



Central Bank of Kenya

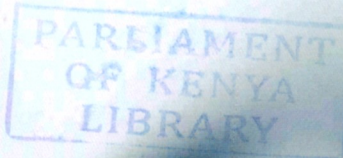
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BANK SUPERVISION ANNUAL REPORT 2020

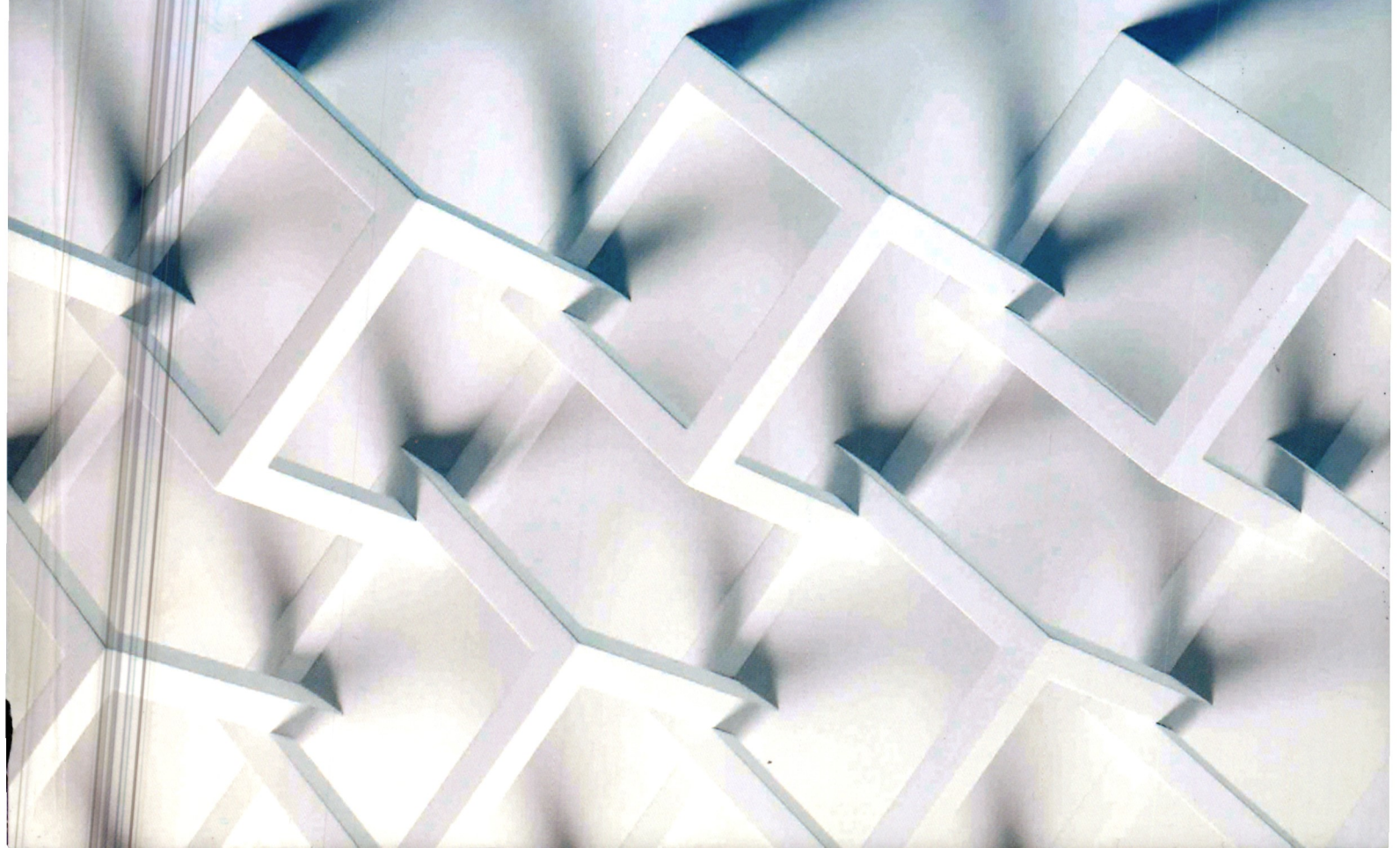


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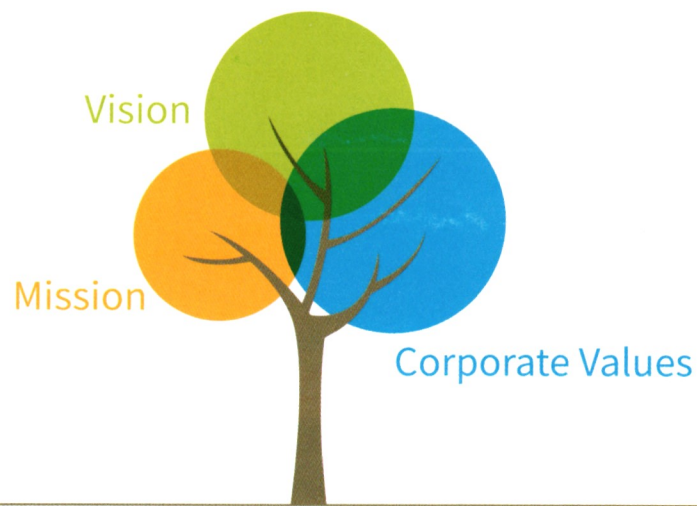
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VISION STATEMENT

The Central Bank of Kenya's vision 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 practices.

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 to 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 most efficiently and effectively.
- iv. Transparency, Accountability and Integrity:** The Board, Management and staff will at all times act at the highest level of transparency, accountability and integrity.
- v. Innovativeness:** The Board, Management and staff will nurture creativity to ensure continued improvement in organizational performance.
- vi. Mutual Respect and Teamwork:** The Board, Management and staff will at all times uphold mutual respect and enhance teamwork.
- vii. Diversity and Inclusiveness:** The Board, Management and staff shall treat all people equally and fairly without discrimination and shall uphold the principles of gender equity, regional and ethnic balance.

GOVERNOR'S MESSAGE

The banking sector entered 2020 on a strong footing poised to rebound after interest rate caps were repealed in 2019. At that point, the coronavirus (COVID-19) pandemic that was to define 2020 did not feature in global discourse. At the Central Bank of Kenya (CBK), we had keenly followed the onset of the virus in China in early 2020 and its devastating spread to Europe and the United States. It was just a matter of time before it landed on our shores.

We therefore moved quickly in tandem with the government, the banking sector and other players to institute measures to mitigate the adverse impact of the pandemic when it landed in Kenya in March. The measures were intended to facilitate Kenyans to use digital financial services to mitigate the COVID-19 infection risks, ensure continued operations of the banking sector while safeguarding the health and safety of bank staff, customers and the public. Further, the measures were intended to provide relief to borrowers adversely impacted by the effects of the pandemic.

Building on business continuity and pandemic response guidance from CBK, the banking sector during the pandemic 'kept the lights on.' While ensuring the health and safety of customers and staff, over 90 percent of the approximately 1,500 bank branches across the country remained open. The over 30,000 bank staff have been in the frontline serving Kenyans even in areas locked down to contain the pandemic.

To minimize the health risk and support Ministry of Health 'stay at home' protocols, banks have enhanced the use of digital channels. Before the pandemic, on average, close to 90 percent of bank transactions were conducted outside branches. During the pandemic, this has accelerated to over 94 percent of transactions. Most notably, over 67 percent of transactions are conducted on mobile phones up from 55 percent before the pandemic.

To support borrowers in these difficult times, CBK announced emergency measures by banks to restructure personal, Micro, Small and Medium Enterprises (MSMEs) and corporate loans. This was intended to provide relief to borrowers with up to date loans who through no fault of their own were adversely impacted by the pandemic. As at the end of December 2020, banks had restructured loans worth Ksh.1.6 trillion or 54 percent of the total

banking sector loans. The over 400,000 loan accounts restructured range from your neighborhood hair salon, individuals, MSMEs, large flower farms, airlines, hotel chains to shopping malls and transport companies.

As a testament to its resilience in a year dominated by COVID-19, the sector closed the year with a total capital adequacy ratio of 19.0 percent above the statutory minimum capital adequacy ratio of 14.5 percent. The sector's liquidity ratio of 54.5 percent was above the statutory minimum of 20 percent. Total net assets grew by 12.4 percent from Ksh.4.8 trillion in December 2019 to Ksh.5.4 trillion in December 2020. Customer deposits increased by 13.6 percent from Ksh.3.5 trillion in December 2019 to Ksh.4.0 trillion in December 2020.

On the economic front, the onset of the pandemic was delayed in Sub-Saharan Africa, but by year end, the region was battling an unprecedented health and economic crisis. This was underpinned by stringent containment measures instituted to control the pandemic. On the domestic front, the Kenyan economy contracted in the first three quarters of 2020 following the devastating impact of COVID-19. The contraction was mainly driven by significant declines in the Services sector that bore the brunt of the COVID-19 containment measures.

As we build back from COVID-19, CBK's vision remains one of a banking sector that is responsible, disciplined and aligned to customers' needs. Accordingly, banks continue to operationalize the four pillars of the vision: customer centricity, risk-based credit pricing, transparency and doing the right thing. The pandemic has only served to underscore the relevance and importance of the vision and the pillars.

With accelerated digitization, customer centricity remains paramount as customers demand a fast and efficient service experience. At the same time, digital platforms must be secure, protecting customer's funds and importantly their personal data. Banks must therefore calibrate the right balance, as they move to, and orchestrate a 'digital first' strategy.

Dr. Patrick Njoroge
Governor, Central Bank of Kenya

FOREWORD BY DIRECTOR, BANK SUPERVISION

The Kenyan banking sector remained stable and agile in 2020 despite the COVID-19 pandemic, whose first Kenyan case was reported in early March 2020. The year was characterised by restrictions on movement through lockdowns and curfew hours. The sector ramped up their online/mobile platforms to continue offering banking services in the midst of the pandemic and at the same time ensured that the channels remained secure and available.

Despite the effect of COVID-19 pandemic, the sector's gross loans and advances increased by 7.2 percent from Ksh.2.7 trillion in December 2019 to Ksh.2.9 trillion in December 2020. All the economic sectors registered growth in loans other than Mining and Quarrying that had a slight decline. The highest proportion of the banking industry gross loans and advances was channelled 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 12.4 percent from Ksh.4.8 trillion in December 2019 to Ksh.5.4 trillion in December 2020.
- Customer deposits increased by 13.6 percent from Ksh.3.5 trillion in December 2019 to Ksh.4.0 trillion in December 2020.
- The pre-tax profit for the sector decreased by 29.3 percent from Ksh.159.1 billion in December 2019 to Ksh.112.1 billion in December 2020. The decrease in profitability in 2020 is attributed to a higher growth in total expenses by 22.6 percent as compared to the increase in total income by 7.6 percent.
- The banking sector average liquidity ratio as at December 2020 stood at 54.5 percent as compared to 49.7 percent registered in December 2019. 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 23.7 percent while total short-term liabilities grew by 13.2 percent. The banking sector's liquidity ratio of 54.5 as at December 2020 percent was above the statutory minimum requirement of 20 percent.
- The ratio of gross non-performing loans to gross loans deteriorated from 12.5 percent in December 2019 to 14.5 percent in December 2020. The increase

in gross non-performing loans to gross loans ratio in 2020 was mainly attributable to the higher growth in non-performing loans compared to the growth in gross loans. Non-performing loans grew by 29.6 percent as compared to the increase in gross loans by 11.7 percent.

Licence Approvals

- The Kenya Mortgage Refinance Company (KMRC) Plc was granted a license to conduct mortgage refinance business in Kenya on September 3, 2020. The establishment of mortgage refinance companies in Kenya is aimed at developing an active secondary mortgage market in Kenya for provision of long-term funding to primary mortgage lenders including commercial banks, microfinance banks and Savings and Credit Co-operatives (SACCOs).

