent, 7.26 percent and 2.49 percent of the loan book in 2018 compared to 2.10 percent, 7.40 percent and 1.80 percent in 2017. The increase in the non performing loans' categories were occasioned by deteriorating asset quality as a result of delayed payments, enhanced reclassification and provisioning of loans and challenges in the business environment.

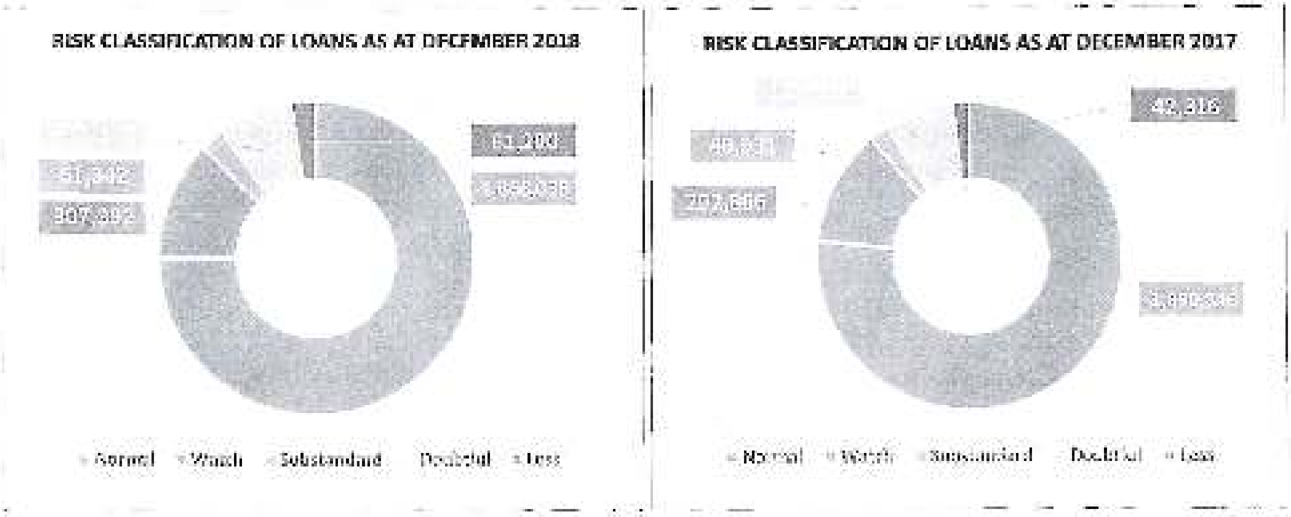
The proportions of loans in all categories decreased in 2018 with exception of substandard and loss categories as shown in **Table 23 and Chart 8.**

Table 23: Risk Classification of Loans and Advances

	2017	% of Total		2018	% of Total
Normal	1,850,946	76.70%	Normal	1,866,038	75.00%
Watch	292,806	12.10%	Watch	307,392	12.35%
Substandard	48,831	2.10%	Substandard	61,342	2.47%
Doubtful	177,932	7.40%	Doubtful	192,143	7.72%
Loss	42,318	1.80%	Loss	61,200	2.46%
Total	2,413,850	100.00%	Total	2,488,117	100.00%

Source: CBK

Chart 8: Risk Classification of Loans and Advances



3.13 Capital Adequacy

The Central Bank of Kenya (CBK) Prudential Guideline on Capital Adequacy requires banks to adhere to the prescribed capital adequacy ratios. The current 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 increased to 16.6 percent in December 2018 from 16.5 percent in December 2017. Total Capital to Total Risk Weighted Assets increased to 19.5 percent from 18.8 percent over the same period (Table 24). The increase in core capital and total capital is attributed to a higher growth in capital compared to the growth in total risk weighted assets. The ratio of core capital to total deposits decreased from 18.9 percent in 2017 to 17.9 percent in December 2018. The decrease is attributed to a higher increase in deposits compared to the increase in core capital. In 2018, the banking industry complied with the capital adequacy ratios **(Table 24)**.

Table 24: Capital Adequacy Ratios

	2014	2015	2016	2017	2018	Minimum Capital Adequacy Ratios (%)
Core Capital/ TRWA (%)	16	16	17.0	16.5	16.6	10.5
Total Capital / TRWA (%)	20	19	19.8	18.8	19.5	14.5
Core Capital / Total Deposits (%)	19	18	20.0	18.9	17.9	8.0

Key: TRWA-Total Risk Weighted Assets
Source: CBK

3.14 Liquidity

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

The average liquidity ratio as at December 2018 stood at 49.6 percent compared to 43.7 percent registered in December 2017. 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 24.1 percent while total short-term liabilities grew by 11.6 percent. The banking sector's average liquidity in the twelve months to December 2018 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 2015.

3.15 Profit and Loss

The banking sector registered an increase in profitability in 2018 with profit before tax increasing by 14.6 percent to Ksh.152.7 billion in December 2018 from Ksh.133.2 billion in December 2017 as shown in Table 21. The increase in profitability is attributed to a higher increase in income (Ksh.27.1 billion) compared to increase in expenses (Ksh.7.6 billion).

Income

Total income for the banking sector increased by 5.6 percent from Ksh.486.3 billion in December 2017 to Ksh.513.5 billion in December 2018 as shown in Table 25 below. The increase in income was largely attributed to increase in government securities which increased by Ksh.16.2 billion. Other fees and commissions income increased by 7.62 percent to Ksh.48.0 billion in 2018 from Ksh.44.6 billion in 2014.

Table 25: Income and Expenditure Items as a Percentage of Total Income/Total Expenses

	Dec-2017		Dec-2018	
Income	Ksh.M	% of Total Income	Ksh.M	% of Total income/ total expenses
Interest on Advances	264,604	54.43	266,368	51.88
Fees and Commission for Loans and Advances	26,051	5.36	25,324	4.93
Other Fees and Commission Income	44,571	9.16	48,012	9.35
Interest on Government Securities	102,798	21.14	118,990	23.17
Interest on Placement	4,82	0.99	5,34	1.04
Other Income	43,392	8.92	49,419	9.62
Total Income	486,316	100.00	513,464	100.00
Expenses				
Interest Expenses	128,430	36.37	138,298	38.34
Bad Debts Charge	41,861	11.85	30,616	8.49
Salaries and Wages	90,296	25.57	91,090	25.25
Other Expenses	92,531	26.20	100,752	27.93
Total Expenses	353,121	100.00	360,754	100.00
Profit Before Tax	133,196		152,710	

Source: CBK

Expenses

As shown in Table 25 above, the banking sector expenses increased by 2.2 percent to Ksh.360.8 billion in December 2018 from Ksh.353.1 billion in December 2017. The increase in total expenses was largely attributed to increase in interest expenses and staff costs. Banks registered a decrease in loan loss provisions by Ksh.11.24 billion in 2018, due to a one off charge to retained earnings for IFRS 9. Interest expenses accounted for 38.3 percent of the total banking sector expenses in 2018. Interest expense as a ratio of income decreased from 26.4 percent in 2017 to 23.6 in 2018. Other expenses including training, advertising, printing and management fees increased by 0.3 percent to Ksh.100.8 billion in December 2018 from Ksh.92.5 billion in December 2017. Salaries and wages increased by 0.9 percent from Ksh.90.3 billion in December 2017 to Ksh.91.1 billion in December 2018. Salaries and wages as a ratio of income decreased to 15.5 percent in 2018 from 18.6 percent in 2017 reflecting a lower increase in staffing costs compared to the increase in income.

3.16 Performance Rating

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

Rating Scale	Description
1	Strong
2	Satisfactory
3	Fair
4	Marginal
5	Unsatisfactory

Source: CBK

The overall rating is the average of the CAMEL rating components. The banking sector was on overall rated satisfactory in 2018. This was the same rating the sector achieved in 2017. The institutions rated strong, satisfactory, fair, marginal and unsatisfactory in December 2018 were 6, 20, 10, 3 and 1 respectively as shown in Table 26.

The banking sector performance rating for 2018 improved marginally since 26 commercial banks were rated satisfactory and strong as compared to 25 commercial banks in 2017. The institutions rated satisfactory increased from 15 in 2017 to 20 in 2018 while those rated strong decreased from 9 in 2017 to 6 in 2018, mainly due to decreased asset quality. The asset quality, which is measured by the ratio of gross NPLs to gross loans deteriorated from 12.3 percent in December 2017 to 12.7 percent in December 2018.

Table 26: Banking Sector Performance Rating

Performance	2017			2018		
	No. of Institutions	Total Net Assets Ksh.M	Market Share	No. of Institutions	Total Net Assets Ksh.M	Market Share
Strong	9	1,231,627	30.34	6	1,245,853	29.26
Satisfactory	15	2,285,671	57.94	20	2,774,836	62.74
Fair	12	132,835	8.37	10	235,650	5.11
Marginal	3	349,308	2.85	3	143,029	2.80
Unsatisfactory	0	0	0	1	9,225,078	0.09
Total*	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Overall Rating	Satisfactory			Satisfactory		

** Charterhouse Bank Ltd. under Statutory Management, Imperial Bank Ltd. and Chase Bank (K) Ltd. in Receivership have been excluded in the 2018 statistics*

Source: CBK

3.17 Compliance with Supervisory and Regulatory Requirements

During the year ended December 31, 2018, eleven banks were in violation of the Banking Act and CBK Prudential Guidelines as compared to fifteen banks in the previous year 2017. Most of the violations were mainly in respect to non-compliance with single borrower limit, this was attributed to decline in core capital in some banks that have continued to report losses.

The specific incidences of non-compliance noted during the year ended December 31, 2018 were as follows:

a) **Single Borrower Limit**

Six institutions were in violation of Section 10(1) of the Banking Act that restricts lending to a single borrower to an amount of not more than 25 percent of its Core Capital.

b) **Insider Lending**

Three institutions were in violation of Section 11(1) (f) of the Banking Act that restricts lending to insiders to an amount of not more than 20 percent of its Core Capital.

One institution was in violation of Section 11(1) (c) and (d) of the Banking Act which requires all insider loans to be secured.

c) **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.

Four institutions were in violation of CBK Prudential Guideline (CBK/PG/03) on Capital Adequacy, which requires an institution to have a minimum total capital to total deposits ratio of 12 percent.

Four 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.

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. Appropriate remedial plans are in place to restore capital adequacy for these institutions.

d) **Prohibited Business**

Seven 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 decline in core capital in some banks that have continued to report losses.

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 decline in core capital due to institutions that have continued to be loss making.

e) **Liquidity Management**

Eight institutions were in violation of Section 19 (1) of the Banking Act and CBK Prudential Guideline (CBK/PG/13) on Liquidity Management, which requires institutions to maintain a minimum liquidity ratio of 20 percent. Appropriate remedial plans are in place to regularise the liquidity position of these institutions.

f) **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 all the violations.

3.10 Performance of Microfinance Banks

The overall performance of the microfinance banks declined significantly by 131 percent, with a combined loss before tax of Ksh.1.4 billion for the year ended December 31, 2018. The microfinance banks reported a combined loss before tax of Ksh.622 million in December 31, 2017 as shown in Table 27 below. Three institutions reported profits, while the remaining ten institutions registered losses. The main contributor to the loss making position was Kenya Women Microfinance Bank PLC., which reported a loss before tax of Ksh.1.0 billion.

The poor performance of the sector was largely attributed to the reduction in financial income by 7.6 percent or Ksh.0.85 billion, with a corresponding increase in expenses by 3.0 percent or Ksh.382 million. The increased expenses related to financial costs aimed at attracting deposits, and additional provisions made by the sector to comply with the requirements of the newly implemented International Financial Reporting Standard (IFRS) 9. Consequently, the sector reported a lower return on assets and equity ratio at negative 2.0 percent and negative 13.8 percent, comparing unfavorably with negative 0.9 percent and negative 5.5 percent as reported in the previous year, respectively.

Customer deposits increased by 5.3 percent, from Ksh.38.9 billion in 2017 to Ksh.41.0 billion. The growth in deposits was supported by mobilization of deposits through agency banking and mobile phone platforms, as the two delivery channels gained traction in the sector.

Likewise, the net loan portfolio increased by 3.1 percent from Ksh.42.8 billion in 2017 to Ksh.44.2 billion. The growth in loans was attributed to increased demand for credit by the various economic sectors, and the adoption of technology as a lending platform.

Table 27: Performance of MFBs - Ksh. Million

Parameter	2017	2018	% Change
Pre-Tax Profits	(622)	(1,437)	(131.0)
Customer Deposits	38,918	40,961	5.3
Loan Portfolio (Net)	42,848	44,173	3.1
Core Capital/Total Risk Weighted Assets (%)	19.2	17.2	(10.4)
Total Capital/Total Risk Weighted Assets (%)	21.4	17.9	(16.4)
Return on Assets (%)	(0.9)	(2.0)	122
Return on Shareholder's funds (%)	(5.5)	(13.8)	150.9
Number of Branches	115	118	2.6
Total number of staff	4,328	3,969	8.3

Source: CBK

The MFBs' ratio of core and total capital to total risk weighted assets stood at 17.2 percent and 17.9 percent as at December 31, 2018. This was a reduction from 19.2 percent and 21.4 percent reported as at December 31, 2017. The ratios were however, above the minimum requirement of 10 percent and 12 percent respectively, as shown in Appendix X. Capital levels declined in the year under review, on account of erosion by the losses reported by the sector, and increased provisioning, in accordance with the requirements of IFRS 9.

The microfinance sector established three new branches in the year 2018, bringing the branch network to 118, from 115 branches in 2017. Marketing offices increased by one, from 110 to 111, while specific third party agents went down by 165 from 2,191 agents as at December 31, 2017 to 2,026.

In 2018, the microfinance sector continued to embrace advancements in technology in the delivery of products and services. This has reaped the benefits of cost savings, and operational efficiency. As a result, the total number of staff shrunk by 8.3 percent, from 4,328 as at December 31, 2017 to 3,969.

3.19 Agency Banking

During the period under review, 19 commercial banks and 3 microfinance banks (MFBs) had contracted 59,578 and 2,026 agents, respectively, recording a decrease from 61,290 and 2,068 agents by commercial banks and MFBs, respectively as reported in December 2017.

The change implies a decline of 2.8 percent (1,712 agents) and 0.02 percent (42 agents) in the number of agents contracted by commercial banks and microfinance banks, respectively. The decline is attributed to the closure of some of the agents due to low business volumes and low income earned by the agents rendering the agents inactive.

Over 83 percent of the approved commercial bank agents were concentrated in 3 banks with the largest physical branch presence namely, Equity Bank with 29,723 agents, Cooperative Bank with 12,236 agents and Kenya Commercial Bank with 9,950 agents. On the other hand, for the MFBs over 88 percent of the agents were contracted by the largest MFB - Kenya Women Microfinance Bank.

During the same period, MFBs had established 117 deposit-taking marketing offices marking a slight improvement up from 110 deposit-taking marketing offices in 2017 which signal the continued recognition of the role of deposit taking marketing offices in supporting banks' business expansion.

a) Number of Transactions

The number of banking transactions undertaken through bank agents increased by 12.5 percent from approximately 139.8 million transactions recorded in 2017 to 157.3 million in December 2018. A brief summary is provided in Table 28a below:

Table (28a): Type of Transactions	Number of Transactions			
	2017	2018	% Change	Cumulative (2010-2018)
Cash Deposits	72,021,587	81,018,287	12.5	306,121,086
Cash Withdrawals	48,951,216	46,404,124	-5.3	212,191,688
Payment of Bills	1,937,698	2,238,632	15.6	8,369,422
Payment of Retirement and Social Benefits	2,352,493	2,317,827	-1.5	7,876,413
Transfer of Funds	5,193	10,859	109.1	57,756
Account balance enquiries	14,228,339	24,738,964	73.9	84,035,740
Mini statement requests	150,638	351,619	133.3	899,858
Collection of loan applications forms	-	6,271		6,343
Collection of account opening application forms	74,015	59,638	-19.4	1,725,324
Collection of debit and credit card application forms	-	-		118,064
Collection of debit and credit cards	-			62,580
Total	139,721,480	157,252,291	12.5	819,481,479
Number of Agents	61,290	59,578		

Source: CBK

The increase in total transactions was mainly as a result of increases in transactions relating to mini statements requests, transfer of funds, account balance enquiries and cash withdrawals, which increased by 133.3 percent, 109.1 percent, 73.9 percent and 15.6 percent respectively. In comparison to 2017, the increased transactions were attributable to payment of bills, cash withdrawals, cash deposits and mini statements requests which increased by 31.01 percent, 47.2 percent, 28.5 percent and 27.8 percent respectively.

Cash deposits, cash withdrawals and account balance enquiries remained the major transactions carried out by bank agents in 2018 representing 51.5 percent, 29.3 percent and 15.7 percent of the total transactions in the year, respectively.

During the year 2018, several transactions which include: collection of account opening application forms, cash withdrawals and payment of retirement and social benefits recorded a decline by 19.4 percent, 5.3 percent and 1.5 percent, respectively as compared to 2017, where only the transfer of funds transactions recorded decline. The decline was as a result of closure of some contracted agents' during the period and also due to continued competition from other alternative delivery channels such as the increased mobile phone banking products, which are considered more convenient as compared to use of agents.

b) Value of Transactions

Table (28b) Agency Banking data for banks - Value of Transactions in Ksh.'M'

Type of Transactions	2017	2018	% Change	Cumulative (2010 to 2018)
Cash Deposits	791,701.83	906,043.63	14.4	3,038,084.68
Cash Withdrawals	175,242.56	289,180.40	7.6	1,068,849.41
Payment of Bills	13,883.15	11,368.49	-15.5	44,791.31
Payment of Retirement and Social Benefits	18,990.50	1,036.78	-94.2	33,143.78
Transfer of Funds	376.11	458.06	21.8	1,163.95
Total	1,074,820.48	1,186,335.30	10.6	4,332,038.31

Source: CBK

In 2018, the value of banking transactions undertaken through agents increased from Ksh.1 trillion (USD 10.4 billion) in December 2017 to Ksh 1.18 trillion (USD 11.7 billion) in December 2018. The increase was attributed to the growth of transactions relating to transfer of funds, cash deposits and cash withdrawals. These transactions experienced a growth of 21.8 percent, 14.4 percent and 7.6 percent respectively, from the previous year.

The increase in number and value of transactions underlines Kenyans' growing confidence and acceptability of the agency banking model by banks and the public. Despite the overall increase in the value of transactions, there was a decline in transactions relating to payment of retirement and social benefits and payment of bills in the year 2018 as highlighted in Table 28b above. The decline in the payment of retirement and social benefits was due to the change from the old card based system to the new Inua Jamii payment model 'Choice Model' that provides multiple payment systems based on bank accounts that promises flexibility for the beneficiaries.

3.20 Credit Reference Bureaus

The Credit Information Sharing (CIS) mechanism continues to play a critical role in shaping the credit market in Kenya. The mechanism has gained traction since its operationalization in July 2010, in improving credit assessments made by lenders. While the number of licensed Credit Reference Bureaus (CRBs) remain three (3), namely: Transunion CRB, Metropol CRB and Creditinfo CRB, the scope of CIS has widened, and the usage has increased. The total number of credit reports requested by subscribing banks as at December 31, 2018 stood at 33.0 Million.

The requests for credit reports by subscribing banks (commercial and microfinance) increased significantly by 183 percent from 4.4 Million reports in 2017 to 12.4 Million reports in 2018. Similarly, the requests for credit reports by individual customers increased by 14 percent from 131,587 reports in 2017 to 149,558 reports in 2018. The increased requests for credit reports by banks were attributed to the growing acceptance by lenders to adopt the usage of credit information in the assessment of borrowers' creditworthiness. This comes in the wake of CBK's reform initiatives whose objectives include increased bureau usage by lenders in credit decisions as detailed below.

On the other hand, the increased requests for credit reports by individual customers were as a result of increased general public awareness on the importance of credit reports, and the right to a free credit report every year. Further, the launch of various technology-based credit products by both banks and other credit providers, including FinTechs, boosted the number of credit reports, as the institutions sought to understand the credit histories of customers on the technology-enabled platforms, prior to disbursement.

Table 29 shows the credit reports accessed from the CRBs since inception of the CIS mechanism in July 2010.

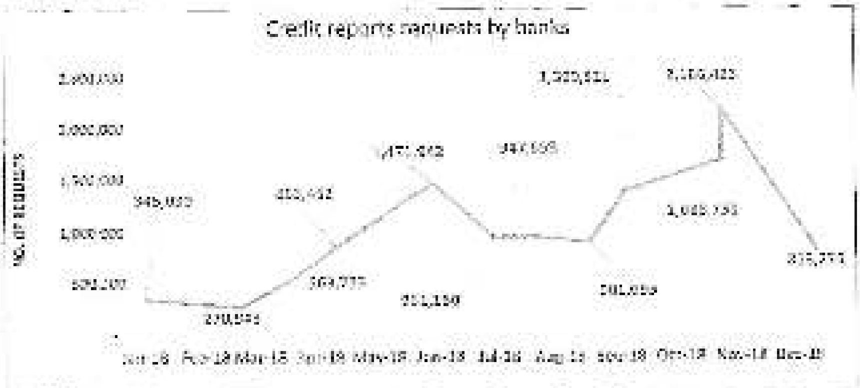
Table 29: Number of credit reports requested since August 2010

Period	Banks*	% Change	Individual Customers	% Change
August - December 2010	284,722	-	434	-
January - December 2011	1,021,71[illegible]	259	5,60[illegible]	1,192
January - December 2012	1,0[illegible]5,327	-1	22,692	305
January - December 2013	1,275,522	26	26,261	16
January - December 2014	1,674,707	31	33,442	27
January - December 2015	5,966,725	256	75,078	125
January - December 2016	4,935,224	-17	84,412	12
January - December 2017	4,381,442	-11	131,587	55
January - December 2018	12,424,219	183	149,558	14
Total	32,862,609		579,371	

*Commercial and Microfinance banks

Source: CBK

Chart 9: Total monthly credit report requests by banks to the three CRBs in 2018



The number of credit reports requested by banks increased gradually throughout the year, except the months of May and November which experienced surges, and December, where the requests shrunk on account of low year-end economic activity.