Consolidations, Mergers and Acquisitions

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

- Access Bank Plc (of Nigeria) completed its acquisition of Transnational Bank Plc effective February 1, 2020.
- Commercial International Bank (Egypt) S.A.E (CIB) acquired 51 percent shareholding of Mayfair Bank Ltd effective May 1, 2020. Following the acquisition, Mayfair Bank Ltd was renamed Mayfair CIB Bank Limited.
- KCB Bank Kenya Limited (KCB Bank) acquired certain assets of Imperial Bank (Kenya) Limited (In Receivership) (IBLIR) valued at Ksh.3.2 billion and assumed liabilities of the same value with effect from June 2, 2020.
- The Co-operative Bank of Kenya Ltd acquired 90 percent of the issued share capital of Jamii Bora Bank Ltd effective August 21, 2020. Subsequently, Jamii Bora Bank Ltd was renamed Kingdom Bank Limited in August 2020.

The banking sector is projected to remain stable and to sustain its growth momentum in 2021 as the outcomes of various reform initiatives in the banking sector continue

FOREWORD BY DIRECTOR, BANK SUPERVISION

to manifest. Some of the reforms and initiatives planned include;

- Focus on post COVID-19 agility of the banking sector by enhancing banks' compliance with the Kenya banking sector charter. This will include strengthening risk-based credit pricing through review of banks' risk-based pricing models, enhancing customer centricity through undertaking customer satisfaction surveys and entrenching ethical banking.
- Strengthening banking sector liquidity by issuance of guidance on Internal Liquidity Adequacy Assessment Process (ILAAP). ILAAP is an effective framework for liquidity risk management. It will strengthen the liquidity resilience of banks and enable them ride through periodic liquidity shocks.
- Moving towards 'near real-time' supervision through Enterprise Data Warehouse (EDW) Integration between CBK and supervised financial institutions. This will be pursued through closer linkage between CBK's EDW and financial institutions' ICT systems. This will enable capturing of data on a near real-time basis to facilitate enhanced monitoring by CBK and deployment of prompt corrective actions as needed.
- Reskilling/Upskilling staff competencies in data science and analytics relevant to supervisory technologies¹. This will enhance organization-wide data fluency skills on emerging technologies for data management and analyses, at the same time facilitate the gathering of insights to aid decision making.

Gerald Nyaoma
Director, Bank Supervision Department

¹Supervisory technologies (suptech) is the use of innovative technologies by supervisory agencies to support supervision. They help supervisory agencies to digitise reporting and regulatory processes, resulting in more efficient and proactive monitoring of risk and compliance at financial institutions.

EXECUTIVE SUMMARY

“A year like no other”. The year 2020, was a year like no other. It was dominated by a “once in a hundred years” pandemic. The COVID-19 pandemic upended lives and livelihoods globally. The resolve of the global populace, corporate and public entities was tested like never before. The silver lining of the pandemic was the agility of individuals and entities in responding to the “new normal” defined by the pandemic.

The global and regional economies. Global economic growth is estimated to have contracted by 3.5 percent in 2020 from a growth of 2.6 percent in 2019. This was mainly as result of the COVID-19 pandemic which affected business activities and livelihoods worldwide. Similarly, the regional economy (Sub-Saharan Africa (SSA)) is estimated to have contracted by 2.6 percent in 2020 from a growth of 3.1 percent in 2019.

The domestic economy contracted in the first three quarters of 2020 following the devastating impacts of the COVID-19 pandemic which disrupted global as well as domestic economic activities. Real GDP contracted by 0.4 percent in the first three quarters of 2020 from a growth of 5.4 percent in 2019 mainly underpinned by a significant decline in the services sector. Overall inflation remained within the Government target band. As measured by the Consumer Price Index (CPI), it decreased from 5.2 percent in 2019 to 4.9 percent in 2020 mainly on account of lower food inflation following reduced prices of key food items. Non-Food-Non-Fuel inflation remained low and stable in 2020, reflecting muted demand pressures in the economy.

Performance of the banking sector. The sector’s asset base grew by 12.4 percent in 2020, an increase from 10.1 percent growth in 2019. The increase in total assets was mainly attributed to growth in investment in government securities and loans and advances. The sector recorded strong capitalization levels as a result of retention of profits and additional capital injections. The sector’s capital adequacy ratio stood at 19.0 percent in 2020, an increase from 18.8 percent registered in 2019. However, the sector recorded a 29.5 percent decline in profitability as a result of a higher increase in expenses by 22.8 percent as compared to an increase in income of 7.3 percent.

This report highlights the structure of the Kenyan banking sector, supervisory developments, macroeconomic conditions, banking sector performance, regional and international development initiatives. The banking sector is projected to remain resilient in 2021 as banks position themselves for the post COVID-19 recovery. Banks will review their business models for agility in the era of “anytime anywhere” financial services.

CHAPTER 1

1 | CENTRAL BANK OF KENYA
BANK SUPERVISION ANNUAL 2020

STRUCTURE OF THE BANKING SECTOR

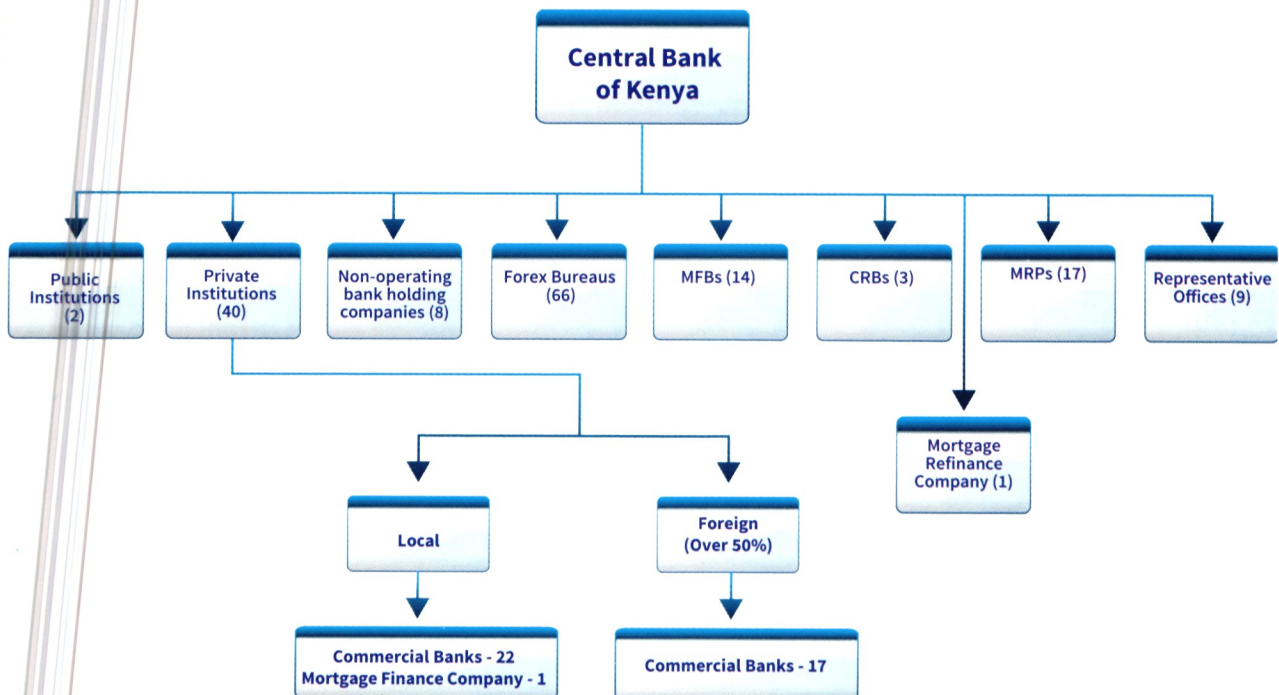
STRUCTURE OF THE BANKING SECTOR

1.1 The Banking Sector

As at December 31, 2020, the Kenyan banking sector comprised of the Central Bank of Kenya (CBK), as the regulatory authority, 42 banking institutions (41² commercial banks and 1 mortgage finance company), 9 representative offices of foreign banks, 14 Microfinance Banks (MFBs), 3 Credit Reference Bureaus (CRBs), 17 Money Remittance Providers (MRPs), 8 non-operating bank holding companies, 1 Mortgage Refinance Company and 66 foreign exchange (forex) bureaus. Out of the 42 banking institutions, 40 were privately owned while the Kenya Government³

had majority ownership in 2 institutions. Of the 40 privately owned banks, 23 were locally owned (the controlling shareholders are domiciled in Kenya) while 17 were foreign-owned. The 23 locally owned institutions comprised 22 commercial banks and 1 mortgage finance company. Of the 17 foreign-owned institutions, all are commercial banks with 14 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 mortgage refinance company were privately owned. **Chart 1** below depicts the structure of the banking sector as at December 31, 2020.

Chart 1: Structure of the Banking Sector - December 2020



² Includes Charterhouse Bank Limited and Chase Bank (K) Ltd which are In Liquidation and Imperial Bank Ltd, which is In Receivership.

³ GOK shareholding includes shares held by state corporations.