To enrich the credit information database, CRBs have made strides in collaborating with third party data providers (non-mandatory data providers) in information sharing. As at December 31, 2018, CBK had approved a total of 2,115 third party data providers, in accordance with Regulation 23(2) of the Credit Reference Bureau Regulations, 2013 compared to 1,434 data sources approved in the year 2017. Most of the approved third party data sources are Savings and Credit Cooperative Societies (SACCOs), credit-only microfinance institutions, trade institutions, and insurance companies. Further, CBK had approved a total of 242 specific third party agents for one CRB as at December 31, 2018.

Following challenges in the implementation of the CIS mechanism such as low uptake of credit scores by banks, weaknesses in quality of data, and negative public perception, CBK sought and obtained Technical Assistance (TA) from the World Bank Group to undertake a project towards CIS reform. The project, dubbed as the 'Kenya Credit Reporting Strengthening Project' is being implemented in a structured manner through an agreed work plan. The objectives of the work plan are, among others, to promote adoption of credit scoring, increase bureau usage, improve data quality, enhance supervisory capacity and raise the level of awareness and acceptance of credit reporting.

A Technical Working Group (TWG) comprising representatives from commercial banks, microfinance banks, Credit Information Sharing - Kenya (CIS-Kenya) and CBK was formed to implement the work plan. The TWG developed a roadmap for reform of the CIS initiative. In this regard, changes have been proposed to the Data Specification Template (DST)3 as an initial step towards addressing the challenges of data sharing. The proposed changes are geared towards addressing specific challenges in data completeness, timeliness, uniformity, and validation thereof. Further, the TWG has proposed modalities of adopting common data validation rules, to foster uniformity in the processing of data submissions by the three CRBs. The revised DST is under review and testing, prior to its release, and adoption by the credit market. The Project also seeks to harmonize credit scoring parameters across the bureaus, to simplify and harmonize users' understanding of, and interpretation of the credit scores from the CRBs.

3.21 Money Remittance Providers (MRPs)

MRPs are entities licensed by the Central Bank of Kenya to transact international money remittance business. They conduct both inbound and outbound remittances through partnerships with authorised international money remittance providers across the globe.

The operations of MRPs in Kenya are governed under the Money Remittance Regulations, 2013 which provides for the setting up of outlets and appointment of agents for money remittance business across the country to foster access to financial services. As at December 31, 2018, there were a total of eighteen (18) licensed MRPs as compared to nineteen (19) licensed MRPs in 2017. The licensed MRPs had a total of 42 outlets, out of which 35 are located in Nairobi, 4 in Mombasa and 3 in Garissa. In addition, the MRPs have engaged 43 agents that are distributed across the country as shown in Table 30.

Table 30: Distribution of MRPs agents

No.	City/Town	No. of agents	% of Total
1	Nairobi	15	34.9
2	Mombasa	1	2.3
3	Dadaab	5	11.6
4	Nakuru	2	4.7
5	Eldoret	2	4.7
6	Garissa	2	4.7
7	Kitale	1	2.3
8	Kajiado	1	2.3
9	Kakuma	1	2.3
10	Moyale	2	4.7
11	Mandera	2	4.7
12	Wajir	2	4.7
13	Isiolo	2	4.7
14	Malindi	1	2.3
15	Elwak	1	2.3
16	Kisumu	1	2.3
17	Malaba	1	2.3
18	Busia	1	2.3
	Total	43	100

Diaspora remittances continues to play a key role in the country's economy as a source of foreign exchange. Total remittances to the country processed through MRPs during the year 2018 amounted to Ksh.57,610 million having increased by 18 percent from Ksh 48,944 million in the year 2017 while the total remittances out of the country amounted to Ksh.63,916 million having decreased by 8 percent from Ksh.69,576 million in the year 2017.

3The DST provides the detailed framework for data sharing, prescribing the required standardized format of data submission by credit providers to CRBs

CHAPTER 4

DEVELOPMENTS IN SUPERVISORY FRAMEWORK

4.1 Introduction

CBK undertook a number of initiatives in 2018 aimed at improving the stability and resilience of the banking sector which include:

- In March 2018, CBK issued a Guidance Note on conducting Money Laundering/Terrorism Finance Risk Assessment to secure the integrity of the financial sector.
- In April 2018, CBK released the Guidance Note on implementation of International Financial Reporting Standard (IFRS) 9 on Financial Instruments. This followed the exposure of the draft Guidance Note to stakeholders for review and comment in December 2017. Banks as reporting entities are required to recognize not only incurred credit losses but also losses that are expected in future. Implementation of IFRS 9 is anticipated to increase banks' loan loss provisions as the standard requires the reporting entities to make provisions on actual and expected losses on performing and non-performing loans.
- In August 2018, CBK introduced a draft Kenya Banking sector charter aimed at strengthening consumer protection, improving transparency and enhancing competition in the banking sector. The objective of the charter is to facilitate a responsible and disciplined banking sector that is cognizant of and responsive to the needs of the banking public.
- CBK in partnership with Financial Sector Deepening Kenya undertook a mystery shopping survey on the banking sector to establish commercial banks' compliance with CBK consumer protection Prudential Guidelines.

4.2 Banking Act Amendments

The Banking Act was amended through the Finance Act.

- A new provision, Section 31A of the Banking Act was introduced to require banks and financial institutions to keep registers containing information of the next of kin of accountholders.
- Section 33(B) of the Banking Act was amended to remove interest rate floors on deposits. The interest rate on deposits is now determined on contractual basis.
- A new section 33C that requires CBK to develop regulations prescribing conditions on deposits and withdrawals. Legal interpretation on the matter has been sought from the High Court. CBK continues to engage parliament and the public on possible refinements of the law to prevent rolling back the substantial gains achieved in the fight against money laundering and terrorist financing.
- CBK launched a review of the Microfinance Act 2006 through a release of a consultative paper seeking stakeholder comments. The consultative paper drew wide responses from a wide range of stakeholders which were reviewed and incorporated in developing the draft Microfinance Bill 2018.

4.3 Host Country Assessments

In March 2018, as part of the implementation of Risk Based Supervision Framework on Consolidated Supervision, CBK in partnership with IMF's East AFRITAC developed a structured approach for the assessment of the quality of supervision undertaken by host countries where Kenyan banks have establishments. Assessment of the quality of host country supervision is required by the Basel Core Principle[4] (BCP) 12, on Consolidated Supervision.

Such assessments assist CBK to;

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

[4] *Basel Core Principles (BCP) are the de facto minimum standard for sound prudential regulation and supervision of banks and banking systems.*

- Evaluate host country's level of compliance with the East Africa Community (EAC) Central Banks convergence criteria on legal, regulatory and supervisory practices.

With the expanding regional footprint of Kenyan Banking Groups in the region and beyond, Bank Supervision Department (BSD) has carried out assessments on effective host country supervision frameworks. This is to ensure that all possible risks emanating from foreign operations of Kenyan Parent, are properly identified, managed and mitigated.

In the year 2018, BSD concluded assessments in seven (7) jurisdictions in EAC and beyond where Kenyan banks have established subsidiaries. The assessments concluded that legal framework, regulatory and supervisory practices in four (4) host countries were largely adequate and could be relied upon by CBK in the supervision of subsidiaries of Kenyan banking groups in those countries. Further, the assessment established that even though there were gaps in the legal and supervisory frameworks in two (2) host countries, considerable efforts were being done by the host country regulators, in order to improve their effectiveness in the supervision of the foreign subsidiaries. However, the assessment concluded that in one (1) host country, the legal and supervisory framework was inadequate. CBK will conduct enhanced surveillance of Kenyan banks subsidiaries in this host county.

In this regard, CBK will continue to monitor future review of the legal framework for banks by the host country and its implication on subsidiaries and branches of Kenyan banking groups. The monitoring process will culminate into determining whether the host country's legal framework is adequate to be relied upon by CBK in the supervision of subsidiaries and branches of Kenyan banking group in the host country.

CBK will continue to monitor future review of the legal framework for banks in the respective host countries, and their implications on subsidiaries of Kenya banking groups.

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

Several legislative and regulatory amendments have been made in an effort to enhance the country's Anti-Money Laundering and Combating the Financing of Terrorism (AML/CFT) legislative framework including:

- **Higher Risk Countries:** Section 84 of the Finance Act of 2018 made amendments to Section 45 of the Proceeds of Crime and Anti-Money Laundering Act (POCAMLA). Obligations to verify customer identity, require financial institutions to apply enhanced due diligence measures on business relationships and transactions with any natural and legal persons, legal arrangements or financial institutions originating from countries identified as posing a higher risk of money laundering, terrorism financing or proliferation as identified by the global standard setter on measures for combating money laundering and terrorism financing, the Financial Action Taskforce(FATF), or as designated by the Cabinet Secretary, the National Treasury.
- **Preventive Measures for Combating Terrorism Financing:** The Proceeds of Crime and Anti Money Laundering Regulations, 2013 were amended to allow preventive measures such as customer due diligence, record keeping to apply not only to anti-money laundering activities, but also to measures for combating terrorism financing, and to oblige financial institutions to have policies and procedures for non-face-to-face business relationships.

CBK has adopted a Risk Based Supervisory Framework for Anti-Money Laundering and Countering Financing of Terrorism (AML/CFT). This framework complements the pre-existing framework on prudential supervision and legal compliance with special attention directed to anti money laundering and combating financing of terrorism measures. Some of the measures under this initiative include:

- With assistance from the IMF, CBK has developed an AML/CFT supervisory tool that utilizes the risk based approach and considers the AML/CFT exposures for banks that fall under its purview. This includes the requirement for commercial banks to submit AML/CFT returns on a quarterly basis that provide a snapshot of the landscape in terms of AML/CFT risks.
- **Guidance Note on undertaking sectoral AML/CFT Risk Assessments:** In March 2018, CBK issued a Guidance Note to assist financial institutions to conduct sectoral money laundering/ terrorism finance risk assessments in compliance with the Central Bank of Kenya (CBK) Prudential Guidelines on Anti-Money Laundering and Combating the Financing of Terrorism (CBK/PG/08 clause 5.5) and Regulation 6 of the Proceeds of Crime and Anti-Money Laundering (POCAML) Regulations.
- **Enforcement of administrative sanctions and penalties arising from AML/CFT violations,** following the amendment to the Proceeds of Crime and Anti-Money Laundering Act, Kenya's primary anti-money laundering legislation. CBK, as one of the designated AML/CFT supervisors under the Act has been empowered to administer fines, penalties on institutions as well as individuals who have violated the Act. In June 2018, CBK fined five banks a total of Ksh.392 million arising from AML/CFT violations including failure to report large cash transactions and failing to undertake adequate customer due diligence.

4.5 International Financial Reporting Standards (IFRS)

4.5.1 International Financial Reporting Standards (IFRS) 9

In July 2014, the International Accounting Standards Board issued the final version of International Financial Reporting Standard (IFRS) 9, on Financial Instruments. The new standard which became effect from January 1, 2018 replaced the International Accounting Standard (IAS) 39 with regard to the recognition, measurement and disclosure requirements on financial instruments.

IAS 39 required reporting entities to take into account provisions for assets that were non-performing when preparing their periodic financial statements. However, IFRS 9 requires reporting entities to take into account provisions for all the assets (performing and non-performing assets). Therefore, IFRS 9 introduced an Expected Credit Loss (ECL) model that replaced the Incurred Credit Loss (ICL) model that focused on provisions based on actual losses incurred. The main objective of IFRS 9 is to provide users of financial statements with more credible information about an entity's risk management on expected credit losses on financial instruments.

The Central Bank of Kenya (CBK), Prudential Guideline on Publication of Financial Statements and Other Disclosures CBK/PG/10, requires banks to prepare their financial statements in accordance with IFRS. With regard to recognition and measurement of credit risk, CBK's Prudential Guideline, CBK/PG/04 on Risk Classification of Assets and Provisioning prescribes the criteria for classification of loans and advances and provisioning requirements, including the accounting treatment for provisions for loan losses. Under CBK/PG/04, if the provisions computed under IFRS are higher than provisions required under the Guideline, then such provisions are considered adequate for purposes of the Guideline. They are therefore treated as an expense in determining profit and loss for the period under consideration. Where provisions required under the Guideline exceed those required under IFRS, the excess is credited to the statutory loan loss reserve and is not charged to profit and loss account. This treatment is consistent with guidance from the Basel Committee on Banking Supervision.

All the institutions in Kenya were required to comply with IFRS 9 in the preparation of financial statements with effect from January 1, 2018 in line with the guideline issued by the Institute of the Certified Public Accountants of Kenya. In 2017, CBK engaged commercial banks' and microfinance banks' to ascertain their preparedness to comply with IFRS 9. The engagements revealed that implementation of IFRS 9 would result to instant significant increase in provisions thus leading to substantial capital erosion. As a result, CBK reviewed practices in other jurisdictions such as South Africa, Australia, Hong Kong and Singapore. The review revealed that regulatory authorities in some of these jurisdictions had issued guidance on the treatment of ECL provisions and on transition arrangements with regard to computation of regulatory capital.

Consequently, in December 2017, CBK released a draft Guidance Note to banking sector for comment on the implementation of IFRS 9 in the computation of regulatory capital. CBK then issued a Final Guidance Note on April 6, 2018, which clarified the following:-

i. For purposes of computing capital requirements during the 5-year transition period, institutions will add back IFRS 9 provisions relating to performing facilities/loans outstanding as at December 31, 2017 and those issued in 2018.
ii. All provisions under the Expected Credit Loss model for facilities/loans issued after 2018 shall not be added back for purposes of computing regulatory capital.
iii. Additional rows were included in the quarterly unaudited /audited annual Financial Statements and Other Disclosures template to enable institutions disclose their core and total capital ratios including adjusted ratios after the additional expected credit loss provisions had been added back.
iv. The monthly return on Capital Adequacy was amended to take into account the CBK Guidance Note on the implementation of IFRS 9.
v. A new monthly return – IFRS 9 Implementation Transition Return was developed to help in monitoring provisions over the next five-years relating to facilities/loans that were outstanding and performing as at December 31, 2017 and those issued in 2018 and performing.

2.8.1 International Financial Reporting Standard (IFRS) 16

The International Financial Reporting Standard (IFRS) 16 on Leases came into effect on January 1, 2019. It replaced the 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 they reported the leases as off balance sheet items. IFRS 16 requires 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 banks with material off balance sheet leases. Institutions will recognize as well as measure assets and liabilities for all leases in the same way.

In order to establish the preparedness, likely challenges and likely impact of IFRS 16 in the Kenyan banking sector, CBK undertook a survey in October 2018. The survey targeted all institutions licensed under the Banking Act and the Microfinance Act. In March 2019, the Central Bank of Kenya (CBK) released to Commercial Banks, Micro Finance Banks and Mortgage Finance Companies, a report on the survey on IFRS 16.

The survey findings indicated that Commercial Banks with a large portfolio of leases would need to invest in new Information Technology (IT) systems, develop additional controls and systems due to the transition to the new standard. Most commercial banks, which have extensive branch network, will be impacted by the implementation of IFRS 16 whereas a few Microfinance institutions will feel the same effect.

Adoption of IFRS 16 by Commercial Banks, Micro Finance Banks and Mortgage Finance Companies will result in increased risk weighted assets, because of increase in leased assets and a corresponding increase in financial liabilities. This may lead to reduction in capital adequacy ratios. As a result, banks with thin capital buffers need to inject additional capital to maintain the required capital adequacy ratios.

CBK will continue to monitor the impact of IFRS 16 on Capital Adequacy. CBK will also build capacity of its staff on implementation of IFRS 16 and encourage institutions to liaise with professional bodies such as Institute of Certified Public Accountants of Kenya (ICPAK), accounting and auditing firms, and training institutions for capacity building on the new standard.

CHAPTER 5

REGIONAL AND INTERNATIONAL DEVELOPMENTS AND INITIATIVES

5.1 Introduction

In 2018, CBK continued its participation in a broad range of regional and global initiatives focusing on areas within its supervisory mandate and strategic objectives. CBK participates in these initiatives either by virtue of its membership in regional/global forums or by invitation. The engagements enable CBK to keep up to date with the changes in the regional and international regulatory environment, broaden exposure to international developments, and provide capacity-enhancement opportunities.

Among the regional and international initiatives in which CBK participated in 2018 are the following:

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[9]. 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 whose work is overseen by the Governors. In 2018, the Bank Supervision Department participated in various MAC activities, including the following:

- A meeting of the MAC Banking Supervision and Financial Stability Sub-Committee (BSFSSC) held in Nairobi from March 7 - 9, 2018 which reviewed the progress on implementation of the convergence criteria of partner states bank supervisory frameworks.
- A meeting of the MAC Economic Affairs Sub Committee held in Kampala, Uganda from July 2 – 6, 2019. The meeting reviewed progress of implementation of the EAC Monetary Union Protocol as well as the operational structure for the proposed East African Monetary Institute (EAMI). It also considered the potential impact of the newly introduced financial reporting standard, International Financial Reporting Standard (IFRS) 9- Financial Instruments on the financial statements of Central Banks and financial stability across the region.
- The 22nd Ordinary Meeting of MAC which was held in Kampala, Uganda from August 20 - 24, 2018. The meeting reviewed the progress of implementation of the decisions of the 21st MAC meeting also held in Kampala the previous year. The meeting reviewed the progress of implementation of the convergence criteria on harmonisation 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 matters of common concern.
- The meeting of the MAC Working Group on Crisis Management which was held in Arusha, Tanzania from November 5 - 9, 2018. 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 and improved Prompt Corrective Actions (PCAs) mechanisms for banks within the East African Community region.
- A meeting of MAC's Macro Prudential Analysis and Stress Testing (MAST) Technical Working Group held in Arusha, Tanzania on November 12 – 16, 2018. The meeting reviewed progress on the compilation

[9]Kenya, Uganda, Tanzania, Rwanda, Burundi and South Sudan.

of the regional systemic risk indicators as well as the conduct of regional stress tests for member countries. It also discussed arrangements for the preparation of the regional risk assessment report for 2018.

East African Monetary Union (EAMU)

In 2018, CBK continued playing its part in regional efforts towards operationalizing the East African Monetary Union (EAMU) Protocol that was launched in January 2015. A progress review was conducted at the meeting of the MAC Economic Affairs Sub-Committee held in July 2018 in Kampala, Uganda.

Common Market for Eastern and Southern Africa

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

CBK participated in the 23rd Meeting of the COMESA Committee of Central Banks Governors held on March 29, 2018 in Djibouti. The Governors meeting was preceded by technical meetings of the Monetary and Exchange Rate Sub-committee and the Financial System Development and Stability Sub-committee.

During the meetings the following issues were noted:

1. Major developments in macroeconomic indicators in the COMESA – To this end, the Member States were urged to pursue appropriate macroeconomic policies as well as increase access to key public services, notably education, health and security. It was also deemed imperative for improvement of political and economic governance, and economic management to enhance productivity.
2. The Work Plan of the Monetary and Exchange Rate Policies Committee for 2017 – It was noted that most COMESA member states had set up Financial Stability Units and established Financial Stability Committees. The member countries also reported on improved compliance with the revised Basel Core Principles on Effective Banking Supervision.
3. Status of Implementation of Decisions of the 22nd Meeting of the COMESA Committee of Governors of Central Banks – Member states were encouraged to continue implementing the pending activities. Some of the key decisions were:-
    - The country that assumes the chairmanship (currently the Central Bank of Kenya) of a subcommittee in a given year to consolidate and analyse the financial soundness indicators of all member countries in collaboration with COMESA Monetary Institute.
    - Member countries to be encouraged to fulfil their commitments on the implementation of the COMESA Financial Stability Assessment Framework. In this regard, some member countries reported that they established Financial Stability Units, Financial Stability Committees, and were developing in country Action Plan for implementation of COMESA Financial Stability Assessment Framework.
    - CMI to work closely with the Secretariat of the Association of African Central Banks to have a realistic and harmonized macroeconomic convergence criteria for COMESA which is consistent with Convergence Criteria of AMCP.
4. Status report on the implementation of the Regional Payment and Settlement System (REPSS) – It was noted that nine (9) Central Banks had gone live on the REPSS. These are Democratic Republic of Congo, Egypt, Kenya, Malawi, Mauritius, Rwanda, Swaziland, Uganda and Zambia. Over the two year period until February 2017, the value of transactions processed through REPSS had reached nearly US$ 18.5 million and 9.1 million, with the Central Banks of Kenya, Uganda and Mauritius being the main originators of the payments made through 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 2018, the Bank Supervision Department being the host of the Secretariat to the National Taskforce on Anti Money Laundering and Combating the Financing of Terrorism (NTF), continued to coordinate Kenya's participation in ESAAMLG activities including the 33rd ESAAMLG Taskforce of Senior Officials Meeting held in Arusha, Tanzania from 2nd to 7th April 2018, the 36th ESAAMLG Taskforce of Senior Officials Meeting and the 18th Council of Ministers' Meeting both held in Seychelles from 3rd to 7th September 2018. Some of the outcomes of the meetings included the following:

- The approval of the de-risking report which highlighted a number of negativities de-risking brings into the financial system, undermining financial system resilience; hindering competition; creating obstacles to trade; causing financial exclusion; and promoting underground financial channels that could be misused by criminals or terrorists.
- A consideration to organize a risk-based supervision workshop.
- A consideration to organize the Public/Private Sector Dialogue (PPSD) at the next Council meeting.
- All member countries were directed to adequately prepare for assessments and to provide all necessary support and assistance to the ESAAMLG Secretariat and the Assessors to enable the second round mutual evaluations. Kenya is to be assessed in 2020 under the revised program.
- Review Group B that has membership comprising of experts from 8 countries including Kenya reviews and assists countries in the FATF International Cooperation Review Group (ICRG) monitoring process.
- A work programme of ESAAMLG Secretariat was developed for the financial year 2018/2019 to cover:
  - Strengthening and enhancing regional and international cooperation among member countries.
  - Enhancing ESAAMLG's cooperation and participation in AML/CFT regional and International initiatives.
  - 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.
  - 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.
  - 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.
  - Expansion of ESAAMLG membership and increase the visibility of ESAAMLG in the Region.