STRUCTURE OF THE BANKING SECTOR

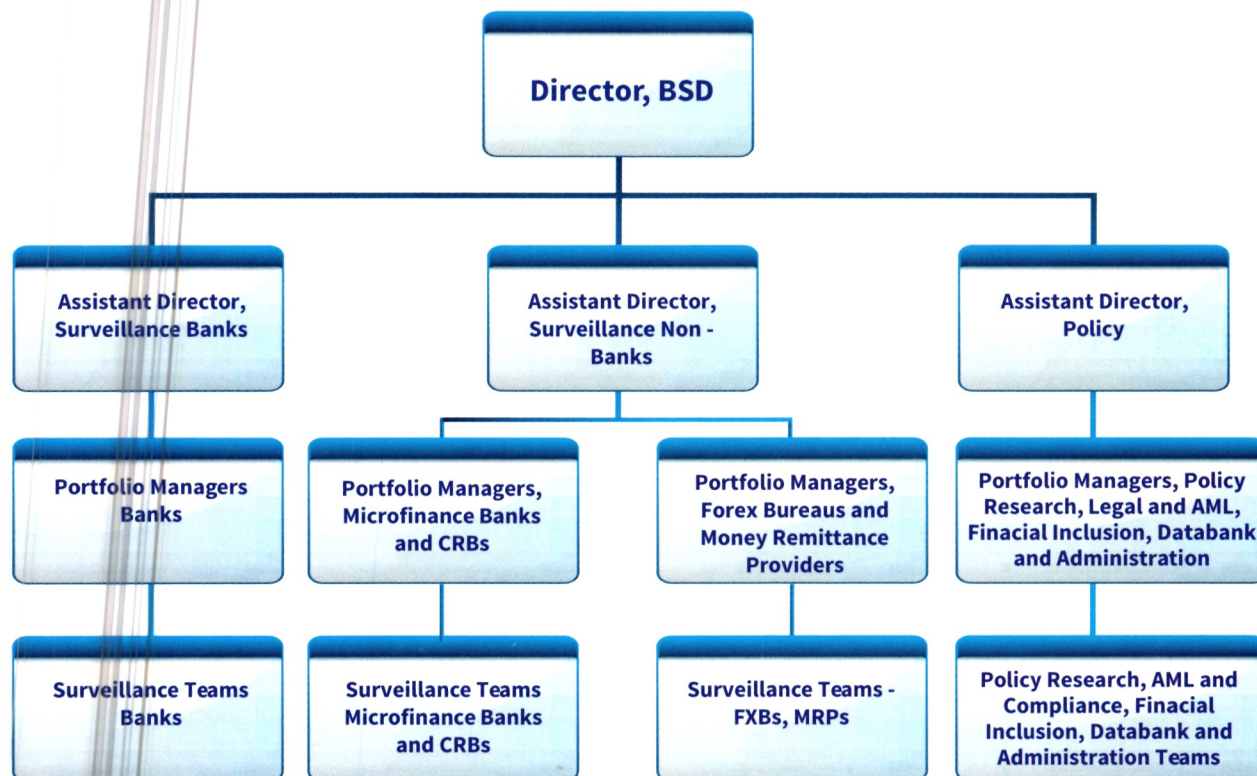
Bank Supervision Department

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

- i. Development of legal and regulatory frameworks to foster stability, efficiency and access to financial services. The Department achieves this objective through: -
 - Continuous review of the Banking Act, Microfinance Act, Building Societies Act, Regulations and Guidelines issued thereunder which lay the legal foundation for banking institutions, non-bank financial institutions, deposit taking microfinance institutions and building societies.
 - Continuous review of Regulations and Guidelines for Foreign Exchange Bureaus licensed under the Central Bank of Kenya Act.
 - Continuous review of Regulations for Credit Reference Bureaus licensed under the Banking Act.
- ii. Processing licenses of Commercial Banks, Non-Bank Financial Institutions, Mortgage Finance Institutions, Building Societies, Foreign Exchange Bureaus, Microfinance Banks, Credit Reference Bureaus, Mortgage Refinance Company 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, Mortgage Refinance Company 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, Mortgage Refinance Company and Money Remittance Providers licensed under the Central Bank of Kenya Act through the receipt and analysis of returns received periodically. The Department also processes corporate approvals for banking institutions in regard to opening and closing of places of business, the appointment of directors and senior managers, appointment of external auditors, the introduction of new products/ services, increase of bank charges and review of annual license renewal applications in accordance with statutory and prudential requirements.
- v. Hosting of the Secretariat for the National Task Force on Money Laundering (NTF) whose mandate is to develop a legal and regulatory framework to counter and prevent the use of the Kenyan financial system for money laundering. The NTF is chaired by the National Treasury. Through the NTF, BSD participates in initiatives by the Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG). ESAAMLG brings together 14 Eastern and Southern Africa countries with a principal mandate of developing a legal and regulatory Anti Money Laundering (AML) framework.
- vi. Participation in regional activities organized by regional and international bodies or associations such as the World Bank, International Monetary Fund (IMF), East African Community (EAC), and Common Market for Eastern and Southern Africa (COMESA), the Alliance for Financial Inclusion (AFI) and African Rural and Agricultural Credit Association (AFRACA).
- vii. Facilitation of the signing of Memoranda of Understanding (MOUs) between the Central Bank of Kenya and other local or foreign supervisory authorities.
- viii. As at December 31, 2020, the Bank Supervision Department had a staff complement of eighty seven (87) comprising eighty (80) technical staff and seven (7) support staff. The department is divided into three divisions as shown in **Chart 2**.

STRUCTURE OF THE BANKING SECTOR

Chart 2: Bank Supervision Organogram



Source: CBK

1.2 Ownership and Asset Base of Commercial Banks

The total net assets in the banking sector stood at Ksh.5.4 trillion as at December 31, 2020, compared to Ksh.4.8 trillion as at December 2019, recording a growth of 12.4 percent. There were 20 operating local private commercial banks and 2 operating local public commercial banks, which accounted for 66.8 percent and 0.6 percent of total net assets respectively. A total of 17 operating commercial banks were foreign owned and accounted for 32.6 percent of the sector's assets as indicated in **Table 1** and **Chart 3**.

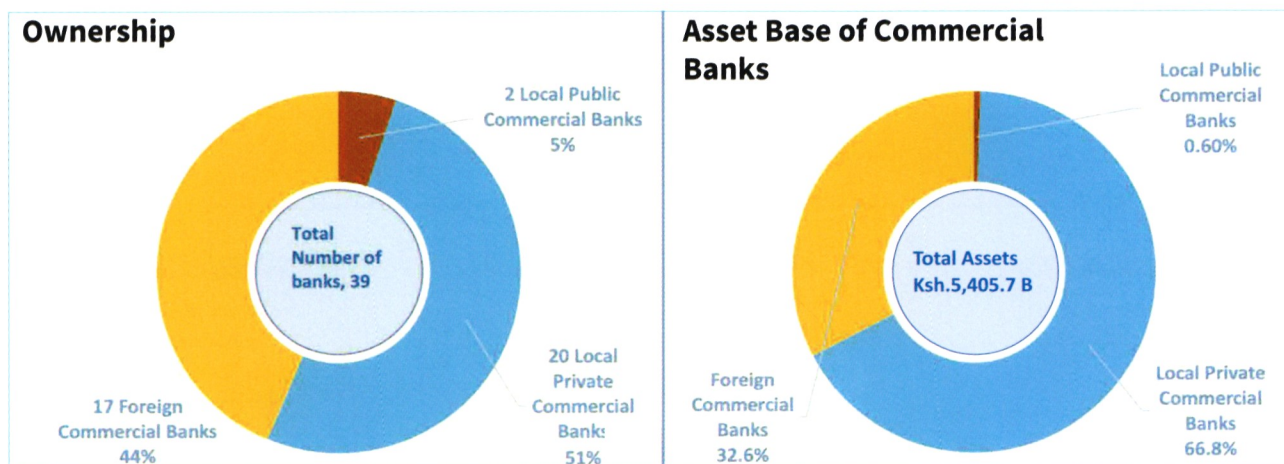
Table 1: Ownership and Asset Base of Commercial Banks				
Ownership	Number of operating banks	% of Total	Total Net Assets, Ksh.M	% of Total
Local Public Commercial Banks	2	5.1	30,108	0.6
Local Private Commercial Banks*	20	51.3	3,613,451	66.8
Foreign Commercial Banks	17	43.6	1,762,188	32.6
Total	39	100.0	5,405,746	100.0

* Charterhouse Bank Limited and Chase Bank (K) Limited, which were in Liquidation and Imperial Bank Ltd which was in Receivership have been excluded.

Source: CBK

STRUCTURE OF THE BANKING SECTOR

Chart 3: Ownership and Asset Base of Commercial Banks December 2020



Distribution of Commercial Banks Branches

The number of bank branches increased marginally from 1,490 in 2019 to 1,502 in 2020, which translated to an increase of 12 branches. Nairobi County registered the highest increase in the number of branches by 4 branches (**Appendix XV**). A total of 15 counties registered an increase of 23 bank branches while 9 counties registered a decrease of 11 bank branches. In 23 counties, there was no change in bank branches.

Branches remain an important delivery channel increasingly used for high value transactions and advisory services for MSMEs, Corporates and high networth individuals.

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, 2020, there were 9 large banks with a combined market share of 74.55 percent, 9 medium banks with a combined market share of 17.21 percent and 21 small banks with a combined market share of 8.24 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-19	Dec-20	Dec-19	Dec-20	Dec-19	Dec-20	Dec-19	Dec-20	Dec-19	Dec-20	Dec-19	Dec-20
Large	74.68	74.55	9	9	3,607	4,033	2,710	3,061	538	599	143	97
Medium	17.10	17.21	9	9	805	910	623	732	130	141	18	17
Small	8.22	8.24	21	21	398	463	299	330	61	68	-2	-3
Total*	100	100	39	39	4,809	5,406	3,632	4,123	729	807	159	112

* Charterhouse Bank Limited and Chase Bank (K) Limited, which were in Liquidation and Imperial Bank Ltd, which were was in Receivership have been excluded.

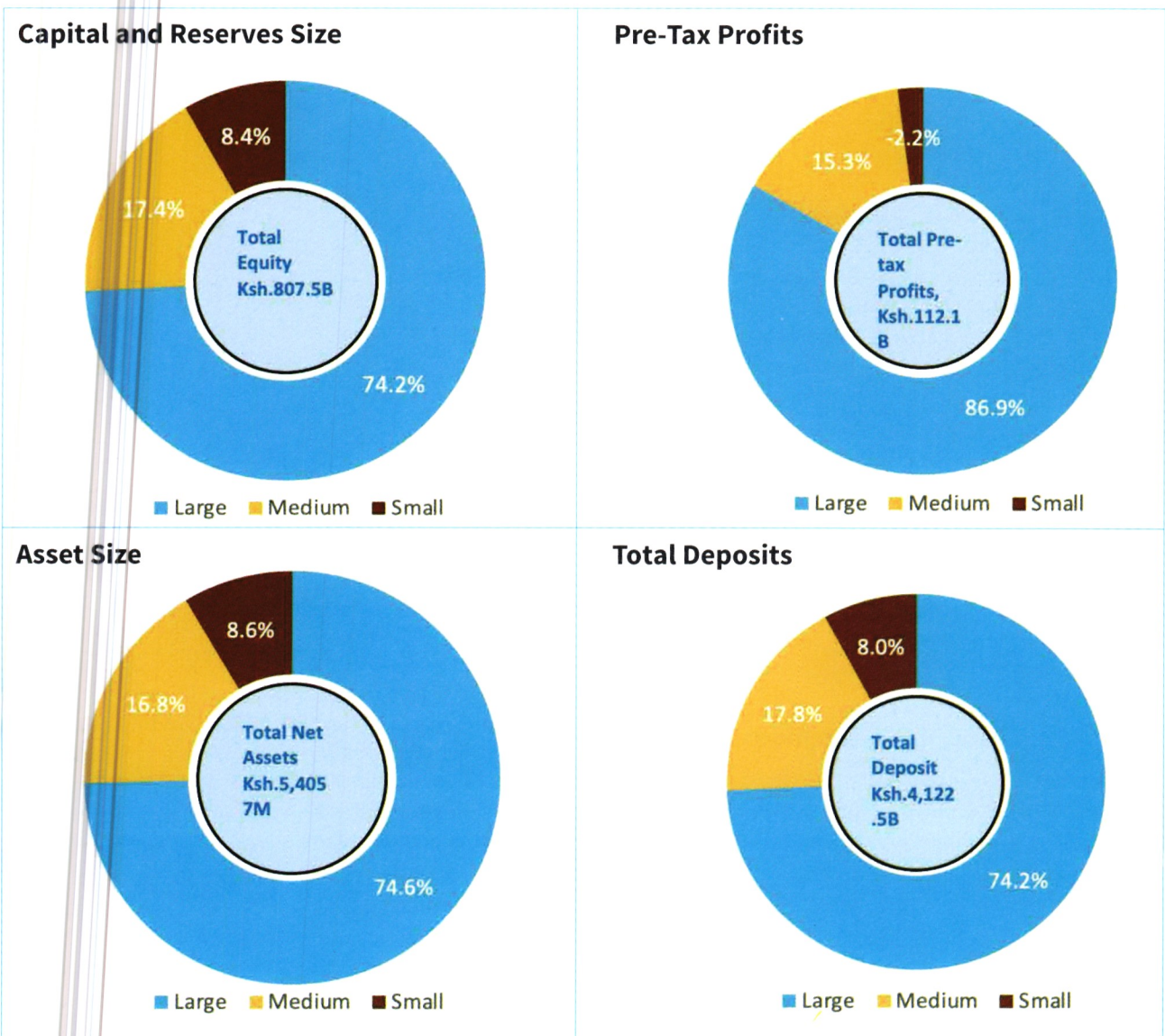
Source: CBK

STRUCTURE OF THE BANKING SECTOR

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

- Banks in large peer group decreased their combined market share from 74.68 percent in December 2019 to 74.55 percent in December 2020.
- Banks in medium peer group increased their combined market share from 17.10 percent in December 2019 to 17.21 percent in December 2020.
- Banks in Small Peer group had a combined market share of 8.2 percent in December 2020 which was the same as in December 2019.

Chart 4: Commercial Banks Market Share (%) December 2020



Source: CBK

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In 2020, the banking sector capital and reserves increased by 10.8 percent from Ksh.728.82 billion in December 2019 to Ksh.807.46 billion in December 2020. All the peer groups registered increased capital and reserves. 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 decline in performance in 2020 with profit before tax decreasing by 29.5 percent to Ksh.112.2 billion in December 2020 from Ksh.159.1 billion in December 2019. The decrease in profitability is attributed to a higher increase in expenses (Ksh.77.47 billion) compared to increase in income (Ksh.30.54 billion).

The large peer group accounted for 89.94 percent of the total pre-tax profit, an increase from 89.79 percent recorded in 2019. The small peer group proportion of total pre-tax profit decreased from negative 1.03 percent in 2019 to negative 2.23 percent in 2020. This was attributable to 8 banks making losses at a higher magnitude in 2020 compared to 7 banks, which made losses at a lower magnitude in 2019. The medium peer group proportion of total pre-tax profit increased to 15.29 percent in 2020 from 11.24 percent in 2019.

Total deposits increased by 13.9 percent from Ksh.3.60 trillion in December 2019 to Ksh.4.1 trillion in December 2020. The growth was supported by mobilization of deposits through agency banking and mobile phones platforms.

1.5 Automated Teller Machines (ATMs)

The number of Automated Teller Machines (ATMs) decreased by 47 (1.4 percent) to 2,412 in December 2020 from 2,459 in December 2019 as indicated in **Table 3**. The general decrease in ATMs in 2020 is as a result of adoption of mobile and digital banking in the banking industry.

The rate of digitization of financial services in the banking sector was propelled by the emergency measures to encourage use of digital platforms. This included waiver of charges on mobile money transactions below Ksh.1,000, transfers between mobile money wallets and

bank accounts and increase of mobile money wallets limits from Ksh.150,000 to Ksh.300,000.

Table 3: ATM Network

Month	No. of ATMs	Monthly Increase/ (Decrease)	Percentage Growth (%)
Dec-19	2,459	(4)	(0.16)
Jan-20	2,459	35	1.44
Feb-20	2,433	(26)	(1.06)
Mar-20	2,431	(2)	(0.08)
Apr-20	2,435	4	0.16
May-20	2,423	(12)	(0.49)
Jun-20	2,425	2	0.08
July-20	2,424	(1)	(0.04)
Aug-20	2,410	(14)	(0.58)
Sep-20	2,409	(1)	(0.04)
Oct-20	2,409	0	0.00
Nov-20	2,400	(9)	(0.37)
Dec-20	2,412	12	0.50

Source: CBK

1.6 Asset Base of Microfinance Banks

The number of licensed microfinance banks remained at fourteen (14), as at December 31, 2020. Out of fourteen microfinance banks, three (3) held community microfinance bank licences, while eleven (11) held nationwide microfinance bank licences.

The microfinance sector registered a 2 percent decline in total assets in the year 2020. The total assets as at December 31, 2020 stood at Ksh.74.9 billion, in comparison to Ksh.76.4 billion reported in the year ended 2019. Net advances decreased by 5 percent from Ksh.46.7 billion in 2019 to Ksh.44.2 billion in December 2020. The decline in loans was attributed to the negative effects of the COVID-19 pandemic which affected the MFB's customers and their businesses due to the containment measures to control the spread of the pandemic. As highlighted in **Table 4**, lending remained the single largest activity undertaken by microfinance banks, as the net loan portfolio accounted for 59 percent of the microfinance bank's total assets.

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Customer deposits increased by 12.5 percent from Ksh.43.9 billion in 2019 to Ksh. 49.4 billion in 2020. The growth in deposits was due to deposit mobilization through agency banking and mobile phone platforms, as well as Muungano MFB which was licenced in November 2019 but begun its full operations in 2020. Customer deposits and borrowings were the main sources of funding, accounting for 66 percent and 15 percent of the microfinance banks' total funding sources.

Table 4: Microfinance Banks Balance Sheet Analysis (Ksh.M)				
ASSETS	2019	% of Total	2020	% of Total
Cash Balance (Local and Foreign notes and coins)	3,494	4.6	1,280	1.7
Deposit balances at banks and financial institutions	9,587	12.5	10,935	14.6
Government securities	3,484	4.6	4,309	5.8
Net Advances	46,652	61.1	44,179	59.0
Accounts Receivables	1,601	2.1	1,797	2.4
Net Fixed Assets	6,589	8.6	9,622	12.8
Other Assets	4,946	6.5	2,757	3.7
TOTAL NET ASSETS	76,353	100.0	74,879	100.0
LIABILITIES & EQUITY FUNDS				
Deposits	43,941	57.5	49,356	66.0
Borrowings	14,934	19.6	11,340	15.1
Other Liabilities	6,301	8.3	6,070	8.1
Capital and Shareholders Funds	11,177	14.6	8,113	10.8
TOTAL LIABILITIES AND EQUITY FUNDS	76,353	100.0	74,879	100.0

Source: CBK

1.7 Microfinance Banks Market Share Analysis

The microfinance banks market share is based on a weighted composite index comprising of 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, 2020, there were three (3) large microfinance banks with an aggregate market share of 81.0 percent, five (5) medium microfinance banks with a combined market share of 17.6 percent and six (6) small microfinance banks with an aggregate market share of 1.4 percent as shown in **Table 5**.

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Table 5: Microfinance Banks Market Share Analysis - December 31, 2019 and December 31, 2020								
2019		2020						
	Market Size Index (%)		Market Size Index (%)	Gross Assets	Total Deposits	Total Capital	Number of Active Deposit Accounts	Number of active Loan Accounts
Weighting	2019	Weighting	2020	0.33	0.33	0.33	0.005	0.005
Large		Large						
Faulu MFB	39.2	Faulu MFB	40.2	29,279	22,931	2,907	99	35
Kenya Women MFB	36.9	Kenya Women MFB	33.5	28,038	16,335	2,361	437	144
Rafiki MFB	8.5	Rafiki MFB	7.2	6,005	3,027	619	20	8
	84.6		81.0	63,322	42,293	5,887	556	187
Medium		Medium						
SMEP MFB	4.6	SMEP MFB	4.9	3,446	2,398	434	32	14
Maisha MFB	3.4	Maisha MFB	4.8	1,665	781	864	29	11
Caritas MFB	2.5	Caritas MFB	3.4	2,284	1,943	256	27	3
Sumac MFB	2.3	Sumac MFB	3.1	2,310	978	351	11	3
U & I MFB	1.1	U & I MFB	1.4	805	368	197	5	0.5
	13.9		17.6	10,510	6,468	2,102	104	31.5
Small		Small						
Key MFB	0.7	Key MFB	0.6	307	74	108	5	0.4
Uwezo MFB	0.4	Uwezo MFB	0.5	134	10	100	0.4	0.04
Century MFB	0.4	Muongano MFB	0.4	131	47	69	1	0.2
Daraja MFB	0.1	Century MFB	0.2	296	270	(37)	2	0.1
Choice MFB	0.0	Daraja MFB	(0.1)	124	96	(48)	0.6	0.1
	1.6	Choice MFB	(0.2)	54	98	(65)	5	0.03
			1.4	1,046	595	127	14	0.9
Grand Total	100.0		100.0	74,878	49,356	8,116	674	219.4

Source: CBK

The large and small peer groups registered a decline of 3.7 percent and 0.2 percent respectively from the 2019 market share, whereas the medium peer group experienced a growth of 3.7 percent. The rankings in the large and medium peer categories remained unchanged from those in 2019. In the small peer category, Muungano MFB which was licensed in 2019 and commenced operations in 2020 had a market share of 0.4

percent. There were 14 institutions in the 2020 market share analysis compared to 13 institutions in 2019. The movement of the individual institution's market share is as follows:

- In the large peer category, Faulu MFB's market share grew by 1 percent while Kenya Women MFB's and Rafiki MFB's market share declined by 3.4 percent and 1.3 percent respectively.

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- In the medium peer group, all the institutions registered a growth of market share of less than 1 percent each, except Maisha MFB whose market share grew by 1.4 percent.
- In the small peer category, only Muungano MFB and Uwezo MFB had marginal growths of 0.4 percent and 0.1 percent respectively whereas the market share of all other institutions declined marginally. Daraja MFB and Choice MFB had negative market share of 0.1 percent and 0.2 percent respectively as a result of having negative total shareholders' funds.

1.8 Distribution of Foreign Exchange Bureaus

As of December 31, 2020, the number of licensed forex bureaus were sixty-six (66), having declined from sixty-nine (69) in December 2019. The decline is attributed to the closure of two (3) forex bureaus during the year mainly due to operational challenges attributed to the adverse impact of the COVID-19 pandemic.

The forex bureaus operated a total of 106 outlets countrywide as of December 31, 2020 with most of the outlets located in Nairobi as shown in **Table 6:**

City/Town	No. of Outlets	% of Total
Nairobi	88	83
Mombasa	10	9
Kisumu	2	2
Eldoret	1	1
Nakuru	1	1
Garissa	1	1
Busia	1	1
Namanga	1	1
Watamu	1	1
Total	106	100

Source: CBK

One outlet in Mombasa was closed in 2020 thus the decline from 107 outlets in 2019 to 106 outlets in 2020.

CHAPTER 2

11 | CENTRAL BANK OF KENYA
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DEVELOPMENTS IN THE BANKING SECTOR

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2.1 Introduction

2020 commenced on a positive note with the banking industry primed to focus on longer-term issues such as climate-change, environmental sustainability, diversity, and integrating them in business decisions. At that point, the COVID-19 pandemic was not in the sector's radar.

The COVID-19 pandemic took a toll on economies including banking systems across the world. In the Kenyan banking sector, the most impact was on the banks' loan portfolios where many borrowers, across different sectors, faced challenges in repaying their obligations due to reduced income and business turnover. Similarly, the strategic and operating environments of banks were affected necessitating proactive guidelines and measures from CBK. To this end, CBK and the banks swiftly focused on the banking sector's critical needs which included ensuring business continuity, supporting health and safety and implementing measures to uphold financial stability.

Other significant developments that took place during the year included increased mergers and acquisitions and leveraging on technology which is of strategic significance for the sector.

2.2 Banking Sector Charter

It has been two years since the Kenya Banking Sector Charter (KBSC) was rolled out, to set a vision of a banking sector that works for and with Kenyans. The KBSC has continued to shape the recent banking sector reforms following the repeal of the interest rate law in November 2019, which had capped lending rates at four percentage points above the prevailing Central Bank Rate.

In 2019, all institutions submitted their plans as required and also engaged closely with CBK on their implementation of the Charter. Based on the engagements between CBK and financial institutions, it was evident that three out of the four pillars anchored in the Charter, namely; customer centricity, transparency and ethical banking, have been to a large extent integrated in the institutions' strategy and operations.

During the year, Central Bank engaged all the financial institutions to establish the status of the implementation of the fourth pillar on Credit Risk-Based Pricing Model. From these engagements, banks embarked on developing and sharpening their credit risk-based pricing models. Going forward, banks should continue refining their credit risk-based pricing models. Robust credit-risk pricing models will deliver on the overall objective of implementing differential credit pricing, based on a customer's credit rating.

2.3 Legal and Regulatory Framework

The Banking (Credit Reference Bureau) Regulations, 2020 became effective on April 8, 2020 and replaced the framework that had been in place since 2013. The revised CRB Regulations supported the risk-based pricing pillar of the banking sector charter issued in February 2015 and provided for temporary suspension of listing negative credit information in exceptional circumstances. Accordingly, and in light of the adverse impact of COVID-19 on April 14, CBK communicated the suspension of sharing of negative credit information on credit facilities that became non-performing from April 1, 2020 for six months to September 30, 2020.