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

The Alliance for Financial Inclusion

The Alliance for Financial Inclusion (AFI) is a member based entity that was founded on the idea that a global knowledge exchange platform was paramount to expanding and improving financial policy. Over the years, AFI has continued to empower policymakers to increase access to quality financial services for the poorest populations. AFI has over 100 member countries, representing 90 countries, who are actively engaged in advancing financial inclusion policy at national, regional and international levels. CBK is a principal member of AFI and continues to engage in AFI activities through various platforms including working groups as well as other global initiatives.

a) The 10th AFI Global Policy Forum

AFI organizes the Global Policy Forum (GPF) annually, a platform for regulatory institutions to share experiences, knowledge and initiatives aimed at making an impact in bringing financial services to the unbanked. AFI held the 10th Annual GPF in Sochi, Russia from September 5-7, 2018 in conjunction with the Bank of Russia. It was the first to be held in the Eastern Europe and Central Asia region and was attended by nearly 600 AFI members and partners. The theme of the GPF was "Innovation, inclusion, and impact" and sought to reflect on the impact of a decade of financial inclusion policies, the challenges yet to be tackled and the promise of the innovative new technologies to scale up access. This was a special edition as both AFI and GPF commemorated their 10th anniversary. The GPF produced three key outcomes which include: the launch of the Eastern Europe and Central Asia Policy Initiative (ECAPI), the Sochi Accord on FinTech for Financial Inclusion, and Policy Frameworks for the issuance of Financial Inclusion Policy Models.

ECAPI was approved and launched by AFI member institutions from the Eastern Europe and Central Asia region to drive new Maya Declaration commitments from members, focusing on closing the persistent gender gap and building resilience against the impacts of climate change on financial inclusion.

For the Policy Frameworks for issuance of Financial Inclusion Policy Models, the AFI Membership Council approved two frameworks which are;

- The policy framework for innovative cross-border remittances which aims to address the cost and efficiency challenges of remittances in Africa through development or improvement of cross-border remittances policies and regulations.
- The policy framework for digital financial services interoperability in Africa to enhance in-country policy implementation that will expand interoperability among digital financial services providers and other financial services providers to enhance efficiencies, increase customer convenience and scale up both domestic and cross-border payments.

The Sochi Accord was unanimously endorsed by the AFI Membership Council as a commitment by AFI members to develop regulatory or policy interventions that balance innovation in the technology based financial services (Fintech) with oversight. The Sochi accord will encourage peer learning and progress on FinTech for financial inclusion, including the exchange of tested and transformative solutions to accelerate access and use of financial services. It will also usher in a new era of Maya Declaration commitments and quantified targets that will allow AFI members to harness the potential of FinTech in their countries, and ultimately, improve financial inclusion, strengthen market conduct and consumer protection.

The Sochi accord is based on four key pillars as follows;

Pillar i: Digital Identity and electronic Know Your Customer (eKYC) for identification and simplified account opening.

Pillar ii: Open electronic payment systems, infrastructure and an enabling regulatory and policy environment that facilitate the digital flow of funds from both traditional financial intermediaries and new market entrants.

Pillar iii: Account opening initiatives and electronic provision of government services, providing vital tools to access services and save.

Pillar iv: Design of digital financial market infrastructure and systems that, in turn, support value-added financial services and products and deepen access, usage and stability.

The next GPF will be hosted by the National Bank of Rwanda in Kigali, Rwanda in 2019.

b) The African Financial Inclusion Policy Initiative (AfPI)

AfPI is the primary platform for AFI's African members to support and develop financial inclusion policy and regulatory frameworks in Africa, and to coordinate regional peer learning efforts. It was originally known as African Mobile Phone Financial Services Policy Initiative (AMPI) which was launched in February 2013 in Zanzibar. In 2014, the scope of AMPI was broadened to move beyond Mobile Financial Services to include other financial inclusion policies. The leaders of AfPI held the 6th Annual Roundtable from May 10-11, 2018 in Conakry, Republic of Guinea. The event was co-hosted by Banque Centrale de la République de Guinée (BCRG) and AFI.

The event was host to more than 100 regulators and policy makers and sought to:

i. Address barriers for women-owned Micro Small and Medium Enterprises (MSMEs)/ Small and Medium Enterprises (SMEs) to access credit from formal financial institutions.

ii. Discuss issues on enhancing interoperability for Digital Financial Services (DFS) in Africa.

iii. Highlight key policy and regulatory approaches to facilitate effective consumer protection for digital credit in Africa.

In addition, during the Sochi GPF in September 2018, leaders of AfPI adopted the following policy frameworks;

- Policy Framework for Digital Financial Services for Interoperability in Africa.
- Policy Framework for Innovative Cross-Border Remittances in Africa.

These frameworks provide guiding principles that AfPI member institutions can follow in developing or improving their policies and regulations related to DFS interoperability as well as low value cross border remittances transmitted through digital channels.

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

CBK 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 Members of the FSB RCG for SSA held on December 11, 2018 in Johannesburg, South Africa. The meeting reviewed regional macroeconomic and financial market developments and their potential impact on economies within the region. The meeting also reviewed the progress of implementation of FSB's work in 2018 and proposed activities for the 2019 work plan. The forum resolved to continue monitoring FSB work streams on operationalising and evaluating the impact of post crisis reforms as well as addressing vulnerabilities in the regional financial system.

- The meeting further discussed cyber risks as a significant threat to the regional financial system and their implications for financial stability. Participants explored appropriate regulatory responses thereto, and considered the deployment of supervisory and regulatory technologies towards strengthening cybersecurity.

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

East AFRITAC is a Technical Assistance (TA) arm of the International Monetary Fund (IMF). The aim of East AFRITAC is to enhance financial sector capacity building in seven African countries (Eritrea, Ethiopia, Kenya, Malawi, Rwanda, Tanzania and Uganda). The Central Bank of Kenya (CBK) has benefited from East AFRITAC's Technical Assistance (TA) and capacity building in various areas aimed at developing stronger and effective banking sector regulatory and supervisory frameworks. The TA missions undertaken by East AFRITAC at CBK's Bank Supervision Department (BSD) and capacity building attended by BSD staff in 2018 are outlined below.

Technical Assistance Missions

a) Following the implementation of International Financial Reporting Standard (IFRS) 9 in January 2018, East AFRITAC consultants facilitated an in-house training on implementation of IFRS 9. The TA aimed at building capacity of BSD staff to equip them with the technical knowledge on implementing IFRS 9. The training was attended by 25 BSD officers.

b) East AFRITAC consultants facilitated an in-house training on effective risk based supervision of banks for 30 BSD officers in July 2018. The aim of the mission was to enhance the capacity of BSD staff to undertake effective risk based supervision of the institutions.

Capacity Building Workshops

a) Four BSD officers attended and participated at the IMF's East AFRITAC Regional Workshop on Risk Based Supervision and Internal Capital Adequacy Assessment Process (ICAAP) Reforms in April 2018 in Entebbe, Uganda.

b) Three BSD officers participated in a workshop on implementing the Basel Core Principles (BCPs) for Effective Bank Supervision and International Financial Reporting Standards (IFRS) for Central Banks in August 2018 in Arusha, Tanzania.

c) Two BSD officers participated in a workshop on Building Cyber Resilience and Supervisory Capacity in East Africa in November 2018 in Zanzibar.

CBK endeavors to match its capacity building needs with its strategic objectives to ensure these are well-aligned. Going forward, CBK and East AFRITAC have scheduled the following in-house training missions and workshops for 2019:

a) Training on developing Internal Liquidity Adequacy Assessment Program (ILAAP) framework of banking groups in Kenya. Effective liquidity management is critical for continued stability of individual banks and the banking sector at large. TA in this area will equip the supervisors with the necessary skills that will enable them assess the adequacy and quality of the banks liquidity management frameworks. The supervisors will also be able to provide necessary guidance to banks in putting in place effective ILAAP frameworks.

b) Enhancing Financial Stability/Macro Prudential Oversight – capacity-building on implementation of a systemic risk monitoring framework for the banking sector and appropriate macro prudential policy tools. Implementation of Macro prudential policy will safeguard the financial stability, strengthen the resilience of the financial sector as well as mitigate against systemic risks.

c) A regional seminar on Emerging Financial Technologies (Fintech): Balancing Innovation and Regulation" from March 18 – 20, 2019 in Pretoria, South Africa. The seminar has been organized jointly by East and South AFRITAC.

d) Strengthening Basel II/III Implementation – Integrating Basel II Pillar II, Risk-based Supervision

(RBS) and CAMELS[8] framework. This TA mission aims at enabling the supervisors match banks' capital to risk profiles, business strategy and their risk acceptance levels.

African Rural and Agricultural Credit Association

The African Rural and Agricultural Credit Association (AFRACA) is a one-stop heterogeneous network of over 110 members spread across the African continent all interested in promoting rural and agricultural finance in Africa. AFRACA's secretariat is based at the Kenya School of Monetary Studies, Nairobi. In the continued strive to provide diverse and innovative services to members, AFRACA held various trainings in 2018 which include;

- The 1st Edition of the AFRACA Special Training on Islamic Agricultural Finance held from April 17-20, 2018 in Khartoum, Sudan. The training was intended to provide the concept of Islamic agricultural finance as well as its practical applications and outcomes at both clients' retail lending and wholesale portfolio levels.
- The 11th Edition of AFRACA International Training of Trainers in Agricultural Value Chain Finance which was held from October 22-26, 2018 in Kampala, Uganda. The training was held alongside the "***Making Finance Work for African Agriculture: Masterclass & Conference 2018***". The aim of the training programme was to provide trainees with a general understanding and latest developments in agricultural value chain.
- The 2nd AFRACA Special Training Programme on Islamic Agricultural Finance which was held from December 3-6, 2018 in Zaria, Nigeria. Like the first edition, this training was aimed at providing participants with a platform to discuss the concept of Islamic agricultural finance both theoretically and practically. The training also discussed the designing and managing of Islamic microfinance portfolios in rural, agriculture and risk management.

CBK participates in these initiatives mainly through providing capacity within the training programs.

Bank Supervision Application

The Bank Supervision Application (BSA) is a web based software developed to support bank supervision operations. The BSA Project was initiated in 1997 driven by the Southern African Development Community (SADC) Central Banks Information Technology Forum, Kenya and Uganda. The software supports the automation of banking supervision functions to ensure safety and soundness of the banking sector. Currently, the BSA application is being used by 14 (fourteen) central banks and one regulatory authority. These are Banco de Cabo Verde, Banco de Moçambique, Bank of Namibia, Bank of Uganda, Bank of Zambia, Banque Centrale du Congo, Banque de la République du Burundi, Central Bank of Kenya, Central Bank of Lesotho, Central Bank of Eswatini, Reserve Bank of Malawi, Reserve Bank of Zimbabwe, National Bank of Ethiopia, Central Bank of the Republic of Madagascar and the Financial Services Regulatory Authority from Kingdom of Eswatini.

The Bank of Mozambique currently hosts the BSA Support Office (BSO), which is responsible for maintenance, upgrade and support for the users of the BSA software.

The initial version of BSA composed of 3 modules namely;

1. The **Bank Supervision System (BSS) Module,** which facilitates workflow management.
2. The **Institution Information Submission System (IISS) Module** which facilitates online compilation of returns by commercial banks and submission of the returns to the central bank.
3. The **Risk Analysis Automation System (RAAS) Module,** which enables automated financial analysis and processing of statistical returns from financial institutions. RAAS enables the storage of returns and generation of customized reports.

The BSA system has undergone three upgrades and is currently running on BSA Version 4.0. BSO and the

[8] *CAMELS, the Prudential rating framework used by CBK to rate banks. The acronym stands for C – Capital, A – Assets, M – Management, E – Earnings, L – Liquidity, S – Sensitivity to Market Risk*

participating Central Banks upgraded the BSA software from version 3.0 to version 4.0 in 2018. BSD officially launched the implementation of BSA V 4.0 in August 2018 and it was launched at Central Bank of Kenya (CBK) in September 2018.

The BSA V4.0 incorporated the following additional enhanced features;

- Enhanced data analysis, for better analysis of submitted financial information using ratios, cross tables, graphs and charts and the availability of visualization features such as customizable prudential indicators' dashboards.
- Workflows on correspondence functionality- Institutions will be are able to digitally submit correspondence to CBK just like returns are submitted through a portal currently.
- Submission of encrypted files to protect authorized access of the data submitted through the system.
- Customer Protection System (CPS) module. This feature enables commercial bank customers to lodge customer complaints online to the central bank. The module aims to improve the quality of services and products offered to bank customers as well. This will enhance consumer protection through online submission of complaints and tracking of the resolution status.

International Institute of Finance

The International Institute of Finance (IIF) is a global association established in 1983. IIF has close to 500 members drawn from more than 70 countries around the world. Member firms include a wide diversity of businesses including commercial and investment banks, asset managers, insurance companies, sovereign wealth funds, hedge funds, central banks, multilateral agencies and development banks. IIF provides support on global regulatory issues aimed at ensuring prudent risk management to foster global financial stability and sustainable economic growth. This is mainly achieved through holding consultations with global setting bodies such as Basel Committee for Banking Supervision and the International Accounting Standards Board. It also interacts with policy makers such as the World Bank, International Monetary Fund and G20 Forum.

CBK joined IIF in 2016 as an associate member. In 2018, CBK continued to access and utilize IIF's research and publications on topical economic and financial issues that are relevant to CBK's mandate.

In October 2018, CBK held a consultative meeting with IIF Manager for Middle East and Africa to discuss topical issues in Kenya's banking sector. Among the IIF's objectives are the facilitation of consultations and interaction among member organizations on topical issues towards the promotion of stability in the global financial system.

Financial Stability Institute (FSI) Connect e-Learning Tool

For continued learning and knowledge refreshment on regulatory matters, CBK maintained its subscription in 2018 to the Financial Stability Institute's (FSI) on-line learning tool, FSI Connect. FSI Connect offers on-line courses covering various areas of financial regulation. The courses provide users' awareness of both the theoretical and practical aspects of financial regulation, with a view to enhancing their technical capacity.

- **Utilisation of FSI Connect:** In 2018, 75 members of BSD's technical staff held user licences in FSI Connect and completed a wide range of tutorials covering various technical areas in financial services and regulation.
- **Pilot Programme of the FSI-IMF Supervisory and Regulatory Online Course (SROC) for Banking Supervisors:** 3 members of BSD's technical staff participated in this interactive on-line programme organised jointly between the FSI and IMF from August 2018 through January 2019. The programme sought to update participants on the technical aspects of various relevant supervisory topics.

Knowledge Exchanges

The Central Bank of Kenya continued to host delegations from Africa in 2018 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 2018 are as indicated in Table 31 below:

Table 31: Knowledge Exchanges

	Period	Institution(s)	Area(s) of Interest
1	January 2018	National Bank of Ethiopia	Agency and Mobile Banking
2	June 2018	Bank of Mozambique	Licensing, regulation and operationalization of fintech
3	July 2018	Bank of Mozambique	Deployment of Bank Supervision Application (BSA) version 4.0
4	August 2018	Reserve Bank of Zimbabwe	Licensing and regulation of credit reference bureaus
5	October 2018	Republic of Malawi's Ministry of Finance, Economic Planning and Development	Establishment, funding, operation, regulation and supervision of financial institutions
6	November 2018	Central banks of Uganda, Botswana and Mozambique	Role of Regulators in enforcing AML Compliance

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.

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, 2018. The banks comprise KCB Group Holdings Plc; Diamond Trust Bank Kenya Limited; Commercial Bank of Africa Limited; Guaranty Trust Bank Ltd; Equity Group Holdings Plc; I&M Bank Limited; African Banking Corporation Limited; NIC Bank Limited and the Co-operative Bank of Kenya Limited. The Kenyan bank's regional presence is as illustrated in **Table 32.**

Table 32: Branches of the Subsidiaries of Kenyan Banks in the Region

	Institution/Country	Uganda	Tanzania	Rwanda	Burundi	South Sudan	DRC	Total
1	KCB Group Holdings Plc	15	14	12	5	10	-	56
2	Diamond Trust Bank	38	28	-	4	-	-	70
3	Commercial Bank of Africa	2	6	3	-			11
4	Guaranty Trust Bank	8	-	14		-	-	22
5	Equity Group Holdings Plc	35	15	13	-	5	42	110
6	I&M Bank	-	8	14	-			22
7	ABC Bank	4	-	-		-	-	4
8	NIC Bank	3	5	-	-	-	-	8
9	The Co-operative Bank of Kenya Ltd	-	-	-	-	4		4
	TOTAL	104	76	56	9	19	42	307

Source: CBK

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 10 branches from 11 in 2017. Further, it closed 1 branch in Tanzania and 2 in Rwanda. Commercial Bank of Africa (CBA) made an entry to the Rwandan market through a 100 percent acquisition of Crane Bank Rwanda Ltd in November 2017. Crane Bank Rwanda Limited was a subsidiary of Crane Bank Limited in Uganda which was taken over by Bank of Uganda after it was determined to be significantly undercapitalised in the year 2016.

CBA subsequently inherited Crane Bank's existing two branches. Further, CBA closed five branches in Tanzania as part of its branch rationalisation and cost management initiative. Equity Group Plc scaled up its operations in Uganda and DRC by opening additional branches which increased from 32 and 39 branches in 2017 to 35 and 42 branches by end of 2018. NIC Bank expanded its presence in Uganda by opening 1 additional branch in Kampala.

In addition to having presence within the EAC Partner States, some of the Kenyan banks such as I&M Bank Limited, Prime Bank Limited and Equity Group Holdings Plc have expanded beyond the EAC boundaries. I&M Bank Limited has 50 percent shareholding in Bank One Limited in Mauritius, Prime Bank Limited has 11.24 percent shareholding of First Merchant Bank Limited in Malawi and 11.45 percent shareholding of Capital Bank of Botswana. On the other hand, Equity Group Holdings Plc acquired 79 percent ownership of Pro-Credit Bank in the Democratic Republic of Congo (DRC).

Performance Highlights

Branches

The total number of branches in operation as at December 31, 2018 remained the same as at end of 2017 and stood at 305 branches. However, there were changes in the regional presence of four banks in 2017/2018 financial year. These banks include:

- KCB Group Plc – closed a total of four branches; 1 in Uganda, 2 in Rwanda and 1 in South Sudan.
- Commercial Bank of Africa – closed 5 branches in Tanzania as part of its cost management initiatives. However, it expanded its presence in Rwanda by acquiring two of the existing Crane Bank branches after the acquisition of Crane Bank in November 2017.
- Guaranty Trust Bank Kenya – closed one branch in Rwanda.
- Equity Group Holdings Plc – expanded its presence in Uganda but closed 3 branches in DRC.
- NIC Bank opened an additional branch in Uganda.

In terms of country presence, Uganda had the highest number of subsidiary branches in the region, at 104 compared to 102 in December 2017, followed by Tanzania at 70 and Rwanda at 56. Equity Group Holdings had the highest number of branches as at December 2018 (110 compared to 104 in December 2017) followed by Diamond Trust Bank and KCB Group at 70 and 56 respectively.

Number of employees

The subsidiaries had a total of 6,301 employees, a 3.2 percent increase, compared to 6,106 the previous year. The increase was attributed to the additional branches in Uganda and Rwanda in 2018. Uganda had the highest number of subsidiaries' bank employees at 2,073 compared to 1,879 in 2017. This accounted for 33 percent of the total number of employees as Uganda has the largest proportion of subsidiaries' branches in the region.

Total assets

Total assets of subsidiaries stood at Ksh.579.9 billion as at December 31, 2018 compared to Ksh.576 billion as at December 31, 2017. Significant contributors to the Ksh.579.9 billion were: Pro-Credit Bank DR Congo (Ksh.55.8 billion), Diamond Trust Bank Tanzania and Uganda (Ksh.56.1 billion and Ksh.44 billion respectively), I&M Bank Rwanda Ltd (Ksh.33.3 billion), Equity Bank Uganda Limited (Ksh.32 billion) and Equity Bank Rwanda Limited (Ksh.25.6 billion)

Individual performance per region is as illustrated in **Table 33** below:

Table 33: Assets of Subsidiaries

Country presence	Total Assets (Ksh.'000)	% of Total Assets
Tanzania	154,078,306	26.57
Mauritius	119,599,043	20.62
Uganda	115,586,830	19.93
Rwanda	96,004,046	16.55
Democratic Republic of Congo	56,787,807	9.79
South Sudan	27,548,651	4.75
Burundi	10,309,762	1.78
Total	579,875,324	100

Source: CBK

Gross loans

Gross loans of subsidiaries stood at Ksh.305.7 billion as at December 31, 2018, a 6.7 percent increase, compared to Ksh.286.6 billion as at December 31, 2017. The Ksh.19.1 billion increase was as a result of increased lending in the following major subsidiaries: Bank One Mauritius (Ksh.4.86 billion), Equity Bank Uganda Limited (Ksh.4.72 billion), Equity Bank Rwanda Limited (Ksh.3.90 billion), Pro-Credit Bank DR Congo (Ksh.3.14 billion) and I&M Bank Rwanda Limited (Ksh.2.01 billion).

Subsidiaries operating in Tanzania had the highest gross loan amounts at Ksh.95.74 billion and accounted for 31.32 percent of the total loans.