2.4 Consolidations, Mergers and Acquisitions, and New Entrants

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

- Access Bank Plc (of Nigeria) completed its acquisition of Transnational Bank Plc effective February 1, 2020 per Section 9 and 13(4) of the Banking Act.
- Commercial International Bank (Egypt) S.A.E (CIB) acquired 51 percent shareholding of Mayfair Bank Ltd effective May 1, 2020. Following the acquisition, Mayfair Bank Ltd was renamed Mayfair CIB Bank Limited.
- KCB Bank Kenya Limited (KCB Bank) acquired certain assets of Imperial Bank (Kenya) Limited (In Receivership) (IBLIR) valued at Ksh.3.2 billion and assumed liabilities of the same value with effect from June 2, 2020. The acquisition followed

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approval by CBK and the Cabinet Secretary for the National Treasury and Planning.

- The Co-operative Bank of Kenya Ltd acquired 90 percent of the issued share capital of Jamii Bora Bank Ltd effective August 21, 2020 per Section 9 and 13(4) of the Banking Act. Subsequently Jamii Bora Bank Ltd was renamed Kingdom Bank Ltd in August 2020.

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

MSMEs have been recognized across the world as key enablers to economic growth and development. In Kenya, MSMEs form a fundamental segment of the economy and provide employment to millions of people. The resilience of these businesses was put to test by the COVID-19 pandemic in 2020.

MSMEs were among the most affected businesses with the youth, women and vulnerable people bearing the greatest burden owing to reduced employment opportunities, loss of jobs and even closure of these businesses. Such an unprecedented crisis called for extraordinary support from the Government and financial institutions. The Kenyan Government and the financial sector, led by CBK, provided support in the following ways;

Support by Government of Kenya;

- Reduction of the MSME turnover tax from 3 percent to 1 percent, as well as an increase in the cap for those liable to pay the turnover tax from Ksh.5 million to Ksh.50 million per year.
- Reduction of Resident Corporate tax to 25 percent from 30 percent.
- Reduction of Value Added Tax (VAT) from 16 percent to 14 percent.

Support by the Central Bank of Kenya and the financial sector;

- CBK provided guidance on restructuring of loans (personal/business/MSMEs) which were

performing by March 2, 2020, with the commercial banks bearing the cost of restructuring. This relief was to be granted on a case to case basis depending on an assessment of the circumstances facing the borrowers.

- Six months suspension of listing of negative credit information for customers whose loans were previously performing and had become non-performing after April 1, 2020.
- Elimination of charges for transfers between the bank accounts and mobile wallets.

Support through the Credit Guarantee Scheme;

The Government of Kenya, through the Public Finance Management Regulations (2020), set up a Ksh.3 billion Credit Guarantee Scheme (CGS). The objective of the CGS is to cushion participating commercial banks, providing them with confidence to extend loans to high-risk borrowers more efficiently and at flexible terms. The CGS is expected to support MSMEs' working capital, acquisition of assets and recovery from the COVID-19 pandemic impacts. The participating commercial banks are tasked with ensuring that the MSMEs meet certain requirements to access the CGS including being compliant with tax obligations, business permits and good credit scoring. These measures are key in measuring the risk of the participating MSMEs. The CGS was operationalized on October 13, 2020 and the following activities kicked off;

- Establishment of the Secretariat which will be ran by interim staff from the National Treasury.
- Finalisation of budgets and work plans.
- CBK tasked with coming up with the reporting template.

So far, seven commercial banks have signed agreements with the National Treasury to participate in the scheme, with more expected to join in due course.

2.6 Coronavirus (COVID-19) pandemic

The COVID-19 virus was declared a global pandemic in March 2020 by the World Health Organization. The pandemic precipitated an unprecedented global health

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and economic crisis. In Kenya, the first COVID-19 case was announced on March 13, 2020 and CBK immediately took a frontline position in ensuring that the Kenyan financial sector remained resilient despite the threats posed by the pandemic. CBK immediately instituted a series of emergency measures to mitigate the health and economic effects of the pandemic.

- **Measures to Mitigate the Impact of COVID-19 Pandemic**

The measures were informed by:

- The need to reduce cash transactions and facilitate digital transactions, primarily to abate the risk of COVID-19 contact transmission.
- The need to cushion borrowers from the likely adverse economic effects arising from the COVID-19 pandemic while safeguarding banking system soundness.
- Supporting operations of the financial institutions by ensuring there was adequate liquidity to support both banks and borrowers as a result of the pandemic.
- Ensuring business continuity for both the financial institutions as well as for CBK to ensure that institutions have resilient frameworks to effectively address emerging pandemic risks in the banking sector.
- Ensuring health and safety of bank customers and staff.

i. **Digital platforms.** This was the first set of emergency measures announced on March 16, 2020 by CBK in conjunction with commercial banks and Payment Services Providers (PSPs). The immediate objective was to reduce the risk of transmission of COVID-19 by handling banknotes and coins. The measures included;

- Removal of charges for low value mobile money transactions for up to Ksh.1,000.
- The transaction limit for mobile money was increased to Ksh.150,000 from Ksh.70,000.
- The daily limit of transactions for mobile

money was increased to Ksh.300,000 from Ksh.140,000.

- The mobile money wallet limit was increased to Ksh.300,000 from Ksh.140,000.
- The monthly total limit for mobile money transactions was eliminated.
- The tariff for mobile money transactions for Ksh.70,000 was applied for transactions up to Ksh.150,000.
- PSPs and commercial banks were to eliminate charges for transfers between mobile money wallets and bank accounts.

The emergency measures applied from March 16, 2020 to June 30, 2020, and were extended to December 31, 2020. Thereafter, the measures were allowed to expire by end of December 2020.

ii. **Affordable credit.** On March 23 and April 29, the Monetary Policy Committee lowered the Central Bank Rate to 7.25 percent from 8.25 percent and to 7.00 percent from 7.25 percent respectively to signal the banking sector to lower lending and deposit rates to support the provision of affordable credit to Kenyans. Similarly, on March 23, the Monetary Policy Committee reduced the Cash Reserve Ratio (CRR) to 4.25 percent from 5.25 percent, releasing Ksh.35.2 billion as additional liquidity availed to banks to directly support borrowers that are distressed as a result of COVID-19.

iii. **Restructuring personal/household and other loans by banks.** On March 18, 2020, CBK announced the measure to cushion borrowers on the adverse effects of the pandemic as follows.

- Banks to provide relief to personal and household borrowers on their loans based on their circumstances arising from the pandemic.
- Micro, Small and Medium-sized Enterprises (MSMEs) and corporate borrowers to contact their banks for assessment and restructuring of their loans based on their respective circumstances arising from the pandemic.

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The relief granted under the emergency measures would only apply to borrowers whose loan repayments were up to date as at March 2, 2020 and classified under the normal category per the CBK Prudential Guideline on Risk Classification of Assets, Provisioning and Limitation of Interest on Non-Performing Loans (CBK/PG/04).

iv. Business Continuity. On March 25, 2020, CBK instructed banks to activate their precautionary measures to ensure continuity of operations.

v. Guidance note on Pandemic Planning for the banking sector. On March 27, 2020, CBK issued a Guidance Note on Pandemic Planning for the banking sector. The Note set out the minimum standards that institutions should develop to establish sound and effective business continuity management practices to address pandemics. The key requirement was for banks to report pandemic incidences to CBK within 24 hours.

• Impact and Outcomes of COVID-19 Mitigation Measures

i. Digital Platforms - The measures to incentivize mobile money facilitated low value mobile money transactions and expanded usage of mobile money with higher limits.

- The monthly volume of person-to-person transactions increased by 87 percent between February and December 2020.
- Over the same period, the volume of transactions below Ksh.1,000 increased by 114 percent, while 2.8 million additional customers are using mobile money.
- Business-related transactions also recorded significant growth over the same period.
- The measures lapsed on December 31, 2020.

ii. Reduction of Cash Reserve Ratio (CRR)

- Ksh.32.62 billion (92.7 percent) of the Ksh.35.2 billion freed from the reduction in CRR had been disbursed by CBK to the banks as at December 31, 2020.

- Disbursements to banks were approved based on justification for lending to deserving borrowers affected by the COVID-19 pandemic.

iii. Restructuring of loans

- A total of 401,498 loan accounts valued at Ksh.1.63 trillion were restructured in all economic sectors between March and December 2020. This accounted for 54.2 percent of banking sector gross loans of Ksh.3.0 trillion as at December 2020.
- The tenor of 202,373 Personal/Household loans valued at Ksh.333.0 billion had been extended between March and December 2020. This accounted for 39.6 percent of the total Personal/Household loans as at December 2020 (Ksh.841.86 billion). Cumulatively, 199,125 loans valued at Ksh.1.29 trillion in the other ten sectors had been restructured between March and December 2020.

iv. Pandemic planning – Banks continued offering services across the country in branches and through digital channels during the pandemic. Over 90 percent of bank branches remained open.

2.7 Developments in Information and Communication Technology

2.7.1 Summary

The proliferation of technology products and the ubiquitous reliance on technology in supporting businesses was a key phenomenon in 2020, driven by COVID-19 pandemic across the world. The banking sector was not left behind when it came to the adoption of technology innovations and solutions to bolster the sector and its services to customers. The ICT Developments section seeks to contextualise the impact of technology across the following areas:

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- Digitization of businesses;
- Cloud security;
- Data Governance;
- Banking and fintech;
- Highlights of the National Payments Strategy; and
- Future developments in the ICT Sector.

2.7.2 Digitization of business processes and products.

The lives and livelihoods of citizens continue to be adversely affected by the ongoing COVID-19 pandemic. However, digitization has proven itself vividly as a silver lining in facilitating businesses to counter the effects of the pandemic on their activities. It is in this attempt to salvage businesses and to ensure business sustenance, that digitization has been harnessed with ripple effects not only affecting banking, financial services, and regulatory policy, but also the direction of the economy and its capacity for continued growth amid the pandemic. Among the key financial sector areas that this has been most evident are:

2.7.2.1 Remote Working/Learning

One of the ground-breaking responses to COVID-19 was the transition to the Work-From-Home (WFH) approach by many progressive employers and other applicable forms of alternative work arrangements. Many people are thus spending more time than ever inside their homes as teleworking, distance learning and social distancing shape the workweeks of many families. Given the new normal, the banking sector has sought digital methods of services offering to their customers - Cloud Computing, Mobile and Internet Banking, and Digital Customer Relationship Management Tools such as chatbots.

Whilst there are key concerns on efficiency and productivity that employers are grappling with regarding teleworking, it is evident that with proper structures, work can be productive away from the office with a degree of flexibility. From a technological perspective, teleworking has raised security concerns over information confidentiality and the heightened risk of security breaches, due to inadequate security controls around access to corporate networks from home.

2.7.3 Cloud Security

Increased digitalization has led to a rise in the uptake of cloud services by most banks. This has led to banks having robust disaster recovery plans, saving cost on storage as well as increased collaboration where team members can view and share information easily and securely across a cloud-based platform. However, use of cloud services has led to cyber-privacy issues such as data infiltration which has affected data integrity, confidentiality and availability.

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

For proper context, it is imperative to factor in cloud security as:

- “Security of the Cloud”: Security of cloud infrastructure i.e. the hardware, software, networking, and facilities that run all cloud services.
- “Security in the Cloud”: Security of applications and data deployed by financial institutions in the cloud.⁴

Banks need to assess cloud usage related risks and ensure that appropriate mitigation measures are put in place to avoid or minimise the risk. They need to invest more in security preparedness to enhance their cyber resilience programs in order to mitigate cloud-based cyber-attacks.

⁴<https://aws.amazon.com/compliance/shared-responsibility-model/>.

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2.7.4 Banking and Fintech

Globally, there has been a heightened need for collaboration between financial institutions and Fintechs granted that the two entities are no longer mutually exclusive. These collaborations are essential for the future of the financial services industry and the technology sector as well. Aside from allowing banks to run complex operations virtually, Fintech innovations offer more features and functions, reduced cost and the ability for banks to scale up quickly. Fintech has largely been customer-centric, aimed at increasing the ease of use for customers by ensuring improvement of front-end interfaces through better customer care and pricing.

The COVID-19 pandemic in 2020 resulted in developments within the Fintech industry that were aimed at ensuring economic sustenance during the pandemic and economic growth afterwards. There was a notably high adoption of digital financial services by consumers to provide a channel for financial transactions with minimal physical contact, which was necessary to mitigate the spread of the virus. This was evidenced by an increase in the number of transactions performed over digital platforms across multiple financial institutions.

2.7.4.1 Virtual Africa Hackathon and Afro-Asia FinTech Festival Nairobi Online City

In August 2020, CBK held the Virtual Africa Hackathon (VAH). The hackathon, whose theme was 'Harnessing Fintech in addressing COVID-19 effects on healthcare, digital payments and economic recovery', had 15 finalists from 7 African countries. These finalists were shortlisted from 74 submissions from 14 countries in Africa, Europe and the Middle East and presented innovative solutions aimed at addressing the theme of the hackathon. 8 of the Fintechs that participated in this event were later featured in the Afro-Asia FinTech Festival (AAFF) Nairobi Online City, where they were granted an opportunity to pitch their solutions to potential investors and partners, thus gaining much-needed exposure.

VAH was followed by AAFF Nairobi Online City, which was hosted in December 2020 by CBK in collaboration with the Monetary Authority of Singapore (MAS), and in partnership with Huawei, Safaricom, KCB Bank

and Standard Chartered Bank Kenya. The event was attended by more than 1,000 registered participants and the sessions uploaded on YouTube and Twitter have received over 2,900 and 1,700 views. Further, the AAFF sessions showcased a total of 54 speakers from 15 countries with diverse expertise. The event was held as part of the global Singapore Fintech Festival and was organised to boost collaboration between financial institutions and FinTech. The theme of the event was "People and Talent: Harnessing Collaboration in Pursuit of Resilience and Growth Post COVID-19".

Some of the key aspects addressed during the event included cashless and digital payments, next-generation digital platforms and the relationship between Fintechs and banks. It was noted that Kenya has seen a significant shift from traditional modes of payment to the use of digital payments through mobile money services, digital wallets and mobile banking apps. Cashless systems will go a long way in streamlining processes across various industries, acknowledging that the future will be a digital society. It was also pointed out that digital platforms will continue to accelerate change in existing business models due to their capability of providing more diversified services.

AAFF discussions revolved around collaboration across various economic sectors, emphasising on SMEs, to foster economic recovery. There is a need to accelerate digital ecosystems that will enable SMEs to reconnect with their customers and markets and gain access to the much-needed finance to recover. To ensure inclusion, it is imperative to provide access to affordable broadband, which is the foundation of civilization, and digital finance. Transition into cashless operations by SMEs has the potential to increase access to cashflow lending and advances from financial institutions as opposed to the more rigid conventional microcredit financing.

One of the key thematic areas of the festival was "Fintech People and Ecosystem". The discussions around this theme focused on bouncing back from the COVID-19 pandemic, given its adverse effects that have hindered efforts geared towards prosperity. There is a need for governments, regulators and other authorities to provide sandbox-like environments and innovation houses to cater for research and innovation of solutions

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to present and unforeseen challenges. Authorities also need to be aware of trends within the sector such as the increased reliance of banks on artificial intelligence to make decisions on access to credit, particularly for SMEs.

Deliberations within this area also highlighted the need for government policies to encourage public-private partnerships and collaborations to foster cooperation in technology, especially in capacity building and endeavours towards sustainable development goals. There is a need for capacity building to ensure that the common citizen understands the benefits and negative impact of technology to understand how it operates. Governments and regulators also need to keep in view effective digital governance frameworks as they build their digital ecosystems.

Even with the positive effects of Fintech, experienced and foreseen, digitisation and reliance on technology have resulted in a rise in cyber risk. Steps have been taken to ensure secure development of Fintech solutions provided as well as proper integration into financial institutions, but there has been an increase in cyber-attacks relying on weaknesses in the human element within the digital space. Financial institutions were advised to adopt measures such as enhanced cybersecurity awareness through employee training programs, improved risk management and updated business continuity and incident response plans. Fintech companies need to understand proper data handling, protection and privacy. The Zero-trust approach, a security model that ensures only authenticated and authorised users and devices are granted access to application and data, may also be considered.

AAFF provided an opportunity for thought leadership on sustainability through the Sustainable Finance Summit on December 9, 2020. There was a call for action for financial institutions and all stakeholders to work together for sustainable finance. This includes efforts towards the adoption of Sustainable Development Goals (SDGs) into their strategies. It was noted that data is a game-changer in sustainable finance, therefore institutions should also accurately capture sustainability-related data. This data may be harnessed for predictability on the performance of sustainability bonds while providing transparency and accountability.

2.7.5 Data Governance

The financial sector continues to undergo significant transformation in its delivery of financial services and products, largely driven by the adoption of financial technologies and changing consumer behaviour. The adoption of fintech has driven financial innovation within the financial sector. As aforementioned, this influx in innovation has been accelerated by the onset of the COVID-19 Pandemic in 2020. At the heart of this digitization and facilitating financial innovation and emergence of customer-centric products is data. How the thousands of quintillion bytes of data being collected, transmitted, processed, shared, stored and archived is managed continues to raise debates around the world on data privacy laws and policies.

It is on the backdrop of these data management concerns that the National Assembly enacted the Data Protection Act of 2019⁵ which was assented to law by the President of the Republic of Kenya on November 8, 2019 and came into force on November 25, 2019. The Act is aimed at regulating the processing of personal data and protecting the privacy of individuals. Subsequently, Kenya's first-ever Data Protection Commissioner was sworn-in on November 16, 2020, to actualize the Data Protection Act. The appointment affirmed Kenya's commitment to ensuring that the collection, processing and use of personal data are properly regulated. The Data Protection Commissioner shall serve for a single term of six years. Some of the notable functions of this office are to:

- Oversee the implementation of and be responsible for the enforcement of the Act.
- Establish and maintain a register of data controllers and data processors.
- Exercise oversight on data processing operations per the Act.
- Conduct an assessment on a public or private body to ascertain whether the information is processed according to the provisions of this Act or any other relevant law.

⁵http://kenyalaw.org/kl/fileadmin/pdfdownloads/Acts/2019/TheDataProtectionAct_No24of2019.pdf

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- Promote international cooperation in matters relating to data protection and ensure the country's compliance with data protection obligations under international conventions and agreements.

CBK is liaising with the Ministry of ICT to ensure coordinated implementation of the Data Protection Act within the financial sector. Given that Kenya's Data Protection Act, 2019 finds its genesis and borrows heavily from the principles contained in the European Union's General Data Protection Regulation (GDPR)⁶, its adoption by our institutions provides consumers with international levels of data protection standards.

2.7.6 Highlights of the Kenya National Payments System Vision and Strategy

Kenya's National Payments System (NPS) has undergone rapid change over the last fifteen years. Starting with the modernisation programme that led to the establishment of the Kenya Electronic Payment and Settlement System (KEPSS) in 2005, and the enactment of the NPS Act, 2011 and the NPS Regulations in 2014, CBK has facilitated major improvements in payment services over the years. In 2007, through CBK's facilitation, mobile money was introduced, heralding a new chapter of payments services in Kenya and beyond. Today, CBK regulated "payment rails" are used to launch innovations in sectors such as education, health and agriculture.

The use of mobile money systems to enable contact-free payments during the COVID-19 pandemic is testimony to Kenya's strong payment system foundation. The payments ecosystem continues to evolve through nascent technologies that work in tandem with existing payment systems. CBK champions the transformation of Kenya's NPS as the payments ecosystem evolves. Against this backdrop, CBK, in consultation with stakeholders, developed the draft Kenya NPS Vision and Strategy, 2021-2025. The vision is based on CBK's priority to ensure people are at the centre of Kenya's NPS. In this regard, the proposed Kenya NPS Vision is "To enhance Kenya's global leadership in digital payments by building

⁶ GDPR is a regulation that requires businesses to protect the personal data and privacy of European Union (EU) citizens for transactions that occur within EU member states.

a world-class, secure, resilient and collaborative payments system that powers Kenya's economy and its journey towards cash-lite."

The Kenya NPS Vision and Strategy, 2021-2025 will focus on increasing customer-centricity, digitization and inclusiveness through prioritising policy and regulation, payments infrastructure and security. The key strategic objectives to be achieved through the Kenya NPS Strategy, 2021-2025 are:

- To facilitate payments systems that meet the diverse needs of users and support the country's development agenda.
- To ensure payments systems are secure through influencing industry and global standards and adopting safe technologies.
- To power an ecosystem based on collaboration leading to the launch of premier and globally competitive innovations.
- To implement a supportive policy and regulatory framework that is firmly enforced across all existing and emerging players.

To implement the Kenya NPS Strategy while addressing risks in the payment ecosystem such as cyber security and AML/CFT risks, the Kenya NPS Vision and Strategy will be supported by 5 principles:

- **Trust:** a system which guarantees that payments will be made and received in a timely and reliable manner.
- **Security:** a resilient system that safeguards all payments and channels in an increasingly digital world.
- **Usefulness:** a system that meets the payment needs of individuals, businesses and government in a cost-effective manner.
- **Choice:** availability of feasible options resulting from collaboration among different service providers.
- **Innovation:** an ecosystem that produces value-adding solutions which also compete at the global stage.

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The draft Kenya NPS Vision and Strategy, 2021-2025 was published in December 2020 for public consultation. CBK is in the process of addressing feedback from the public and updating the draft Vision and Strategy to pave way for its finalisation.

2.7.7 Future developments

Innovation in the financial sector will continue to morph and scale driven by the technological advancements, changing customer preferences and contribution from investment in Research and Development (R&D). The section below highlights the progress of key areas in technology and their potential impact on banking.

2.7.7.1 Quantum Computing

The increased reliance and use of information systems to support business processes have resulted in increased data around the world. As this data grows in size and complexity, there is a need for more processing power than can be handled by today's computers. Consequently, the introduction of quantum computers provides a significant possibility to analyse data and spot patterns much more quickly and robustly than what is possible today. To utilise the power of quantum computing, banks can leverage algorithms and models that calculate statistical probabilities⁷. This approach is fairly effective but not infallible, as was witnessed during the financial crisis a decade ago when low-probability events occurred more frequently than expected.

Further, despite the positive potential of quantum computing, with enough qubits⁸, quantum computers will have enough power to overcome many of the most powerfully encrypted banking security systems around. As observed by the World Economic Forum, "Without quantum-safe cryptography and security, all information that is transmitted on public channels now—or in the future—is vulnerable to eavesdropping. Even encrypted data that is safe today can be stored for later decryption once a working quantum computer of sufficient capacity becomes available."

⁷<https://www.mckinsey.com/industries/financial-services/our-insights/how-quantum-computing-could-change-financial-services#>

⁸A qubit or quantum bit is the basic unit of quantum information – the quantum version of the classic binary bit.

2.7.7.2 Cryptocurrency and Blockchain (Digital Ledger Technologies)

The budding interest in cryptocurrencies has been driven by the potential use of cryptocurrencies as a medium of exchange. Cryptocurrencies, also known as virtual currencies, have garnered significant attention over the last seven to nine years⁹ resulting in growing debates and concerns over the efficacy and economic use of cryptocurrencies. Research to demystify cryptocurrencies has been conducted by organisations such as the Financial Stability Board (FSB)¹⁰, Bank for International Settlements (BIS) – Committee on Payments and Market Infrastructures (CPMI) and the Basel Committee on Bank Supervision (BCBS), the European Union and the G-20.