Subsidiaries operating in Rwanda accounted for 17.94 percent of the total loans while Uganda followed closely at 16.45 percent.

Mauritius recorded gross loans of Ksh.73.24 billion which accounted for 23.96 percent of the total loans.

Deposits

Gross deposits stood at Ksh.442.4 billion compared to Ksh.402.1 billion in the previous year. The Ksh.40 billion increase was as a result of increased mobilization of deposits especially in the following subsidiaries: Bank One Mauritius (Ksh.12.12 billion), Pro Credit Congo (Ksh.11.49 billion), KCB Rwanda (Ksh.5.71 billion), KCB Tanzania (Ksh.4.09 billion), Diamond Trust Bank Tanzania (Ksh.3.86 billion) and Equity Bank Uganda Limited (Ksh.3.31 billion). The regional spread is as follows:

- Subsidiaries operating in Tanzania had the highest deposit concentration at Ksh.116.65 billion and accounted for 26.37 percent of the total deposits.
- Subsidiaries operating in Uganda accounted for 18.69 percent of the total deposits.
- Subsidiaries operating in Rwanda accounted for 15.88 percent of the total deposits.

Profitability

The regional subsidiaries registered a 31.52 percent increase in total profit before tax which stood at Ksh.11.37 billion as at December 31, 2018 compared to Ksh.8.79 billion in December 31, 2017. The improvement in profitability was specifically from subsidiaries in the Democratic Republic of Congo, Tanzania, Burundi and Mauritius.

Uganda topped the list of loss-making subsidiaries thus recording the lowest increase in profits. NIC Bank, Guaranty Trust Bank and ABC Bank in Uganda recorded a combined loss of Ksh.330.67 million. Profitability of the subsidiaries in South Sudan significantly improved in 2018. This was attributed to the collaborative peace initiatives and improvement in the macro-economic environment that has seen political risks in South Sudan decline.

Generally, profitability performance was as follows:

- Rwanda contributed the best earnings capacity despite having fewer subsidiaries compared to Uganda and Tanzania. Its subsidiaries accounted for Ksh.2.79 billion in profits, which was 24.[illegible] percent of the total profits.
- Subsidiaries operating in Tanzania accounted for 17.93 percent of the total profits while subsidiaries in Uganda accounted for 16.71 percent of the total profits.
- Six subsidiaries registered a combined loss of Ksh.1.61 billion. Out of the six loss-making subsidiaries, three were operating in Uganda, two in Tanzania and one in Rwanda. The performance of Uganda subsidiaries was attributed to low business due to increased competition in a market dominated by established local players. CBA Rwanda, the only loss making subsidiary in Rwanda, reported a loss of Ksh.291.42 million compared to Ksh.47 million reported in previous year. The loss-making subsidiary, Crane Bank acquired in November 2017, is yet to break even. Similarly, CBA's subsidiary in Tanzania had a loss of Ksh.805.23 million. NIC Bank Tanzania recorded a loss of Ksh.178.49 million compared to Ksh.155.53 million loss reported in 2017.

Appendix I

BANKING SECTOR BALANCE SHEET - DECEMBER 2018

Ksh. Millions

		Dec-17				Dec-18			
A	ASSETS	BANKS	[illegible]	GRAND TOTAL	% OF TOTAL	BANKS	[illegible]	GRAND TOTAL	% OF TOTAL
1	Cash (both Local & Foreign)	63,525	447	63,973	1.6	60,[illegible]	367	58,635	1.6
2	Balances due from Central Bank of Kenya	165,270	2,833	168,103	4.2	2[illegible]	2,[illegible]	247,[illegible]	[illegible]
3	Kenya Government and other securities held for dealing purposes	46,461	-	46,461	1.2	66,321		66,321	1.2
4	Financial Assets at fair value through profit and loss	1,221	-	1,221	0.0	15,204	-	15,204	0.3
5	Investment Securities:	-	-	-	0.0	-			0.0
	a) Held to Maturity:	-	-		0.0	-			0.0
	a. Kenya Government securities	419,944	746	420,690	10.5	468,276	516	468,892	10.6
	b. Other securities	10,714	-	10,714	0.3	10,946		10,946	0.2
	b) Available for sale			-	0.0	-	-		0.0
	a. Kenya Government securities	529,721	1,541	531,262	13.3	[illegible]	2,[illegible]	[illegible]	[illegible]
	b. Other securities	24,101	-	24,101	0.6	37,983	-	37,983	0.9
6	Deposits and balances due from local banking institutions	61,224	1,531	62,755	1.6	56,803	1,606	58,409	1.3
7	Deposits and balances due from banking institutions abroad	104,627	770	103,398	2.5	140,940	3[illegible]	141,[illegible]	3.2
8	Tax recoverable	7,4[illegible]	196	7,6[illegible]	0.2	3,233	155	3,418	0.1
9	Loans and advances to customers (net)	1,963,971	49,040	2,013,010	50.3	2,273,456	44,615	2,318,071	52.6
10	Balances due from banking institutions in the group	301,413		301,413	7.5	89,[illegible]	-	89,360	2.0
11	Investments in associates	5,054		5,054	0.1	5,014	-	5,014	0.1
12	Investments in subsidiary companies	24,177	-	24,177	0.6	25,519	-	25,519	0.6
13	Investments in joint ventures	-	256	256	0.0		237	237	0.0
14	Investment properties	1,747	-	1,747	0.0	1,312		1,312	0.0
15	Property and equipment	56,290	1,514	57,804	1.4	54,[illegible]	1,340	55,[illegible]	1.3
16	Prepaid lease rentals	1,057	38	1,095	0.0	1,0[illegible]	34	1,067	0.0
17	Intangible assets	26,249	1,072	27,321	0.7	27,293	1,0[illegible]	28,[illegible]	[illegible]
18	Deferred tax asset	33,170	516	33,686	0.8	46,969	5[illegible]	47,[illegible]	1.1
19	Retirement benefit asset	1,018	-	1,018	0.0	635		635	0.0
20	Other assets	91,[illegible]	757	92,092	2.3	105,[illegible]	77[illegible]	106,[illegible]	2.2
21	TOTAL ASSETS	3,940,[illegible]	62,1[illegible]	4,002,741	100.0	4,351,513	57,083	4,408,[illegible]	100.0
B	LIABILITIES								
22	Balances due to Central Bank of Kenya	18,162		18,162	0.5	10,622	-	[illegible]	0.5
23	Customer deposits	2,963,[illegible]	36,[illegible]	2,999,993	85.3	3,221,618	34,[illegible]	3,25[illegible]	87.[illegible]
24	Deposits and balances due to local banking institutions	57,[illegible]	4[illegible]	57,720	1.7	47,339	278	47,617	1.3
25	Deposits and balances due to foreign banking institutions	65,062	-	[illegible]	2.0	50,[illegible]	-	50,562	1.4
26	Other money market deposits				0.0	150	-	16[illegible]	0.0
27	Borrowed funds	164,[illegible]	14,560	180,2[illegible]	5.0	148,361	11,[illegible]	159,[illegible]	4.[illegible]
28	Balances due to banking institutions in the group	6[illegible]	-	68,853	2.0	97,490		97,[illegible]	2.6
29	Tax payable	334	-	[illegible]	0.0	1,[illegible]		1,911	0.1
30	Dividends payable	27	-	27	0.0	27		27	0.0
31	Deferred tax liability	106	-	106	0.0	9[illegible]	-	950	0.0
32	Retirement benefit liability	292		292	0.0	327	-	327	0.0
33	Other liabilities	75,0[illegible]	508	75,612	2.3	92,108	902	93,0[illegible]	2.5
34	TOTAL LIABILITIES	3,306,[illegible]	52,[illegible]	3,358,583	100.0	3,683,333	47,[illegible]	3,730,[illegible]	100.0
C	SHAREHOLDERS' FUNDS								
35	Paid up /Assigned capital	194,537	5,000	199,537	3[illegible]	196,421	5,000	201,421	30
36	Share premium/(discount)	74,778	3,514	78,292	12	87,[illegible]	3,[illegible]	[illegible]	13
37	Revaluation reserves	9,658	180	9,838	2	12,4[illegible]	190	12,6[illegible]	2
38	Retained earnings/Accumulated losses	30[illegible]	[illegible]	30[illegible]	47	329,176	(1,4[illegible])	327,[illegible]	48
39	Statutory loan loss reserve	26,407	[illegible]	27,0[illegible]	4	10,857	1,886	12,773	2
40	Other Reserves	(450)	(22)	(962)	0	856	(25)	841	0
41	Proposed dividends	23,634		23,634	4	[illegible]	-	20,535	4
42	Capital grants	2,360	51	2,420	0	2,390	51	2,44[illegible]	0
43	TOTAL SHAREHOLDERS' FUNDS	634,235	9,963	644,198	100.0	6[illegible]	9,1[illegible]	[illegible]	100.0
44	Minority Interest								
45	TOTAL LIABILITIES AND SHAREHOLDERS' FUNDS	3,940,[illegible]	62,127	4,002,741		4,351,516	57,083	4,408,[illegible]	

Source: Commercial Banks Published Financial Statements (December 2018)

Appendix II

Appendix II

BANKING SECTOR INCOME STATEMENT

	Ksh. Millions	Dec-17 Local	Dec-17 Foreign	Dec-17 Sector Total	Dec-17 % of Total	Dec-18 Local	Dec-18 Foreign	Dec-18 Sector Total	Dec-18 % of Total
1	INTEREST INCOME								
1.1	Loans and advances	257,980	6,715	264,694	74.0	260,707	2,692	[illegible]	71.2
1.2	Government securities	102,474	304	[illegible]	26.7	118,631	259	118,890	31.7
1.3	Deposits and placements with banking institutions	4,716	105	4,821	1.3	5,296	45	5,341	1.4
1.4	Other Interest Income	1,443		1,443	0.4	[illegible]	-	1,337	0.4
1.5	Total Interest Income	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
2.0	INTEREST EXPENSES								
2.1	Customer deposits	104,109	2,323	106,432	[illegible]	114,829	2,173	116,982	32.4
2.2	Deposits and placements from banking institutions	8,345	111	[illegible]	2.5	[illegible]	227	8,770	2.4
2.3	Other interest expenses	11,702	1,640	13,342	3.8	11,232	[illegible]	12,544	3.5
2.4	Total Interest expenses	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
3.0	NET INTEREST INCOME/(LOSS)	[illegible]	[illegible]	[illegible]		[illegible]	[illegible]	[illegible]	
4.0	NON-INTEREST INCOME								
4.1	Fees and commissions on loans and advances	26,020	31	26,051	7.3	25,261	63	25,324	6.8
4.2	Other fees and commissions	44,476	95	44,571	12.5	47,900	112	48,012	13.0
4.3	Foreign exchange trading income/(Loss)	27,547	80	27,627	7.7	26,104	38	26,142	7.1
4.4	Dividend Income	304	-	304	0.1	1,022		1,022	0.3
4.5	Other income	13,931	85	14,016	3.9	[illegible]	85	16,022	5.0
4.6	Total Non-interest Income	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
5.0	TOTAL OPERATING INCOME	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
6.0	OTHER OPERATING EXPENSES								
6.1	Loan loss provision	41,285	576	41,861	11.0	30,240	278	30,518	8.3
6.2	Staff costs	86,807	804	87,521	24.0	[illegible]	930	88,575	24.5
6.3	Directors' emoluments	2,770	7	2,775	0.8	[illegible]	8	2,415	0.7
6.4	Rental charges	11,111	110	11,221	3.2	11,392	105	[illegible]	3.2
6.5	Depreciation charge on property and equipment	[illegible]	158	12,046	3.4	11,235	106	[illegible]	3.2
6.6	Amortisation charges	5,813	192	6,005	1.7	6,247	200	6,447	1.8
6.7	Other operating expenses	62,117	1,052	[illegible]	17.9	70,096	1,338	71,434	19.8
6.8	Total Other Operating Expenses	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
	Profit before provisions	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
7.0	Profit/(Loss) Before Tax & Exceptional Items	[illegible]	[illegible]	[illegible]		[illegible]	[illegible]	[illegible]	
8.0	Exceptional Items	464	20	484		888	(14)	874	
9.0	Profit/(Loss) After Exceptional Items	132,305	371	[illegible]		150,109	(380)	151,726	
10.0	Current Tax	41,931	278	42,209		[illegible]	13	46,080	
11.0	Deferred Tax	(5,533)	(85)	(5,633)		(3,904)	[illegible]	[illegible]	
12.0	Profit/(Loss) After Tax and Exceptional Items	95,975	181	96,157		105,719	(429)	105,290	
13.0	Minority Interest								
14.0	Profit/(loss) after tax, exceptional items and Minority Interest	95,976	181	96,157		105,719	(429)	105,290	
15.0	Other Comprehensive Income								
15.1	Gains/(Losses) from translating the financial statements of foreign operations	323		323		(310)	-	(310)	
15.2	Fair value changes in available for sale financial assets	5,097	40	5,137		6,068	60	6,128	
15.3	Revaluation surplus on Property, plant and equipment	559	159	[illegible]		326		326	
15.4	Share of other comprehensive income of associates	-		-		-	-	-	
15.5	Income tax relating to components of other comprehensive income	(1,407)	(21)	(1,428)		(1,763)	(15)	(1,778)	
16.0	Other Comprehensive Income for the year net of tax	[illegible]	[illegible]	[illegible]		[illegible]	[illegible]	[illegible]	
17.0	Total comprehensive income for the year	[illegible]	[illegible]	[illegible]		[illegible]	[illegible]	[illegible]	

Source: Commercial Banks Published Financial Statements (December 2018)

Appendix III

[illegible]

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]							
(a) Gross Non-performing loans and advances	256,705	9,212	201,017	303,760	13,034	306,702	15.09
(b) Less Interest in Suspense	42,465	1,261	43,726	31,946	2,032	54,447	21.02
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
(d) Less Loan Loss Provision	20,464	1,772	101,133	[illegible]	7,098	116,907	14.24
(e) Net Non-Performing Loans and Advances (c-d)	114,775	5,222	119,940	131,301	3,725	146,026	22.50
(f) Discounted Value of Securities	109,055	5,222	110,278	125,252	8,735	133,987	21.50
(g) Net NPLs Exposure (e-f)	5,720		5,420	13,379	0	12,673	34.50
[illegible]							
(a) Directors, Shareholders and Associates	20,803	505	25,540	34,109	1,049	31,025	17.82
(b) Employees	58,364	1,020	69,253	70,217	309	71,085	2.15
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]							
(a) Letters of credit, guarantees, acceptances	406,329	280	413,609	513,906	185	514,130	23.41
(b) Forwards, swaps and options	357,126	1,445	358,571	416,029	972	417,001	16.58
(c) Other contingent liabilities	32,367		32,367	21,365	-	21,365	-35.97
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]							
Core capital	540,384	8,294	548,382	573,464	6,926	582,390	5.16
Minimum Statutory Capital	1,000	1,000	1,000	1,000	1,000	1,000	
Excess/(Deficiency) (a-b)	539,384	7,298	546,582	572,464	5,926	581,390	5.37
Supplementary Capital	74,540	[illegible]	76,659	107,025	695	103,510	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Core Capital/Total deposits Liabilities (%)	18.90	22.50	18.80	17.85	19.96	17.87	
Minimum statutory Ratio (%)	8.00	8.00	8.00	8.00	8.00	8.00	
Excess/(Deficiency) (g-h) (%)	10.90	14.50	10.80	9.85	11.96	9.87	
Core Capital / total risk weighted assets (%)	16.50	15.50	16.50	16.61	4.15	16.58	
Minimum Statutory Ratio (%)	10.50	10.50	10.50	10.50	10.50	10.50	
Excess (Deficiency) (j-k) (%)	6.00	5.00	6.00	6.11	3.61	6.08	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	
Minimum statutory Ratio (%)	14.50	14.50	14.50	14.50	14.50	14.50	
Excess/(Deficiency) (m-n) (%)	4.50	2.50	4.50	5.08	1.05	5.07	
[illegible]							
(a) Liquidity Ratio (%)	44.00	39.00	45.70	48.91	18.40	48.60	
(b) Minimum Statutory Ratio (%)	20.00	20.00	20.00	20.00	20.00	20.00	
(c) Excess (Deficiency) (a-b) (%)	24.00	1.00	25.70	28.91	1.55	28.60	
Performance Indicators							
Yield on Earning Assets (%)	11.30	12.90	11.30	10.19	11.05	10.20	
Cost of Funding Earning Assets (%)	3.90	7.90	3.80	3.56	6.60	3.60	
Interest Margin on Earning Assets (%)	7.40	5.00	7.40	6.63	4.45	6.60	
Yield on Advances (%)	11.90	13.20	11.70	10.69	11.50	10.71	
Cost of Deposits (%)	4.30	11.00	4.40	4.03	10.19	4.12	
Return on Assets (ROA) (%)	2.70	0.60	2.60	2.80	-0.83	2.76	
Return on Equity (ROE) (%)	20.80	3.05	20.60	23.85	-4.31	23.51	
Overheads to Earnings (%)	45.90	90.40	46.00	44.25	49.33	45.15	
Gross NPLs/Gross Loans (%)	10.07	15.20	10.95	12.44	21.59	12.73	
[illegible]							
Capital Adequacy	2	1	2	1	2	1	
Asset Quality	2	4	2	2	4	2	
Earnings	1	3	1	2	5	2	
Liquidity	1.75	2.75	1.75	1	4	1	
Composite Score	2	2	2	2	4	2	

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Rating	Management Total Weighted Score	Earnings Net Profits/Total Assets (%)	Liquidity Net Liquid Assets/Total (%)	Management 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 2018)

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Appendix IV

BANKING SECTOR MARKET SHARE - DECEMBER 2018

		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		[illegible]		0.0[illegible]	
	Large Peer Group >5											
1	KCB Bank Kenya Ltd	14.40	6[illegible],724	14.1	4[illegible],514	14.5	[illegible]	14.4	7.17	12.97	2.[illegible]6	20.[illegible]
2	Equity Bank Kenya Ltd	9.73	435,306	9.9	341,782	10.2	50,587	8.9	10.92	19.76	0.028	9.3
3	The Co-operative Bank of Kenya Ltd	9.[illegible]	405,304	9.0	304,290	9.1	[illegible]	10.1	[illegible]	[illegible]	[illegible]	[illegible]
4	Barclays Bank of Kenya Ltd	6.68	325,353	7.4	213,033	6.3	43,308	6.4	1.63	2.50	0.207	5.5
5	Standard Chartered Bank Kenya Ltd	6.60	281,510	6.[illegible]	220,784	6.6	47,712	7.0	0.55	1.00	0.009	0.2
6	Diamond Trust Bank Kenya Limited	6.55	284,[illegible]	6.5	224,440	6.7	45,[illegible]	6.7	0.19	0.34	0.051	0.7
7	Stanbic Bank Kenya Ltd	5.88	282,903	6.4	212,252	6.3	34,891	5.1	0.19	0.34	0.008	0.5
8	Commercial Bank of Africa Limited	5.06	2[illegible],017	5.3	1[illegible]	5.6	[illegible]	5.0	[illegible]	47.41	[illegible]	41.[illegible]
9	I&M Bank Ltd	5.32	229,131	5.2	177,250	5.3	38,330	5.7	0.15	0.27	0.013	0.2
	Sub-Total	70.38%	3,1[illegible]	71.37%	2,367,[illegible]	70.30%	4[illegible]	69.26%	30.07	94.30%	6.01	94.73%
	Medium Peer Group (1-5)											
10	NIC Bank PLC	4.41	193,033	4.4	143,220	4.3	31,117	4.6	0.14	0.26	0.056	0.8
11	Bank of Baroda (Kenya) Limited	3.[illegible]	[illegible]	2.8	10[illegible]	3.0	20,415	3.0	0.05	0.09	0.003	0.0
12	Prime Bank Ltd	2.35	98,584	2.2	71,457	2.1	23,039	3.4	0.03	0.06	0.004	0.1
13	National Bank of Kenya Ltd	2.29	115,140	2.6	105,29[illegible]	3.1	6,[illegible]	1.0	[illegible]	[illegible]	0.047	0.7
14	Citibank N.A. Kenya	2.15	85,620	1.9	57,751	1.7	19,410	2.9	0.00	0.00	0.001	0.0
15	Bank of India	1.63	62,689	1.4	49,206	1.5	13,[illegible]	1.9	[illegible]	[illegible]	[illegible]	0.0
16	Family Bank Ltd	1.56	66,[illegible]	1.5	48,806	1.5	11,496	1.7	2.22	4.02	0.101	1.4
17	SBM Bank Kenya Ltd	1.37	70,648	1.6	51,044	1.5	6,932	1.0	0.02	[illegible]	0.006	0.1
18	HFC Ltd	1.2[illegible]	57,063	1.3	35,445	1.1	9,165	1.4	[illegible]	0.34	0.037	0.4
19	Prosbank Kenya Ltd	1.13	5[illegible]	1.2	47,138	1.4	6,008	0.9	0.05	0.2[illegible]	0.007	0.1
	Sub Total	2[illegible]%	[illegible]	2[illegible]%	[illegible]	2[illegible]%	[illegible]	21.[illegible]%	[illegible]	[illegible]%	0.[illegible]	[illegible]%
	Small Peer Group <1											
20	Bank of Africa (K) Ltd	0.99	49,051	1.1	30,151	0.9	6,[illegible]	1.0	[illegible]	[illegible]	0.004	[illegible]
21	Victoria Commercial Bank Limited	0.7[illegible]	32,357	0.7	24,350	0.7	5,063	0.9	0.00	0.01	0.001	0.0
22	Gulf African Bank Ltd	0.73	33,330	0.8	26,659	0.8	4,[illegible]	0.7	0.00	0.0[illegible]	0.00[illegible]	[illegible]
23	Guaranty Trust Bank Ltd	0.7[illegible]	25,373	0.6	16,750	0.5	8,45[illegible]	1.2	0.02	0.03	0.001	0.0
24	African Banking Corporation Ltd	0.59	27,213	0.6	21,97[illegible]	0.7	3,527	0.5	0.04	0.07	0.001	0.0
25	Sidian Bank Ltd	0.5[illegible]	25,309	0.6	20,525	0.6	4,0[illegible]	0.6	0.24	0.44	0.0[illegible]5	0.[illegible]
26	Habib Bank AG Zurich	0.47	21,521	0.5	16,330	0.5	3,085	0.4	0.01	0.01	0.000	0.0
27	Credit Bank Ltd	0.4[illegible]	17,005	0.4	14,392	0.4	2,9[illegible]	0.4	0.00	0.06	0.002	0.0
28	Guardian Bank Limited	0.3[illegible]	16,126	0.4	13,356	0.4	2,537	0.4	0.01	0.02	0.001	0.0
29	First Community Bank Ltd	0.32	17,830	0.4	15,341	0.5	1,271	0.2	0.11	0.20	0.009	0.1
30	UBA Kenya Bank Ltd	0.3[illegible]	15,3[illegible]	0.3	12,55[illegible]	0.4	2,174	0.3	0.00	0.01	0.000	0.0
31	Development Bank of Kenya Ltd	0.32	15,323	0.3	6,832	0.2	2,871	0.4	0.00	0.00	0.001	0.0
32	M Oriental Commercial Bank Ltd	0.30	10,5[illegible]	0.2	7,406	0.2	3,065	0.5	0.00	0.00	0.001	0.0
33	Transnational Bank Limited	0.25	10,236	0.2	8,053	0.2	1,025	0.3	0.10	0.18	0.015	0.2
34	Consolidated Bank of Kenya Limited	0.23	12,937	0.3	8,824	0.3	925	0.1	0.0[illegible]	0.09	0.00[illegible]	0.1
35	Paramount Bank Ltd	0.24	9,667	0.2	8,126	0.2	1,6[illegible]	0.2	0.0[illegible]	0.01	0.003	0.0
36	Jamii Bora Bank Ltd	0.20	10,005	0.2	4,757	0.1	1,759	0.3	0.14	0.25	0.027	0.[illegible]
37	Mayfair Bank Ltd	0.1[illegible]	[illegible]	0.2	[illegible]	0.2	1,0[illegible]	0.2	0.0[illegible]	0.0[illegible]	0.000	0.0
38	DIB Bank Kenya Ltd	0.17	5,251	0.1	3,108	0.1	1,045	0.2	0.00	0.01	0.000	0.0
39	Middle East Bank (K) Ltd	0.14	7,361	0.1	4,147	0.1	1,138	0.2	0.00	0.00	0.000	0.0
40	Spire Bank Limited	0.0[illegible]	[illegible]	0.2	[illegible]	0.[illegible]	(2,090)	-0.[illegible]	0.02	0.04	0.000	0.1
41	Charterhouse Bank Ltd**											
42	Imperial Bank Ltd**											
43	Chase Bank (K) Ltd**											
	Sub-Total	8.50%	376,077.65	8.55%	277,1[illegible]	8.25%	60,457.65	8.91%	0.99[illegible]	1.79%	0.1[illegible]	1.70%
	Sub-Total	100.00%	4,[illegible]	100.00%	[illegible]	100.00%	[illegible]	100.00%	[illegible]	100.00%	[illegible]	100.00%