Based on the aforementioned research, there is no clear evidence that cryptocurrencies present material risks to financial stability and monetary policy at this stage. However, continuous monitoring of the size and growth of cryptocurrencies is prudent to ensure that their material risks are identified as well as their transmission channels to financial stability risk. The CBK, in tandem with other financial sector regulators, will continue to sensitize the public on the potential risks posed by cryptocurrencies.

⁹ It is common misperception that all digital tokens/assets that are created, managed or operated on a blockchain are cryptocurrencies. This is erroneous. Digital tokens are largely divided into three main categories:

- **Currency/payment tokens** – these tokens are intended to be used, now or in the future, as a means of payment for acquiring goods or services or as a means of money or value transfer. For example, Bitcoin, Bitcoin Cash, Monero, Litecoin and ZCash. Such tokens are the subject of this brief and are synonymously referred to as cryptocurrencies due to their use of cryptographic techniques.
- **Utility tokens** – these tokens confer digital access rights to an application or service by means of a blockchain-based infrastructure. For example, Ether, Storjcoin and Golem coin.
- **Asset tokens** – these provide digital representation of real-world assets such as a real estate, debt and equity. The tokens represent a claim on the issuer. A good example of asset tokens is initial coin offerings (ICOs) which confer a claim to acquire an entity's token in the future. (Source: <https://www.finma.ch/en/news/2018/02/20180216-mm-ico-wegleitung/>).

¹⁰ Financial Stability Board (July 2018) – Crypto-assets: Report to the G-20 on work by the Financial Stability Board and Standard-Setting Bodies.

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2.7.8 ICT/Fintech/Internet Enabled Products Launched by Supervised Financial Institutions (SFIs) during the year 2020

The financial sector witnessed a proliferation of Fintech solutions to ensure customer convenience and business continuity while seeking to comply with the COVID-19 safety protocols. Below are the technologies behind the products and solutions that Kenyan banks engaged CBK on for approval.

a. Mobile and Internet Banking Platforms

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. With the pervasive nature of the Internet and the ready availability of smartphone devices to customers, banks have rolled out digital banking platforms that would limit visits to branches to access various services. Service offerings such as account opening, balance enquiry, cross-platform transactions and the payment of bills, are provided to customers through the web and mobile application platforms. This has drastically reduced the need for customers to visit their respective branches to initiate such processes.

b. Contactless Card Payments

Contactless card payment systems are credit cards and debit cards that use radio-frequency identification (RFID) or other short-range wireless technology whereby a tiny antenna is embedded into the card, which securely transmits payment information to and from the contactless card to a point-of-sale terminal. The embedded integrated circuit chip and antenna enable consumers to wave their card over a reader at the point-of-sale terminal. Contactless cards have become widely adopted within the payment arena, the success of which is associated with several benefits:

- **Speed:** Contactless card payments work twice as fast as normal cards. With less processing and handling of cash occurring, transactions are completed at a faster rate, turnover is likely to improve and queues are less likely to build up.

- **Secure:** A customer who loses the card can freeze the account.
- **Overall Customer Experience:** Faster, more secure and effortless transactions translate to an increase in throughput at the payment counters. A reduction in abandoned sales as the average transaction value (ATV) increases when a customer is not constrained by the amount of cash they are carrying and the payment process is efficient.
- **Brand Positioning and Increased Revenues for Banks:** By offering contactless options to their customers, banks not only promote a much-improved customer experience; they can also offer added-value services and therefore differentiate from their competitors. Contactless payments also mean more revenue for issuing banks because customers tend to carry out more low-value transactions by card than cash.

c. Cloud Computing Solutions

Cloud computing is an emerging technology that delivers computing services such as online business applications, online data storage, and webmail over the internet. Some institutions even migrate their core banking platforms to the cloud, to ensure business continuity management and optimal teleworking, supported by best practices in data redundancy. Cloud services can be deployed as:

- Public cloud: provisioned for open use by the public.
- Private cloud: cloud infrastructure provisioned for exclusive use by a single organisation.
- Hybrid cloud: cloud infrastructure that blends the above two options. The need for cybersecurity standards and best practices that address interoperability, usability, and privacy is critical.

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

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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.

2.7.9 Technology and Employees Efficiency

On average, in 2020, one employee was serving 2,211 customers whereas in 2019 an employee was serving 1,956 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
2002	1,682,916	10,884	155
2006	3,329,616	15,507	215
2007	4,123,432	21,657	190
2008	6,428,509	25,491	252
2009	8,481,137	26,132	325
2010	11,881,114	28,846	412
2011	14,250,503	30,056	474
2012	15,861,417	31,636	501
2013	21,880,556	34,059	642
2014	28,438,292	36,923	770
2015	35,194,496	36,212	972
2016	41,203,518	33,695	1,222
2017	47,714,527	30,903	1,544
2018	55,279,473	31,889	1,733
2019	62,652,613	32,025	1,956
2020	69,881,847	31,605	2,211

Source: CBK

2.8 Mobile Phone Financial Services

Kenya continues to register growth in the adoption of Mobile-Phone Financial Services (MFS), which is largely propelled by the ease of access and existence of

convenient delivery channels. With the emergence and spread of the COVID-19 pandemic, the potential of MFS in supporting financial service provision came to the fore. This is attributed to the fact that MFS provides a channel for financial transactions with minimal physical contact, which was necessary to mitigate the spread of the virus. To tap into this potential, CBK came up with various measures to facilitate digital transactions during this period including eliminating charges for mobile money transactions up to Ksh.1000, increasing daily mobile money transaction limits from Ksh.70,000 to Ksh.150,000 and eliminating charges for transfers between mobile money wallets and bank accounts.

Additionally, while digital financial inclusion remains a development priority within the financial sector, MFS has become a gateway for people in urban as well as less developed areas to access services such as savings and credit, and even pay bills and carry out business activities. The development of MFS has driven the financial sector towards the inclusion of Micro, Small and Medium Enterprises (MSMEs). For businesses in this pool, MFS provides efficiency through improved transaction speeds and overall payment collection. The businesses are also able to reduce administrative costs and increase their productivity and revenue. Proper use of MFS would allow MSMEs to obtain a good credit score and consequently facilitate increased access to finance¹¹.

Summary of MFS Transactions Data

With more people embracing technology and the use of mobile phones for day-to-day activities, and a continuously growing demand for convenient financial services, fuelled by the COVID-19 pandemic, the number of active mobile subscriptions has grown from 54.5 million in 2019 to 61.4 million in 2020. As a result, mobile penetration increased by 14 percent, from 114.8 percent to 129.1 percent. The number of active mobile money agents increased by 26 percent from 224,108 to 282,929. Consequently, this resulted in a 58 percent increase in the value of transactions from Ksh.382.9 billion in 2019 to Ksh.605.7 billion in 2020. These figures are captured in **Table 8**.

¹¹<https://www.gsma.com/mobilefordevelopment/programme/mobile-money/mobile-financial-services-msmes-part-1/>

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Table 8: Mobile Transaction Data

Digital Financial Inclusion 2007 – 2020	2007	2008	2012	2017	2018	2019	2020
Mobile Subscribers (million)	11.3	16.2	30.7	42.8	49.5	54.5	61.4
Mobile Penetration (percent)	30.5	43.6	78.0	94.3	106.2	114.8	129.1
Total Registered Mobile Money Subscriptions (million)	1.4	5.1	21.1	37.4	47.6	58.4	66.0
Number of Transactions (Million)	1.3	10.2	56.0	139.9	155.8	155.0	181.3
Value of Transactions (Ksh. Billion)	3.8	27.0	150.2	332.6	367.8	382.9	605.7
Active Mobile Money Agents	1,582	6,104	76,912	182,472	223,931	224,108	282,929

Source: CA Sector Statistics¹², CBK Mobile Money Payments Statistics¹³

2.9 New Products

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

While processing such applications, the Central Bank of Kenya considers:

- Whether the proposed increase conforms with the Government's policy of establishing a market-oriented economy in Kenya.
- 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.

¹² <https://ca.go.ke/consumers/industry-research-statistics/statistics/>

¹³ <https://www.centralbank.go.ke/national-payments-systems/mobile-payments/>

The financial services industry is being transformed 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 the use of alternative delivery channels such as e-banking and m-banking.

The year 2020 presented a unique challenge due to the global outbreak of the COVID 19 pandemic. To curb the spread of the virus, people were required to reduce physical contact to the barest minimum. This meant cash transactions were discouraged leading to the need for digital and contactless products. Many banks, therefore, introduced new ICT products that enabled cashless/online transactions.

In 2020, CBK noted the introduction of 44 new products in the market and approved the related charges. Most of the applications sought to introduce and enhance digital banking services.

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2.10 Operations of Representative Offices of Foreign Financial Institutions in Kenya

Foreign banks open representative offices in Kenya for purposes of marketing their products and services in the country. Representative offices act as a liaison between their parent institutions and their clients in Kenya.

The establishment of Representative Offices in foreign jurisdictions is mainly due to the significant growth in cross-border commerce witnessed so far. Financial institutions today are skewed towards customer-centricity. That is, they strive to ensure that their banking products and services are tailored to customer needs and that they are availed wherever and whenever these are required. This is aimed at ensuring that financial institutions maintain long-standing business relationships with their customers.

CBK may under section 43 of the Banking Act (Cap 488) authorize and supervise Representative Offices

of foreign banks that wish to establish a presence in Kenya. Representative Offices are expressly prohibited to undertake primary banking business¹⁴ as defined in the Banking Act. They are permitted to undertake marketing or liaison roles on behalf of their parent and affiliated entities.

During 2020, there was no change in the number of Representative Offices operating in Kenya, which remained at 9 as at the end of 2019. These Representative Offices facilitated business worth an estimated Ksh.373.77 billion (USD3.42 billion) in 2020. The value of business activities facilitated in 2020 decreased by 21.1 percent when compared to Ksh.473.76 billion (USD4.67 billion) facilitated in 2019. The decrease is largely due to a slowdown in economic activity coupled with the effects of the COVID –19 pandemic. This is indicated in Table 9. The activities facilitated largely comprised trade finance, term loans, working capital, bilateral receivable discounting, syndicated finance and correspondent banking.

Table 9: Business activities facilitated by Representative Offices

Year	2020		2019	
	Ksh.Billions	USD ¹⁵ Billions	Ksh.Billions	USD Billions
Corporate finance	10.23	0.09	13.15	0.13
Syndicated Finance	49.11	0.45	86.45	0.85
Correspondent Banking	37.37	0.34	36.68	0.36
Project Financing	20.56	0.19	14.22	0.14
Specialized finance	22.95	0.21	11.89	0.12
Property Finance	10.61	0.10	13.91	0.14
Trade finance	141.12	1.29	155.65	1.54
Others (term loans, borrowing base, working capital and bilateral receivable discounting)	81.83	0.75	141.82	1.40
Total value of business facilitated	373.77	3.42	473.76	4.67

Source: CBK

¹⁴Banking 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.

¹⁵Exchange rate: 1 USD = 109.17 Ksh

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2.11 Surveys 2020

2.11.1 Residential Mortgage Market Survey 2020

CBK conducts an annual mortgage survey to monitor developments and challenges in the mortgage market for residential housing. A detailed questionnaire was distributed to all commercial banks to collect data for the year ending 2020. 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 COVID-19 on the demand for mortgages.
- g) Mortgage outlook for 2021.