**Banks in Receivership

Appendix V

*Bank under statutory management

BANKING SECTOR PROFITABILITY - DECEMBER 2018

		Profit/(Loss) Before Tax (Ksh. M)	Return on Assets: Total Assets (Ksh. M)	% 3=(1/2)	Return on Equity: Total Shareholders' Funds (Ksh. M)	% (1/4)
		1	2	3	4	
1	KCB Bank Kenya Ltd	31,384.04	[illegible]	5.0	[illegible]	32.1
2	Equity Bank Kenya Ltd	[illegible]	[illegible]	5.6	60,288.57	[illegible]
3	Co-operative Bank of Kenya Ltd	[illegible]	408,203.82	[illegible]	65,310.02	[illegible]
4	Standard Chartered Bank Kenya Ltd	[illegible]	284,631.50	[illegible]	[illegible]	25.2
5	Barclays Bank of Kenya Ltd	10,250.07	[illegible]	3.2	[illegible]	23.6
6	Diamond Trust Bank Kenya Limited	9,264.77	261,511.75	3.5	[illegible]	[illegible]
7	Stanbic Bank Kenya Ltd	[illegible]	250,958.01	[illegible]	34,520.72	25.4
8	I&M Bank Ltd	[illegible]	239,161.13	3.0	38,336.59	22.8
9	Commercial Bank of Africa Limited	7,902.41	[illegible]	3.4	[illegible]	23.5
10	NIC Bank PLC	3,062.05	[illegible]	3.1	31,110.60	[illegible]
11	Citibank N.A. Kenya	5,645.03	[illegible]	6.6	19,403.38	[illegible]
12	Bank of Baroda (Kenya) Limited	[illegible]	123,014.40	[illegible]	20,414.85	[illegible]
13	Bank of India	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
14	Prime Bank Ltd	2,098.48	98,544.45	2.1	[illegible]	9.1
15	SBM Bank Kenya Ltd	850.73	[illegible]	1.4	[illegible]	[illegible]
16	National Bank of Kenya Ltd	857.50	[illegible]	0.8	[illegible]	[illegible]
17	Victoria Commercial Bank Limited	[illegible]	[illegible]	1.7	[illegible]	[illegible]
18	Family Bank Ltd	[illegible]	[illegible]	0.6	11,426.43	[illegible]
19	Habib Bank AG Zurich	[illegible]	21,330.67	[illegible]	3,028.75	[illegible]
20	Guardian Bank Limited	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
21	Credit Bank Ltd	332.21	[illegible]	1.9	[illegible]	11.6
22	Guaranty Trust Bank Ltd	307.08	[illegible]	1.2	[illegible]	3.6
23	Gulf African Bank Ltd	292.20	[illegible]	0.9	[illegible]	6.5
24	Bank of Africa (K) Ltd	209.58	[illegible]	0.4	[illegible]	3.1
25	Development Bank of Kenya Ltd	[illegible]	[illegible]	[illegible]	2,571.32	[illegible]
26	African Banking Corporation Ltd	[illegible]	27,213.71	[illegible]	[illegible]	[illegible]
27	Paramount Bank Ltd	[illegible]	9,587.41	[illegible]	1,687.27	[illegible]
28	Ecobank Kenya Ltd	[illegible]	54,462.85	[illegible]	[illegible]	2.1
29	M Oriental Commercial Bank Ltd	105.31	[illegible]	[illegible]	[illegible]	[illegible]
30	UBA Kenya Bank Ltd	[illegible]	[illegible]	0.2	[illegible]	1.1
31	Middle East Bank (K) Ltd	[illegible]	[illegible]	0	1,257.09	0
32	Transnational Bank Limited	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
33	Mayfair Bank Ltd	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
34	First Community Bank Ltd	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
35	Spire Bank Limited	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
36	Consolidated Bank of Kenya Limited	[illegible]	[illegible]	2.7	[illegible]	[illegible]
37	Jamii Bora Bank Ltd	(383.40)	[illegible]	3.8	[illegible]	[illegible]
38	HFC Ltd	[illegible]	[illegible]	-0.7	[illegible]	[illegible]
39	Sidian Bank Ltd	[illegible]	[illegible]	[illegible]	4,037.13	[illegible]
40	DIB Bank Kenya Ltd	[illegible]	[illegible]	-16.6	[illegible]	[illegible]
41	Imperial Bank Ltd**					
42	Chase Bank (K) Ltd**					
43	Charterhouse Bank Ltd*					
	Total	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

*Bank under statutory management

**Banks in Receivership

Source: Commercial Banks Published Financial Statements (December 2018)

Appendix VI

BANKING SECTOR GROSS LOANS AND NON-PERFORMING LOANS, DECEMBER 2018

	Banks	Gross Loans and Advances, Ksh.M		Gross Non-Performing Loans, Ksh.M	
		Dec-17	Dec-18	Dec-17	Dec-18
1	KCB Bank Kenya Ltd	411,888	434,361	34,102	30,012
2	Co-operative Bank of Kenya Ltd	262,553	257,560	16,714	29,953
3	Equity Bank Kenya Ltd	221,898	251,026	14,759	17,064
4	Barclays Bank of Kenya Ltd	177,224	180,984	12,615	13,910
5	Diamond Trust Bank Kenya Ltd	156,843	152,267	11,901	11,056
6	Standard Chartered Bank Kenya Ltd	138,405	133,150	17,621	21,661
7	Stanbic Bank Kenya Ltd	130,443	135,498	10,359	16,544
8	I&M Bank Ltd	120,993	144,434	17,665	21,115
9	NIC Bank PLC	118,459	117,796	13,765	15,830
10	Commercial Bank of Africa Ltd	107,038	118,271	7,768	8,271
11	National Bank of Kenya Ltd	98,153	95,123	27,608	31,461
12	HFC Ltd	52,630	49,215	8,212	13,334
13	Family Bank Ltd	46,828	47,023	9,478	6,138
14	Bank of Baroda Kenya Ltd	43,943	48,430	2,666	3,903
15	Prime Bank Ltd	39,763	38,185	2,252	2,021
16	Citibank N.A. Kenya	38,080	27,255	1,724	818
17	Bank of Africa Kenya Ltd	33,589	29,255	10,571	9,509
18	Ecobank Kenya Ltd	21,486	14,733	6,207	3,192
19	Bank of India	20,771	19,153	435	1,347
20	Gulf African Bank Ltd	20,144	23,015	1,952	2,572
21	Victoria Commercial Bank Ltd	18,887	22,810	17	606
22	African Banking Corporation Ltd	15,371	19,620	3,535	4,732
23	Guaranty Trust Bank Ltd	13,740	13,342	1,421	2,326
24	Sidian Bank Ltd	12,330	14,108	3,596	2,942
25	First Community Bank Ltd	10,995	10,501	4,288	4,940
26	Development Bank of Kenya Ltd	10,710	10,291	2,310	2,979
27	Guardian Bank Ltd	10,308	9,618	1,122	950
28	Credit Bank Ltd	10,177	13,440	677	1,113
29	Jamii Bora Bank Ltd	9,929	9,112	2,106	6,314
30	Consolidated Bank of Kenya Ltd	8,882	10,027	2,480	2,539
31	M-Oriental Commercial Bank Ltd	7,741	6,018	906	773
32	Transnational Bank Ltd	7,380	7,076	1,595	1,850
33	Spire Bank Ltd	6,857	6,109	2,340	2,686
34	SBM Bank Kenya Ltd	6,690	23,002	3,317	16,811
35	Paramount Bank Ltd	6,345	5,172	778	1,068
36	Habib Bank A.G. Zurich	5,680	5,451	597	582
37	UBA Kenya Bank Ltd	3,309	3,465	197	442
38	Middle East Bank Kenya Ltd	3,242	3,064	1,438	1,227
39	DIB Bank Kenya Ltd	291	2,132		8
40	Mayfair Bank Ltd	235	3,164		
41	Chase Bank Kenya Ltd*	-	-		
42	Imperial Bank Ltd *	-			-
43	Charterhouse Bank Ltd **	-			-
	Total	2,413,951	2,488,447	264,617	316,712

Source: Banks Published Financial Statements

*- The banks are in receivership.

**- The bank is under statutory management

Appendix VII

BANKING SECTOR CAPITAL AND RISK WEIGHTED ASSETS DECEMBER 2018

	Banks	Core Capital (Ksh.000)	Total Capital (Ksh.000)	Overall Risk Weighted Assets (Ksh.000)	Core Capital/ TRWA (%)	Total Capital/ TRWA (%)	Core Capital/ Total Deposits (%)
1	KCB Bank Ltd	87,957,222	95,285,972	537,572,515	16.4	17.8	19.5
2	Equity Bank Kenya Ltd	55,864,207	55,864,207	400,288,759	14	14	16.7
3	Co-operative Bank of Kenya Ltd	55,214,858	109,429,717	367,450,410	15	29.8	18.2
4	Diamond Trust Bank Kenya Limited	39,935,889	45,102,257	213,577,004	18.7	21.1	19.4
5	Barclays Bank of Kenya Limited	37,788,041	42,880,319	261,737,219	14.4	[illegible]	16.2
6	Standard Chartered Bank (K) Ltd	35,459,462	41,776,778	214,561,706	16.5	19.5	15.8
7	I&M Bank Ltd	34,201,410	35,786,332	199,809,818	17.1	17.9	19.3
8	Stanbic Bank Kenya Ltd	33,237,245	39,556,055	227,294,222	14.6	17.4	15.8
9	NIC Bank PLC	29,030,736	30,896,983	165,126,598	17	18.7	20.6
10	Commercial Bank of Africa Limited	25,276,165	28,737,458	160,952,878	15.7	17.9	13.6
11	Bank of Baroda (Kenya) Limited	20,038,796	20,790,548	58,280,792	34.4	34.7	19.7
12	Prime Bank Ltd	19,513,580	20,074,411	55,929,261	35.0	37.4	41
13	Citibank N.A. Kenya	18,677,814	18,816,717	68,008,955	27.4	27.5	34.1
14	Bank of India	12,460,844	12,613,401	28,707,492	43.3	43.9	30.7
15	Family Bank Ltd	10,706,525	12,725,325	65,186,401	16.4	19.5	22
16	SBM Bank Kenya Ltd	6,952,209	6,952,209	28,664,366	24.3	24.3	35.6
17	HFC Ltd	6,925,770	7,610,685	48,840,537	14.2	15.6	19.8
18	Victoria Commercial Bank Limited	5,565,591	6,207,062	29,424,814	19.2	21.1	28.8
19	Ecobank Kenya Ltd	5,527,881	5,737,396	34,162,810	15.3	15.6	12.6
20	Guaranty Trust Bank Ltd	5,074,402	5,074,402	18,810,054	27	27	21.6
21	Gulf African Bank Ltd	4,344,181	6,127,447	32,034,097	13.7	18.7	16.3
22	Sidian Bank Ltd	3,875,451	3,892,295	27,021,094	14.3	14.4	22.9
23	Bank of Africa Ltd	3,423,541	4,959,437	30,952,640	11.1	16	11.6
24	African Banking Corporation Ltd	2,958,579	3,073,246	19,408,413	15.2	15.8	15.7
25	Habib Bank AG Zurich	2,862,779	2,926,564	11,880,588	24.1	24.6	18.3
26	Credit Bank Ltd	2,620,938	2,720,978	18,756,441	14	14.5	20
27	Middle East Bank (K) Ltd	2,575,020	2,683,456	8,674,912	29.7	30.9	34.8
28	Guardian Bank Limited	2,470,415	2,557,102	11,241,904	21.5	22.7	18.1
29	UBA Kenya Bank Ltd	2,174,218	2,174,218	6,567,499	33.1	33.1	36
30	National Bank of Kenya Ltd	2,091,915	3,419,154	92,706,531	2.3	3.7	2.1
31	Development Bank of Kenya Ltd	1,778,288	2,075,758	8,336,475	18.9	23.2	30.9
32	Transnational Bank Limited	1,640,141	1,793,038	9,136,177	18	19.6	20.5
33	Paramount Bank Ltd	1,574,544	1,574,544	5,517,540	28.5	28.5	19.4
34	Jamii Bora Bank	1,259,015	1,259,015	5,593,083	22.5	22.5	30.6
35	DIB Bank Kenya Ltd	1,174,226	1,175,769	3,932,028	29.9	29.9	35.7
36	Mayfair Bank Ltd	1,023,539	1,112,761	2,475,348	41.4	44.9	24.7
37	M Oriental Commercial Bank	1,010,894	1,018,894	4,302,342	23.7	23.7	18.2
38	First Community Bank Ltd	774,637	1,078,077	11,826,591	6.5	9.1	5.3
39	Consolidated Bank of Kenya Limited	68,508	116,616	11,107,327	0.5	1	0.7
40	Spire Bank Limited	-2,571	1,552	7,039	-33.5	22	23.1
	Total	583,399,754	685,899,377	3,513,904,853	16.58	19.52	17.07

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1	KCB Bank Kenya Ltd	Large	3,267,184	215,758	3,283,922	6,9[illegible]	279,[illegible]	7,169,950	75.4
2	Equity Bank Kenya Ltd	Large	9,829,345	312,496	[illegible]	9,996,150	310,121	10,020,271	7.7
3	Co-operative Bank of Kenya Ltd	Large	3,028,729	272,524	[illegible]	3,238,250	225,037	3,464,226	7.3
4	Standard Chartered Bank Kenya Ltd	Large	140,709	64,454	206,163	131,502	37,033	188,535	8.1
5	Diamond Trust Bank Kenya Limited	Large	730,928	33,280	344,008	493,348	25,496	551,81[illegible]	31.0
6	Barclays Bank of Kenya Ltd	Large	1,403,800	107,484	1,331,284	1,523,029	105,530	1,630,559	6.5
7	Commercial Bank of Africa Limited	Large	21,406,134	80,856	21,486,990	26,157,874	52,300	[illegible]	[illegible]
8	Stanbic Bank Kenya Ltd	Large	127,109	32,172	159,009	150,749	35,572	186,421	7.5
9	I & M Bank Ltd	Large	90,067	41,494	131,561	102,436	48,155	150,651	14.6
10	NIC Bank PLC	Medium	82,276	33,306	115,581	102,824	38,370	141,134	22.2
11	Bank of Baroda (Kenya) Limited	Medium	20,811	26,351	47,162	21,356	27,776	49,132	4.2
12	Citibank N.A. Kenya	Medium	537	1,416	1,973	276	1,409	1,935	0.6
13	National Bank of Kenya Ltd	Medium	537,761	39,288	297,049	363,414	39,617	403,051	36.0
14	Prime Bank Ltd	Medium	16,205	14,129	30,335	17,321	5,416	33,237	6.1
15	Family Bank Ltd	Medium	2,017,252	95,690	2,112,943	2,170,095	54,152	2,224,247	5.3
16	Bank of India	Medium	7,040	8,730	15,780	7,111	8,939	16,050	1.7
17	HFC Ltd	Medium	73,124	12,491	85,615	173,039	12,151	185,190	116.3
18	Ecobank Kenya Ltd	Medium	46,645	7,765	54,410	142,257	7,029	[illegible]	176.7
19	Bank of Africa (K) Ltd	Medium	110,953	9,273	119,946	97,221	9,665	105,886	-11.1
20	Guaranty Trust Bank Ltd	Small	10,375	5,153	15,711	11,130	5,241	16,371	4.2
21	Gulf African Bank Ltd	Small	74,425	13,292	87,712	83,039	14,820	97,819	11.5
22	Victoria Commercial Bank Limited	Small	1,371	3,065	4,436	1,314	3,482	4,825	8.8
23	African Banking Corporation Ltd	Small	31,813	5,359	37,172	32,253	5,741	38,094	2.5
24	Sidian Bank Ltd	Small	249,903	7,408	256,029	202,590	7,004	209,497	-18.2
25	Habib Bank AG Zurich	Small	2,182	2,920	5,102	3,098	2,943	5,041	-1.2
26	Guardian Bank Limited	Small	6,847	3,703	10,550	5,752	3,041	8,763	7.5
27	First Community Bank Ltd	Small	77,580	136,890	214,470	100,328	8,833	109,163	-49.1
28	Credit Bank Ltd	Small	26,941	3,175	30,116	70,151	3,602	73,753	144.9
29	Development Bank of Kenya Ltd	Small	1,024	893	1,917	823	795	1,618	-15.6
30	Jamii Bora Bank Ltd	Small	186,072	2,283	130,355	134,088	2,043	136,130	4.4
31	M-Oriental Commercial Bank Ltd	Small	2,794	1,490	4,284	2,924	1,382	4,306	0.5
32	Transnational Bank Limited	Small	50,429	4,772	55,201	51,707	5,120	56,827	2.9
33	Consolidated Bank of Kenya Limited	Small	46,491	5,370	51,861	41,946	5,121	47,067	-9.2
34	SBM Bank Kenya Ltd	Small	5,090	1,634	6,724	303,490	13,013	316,503	4,620.2
35	Paramount Bank Ltd	Small	1,754	6,323	8,077	5,658	1,865	7,523	-6.9
36	Spire Bank Limited	Small	21,114	2,460	23,574	20,329	2,698	23,027	-2.3
37	UBA Kenya Bank Ltd	Small	4,915	155	5,070	5,164	735	5,899	0.5
38	Middle East Bank (K) Ltd	Small	1,160	578	1,738	1,401	620	1,971	7.7
39	Mayfair Bank Ltd	Small	323	411	734	676	844	1,520	107.1
40	DIB Bank Kenya Ltd	Small	1,227	260	1,487	2,433	346	2,979	100.3
41	Chase Bank Kenya Ltd**		-	-	-	-	-	-	-
42	Charterhouse Bank Ltd*		-	-	-	-	-	-	-
43	Imperial Bank Ltd**		-	-	-	-	-	-	-
1	Kenya Women MFB	Large	930,025	9,531	909,559	870,103	5,150	875,290	-3.6
2	Faulu MFB	Large	357,015	8,791	372,506	398,163	5,544	397,027	6.6
3	Rafiki MFB	Large	139,210	1,845	141,065	128,809	1,500	130,705	-7.2
4	SMEP MFB	Medium	302,112	1,319	303,431	316,436	1,673	318,111	2.9
5	KCHC MFB	Medium	9,185	131	9,315	10,412	123	10,537	13.1
6	Century MFB	Small	22,829	1,145	23,974	24,925	196	25,101	4.7
7	Sumac MFB	Medium	3,902	212	4,124	5,293	370	5,613	34.5
8	Uwezo MFB	Small	5,313	36	5,349	5,036	21	5,057	-4.5
9	U & I MFB	Small	7,324	18	7,402	7,692	119	7,811	5.0
10	Caritas MFB	Small	7,073	248	7,321	20,357	725	21,283	190.7
11	Choice MFB	Small	6,155	59	6,250	7,181	125	7,317	16.9
12	Daraja MFB	Small	3,906	57	3,933	4,303	77	4,200	20.1
13	Maisha MFB	Small	67,559	45	67,604	1,037	09	17,236	-50.2

*Bank under statutory management
**Banks in Receivership

1	KCB Bank Kenya Ltd	Large	41,711	410,161	44,380	472,396	6.80	5.20
2	Co-operative Bank of Kenya Ltd	Large	40,079	295,565	42,758	303,450	6.69	5.26
3	Equity Bank Kenya Ltd	Large	64,756	330,401	67,032	340,991	3.74	4.74
4	Barclays Bank of Kenya Ltd	Large	15,148	196,745	14,680	207,106	-3.16	1.26
5	Standard Chartered Bank Kenya Ltd	Large	8,575	213,340	7,585	223,301	11.51	4.71
6	Commercial Bank of Africa Limited	Large	14,936	178,378	13,037	182,251	6.05	2.18
7	Diamond Trust Bank Kenya Limited	Large	6,907	199,409	7,475	204,081	7.29	2.37
8	Stanbic Bank Kenya Ltd	Large	4,994	190,308	4,911	190,539	17.01	20.45
9	I&M Bank Ltd	Large	5,585	152,901	6,057	155,117	9.12	31.51
10	NIC Bank PLC	Medium	4,627	130,561	5,494	134,032	17.44	3.30
11	National Bank of Kenya Ltd	Medium	6,913	94,544	6,757	98,241	2.11	3.91
12	Citibank N.A. Kenya	Medium	120	57,309	118	54,139	-1.12	-5.59
13	Family Bank Ltd	Medium	12,219	47,421	10,245	47,936	-17.76	1.30
14	Bank of Baroda (Kenya) Limited	Medium	3,092	73,966	3,204	100,581	3.06	37.73
15	Prime Bank Ltd	Medium	1,685	57,553	1,727	70,208	6.51	22.14
16	HFC Ltd	Medium	1,934	36,508	1,872	34,294	3.22	7.08
17	Ecobank Kenya Ltd	Medium	1,127	43,082	1,101	49,956	-2.30	0.62
18	Bank of India	Medium	1,014	41,300	1,036	78,079	5.14	27.47
19	SBM Bank Kenya Ltd	Medium	225	6,620	1,811	40,752	605.85	573.06
20	Bank of Africa (K) Ltd	Small	1,585	31,572	1,575	20,677	1.30	6.00
21	Guaranty Trust Bank Ltd	Small	620	15,141	603	13,738	2.72	3.82
22	Gulf African Bank Ltd	Small	2,029	25,074	2,167	20,134	6.21	0.16
23	African Banking Corporation Ltd	Small	774	19,401	751.29	27,030	5.90	6.75
24	Victoria Commercial Bank Limited	Small	344	18,577	377.31	22,208	9.50	24.06
25	Mayfair Bank Ltd	Small	49	2,080	97.72	3,456	101.09	162.73
26	Sidian Bank Limited	Small	1,579	12,902	1,560.28	10,271	-1.16	25.01
27	Development Bank of Kenya Ltd	Small	105	6,279	54.56	5,596	-0.05	-10.45
28	Jamii Bora Bank Ltd	Small	465	5,303	471.50	4,036	17.27	-25.55
29	Spire Bank Limited	Small	358	6,815	384.48	3,474	7.39	3.02
30	First Community Bank Ltd	Small	13,376	17,771	1,319.05	14,179	-91.43	-4.65
31	DIB Bank Kenya Ltd	Small	30	1,807	2.58	9,096	100.52	165.29
32	Guardian Bank Limited	Small	425	13,125	361.00	12,010	-18.13	-1.50
33	Consolidated Bank of Kenya Limited	Small	859	8,645	756.92	5,308	8.40	3.93
34	Habib Bank AG Zurich	Small	358	12,489	317.81	15,078	-2.82	20.93
35	Transnational Bank Limited	Small	710	7,077	759.16	6,540	5.76	-1.90
36	Paramount Bank Ltd	Small	351	7,779	250.14	7,635	-77.30	1.38
37	M Oriental Commercial Bank Ltd	Small	60	7,463	172.16	7,124	5.88	4.42
38	Credit Bank Ltd	Small	149	10,940	479.49	12,625	5.76	15.41
39	Middle East Bank (K) Ltd	Small	56	3,929	92.11	3,947	-4.90	7.09
40	UBA Kenya Bank Ltd	Small	09	2,824	97.92	5,001	4.67	93.90
41	Charterhouse Bank Ltd*							
42	Chase Bank Kenya Ltd**							
43	Imperial Bank Ltd**							
	Sub Totals		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
	Microfinance Banks							
1	Kenya Women Microfinance Bank Limited	Large	5,941	15,457	8,694	16,130.3	0.85	1.93
2	Faulu Microfinance Bank Limited	Large	1,499	13,738	1,541	17,941.0	2.82	14.00
3	SMEP Microfinance Bank Limited	Medium	668	1,504	717	1,896.0	7.40	16.80
4	Rafiki Microfinance Bank Limited	Large	418	2,408	415			
5	REMU Microfinance Bank Limited	Small	35	174	56	174.1	-4.68	-0.71
6	Century Microfinance Bank Limited	Medium	144	322	44	340.7	69.39	53.48
7	U&I Microfinance Bank Limited	Small	13	201	22	285.0	17.77	71.81
8	Uwezo Microfinance Bank Limited	Small	10	29	0	15.2	-15.22	-44.29
9	Sumac Microfinance Bank Limited	Medium	38	415	90	502	45.16	21.10
10	Caritas Microfinance Bank Limited	Small	44	287	131	383.7	197.08	226.33
11	Choice Microfinance Bank Limited	Small	23	81	24			
12	Daraja Microfinance Bank Limited	Small	15	97	17	120.5	7.07	24.05
13	Maisha Microfinance Bank Ltd	Small	25	255	30	202.4	43.30	17.20
	Sub Totals		11,2[illegible]	37,[illegible]78	11,091		6.0[illegible]	
	Grand Total		27[illegible]	3,937,571	258,[illegible]		5.65	

*Bank under statutory management

**Banks in receivership

Source: Banks Published Financial Statements (December 2018)

APPENDIX [illegible]

[illegible]

		KENYA WOMEN	FAULU	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	CHOICE	TOTAL
		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]															
1.0	ASSETS														
1.1	Cash and bank balances	2,371	545	37	32	28	280	44	29	20	26	15	19	15	3,571
1.2	Short term deposits with banks	2,950	3,670	1,027	127	320	-	37	-	-		54	130	-	8,497
1.3	Government securities	-	1,510	-	-	3	-	-		-	-	-	-	-	1,586
1.4	Advances to customers (net)	10,957	16,033	3,723	1,547	722	903	231	440	105	42	138	166	22	[illegible]
1.5	Due from related organisations	-	54	-	-	0	0	0	0	2	0	2	0	0	[illegible]
1.6	Other receivables	345	1,364	573	87	41	215	20	12	30	25	15	14	10	2,770
1.7	Tax recoverable	150	165	28	27		5		-	0	-	-	2		377
1.8	Deferred tax asset	401	461	503	63		0	53		9	51	24	39	26	1,723
1.9	Other investment	-	-	-	-	-	-	1					-	-	1
1.10	Investment in associate companies	1	52			-	-	-	1	-	-	3			56
1.11	Intangible assets	175	1,535	1	21	16	25	2	2	4	3	24	5	10	[illegible]
1.12	Property and equipment	1,195	950	394	400	47	76	14	17	18	14	35	22	14	3,216
	TOTAL ASSETS	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
2.0	LIABILITIES														
2.1	Cash collaterals held	-	509	-	-	-	-	5	1				-	-	[illegible]
2.2	Customer deposits	10,139	17,941	3,295	1,950	934	700	173	285	16	131	262	341	108	[illegible]
2.3	Borrowings	6,088	4,431	723	427	30	625	109	72	-	5	-	1	12	[illegible]
2.4	Deposit & balances due to banking institutions	-	-	-	-	-					-	-	-	-	-
2.5	Deferred tax liability			-	-	-	-	-	1	-	-	-			1
2.6	Due to related organisations	-	74	-	2	-		-	-	-	-	-	-	-	76
2.7	Other liabilities	1,200	727	1,732	44	20	85	12	6	50	24	18	20	9	[illegible]
	TOTAL LIABILITIES	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
3.0	SHAREHOLDERS' FUNDS & RESERVES														
3.1	Share capital	186	480	2,600	371	571	197	223	106	[illegible]	[illegible]	[illegible]	371	142	5,905
3.2	Share premium	2,357	2,050		2		110	15		-	27	17	-	5	5,029
3.3	Retained earnings	1,304	405	(1,259)	(224)	(313)	12	(85)	30	(53)	[illegible]	(193)	[illegible]	(177)	[illegible]
3.4	Revaluation reserve	-	256		163	-	-	0					-		419
3.5	Statutory reserve	-	(560)	13		5	-	0		-	2		5		[illegible]
3.6	Total shareholders' funds	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
	TOTAL LIABILITIES AND EQUITY	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

APPENDIX XI

MICROFINANCE BANKS PROFIT AND LOSS ACCOUNT - DECEMBER 2018

No.	Item	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	TOTAL
1.1	Interest on Loan Portfolio	5,080	3,571	611	502	90	250	52	85	25	[illegible]	47	51	11	10,355
1.2	Fees and Commission on Loan Portfolio	080	621	52	55	24	27	5	17	14	4	6	13	2	1,015
1.3	Government Securities	1	311			-	-	-	-		-	-	-	-	313
1.4	Deposits and Balances with Banks and Financial Inst.	143	153	52	12	24	5	1	-	-	0	1	4	-	431
1.5	Other Investments	-	-	-			-	1	-	1	-		-	2	1
1.6	Other Operating Income	28	126	74	58	7	3	5	-	1	2	0	13	2	388
1.7	Non-Operating Income		3	-	-	-	-		8	-	-	-			12
	Total Income	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	35	[illegible]	14	[illegible]
2.0	Expenses														
2.1	Interest and Fee Expense on Deposits	734	1,527	165	35	27	37	8	22	1	13	25	29	0	2,851
2.2	Other Fees and Commissions Expense	71	172	5	-	-	0	4		-	-	-	-	1	280
2.3	Provision for Loan Impairment	108	115	95	5	29	16	22	2	7	9	51	62	0	507
2.4	Staff Costs	2,756	853	346	204	67	41	37	21	20	24	30	36	27	4,629
2.5	Director's Emoluments	121	13	-	10	0	13	1	3	0	1	2	2	3	178
2.6	Rental Charges	310	292	102	80	24	16	0	5	5	4	5	10	4	873
2.7	Depreciation Charges	355	180	140	27	16	10	3	3	3	3	2	4	3	757
2.8	Amortization Charges	63	144	8	14	3	5	1	2	3	3	3	4	6	264
2.9	Other Administrative Expense	1,209	517	154	147	52	35	19	21	25	20	43	21	14	2,457
2.10	Non Operating Expense				0	-			2	-	-	-			6
[illegible]	Total Expenses	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	Operating Profit	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	Interest expense and Fee Expense on Borrowing [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-				[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	Current tax	-	[illegible]	-	[illegible]		[illegible]	-	[illegible]	-				-	[illegible]
6.1	Deferred Tax	(207)	-	(52)		-	-	(20)	-	(6)	(12)	-	-	[illegible]	(96)
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	-					-	-		-	-		-		-
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
	Other Comprehensive Income	-	-		-	-			-	-	-	-			
	Surplus on revaluation of building	-			20	-	-	-	-	-	-	-	-	-	-
	Deferred tax on revaluation surplus	-	-	-	-	-	-			-	-	-	-	-	
	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
1	[illegible]														
(a)	Gross Non Performing Loans and Advances	4,301	2,107	1,973	320	54	354	100	46	94	14	63	50	9	9,851
(b)	Less Interest in Suspense	528	204	694	91	2		4	4		3		21	3	1,525
(c)	Total Non Performing Loans and Advances (a-b)	3,773	2,303	1,279	234	51	354	96	42	94	11	63	28	6	8,326
(d)	Less Impairment Loss Allowance	320	2,246	581	203	26	65	48	5	15	12	72	16	11	3,625
(e)	Net Non-Performing Loans (c-d)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	48	[illegible]	[illegible]	-	-	[illegible]	-	[illegible]
2	[illegible]														
(a)	Directors, Shareholders and Associates	147	24	-	16	1	3	3	7	3	-	-	-	-	205
(b)	Employees	330	235	17	25	15	15	5	4	-	2	5	5	3	921
(c)	Total Insider Loans, Advances and Other Facilities	[illegible]	[illegible]	17	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	3	2	5	5	3	[illegible]
3	OFF-BALANCE SHEET ITEMS														
(a)	Guarantees and Commitments	30	178	1,606								6			1,820
(b)	Other Contingent Liabilities	43	997	-	-	-	-	-	-	-	-	-	-	-	1,040
(c)	Total Contingent Liabilities	73	1,175	1,606	-	-	-	-	-	-	-	6	-	-	2,860
4	CAPITAL STRENGTH														
(a)	Core Capital	3,670	5,371	672	334	262	303	97	139	132	(36)	(13)	61	(51)	8,973
(b)	Minimum Statutory Capital	60	60	60	50	60	60	50	10	60	20	60	60	20	700
(c)	Excess/(Deficiency) (a-b)	3,610	5,311	612	284	202	243	47	129	72	(56)	(73)	1	(71)	8,273
(d)	Supplementary Capital	267		88	19	-	-	-	-	-	3	-	2	-	381
(e)	Total Capital (a+d)	3,937	5,371	762	354	262	303	97	139	132	(33)	(13)	63	(51)	9,353
(f)	Total Risk Weighted Assets	21,508	20,407	4,496	1,951	932	1,299	290	297	193	91	230	325	112	52,298
(g)	Core Capital/Total Deposit Liabilities	24	19	29	20	23	61	79	58	515	-30	-1	13	-47	22
(h)	Minimum Statutory Ratio (%)	8	8	8	8	8	8	8	8	8	8	8	8	8	8
(i)	Excess/(Deficiency) (g-h) (%)	16	11	21	10	20	53	71	50	507	-38	-9	10	-55	14
(j)	Core Capital/Total Risk Weighted Assets (%)	17	16	15	17	28	23	33	47	68	-38	-5	19	-46	17
(k)	Minimum Statutory Ratio (%)	10	10	10	10	10	10	10	10	10	10	10	10	10	10
(l)	Excess/(Deficiency) (j-k) (%)	7	6	5	7	18	13	23	37	58	-48	-17	9	-56	7
(m)	Total Capital/Total Risk Weighted Assets (%)	18	16	17	18	28	23	33	47	68	36	7	20	46	18
(n)	Minimum Statutory Ratio (%)	12	12	12	12	12	12	12	12	12	12	12	12	12	12
(o)	Excess/(Deficiency) (m-n) (%)	6	4	5	6	16	11	21	35	57	-48	-19	8	-58	6
(p)	Adjusted Core Capital/Total Deposit Liabilities (%)	24	30	31	19	20	62	50	58	519	-30	-5	15	-47	83
(q)	Adjusted Core Capital/Total Risk Weighted Assets (%)	18	17	16	17	28	21	36	48	69	38	4	20	46	16
(r)	Adjusted Total Capital/Total Risk Weighted Assets (%)	19	17	18	18	28	24	36	48	69	36	4	19	46	18
5	LIQUIDITY														
(a)	Liquidity Ratio (%)	21	27	21	30	37	33	75	21	105	21	26	44.8	3	35
(b)	Minimum Statutory Ratio (%)	20	20	20	20	20	20	20	20	20	20	20	20	20	20
(c)	Excess/(Deficiency) (a-b) (%)	1	7	1	10	17	13	55	1	85	1	6	25	-17	15

Source: Banks Published Financial Statements

1	KCB Bank Kenya Ltd	65,534.00	29.37	[illegible]	[illegible]	550	64,503.00	28.59	[illegible]	4,979.00	[illegible]
2	[illegible] Ltd	[illegible]	20.90	5,114	7,056.00	[illegible]	33,706.00	14.95	5,073	[illegible]	[illegible]
3	Standard Chartered Bank Kenya Limited	[illegible]	[illegible]	1,035	307.00	52	[illegible]	11.52	2,038	454.94	[illegible]
4	Stanbic Bank Kenya Limited	18,930.00	[illegible]	[illegible]	1,078.00	185	[illegible]	[illegible]	2,084	1,222.00	102
5	The Co-operative Bank of Kenya Limited	10,193.00	4.57	[illegible]	[illegible]	140	11,723.00	[illegible]	[illegible]	[illegible]	73
6	Equity Bank Ltd	8,647.00	3.93	1,795	[illegible]	98	9,740.00	4.33	1,093	[illegible]	[illegible]
7	Barclays Bank Kenya Limited	[illegible]	3.77	1,048	[illegible]	27	[illegible]	4.31	1,075	209.00	[illegible]
8	Commercial Bank of Africa Ltd	[illegible]	[illegible]	1,406	218.00	199	7,342.00	[illegible]	1,345	394.00	24
9	Family Bank Ltd	3,657.68	1.64	[illegible]	304.41	30	5,420.86	2.42	[illegible]	575.35	152
10	I&M Bank Ltd	3,728.00	1.67	390	[illegible]	[illegible]	3,936.00	1.75	[illegible]	[illegible]	[illegible]
11	Bank of Africa Ltd	[illegible]	0.86	190	[illegible]	[illegible]	[illegible]	1.51	354	215.11	[illegible]
12	Development Bank of Kenya Limited	[illegible]	[illegible]	614	973.00	91	[illegible]	1.49	327	95.00	93
13	SBM Bank Kenya Limited	[illegible]	[illegible]	48	779.00	11	2,830.79	1.26	[illegible]	2,175.06	31
14	Jamii Bora Bank Ltd	3,188.00	1.13	[illegible]	[illegible]	55	2,734.00	1.22	[illegible]	1,807.00	101
15	NIC Bank PLC	2,474.00	1.11	212	[illegible]	[illegible]	2,506.58	1.11	250	[illegible]	37
16	National Bank of Kenya Ltd	[illegible]	0.77	282	201.30	[illegible]	[illegible]	0.88	309.00	109.00	[illegible]
17	First Community Bank Ltd	[illegible]	[illegible]	213	250.00	49	[illegible]	0.85	152	614.00	[illegible]
18	Bank of Baroda Ltd	[illegible]	[illegible]	[illegible]	28.40	2	[illegible]	0.54	127.00	103.41	10
19	Sidian Bank Ltd	900.79	[illegible]	[illegible]	714.84	52	1,010.00	[illegible]	175	186.00	[illegible]
20	Guardian Bank Ltd	1,062.20	0.78	[illegible]	[illegible]	4	982.40	[illegible]	42	[illegible]	4
21	Diamond Trust Bank Kenya Ltd	753.37	0.34	[illegible]	[illegible]	3	842.00	[illegible]	[illegible]	[illegible]	[illegible]
22	[illegible] Bank Kenya Ltd						721.34	0.32	45	[illegible]	
23	Consolidated Bank of Kenya Limited	[illegible]	0.27	101	120.48	[illegible]	[illegible]	0.30	123	101.00	[illegible]
24	Gulf African Bank Ltd	[illegible]	[illegible]	59	80.15	9	[illegible]	0.27	81	9.06	[illegible]
25	Ecobank Kenya Ltd	609.00	[illegible]	97	63.00	12	[illegible]	[illegible]	104	50.90	18
26	African Banking Corporation Ltd	728.78	[illegible]	[illegible]	50.53	3	317.95	0.24	67	56.77	9
27	Spire Bank Ltd	56.20	0.01	15	5.70	1	414.00	0.18	22	144.00	1
[illegible]	Bank of India	304.47	[illegible]	21	-	-	350.80	0.13	21.00	-	
29	Paramount Bank Ltd	291.63	0.13	21	9.41	2	[illegible]	0.12	20	15,000.00	4
30	Prime Bank Ltd	[illegible]	0.12	27	-	-	107.00	0.05	23	91.00	
31	Victoria Commercial Bank Ltd	-	0.00	-		-	71.00	0.03	6		-
32	Middle East Bank Kenya Limited	59.00	0.00	5	28.00	1	41.00	0.02	5	13.00	1
33	UBA Kenya Bank Ltd		0.00	-	-		3.58	0.00	1		
34	Chase Bank (K) Ltd**	6,620.48	2.97	232	[illegible]	147			-		
1	Citibank N.A. Kenya	-		-	-	-	-		-		-
2	Guaranty Trust Bank Ltd	-		-	-	-	-				-
3	Credit Bank Ltd	-		-	-	-	-		-	-	-
4	Habib Bank A.G. Zurich			-	-	-	-		-	-	-
5	M-Oriental Commercial Bank Ltd			-	-	-	-		-	-	-
6	Transnational Bank Ltd	-		-	-	-	-		-	-	-
7	Mayfair Bank Kenya Ltd	-		-	-	-	-		-	-	-
8	Charterhouse Bank Ltd**	-		-	-	-	-		-	-	-
9	Imperial Bank Ltd*			-	-	-	-		-	-	-

Source: Commercial Banks

*** Bank under Statutory Management*

** Banks in Receivership*

APPENDIX XIV

Banking Circulars Issued in 2018

Circular No.	Date	Title	Purpose
1	March 19, 2018	Review of the Central Bank Rate (CBR)	To draw attention to the rate adjustments made.
2	March 23, 2018	Guidance Note on Conducting Money Laundering / Terrorism Financing Risk Assessment	To provide clear standards that guide institutions on the risk assessment exercise.
3	April 6, 2018	Guidance Note on Implementation of International Financial Reporting Standards (IFRS) 9 on Financial Instruments	To provide guidance to financial institutions for reference in the computation of regulatory capital.
4	July 30, 2018	Review of the Central Bank Rate (CBR)	To draw attention to the rate adjustments made.
5	August 16, 2018	Implementation of the East African Community Currency Acceptance, Convertibility and Repatriation Initiative	To notify the financial institutions of the commencement of the reciprocal process of acceptance and repatriation of Partner States currencies by the EAC Central Banks.
6	September 26, 2018	Review of the Central Bank Rate (CBR)	To notify on the decision to retain the CBR rate.
7	November 29, 2018	Review of the Central Bank Rate (CBR)	To notify on the decision to retain the CBR rate.
8	December 14, 2018	Release of New Generation Coins	To inform the public on commencement of distribution of the new generation coins.

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

	County	Dec-17	Dec-18	Increase/ (Decrease)
1	Baringo	10	10	0
2	Bomet	9	8	(1)
3	Bungoma	15	15	0
4	Busia	10	10	0
5	Elgeyo/Marakwet	5	5	0
6	Embu	13	11	(2)
7	Garissa	9	9	0
8	Homa Bay	10	10	0
9	Isiolo	7	7	0
10	Kajiado	49	48	(1)
11	Kakamega	17	18	1
12	Kericho	16	17	1
13	Kiambu	76	77	1
14	Kilifi	24	23	(1)
15	Kirinyaga	17	17	0
16	Kisii	24	23	(1)
17	Kisumu	42	41	(1)
18	Kitui	15	15	0
19	Kwale	11	11	0
20	Laikipia	13	13	0
21	Lamu	3	3	0
22	Machakos	31	31	0
23	Makueni	13	14	1
24	Mandera	3	3	0
25	Marsabit	7	7	0
26	Meru	39	40	1
27	Migori	13	13	0
28	Mombasa	131	125	(6)
29	Murang'a	20	20	0
30	Nairobi City	611	600	(11)
31	Nakuru	52	52	0
32	Nandi	12	12	0
33	Narok	13	14	1
34	Nyamira	5	5	0
35	Nyandarua	10	10	0
36	Nyeri	28	29	1
37	Samburu	2	2	0
38	Siaya	7	7	0
39	Taita/Taveta	9	9	0
40	Tana River	3	3	0
41	Tharaka-Nithi	4	5	1
42	Trans Nzoia	15	14	(1)
43	Turkana	5	5	0
44	Uasin Gishu	45	46	1
45	Vihiga	7	7	0
46	Wajir	4	4	0
47	West Pokot	3	3	0
	Total	**1,518**	**1,505**	**(13)**

Source: CBK

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Appendix XXII

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

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: Small
Number of Branches: 44, Business Centres 2

3. **Bank of Baroda (Kenya) Ltd**

Managing Director: Mr. Saravanakumar Appavu
Postal Address: P.O. Box 30033- 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

Appendix XVIII

NO.	DIRECTORY OF COMMERCIAL BANKS, MORTGAGE FINANCE COMPANIES, KENYA BANKERS ASSOCIATION, NON-OPERATING HOLDING COMPANIES AND AUTHORISED REPRESENTATIVE OFFICES
4	Bank of India Chief Executive Officer: Sharda Bhushan Rai Postal Address: P.O. Box 30246 - 00100 Nairobi Telephone: +254 20 2221414/5/6/7, 0720606707, 0734636737 Fax: +254-20-2221417 Email: cekenya@boikenya.com Website: www.boikenya.com Physical Address: Bank of India Building, Kenyatta Avenue, Nairobi Date Licensed: 05-06-1953 Peer Group: Medium Branches: 7
5	Barclays Bank of Kenya Limited Managing Director: Mr. Jeremy Awori Postal Address: P.O. Box 30120 - 00100 Telephone numbers: +254 (20) 4254000 Fax: +254 (20) 4459491 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 Date Licensed: 11-11-1996 Postal Address: P. O. Box 43252 Nairobi Telephone: +254-20-2242246 /7 /8 /53 Fax: +254-20-2219058, 2223000, 2242248 Email: info@charterhouse-bank.com Physical Address: Longonot Place, 6th Floor, Kijabe Street, Nairobi Date Licensed: 11-11-1996
7	Chase Bank (K) Limited IN RECEIVERSHIP 17th Floor UAP Old Mutual Towers, Upper Hill, Nairobi P.O Box 45983-00100, Kenya Email: customercare@kdic.go.ke +254 20 63 77 000, +254 709 043 000 www.kdic.go.ke Date Licenced:1st April, 1996

Appendix XVII

NO.	DIRECTORY OF COMMERCIAL BANKS, MORTGAGE FINANCE COMPANIES, KENYA BANKERS ASSOCIATION, NON-OPERATING HOLDING COMPANIES AND AUTHORISED REPRESENTATIVE OFFICES
8	Citibank N.A Kenya Chief Executive Officer: Mr. Martin Mugambi Postal Address: P.O. Box 30711, 00100 Nairobi, Kenya Telephone numbers: +254 020 2754444 Email: citiservice@citi.com Website: https://citigroup.com/citi/about/countrypresence/kenya.html Physical Address: Citibank House, Upper Hill, Nairobi Date Licensed: 01-07-1974 Peer Group: Medium Number of Branches: 3
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: 37 branches and 9 agencies
10	Consolidated Bank of Kenya Ltd Chief Executive Officer: Mr. Thomas Kipkemei Kiyai Postal Address: P.O. Box 51133-00200, Nairobi. Telephone numbers: +254 20 3215000, +254 703 016 000 Email: tellus@consolidated-bank.com Website: www.consolidated-bank.com Physical Address: Consolidated Bank House, 6th Floor, Koinange Street, Nairobi Date Licensed: 18-12-1983 Peer Group: Small Number of Branches: 18
11	Co-operative Bank of Kenya Limited Group Managing Director: Dr. Gideon Muriuki, CBS Postal Address: P.O. Box 48231-00100 Telephone numbers: 020-3276000, 0703027000 Email: Customerservice@co-opbank.co.ke Website: www.co-opbank.co.ke Physical Address: Co-operative Bank House, Haile Selassie Avenue, Nairobi Date Licensed: 1968 Peer Group: Large Branches: 152

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NO.	DIRECTORY OF COMMERCIAL BANKS, MORTGAGE FINANCE COMPANIES, KENYA BANKERS ASSOCIATION, NON-OPERATING HOLDING COMPANIES AND AUTHORISED REPRESENTATIVE OFFICES
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 2219700 Email: customerservice@creditbank.co.ke Website: www.creditbank.co.ke Physical Address: Mercantile House, Ground Floor, Koinange Street, Nairobi Date Licensed: 30-11-1994 Peer Group: Small Branches: 18
13	Development Bank of Kenya Ltd. Chief Executive Officer: Mr. Victor J.O Kidiwa Postal Address: P. O. Box 30483 - 00100, Nairobi Telephone: +254-20-340401/2 /3, 340416, 2251082, 340198 Fax: +254 20 2250399 Email: dbk@devbank.com Website: www.devbank.com Physical Address: Finance House, 16th Floor, Loita Street, Nairobi Date Licensed: 20-09-1996 Peer Group: Small Branches: 2
14	DIB Bank Kenya Limited Chief Executive Officer: Mr. Peter M. Makau Postal Address: P.O. Box 6450 – 00200 Nairobi Telephone numbers: +254 20 513 1900 / +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
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: 71

Appendix XVIII

NO.	DIRECTORY OF COMMERCIAL BANKS, MORTGAGE FINANCE COMPANIES, KENYA BANKERS ASSOCIATION, NON-OPERATING HOLDING COMPANIES AND AUTHORISED REPRESENTATIVE OFFICES
16	Ecobank Kenya Limited Managing Director: Mr. Cheikh Mohamed Travaly Postal Address: P.O. Box 49584 - 00100 Nairobi, Kenya Telephone numbers: (+254) 719 095 000, Toll Free 0800 221 2218 Fax: +254 020 2883304 Email: Kenya@ecobank.com Website: www.ecobank.com Physical Address: Fortis Office Park, Muthangari Drive Off Waiyaki Way, Nairobi Date Licensed: 16-06-2008 Peer Group: Medium Number of Branches: 18
17	Equity Bank Kenya Limited Managing Director: Mr. Gerald Warui Postal Address: P.O. Box 75104-00200, Nairobi Telephone numbers: +254 (0) 763 063 000 Fax: +254 020-2711439 Email: info@equitybank.co.ke Website: www.ke.equitybankgroup.com Physical Address: Equity Centre, Upper Hill, Hospital Road, Nairobi Date Licensed: 28-12-2004 Peer Group: Large Branches: 171, Sub branches 12
18	Family Bank Limited Managing Director and CEO: Ms. Rebecca Mbithi Postal Address: P.O. Box 74145-00200, Nairobi Telephone numbers: +254 703 095 445 / +254 705 325 325 / +254 703 095 000 email: info@familybank.co.ke Website: www.familybank.co.ke Physical Address: Family Bank Tower, Muindi Mbingu Street, Nairobi Date Licensed: 01-05-2007 Peer Group: Medium Number of Branches: 90
19	First Community Bank Ltd Chief Executive: Dr. Hussein Assad Ahmed Hassan Postal Address: P.O. Box 26219-00100, Nairobi Telephone numbers: 020 2843000 Fax: N/A Email: queries@fcb.co.ke Website: www.firstcommunitybank.co.ke Physical Address: FCB Mihrab, Mezzanine 1 Lenana Road/Ring Road Kilimani, Nairobi Date Licensed: 20-04-2008 Peer Group: Small Number of Branches: 18

Appendix XVIII

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 Managing Director: Mr. Olubayo Veracruz Postal Address: P.O. Box 20613 00200, Nairobi Telephone numbers: +254 020 3284000 / 0703084000 Fax: N/A Email: customercareke@gtbank.com Website: www.gtbank.co.ke Physical Address: Plot 1870/IX/167, Sky Park, Westlands, Nairobi Date Licensed: 13-01-1995 Peer Group: Small Number of Branches: 9
21	Guardian Bank Limited Managing Director: Mr. Vasant K. Shetty Postal Address: P.O. Box 67437 – 00200, Nairobi Telephone numbers:(+254) 020 2226771/4 Mobile:0722292213 / 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. Asim Mohammad Basharulla Postal Address: P.O. Box 30584 00100, Nairobi Telephone numbers: 020-3341172/6/7 Fax: 020- 2218699 Email: info.ke@habibbank.com Website: www.habibbank.com Physical Address: Habib House, Koinange Street, Nairobi Date Licensed: 01-07-1978 Peer Group: Small Number of Branches: 5

Appendix XVII

NO.	DIRECTORY OF COMMERCIAL BANKS, MORTGAGE FINANCE COMPANIES, KENYA BANKERS ASSOCIATION, NON-OPERATING HOLDING COMPANIES AND AUTHORISED REPRESENTATIVE OFFICES
24	Imperial Bank Ltd IN RECEIVERSHIP 17th Floor UAP Old Mutual Towers, Upper Hill, Nairobi P.O Box 45983 00100, Kenya Email : customercare@kdic.go.ke +254 20 66 77 000 +254 709 043 000 www.kdic.go.ke Date Licensed: 26-12-1994 Peer Group: Medium Branches: 28
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: 41
26	Jamii Bora Bank Ltd Ag. Chief Executive Officer: Mr. Timothy Mwaniki Kabiru Postal Address: P.O. Box 22742 00400, Nairobi Telephone numbers: 0735981000 Fax: N/A Email: customerservice@jamiiborabank.co.ke Website: www.jamiiborabank.co.ke Physical Address: Jamii Bora House, Koinange Street, Nairobi Date Licensed: 02-03-2010 Peer Group: Small Number of Branches: 21
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: 195

Appendix XVII

NO.	DIRECTORY OF COMMERCIAL BANKS, MORTGAGE FINANCE COMPANIES, KENYA BANKERS ASSOCIATION, NON-OPERATING HOLDING COMPANIES AND AUTHORISED REPRESENTATIVE OFFICES
28	Mayfair Bank Limited Managing Director Designate: Mr. Joram Kiarie Postal Address: P.O. Box 2051-00606, Nairobi Telephone numbers: +254 20 3551 020/ +254 709 053 000 Fax: N/A Email: [illegible]@mayfair-bank.com Website: www.mayfair-bank.com Physical Address: Karin House, Mezzanine Floor, Mwanzi Road, Westlands, Nairobi Date Licensed: 20-06-2017 Peer Group: Small Branches: 5
29	Middle East Bank Kenya Limited Managing Director: Mr. Isaac Mwige Postal Address: P.O. Box 47387-00100, Nairobi Telephone numbers: +254 020 2723130 Fax: N/A Email: hq@mebkenya.com Website: www.mebkenya.com Physical Address: Mebank Tower, Jakaya Kikwete Road (formerly Milimani Road), Nairobi Date Licensed: 15-12-1980 Peer Group: Small Branches: 5
30	M Oriental Bank Limited Managing Director: Mr. Ajay Kohli Postal Address: P.O. Box 44080-00100 Telephone numbers: 0722 203 585/ 0734 535 290 Email: info@moriental.co.ke Website: www.moriental.co.ke Physical Address: Finance House, 7 Koinange Street, Nairobi Date Licensed: 09-02-1991 Peer Group: Small Number of Branches: 8
31	National Bank of Kenya Ltd Managing Director and CEO: Mr. Paul Russo Postal Address: P. O. Box 72866 - 00200 Nairobi Telephone: 020 282 8900, 0703 088 900, 0732 118 900 Fax: +254-20-311444/2223044 Email: callcentre@nationalbank.co.ke Website: www.nationalbank.co.ke Physical Address: National Bank Building, Harambee Ave, Nairobi Date Licenced: 01-01-1968 Peer Group: Medium Branches: 73

Appendix XIII

NO.	DIRECTORY OF COMMERCIAL BANKS, MORTGAGE FINANCE COMPANIES, KENYA BANKERS ASSOCIATION, NON-OPERATING HOLDING COMPANIES AND AUTHORISED REPRESENTATIVE OFFICES
32	NIC Bank PLC Group Managing Director: Mr. John Gachora Postal Address: P.O. Box 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: 08-02-1995 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 835000 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: 6
34	Prime Bank Ltd Chief Executive Officer: Mr. Bharat Jain Postal Address: P.O. BOX 43825-00100 Telephone numbers: (020) 4203000/4205116/4203148 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
35	SBM Bank (Kenya) Ltd Managing Director: Mr. Moezz Mahmood Mir Postal Address: P. O. Box 34886, Nairobi Telephone: (254) (20) 2212348 / 2248842 / 2244187 Fax: +254-20-2243389/2216370 Email: sbm@sbmgroup.mu Web: https://www.sbmgroup.mu/ Physical Address: LRS Building, 7th Floor, Kimathi Street, Nairobi Date Licensed: 07-03-1996 Peer Group: Medium Branches: 52

Appendix XVII

NO.	DIRECTORY OF COMMERCIAL BANKS, MORTGAGE FINANCE COMPANIES, KENYA BANKERS ASSOCIATION, NON-OPERATING HOLDING COMPANIES AND AUTHORISED REPRESENTATIVE OFFICES
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: 23-08-1999 Peer Group: Small Branches: 42
37	Spire Bank Ltd Ag. Managing Director: Mr. Onesmus Mula Postal Address: P.O. Box 52781 - 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 3638000 /11 /17 /18 /20 /21, 0711-068000 Fax: +254 20 3752905/7 Email: customercare@stanbic.com Website: https://www.stanbicbank.co.ke Physical Address: Stanbic Bank Centre, Westlands Road, Chiromo, Nairobi Date Licensed: 5/14/1955 Peer Group: Large Branches: 26
39	Standard Chartered Bank Kenya Limited Chief Executive Officer: Mr. Kariuki Ngari Postal Address: P.O. Box 30003, 00100, Nairobi, Kenya Telephone numbers: +254 (0)20 3293000 Fax: +254 (0)20 3747880 Email:Ke.Service@sc.com Website:www.sc.com/ke Physical Address: Standard Chartered Building, Chiromo 48, Westlands Road, Nairobi Date Licensed: 10-1-1910 Peer Group: Large Number of Branches: 33

Appendix XVIII

NO.	DIRECTORY OF COMMERCIAL BANKS, MORTGAGE FINANCE COMPANIES, KENYA BANKERS ASSOCIATION, NON-OPERATING HOLDING COMPANIES AND AUTHORISED REPRESENTATIVE OFFICES
	HFC Limited Ag. Managing Director: Ms. Regina Anyika Postal Address: P.O Box 30088 - 00100, Nairobi Telephone numbers: 020 326 2000/ 0709 438 000 Fax: (+254 20) 2250858 Email: customerservice@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: 29
C. KENYA BANKERS ASSOCIATION	
1	Chief Executive Officer: Dr. Habil Olaka Postal Address: P.O. Box 73100-00200, Nairobi Tel: +254-20-2221704/2224014/2224015/2217757 Fax: +254-20-2221792 Email: ceo@kba.co.ke Website: www.kba.co.ke Physical Address: 13th floor, International House, Mama Ngina Street, Nairobi
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, 0722715255, 0722708060, 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

Appendix XVII

NO.	DIRECTORY OF COMMERCIAL BANKS, MORTGAGE FINANCE COMPANIES, KENYA BANKERS ASSOCIATION, NON-OPERATING HOLDING COMPANIES AND AUTHORISED REPRESENTATIVE OFFICES
40	Transnational Bank PLC 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: 6/1/1985 Peer Group: Small Branches: 28
41	UBA Kenya Bank Limited Ag. Managing Director: Mr. Emeke Iweriebor 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: 25-03-2009 Peer Group: Small Number of Branches: 5
42	Victoria Commercial Bank Limited Managing Director: Dr. Yogesh Pattni Postal Address: P.O Box 41114 00100 Telephone numbers: 0709 876100 Fax: N/A Email: yogesh@vicbank.com Website: www.victoriabank.co.ke Physical Address: Victoria Towers, Upper Hill, Nairobi Date Licensed: 11-01-1996 Peer Group: Small Number of Branches: 4

B) MORTGAGE FINANCE COMPANIES

Appendix XVII

NO	DIRECTORY OF COMMERCIAL BANKS, MORTGAGE FINANCE COMPANIES, KENYA BANKERS ASSOCIATION, NON-OPERATING HOLDING COMPANIES AND AUTHORISED REPRESENTATIVE OFFICES
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 [illegible] 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, 2015
5	KCB Group Limited Licensed Subsidiary: KCB Bank Kenya Ltd Postal Address: P.O. Box 48400 - 00100, Nairobi Telephone: +254 20 3270000 / 2851000 /2852000 / +254 711 012 000 / 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 Box 73249 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: 16th February, 2015
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

Appendix XVII

NO.	DIRECTORY OF COMMERCIAL BANKS, MORTGAGE FINANCE COMPANIES, KENYA BANKERS ASSOCIATION, NON-OPERATING HOLDING COMPANIES AND AUTHORISED REPRESENTATIVE OFFICES
	E. AUTHORISED REPRESENTATIVE OFFICES
1	Bank of China Limited - Kenya Representative Office Chief Representative Officer: Mr. Chen Tao Address: P.O. Box 21357 - 00505 – Nairobi, Kenya Telephone No.: +254 - 20 - 3862811 / 2 Mobile: +254 - 735246080 E-mail: zhuyongkai@bankofchina.com Physical Address: Unit 1, 5th Floor, Wing B, Morningside Office Park, Ngong Road, Nairobi Date Authorised: 28th June 2012
2	Bank of Kigali Ltd - Kenya Representative Office Chief Representative Officer: Mr. Gerard Nyangezi Postal Address: P.O. Box 75279-00200 CPO– 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 35905, 00200 – Nairobi, Kenya Telephone No.: +254 20 4908201 / 4908206 Cell: +254730469978 E-mail: Alfetta.Koome@rmb.co.za Physical Address: Ground Floor, Eaton Place, UN Crescent, Gigiri, Nairobi Date Authorised: 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 710597093 Telephone No: +254 20 3748857/63 E-mail address : Apurva.Sheth@hdfcbank.com Physical Address: Prosperity House, Westlands Road, Off Museum Hill, Westlands, Nairobi Date Authorised: 25th June 2009
5	Mauritius Commercial Bank Limited - Kenya Representative Office Chief Representative Officer: Ms. Seema Bhanani Postal Address: P.O. Box 35639 - 00800 – Nairobi, Kenya Telephone No: +254 20 4451000 Mobile No: +254 798 362 948 E-mail address : Seema.Bhanani@mcb.mu Physical Address: Bloom Centre, KMA Centre, Mara Road, Upper Hill, Nairobi Date Authorised: 27th November 2014
6.	Nedbank Limited - Kenya Representative Office Chief Representative Officer: Mr. Murray van Rossom Postal Address. P.O Box 39218 - 00623, Nairobi, Kenya Telephone: +254-20 - 3045102 E-mail: kenyacontact@nedbank.co.ke Physical Address: The Exchange Building, 3rd Floor, 55 Westlands Road, Nairobi Date Authorised: 18th June 2010

Appendix XVII

NO.	DIRECTORY OF COMMERCIAL BANKS, MORTGAGE FINANCE COMPANIES, KENYA BANKERS ASSOCIATION, NON-OPERATING HOLDING COMPANIES AND AUTHORISED REPRESENTATIVE OFFICES
7	Co-operatieve Rabobank U.A - Kenya Representative Office Chief Representative Officer: Mr. Adrianus Cornelis Verboek Postal Address: P.O. Box 1105-00606, Nairobi, Kenya Telephone: +254 202 955 000/ /2 | Mobile: 254 700 331 150 E-mail: kees.verboek@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 774995850 | Mobile: 254 710764935 E-mail: George.Mutua@sgcib.com Website Address: www.societegenerale.com Physical Address: Unit 2, 8th Floor, Tower 3, The Mirage, Chiromo Road, Westlands, Nairobi Date Authorised: 28th August 2017
9	BAHL - Representative Office Chief Representative Officer: Mr. Hasnain Muhammad Postal Address: P.O. Box 2449-00606, Nairobi, Kenya Telephone: +254 798743776 | Mobile: +254 798743777 E-mail: bahl.kenyaro@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 Ag. Chief Executive Officer: Mr. Titus Theuri Muchin 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: 6
2.	Century Microfinance Bank Limited Ag. Chief Executive Officer: Mr. Thomas Chege Postal Address: P. O. Box 38319 - 00623, Nairobi Telephone: +254 - 020 - 2664282, 0722 - 158721, 0756 - 305132 Email: info@century.co.ke Website: www.century.co.ke Physical Address: Bihi Towers, 8th Floor, Moi Avenue, Nairobi Date Licensed: 17.08.2012 Branches: 3
3.	Choice Microfinance Bank Limited Ag. Chief Executive Officer: Mr. Joseph Kungu Postal Address: P. O. Box 18263 - 00100, Nairobi Telephone: +254 - 020 3882206 / 207, 0736 - 362218, 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 Ag. Chief Executive Officer: Ms. Jane Mwangi Postal Address: P.O. Box 100854 - 00101, Nairobi Telephone: +254 - 020 - 3873395 / 0733 - 058888, 0707 - 444588, 0719 - 444685 Email: info@darajabank.co.ke Website: www.darajabank.co.ke Physical Address: Daraja House, Karandini Road, off Naivasha Road, Nairobi Date Licensed: [illegible] 2015 Branches: 2
5.	Faulu Microfinance Bank Limited Managing Director: Mr. Apollo Njoroge Ngeritu Postal Address: P. O. Box 60240 - 00200, Nairobi Telephone: +254 - 020 - 3877290/3/7, 3872183/4, 3867503, 0711 - 074074, 0736 - 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

Appendix XVIII

NO	DIRECTORY OF MICROFINANCE BANKS
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
7	Maisha Microfinance Bank Limited Chief Executive Officer: Mr. Ireneus Gichana Postal Address: 49316 - 00100, Nairobi Telephone: 020 222 0648 | 0736-028-992 | 0792 007 300 Email: info@maishamfbank.co.ke Website: www.maishabank.com Physical Address: Chester House, 2nd Floor, Koinange Street, Nairobi Date Licensed: 21.05.2016 Branches: 2
8	Rafiki Microfinance Bank Limited Managing Director: Mr. Ken Obimbo Postal Address: P. O. Box 12755 - 00400, Nairobi Telephone: +254 020 216640 /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	Key Microfinance Bank Limited Chief Executive Officer: Mr. Gregory Sire Postal Address: P. O. Box 20633 - 00100, Nairobi Telephone: +254 - 020 - 2214483/2215364/ 2215387/8/9, 2631070, 2215390, 2215384/5/7/8/9, 0733-554565 email: info@keymicrofinancebank.com Website: www.keymicrofinancebank.com 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

Appendix [illegible]

NO	DIRECTORY OF MICROFINANCE BANKS
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
13	UWEZO Microfinance Bank Limited Ag. Chief Executive Officer: Ms. Emmah Maina Postal Address: 1654 - 00100, Nairobi Telephone: 0720-350908, 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 XIII

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: 3.02.2010
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 890890
   Email: cikinfo@creditinfo.co.ke or consumercare@creditinfo.co.ke
   Website: www.creditinfo.co.ke
   Physical Address: Park Suites, Office 12, Second Floor, Parklands Road, Nairobi
   Date Licensed: 29.04.2015
3. Metropol Credit Reference Bureau Limited
   Managing Director: Mr. Sam Omukoko
   Postal Address: P.O. Box 35331 - 00200, Nairobi
   Telephone: +254 - 020 - 2713575
   Email: info@metropol.co.ke
   Website: www.metropolcorporation.com
   Physical Address: 1st Floor, KCB Towers, Upper Hill, Nairobi
   Date Licensed: 6.04.2011

Appendix XX

DIRECTORY OF FOREIGN EXCHANGE BUREAUS

	Name of Bureau	Location	E-mail Address & Fax
1	Alpha Forex Bureau Ltd P. O. Box 476 – 00606, Nairobi Tel: 4451435/7	Parklands 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: 246247/228080	Kenindia House, Loita Street, Nairobi	aristoforex@nbi.ispkenya.com aristocratsforex@gmail.com Fax: 254-2-213794
4	Avenue Forex Bureau Ltd P. O. Box 1753 – 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: 041-5485900, 0722-412648/0733-466729	City Mall Nakumatt Nyali, Mombasa – Malindi Road	bamburiforex@hotmail.com Fax: 254-41-5486948
6	Bay Forex Bureau (Nairobi) Ltd P. O. Box 1043 – 00610, Nairobi Tel: 2244186/ 2248283/2244186	280 Annex Building, Eastleigh, Nairobi	info@bayforexbureau.com bayforex@swiftkenya.com Fax: 254-2-225665/248676
7	Boston Forex Bureau Limited P.O. Box 11976-00400, Nairobi Tel: 0203249664/ 0732022429/ 0702022428	Arcade Centre, Westlands, Nairobi	marioshah_101@hotmail.com
8	CBD Forex Bureau Limited P. O. Box 10984 – 00400, Nairobi Tel. 316125	Sound Plaza, Woodvale Groove, Nairobi	cbdforex@gmail.com Fax. 254-2-318855
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: 254-2-249013
10	Classic Forex Bureau Limited P. O. Box 30166 – 00623, Nairobi Tel: 3862543/4	Prestige Plaza, 1st Floor, Ngong Road, Nairobi	info@classicforex.co.ke Fax No. 3862546
11	Commercial Forex Bureau Limited P. O. Box 47452 – 00100, Nairobi Tel. 020-2210307/8	KCS House, Mama Ngina Street, Nairobi	info@commercialforex.co.ke
12	Conference Forex Bureau Company Limited P. O. Box 32285 – 00600, Nairobi Tel. 3561293, 020-3596832	KICC, Ground Floor, Harambee Avenue, Nairobi	cfbltd@akarim.net Fax: 254-2-224126
13	Continental Forex Bureau Ltd P. O. Box 49580 – 00400, Nairobi Tel: 2222140, 3168025	Old Mutual Building Ground Floor, Kimathi Street, Nairobi	cfbbureau@yahoo.com Fax: 254-2-216153
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

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DIRECTORY OF FOREIGN EXCHANGE BUREAUS

15	Crown Bureau De Change Ltd P. O. Box 22515 – 00400, Nairobi Tel: 2250720/1/2	Sai Office, James Gichuru Road, Dimolo Drive, Nairobi	info@crown.co.ke Fax: 254-2-257365
16	Downtown Cambio Forex Bureau Ltd P. O. Box 42444 – 00100, Nairobi Tel: 608659, 608547/507721	Downtown Building, Wilson Airport, Langata Road, Nairobi	xcn@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: 254-2-7250602
18	Gala Forex Bureau Ltd P. O. Box 35021-00100, Nairobi Tel: 020310241 Mobile: 0723750000	20th Century, 1st Floor Mama Ngina/ Kaunda Street, Nairobi	galaforexbureau@gmail.com Fax: 254 20 310261
19	Gateway Forex Bureau Ltd P. O. Box 11900 – 00100, Nairobi Tel: 2212955/45/49, 0700-003438	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	Terminal 1A, Jomo Kenyatta International Airport, Nairobi	giantforex@mitsuminet.com Fax: 254-2-828327
21	Give and Take Forex Bureau Ltd P. O. Box 51463 – 00200, Nairobi Tel: 7120081/3562152	Gigiri, China Garden, United Nations Avenue, Nairobi	giventakeforex@wananchi.com Fax: 254-2-7120046
22	Glory Forex Bureau Ltd P. O. Box 42909 – 00100, Nairobi Tel: 2244335/2241164/2243115	Norwich Union House Kimathi Street, Nairobi	gloryforex@yahoo.com Fax: 254-2-245814
23	GNK Forex Bureau Ltd P. O. Box 14297 – 00100, Nairobi Tel: 890303/801243/891843/892248	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 20909 – 00100 Nairobi Tel: 25402022145 7/8/9	Emperor Plaza, Ground Floor, Koinange Street, Nairobi	greenexchangeforexbureau@hotmail.com Fax: 254-2-2214950
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 2223088/ 2229626	Abdulrasul Inst. Building, Makadara Road, Moi Avenue, Mombasa	islandforex@hotmail.com Fax: 254-41-2227057
27	Junction Forex Bureau Limited P. O. Box 43988 – 00100, Nairobi Tel: 3861268/9, 0725-852840	The Junction of Ngong Road/ Dagoretti Corner, Nairobi	junctionforexbureau.td@yahoo.com
28	Kenza Exchange Bureau Ltd P. O. Box 21818 – 00400, Nairobi Tel: 822504/ 2245863	JKIA, Arrival Unit 1 Nairobi	okamcuo@gmail.com, rokora@yahoo.com

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DIRECTORY OF FOREIGN EXCHANGE BUREAUS

29	Lache Forex Bureau Ltd P. O. Box 45191 – 00100, Nairobi Tel: 3514009, 2119568/9, 0711-229408, 3752109	Mirage Towers, Chiromo Road, Nairobi	info@lache.co.ke Fax: 254-2-2733465
30	Legacy Forex Bureau Ltd P. O. Box 15710 – 00100, Nairobi Tel. 0791587614, 0713670281, 0728647131	Corner Plaza, Westlands, Nairobi	info@legacyforexbureau.co.ke or info@sypinternational.co.ke
31	Leo Forex Bureau Ltd P. O. Box 82304 – 80100, Mombasa Tel: 041-2230296/7/8; 2230399	T. S. S. Towers Nkrumah Road, Mombasa	leoforex@swiftmombasa.com Fax: 254-41-230309
32	Link Forex Bureau Ltd P. O. Box 11659 – 00400, Nairobi Tel: 2213613/21, 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 49434 – 00100, Nairobi	Southfield Mall, Airport North Road, Nairobi	magnumkenya@gmail.com
34	Maritime Forex Bureau Ltd P. O. Box 40298 – 80100, Mombasa Tel: 041- 2319175/6/7	Hassanali Building, Nkrumah Road, Nairobi	maritimeforex@africaonline.co.ke Fax: 254-41-2319178
35	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
36	Mona Bureau De Change Ltd P. O. Box 46180 – 00100 Nairobi Tel.: 828111/2, Cell.: 0723-744348	Panari Centre, Mombasa Road, Nairobi	monaraj@ymail.com Fax: 254-2-828113
37	Moneypoint Forex Bureau Ltd P. O. Box 3338 00100, Nairobi Tel No.: 020 2211346/7	Tubman Road, Arish Plaza, Nairobi	moneypointforex@hotmail.com Fax:+254-20-2211342
38	Morgan Forex Bureau De Change Ltd P. O. Box 70012 – 00400, Nairobi Tel No. 020-4444073	Kipro Centre, Sports Street, Westlands, Nairobi	morgankenya@gmail.com Fax: 254 -2-4444074
39	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
40	Muthaiga-ABC Forex Bureau Ltd P. O. Box 63533 – 00619, Tel: 4048985/4044146 Cell. 0722-362965/0733-362965	Triad Building, Muthaiga Road, Nairobi	info-x@mafxgroup.com; adminoffice@mafxgroup.com
41	Nairobi Bureau De Change Ltd P. O. Box 644 – 00624, Village Mkt Nairobi Tel.: 822864	Unit 2 JKIA Nairobi	info@nairobibureau.com Fax: 254-2-241307
42	Namanga Forex Bureau Ltd P. O. Box 12577 – 00100, Nairobi Tel: 02-213642/ 045-5132476	Immigration Building, Namanga Town	namangaforexbureaubranch@yahoo.com

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DIRECTORY OF FOREIGN EXCHANGE BUREAUS

43	Nawal Forex Bureau Ltd P. O. Box 43888 – 00100, Nairobi Tel: 2720111	Chaka Place, Chaka Road, Nairobi	nawalforexbureau@yahoo.com Fax: 254-2-272011
44	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
45	Pacific Forex Bureau Limited P. O. Box 24273 – 00100, Nairobi Tel. 310890, 310882/3	Lonhro House, Standard Street, Nairobi	pacific@safarinet.com, pacificfx@yahoo.com
46	Peaktop Bureau De Change Ltd P. O. Box 13074 – 00100, Nairobi Tel: 2244371/313438, 0722 - 332519	20th Century, Mama Ngina/Kaunda Streets, Nairobi	info@peaktop.co.ke, peaktopbureau@gmail.com Fax: 254-2-210210
47	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
48	Pel Forex Bureau Ltd P. O. Box 957 – 40100, Kisumu Tel: 057-2024134/2044425	Allmemia Plaza Oginga Odinga Road, Kisumu	pel@swiftkisumu.com Fax: 254-57-2022495
49	Pwani Forex Bureau Ltd P. O. Box 87230 – 80100, Mombasa Tel: 041-2221727/2221734/2221845	Mombasa Block 404 XV11/ M1 Abdel Nasser	forex@pwaniforex.com Fax: 254-41-2221670
50	Rand Forex Bureau Limited P. O. Box 30925 - 00100, Nairobi Tel: 0722200815	Kampus Mall, University Way, Nairobi	info@randforex.co.ke
51	Regional Forex Bureau Limited P. O. Box 634 – 00100, Nairobi Tel. 313479/80,311563	Kimathi House, Kimathi Street, Nairobi	regionalfx@gmail.com Fax: 254-20-312296
52	Rift Valley Forex Bureau Ltd P. O. Box 12165, Nakuru Tel: 051-2212465/2210174	Merica Hotel Building, Court Road, Nakuru	riftvalleyforex@yahoo.com Fax: 254-51-2210174
53	Safari Forex Bureau Ltd P. O. Box 219, Eldoret Tel: 053-2063347	KVDA Plaza, Eldoret	safariforexbureau@yahoo.com Fax: 254-053-2063997
54	Satellite Forex Bureau Ltd P. O. Box 43817 - 00100, Nairobi Tel: 2218140/1, Cell: 0721 411300	City House, Standard Street, Nairobi	satelliteforex@swiftkenya.com Fax: 254-20-230630
55	Simba Forex Bureau Limited P. O. Box 66886 – 00800 Nairobi Tel. 020 – 445985, 0722 – 703121	Moi International Airport, Mombasa	simbaforexmombasa@gmail.com Fax No: 020 – 4443703
56	Sisi Forex Bureau Limited P.O. Box 60770 – 00200, Nairobi Tel: 2445846/0722 382995	Agip House, Haile Selasie Avenue, Nairobi	sisiforex@sisi.co.ke

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DIRECTORY OF FOREIGN EXCHANGE BUREAUS

57	Sky Forex Bureau Limited P. O. Box 26150 – 00100, Nairobi Tel: 020-2242032/3	20th Century, Mama Ngina/ Kaunda Street, Nairobi	info@skyforexbureau.com Fax No. 020-2242064
58	Solid Exchange Bureau Ltd P. O. Box 19257 – 00501, Nairobi Tel: 822922/0722-853759	JKIA-Unit 2, Nairobi	solidexchangebureau@yahoo.com Fax: 254-2-822923
59	Southend Forex Bureau Ltd P. O. Box 3321 – 00506 Nairobi Tel: 0722844766	Freedom Heights Mall, Langata Road, Nairobi	southendforexbureaultd@gmail.com
60	Sterling Forex Bureau Ltd P. O. Box 43673 – 00200 Nairobi Tel: 2228923/340621	Laxmi Plaza, Biashara Street, Nairobi	info@sterlingforexbureau.com Fax. 254-2-330894
61	Sunny Forex Bureau Limited P. O. Box 34165 – 00100, Nairobi Tel: 2252013/252079	Uniafric House, Koinange Street, Nairobi	sunnyforexbureau@yahoo.com Fax: 254-2-252075
62	Taipan Forex Bureau Ltd P. O. Box 42909 – 00100, Nairobi Tel: 827378	The Village Market, Nairobi	taipan@africaonline.co.ke Fax: 254-2-223665/248676
63	Trade Bureau De Change Ltd P. O. Box 7080 – 00300, Nairobi Tel: 2241207	St Ellis House, City Hall Way, Nairobi	trade@wananchi.com tradedc@yahoo.com Fax: 254-2-317758
64	Travellers Forex Bureau Ltd P. O. Box 12583 – 00800, Nairobi Tel: 447204/5/6	The Mall, Ring Road West- lands, Nairobi	bmawjee@hotmail.com Fax: 254-2-443859
65	Travel Point Forex Bureau Limited P. O. Box 75901 – 00200, Nairobi Tel. 827872, 827877	JKIA, International Arrivals Ter- minal, Nairobi	info@travelpoint.co.ke Fax: 254-2-827872
66	Union Forex Bureau Ltd P. O. Box 43847 – 00100, Nairobi Tel: 4441855/4448327/44476[illegible]8	Sarit Centre, Lower Kabete Road, Westlands, Nairobi	unionforex@hotmail.com Fax: 254-2-4441895
67	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
68	Wallstreet Bureau De Change Ltd P. O. Box 8841 – 30100 Eldoret Tel: 053-2062907	Bargetuny Plaza, Uganda Road, Eldoret	wallstreet756@gmail.com Fax: 254-53-2062907
69	Westlands Forex Bureau Ltd P. O. Box 45746 – 00100, Nairobi Tel: 3748786	Westgate Mall, Nairobi	westforex@wananchi.com Fax: 254-2-3748785
70	Yaya Centre Exchange Bureau Ltd P. O. Box 76302 – 00508, Nairobi Tel: 02-3869097	Yaya Centre Towers, Argwings Kodhek Road, Nairobi	info@yayaforex.co.ke Fax: 254-2-3870369

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	Edwin.Gichora@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. 6761290 / 2375624	Amana Shopping Complex, Captain Munga Street, Eastleigh, Nairobi	amana.mnytransfer@gmail.com/ amanaforex@hotmail.com
4	Bakaal Express Money Transfer Ltd P.O.BOX 41248 – 00610, Nairobi Tel: 2394513 or 0717339033	Amco Shopping Mall, 1st Avenue Eastleigh, Nairobi	info@bakaal.com
5	Dahabshiil Money Transfer Limited P.O. Box 68991 – 00622, Nairobi Tel:2222724/9 or 0720169939	20th Century Building, Standard Street, Nairobi	ken.dmto@dahabshiil.com
6	Flex Money Transfer Limited P.O. Box 25786-00100 Nairobi Tel: 020-3861100/ 0734742400	Green House, Peri Office, Grid No. 40, Ngong Road, Nairobi	info@flex-money.com www.flex-money.com
7	Taaj Money Transfer Limited P.O. Box 47583 - 00200 Nairobi Tel: 020-2321972/ 0722701990	1st Floor Shariff Centre, Eastleigh Nairobi	Globalfx@gmail.com
8	Hodan Global Money Remittance and Exchange Limited P.O. Box 68811 – 00622, Nairobi Tel: 4400030	Ecobank Towers, Ground Floor, Kaunda street, Nairobi	Info@hodanglobal@net / hodan-forex2008@hotmail.com
9	Iftin express Money Transfer Limited P.O. Box 100184 - 00101, Nairobi Tel: 2625815	Postal Place, Muindi Mbingu street, Nairobi	iftinforex@gmail.com
10	Juba Express Money Transfer Ltd P.O.BOX 16067 – 00100, Nairobi Tel: 2240540, 0727559585 or 0772699609	Hamilton House, Kaunda Street Nairobi	info@jubaexpress.co.ke
11	Kaah Express Money Transfer Limited P.O.BOX 10327 - 00400, Nairobi Tel: 0206757494/604 or 0724710193	Kaah Building, 2th Avenue, 8th Street, Eastleigh, Nairobi	kaahexpress.kenya@gmail.com
12	Kendy Money Transfer Limited P.O.BOX 27696 – 00506, Nairobi Tel: 0202377064	Sameer Business Park, Block E, Off Mombasa Road	info@kendymoneytransfer.com
13	Mobex Money Transfer Services Ltd P.O. Box 1956 - 00621 NAIROBI Tel: 0735219050/0708047188	4th Floor, Woodlands Office Park, Woodlands Road, Nairobi.	contactus@terrapay.com regulatory@terrapay.com
14	Real Value Money Transfer Limited P.O. Box 26530-00100, Nairobi Tel:0721297006	Shariff Complex, 5th Avenue, Eastleigh, Nairobi	realvaluemtransfer@gmail.com

Appendix XXI

DIRECTORY OF MONEY REMITTANCE PROVIDERS (MRPs)			
15	Safaricom Money Transfer Services Limited P. O. Box 66827 – 00800, Nairobi Tel: 20 4273272 / 0722003272 0722000000	Safaricom House, Waiyaki Way, Westlands, Nairobi	ceo@safaricom.co.ke
16	Tawakal Money Transfer Limited P.O. BOX 71623 – 00610, Nairobi Tel . 6766171/0722302133	City House, Ground Floor. Nairobi.	info@tawakalmoneytransfer.com
17	Unimoni Money Remittance Limited P.O Box 51695 – 00100, Nairobi Tel: 2220101	Nextgen Mall, Mombasa Road, Nairobi	ho.kenya@unimoni.com/ customercare.kenya@unimoni.com
18	Upesi Money Transfer Limited P.O Box 63776-00200, Nairobi Tel:0726499656/0726500404	Morning Side Office Park, Ngong Road, Nairobi	info@upesi.co.ke
19	Mukuru Money Transfer Ltd P.O. Box 764 –00606, Nairobi Tel.+254709427500	9 West, 6th Floor, Ring Road, Parklands, Nairobi	bcdakex@mukuru.com

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