Below are the highlights of the Residential Mortgage Survey as at December 31, 2020.

a) Size of Mortgage Portfolio

- i) The value of mortgage loans outstanding was Ksh.232.7 billion in December 2020 as compared to Ksh.237.7 billion in December 2019 (**Appendix XIII**). This represents a decrease of Ksh.5.0 billion or 2.1 percent. The decrease was mainly due to repayments and decreased mortgage facilities advanced by banks due to effects of COVID-19.
- ii) About 74.5 percent of lending to the mortgage market was by 6 institutions that is, one medium sized bank (11.2 percent) and five banks from the large peer group (63.3 percent) in December 2020 as compared to 76.1 percent of lending by 6 institutions in 2019, one medium sized bank (16.9 percent) and five banks from the large peer group (59.2 percent).
- iii) The outstanding value of non-performing mortgage loans decreased from Ksh.31.0 billion in December 2019 to Ksh.27.8 billion in December 2020 due to repayments. The non-performing mortgage loans

to gross mortgage loans ratio was 12.0 percent in December 2020 as compared to 13.0 percent in December 2019. The ratios were below the industry gross NPLs to gross loans ratio of 12.5 percent in December 2019 and 14.5 percent in December 2020.

- iv) There were 26,971 mortgage loans in the market in December 2020 down from 27,993 in December 2019. This was a decrease of 1,022 mortgages or 3.7 percent. The decrease was mainly due to repayments and fewer mortgage loans advanced due to the effects of the COVID-19 pandemic.
- v) The average mortgage loan size increased from Ksh.8.5 million in 2019 to Ksh.8.6 million in 2020. This was mainly due to fewer mortgage loans advanced due to the COVID-19 Pandemic.

b) Mortgage Risk Characteristics

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

- Borrower's repayment ability.
- The credit history of the borrower.
- Age of the borrower.
- The source and sustainability of income for loan servicing.
- Ratio of monthly loan instalment to disposable income.
- Character of the borrower.
- The property must be easily disposable in the event of default.
- The collateral/security must be free from any encumbrances.
- Value of security/property.

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

- The current turnovers/cash flows of the business.
- Ability to pay from the available cash flows from the business operations.

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- The future projections of the business income.
 - Duration which the business has been in operation.
 - Business organizational structure and corporate governance.
 - The experience of the business proprietor in the respective field and the competency level of the management.
 - The succession plan of the business.
 - The property must be free from any encumbrances and other caveats and the location must be of ease realisation in the event of loan default.
 - Industry performance.
- c) Mortgage Loan Characteristics**
- The interest rate charged on mortgages on average was 10.9 percent and it ranged between 7.0 percent to 15.0 percent in 2020 as compared to an average of 11.3 percent with a range of 7.0 percent to 13.0 percent in 2019. The decrease in average interest rates was consistent with decrease in interest rates in the year.
- About 80.2 percent of mortgage loans were on variable interest rates in 2020 as compared to 86.3 percent in 2019. The decrease in variable rates was due to uncertainty brought about by the COVID-19 pandemic.
 - Loan to value (maximum loan as a percentage of property value) was pegged below 90 percent by majority of the banks in 2020 and 2019.
 - The average loan maturity was 11.0 years with minimum of 4 years and a maximum of 20 years in 2020 as compared to average loan maturity of 11.2 years with a minimum of 5 years and a maximum of 20 years in 2019. This is an indication that banks reduced the period of mortgage facilities.

d) 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 2020

Mortgage Market Obstacles	Frequency of responses	
	December 2019	December 2020
Impact of the COVID-19 Pandemic	N/A	39
High cost of housing units	30	24
High cost of land for construction	29	24
Low level of income	21	23
Limited access to affordable long-term finance	26	23
Difficulties with property registration/titling	23	22
Stringent land laws	20	21
High incidental costs (legal fee, valuation fee, stamp duty)	25	19
Lengthy charge process timelines	19	18
Lengthy process of security realization by banks in case of default	16	17
Credit risk	9	6

Source: Commercial Banks and Mortgage Finance Companies

Based on the above ranking of mortgage market constraints, banks identified; Impact of COVID-19 Pandemic, high cost of housing units, high cost of land for construction, low level of income and limited access to affordable long-term finance, as the major impediments to the growth of their mortgage portfolios.

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e) Suggested measures to support the mortgage market

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

- Digitizing the Land Registry for efficiency.
 - Government incentives for low cost housing solutions.
- Operationalization of Kenya Mortgage Refinance Company (KMRC) to avail affordable long-term funds.
 - Implementation of the affordable housing program by the government.
 - Removal of bottle necks in relation to building approvals.
 - Establishment of a one-stop-shop for all the statutory approvals for construction project.
- Provision of basic infrastructure services to developers by national and county governments.
 - Sensitizing the public on mortgage financing.
- Streamlining and simplifying the legal and regulatory process governing the mortgage sector, for transparency, efficiency and certainty.

f) Impact of COVID-19 Pandemic on the demand for residential mortgage loans

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

- Demand for residential mortgages declined significantly due to the decline of disposable income and uncertainty brought about by the COVID-19 pandemic.
- Active/running mortgages experienced delays in repayments and there were requests for moratoriums and mortgage loan restructuring.
- Some banks shied away from issuing mortgage loans due to the uncertainty brought about by the COVID-19 Pandemic.

g) Mortgage Outlook for 2021

Mortgage uptake is expected to be subdued due to the effects of COVID-19 pandemic. The mortgage market will however be supported by the operationalization of the affordable housing program and Kenya Mortgage Refinance Company by the government.

2.11.2 Micro, Small and Medium Enterprises (MSME) Survey 2020

2.11.2.1 Background

Pursuant to its strategic objective of promoting a sound and inclusive banking sector, CBK conducts a bi-annual FinAccess Business Supply-Side Survey (FinAccess Business Survey) on the state of financing for Micro, Small and Medium Enterprises (MSMEs) in the banking industry. The objective of the survey is to identify the main barriers to MSME financing with the aim of addressing them through appropriate policy interventions.

The first survey was conducted in 2014 and assessed the position as at mid-2013, while the second, carried out in 2018, assessed the position as at December 2017. The third survey, conducted in February 2021, sought to assess the status of MSME financing in the banking sector as at December 2020.

2.11.2.2 The 2020 MSME Survey

In the wake of the COVID-19 pandemic, the 2020 MSME FinAccess Business Survey sought not only to update the data collected from the two previous rounds, but also to assess the impact of the pandemic on bank credit to MSMEs as at December 2020. The survey also sought to assess supply-side changes in MSMEs' level of access to bank credit, how these have been impacted by the pandemic, and the outlook for MSME credit access. The findings will inform CBK's policy responses to address the constraints facing MSMEs in accessing bank credit.

The 2020 MSME FinAccess Business Survey sought the following data:

- The value of commercial and microfinance banks' MSME loan portfolios as at December 2020 and their sectoral distribution.
- The value and proportion of overall income (both interest and non-interest income) generated by the institutions from their MSME loan portfolios.
- Average tenors and pricing of credit facilities extended to MSMEs.
- The impact of COVID-19 pandemic on lending to MSMEs, including changes in the overall performance of credit facilities held, particularly on the quality of credit facilities and the extent of loan restructuring in 2019 and 2020.

2.11.2.3 Survey Findings

The findings from the 2020 FinAccess Business Survey are highlighted below:

- There were 915,115 MSME loan accounts in the

banking industry as at December 2020 with an outstanding value of approximately Ksh.638 billion. This was an increase from 646,018 loan accounts as at December 2017, with an outstanding value of Ksh.413.9 billion. The number of accounts grew at an average of 14 percent per annum from 2017 to 2020 while the value of loan accounts grew at an annual average of 15 percent over the same period. This is slightly higher than the 11 percent annual growth rate for the overall banking sector loan portfolio over the same period. The increase is attributable largely to enhanced marketing among MSMEs by commercial and microfinance banks as they compete for greater shares of the MSME market segment.

- The Ksh.638 billion worth of MSME loans as at December 2020 constituted 20.9 percent of the total loan book of Ksh.3.1 trillion. This was an increase from December 2017 when the MSME portfolio accounted for 19.2 percent of the total loan book of Ksh.2.16 trillion. **[Table 11 (a)].**

Table 11 (a): MSME Lending Compared to Total Banking Sector Loan Portfolio

Year ending December	MSME Loan Portfolio (Ksh.Billion)	Total Banking Sector Loan Portfolio (Ksh.Billion)	MSME Loans/ Total Loan Portfolio (%)
2020	638	3,050	20.9
2017	414	2,155	19.2

Source: Commercial Banks and Microfinance Banks

- Of the Ksh.638 billion outstanding MSME loan balance as at December 2020, commercial banks had lent Ksh.605 billion (95 percent), while microfinance banks lent Ksh.33 billion (5 percent).
- Deposits held by MSMEs as at December 2020 amounted to Ksh.577.6 billion or 14 percent of the total deposit liabilities for commercial banks. MSME deposits in microfinance banks amounted to Ksh.25.74 billion or 52.2 percent of overall deposits held by microfinance banks. As at December 2017, MSME deposits accounted for 20.2 percent of total deposit liabilities for commercial banks and 72.5 percent of deposit liabilities in microfinance banks. The decline in the proportion of MSME deposits to overall deposits may be attributed to a proportionately larger increase in non-MSME deposits than in MSME deposits during the review period **[Table 11 (b), (c)].**

Table 11 (b): MSMEs Deposits Held in Commercial Banks

Year ending December	MSME Deposits (Ksh.Billion)	Total Customer Deposits (Ksh.Billion)	MSME Deposits/ Total Customer Deposits (%)
2020	577.6	4,011	14.4
2017	585.8	2,899	20.2

Source: Commercial Banks and Microfinance Banks

Table 11 (c): MSMEs Deposits Held in Microfinance Banks

Year ending December	MSME Deposits (Ksh.Billion)	Total Customer Deposits (Ksh.Billion)	MSME Deposits/ Total Customer Deposits (%)
2020	25.7	49.3	52.2
2017	27.5	38.9	70.7

Source: Commercial Banks and Microfinance Banks

- Overall income (including both interest and non-interest income) generated by the commercial and microfinance banks from lending to MSMEs in 2020 stood at Ksh.66.8 billion or 11.3 percent of the banking sector's total income. This was a decline from 2017 when overall income from MSME facilities stood at Ksh.74.1 billion or 20.7 percent of the banking sector's total income as at December 2017. The decline in incomes from MSME facilities is partially attributable to the subdued business environment that resulted from the COVID-19 pandemic in 2020, and its adverse impact on MSME's income generation and debt servicing capacity **[Table 11(d)]**.

Table 11 (d): Income from MSMEs Lending as a proportion of Total Banking Sector Income

Year ending December	Income from MSME Loan Portfolio (Ksh.Billion)	Total Income from Banking Sector Loan Portfolio (Ksh.Billion)	MSME Income/Total Income %
2020	66.8	589.44	11.3
2017	74.1	357.89	20.7

Source: Commercial Banks and Microfinance Banks

- In 2019, commercial and microfinance banks restructured a total of 4,348 loan facilities valued at Ksh.20.6 billion. These constituted approximately 0.05 percent of total loan accounts and 0.8 percent of the total value of the gross loan portfolio as at December 2019. In 2020, a total of 72,559 loan facilities valued at Ksh 234.7 billion were restructured, which constituted 0.6 percent of total loan accounts and 7.7 percent of the total value of the gross loan portfolio as at December 2020. The restructuring was largely aimed at providing relief to borrowers to better manage their credit performance. In 2020, restructuring was largely aimed at cushioning borrowers that were adversely affected by the COVID-19 pandemic.
- 204,802 of the 915,115 MSME loan accounts as at December 2020 valued at Ksh.98.7 billion were classified as non-performing. This amounted to 22.4 percent of total MSME loan accounts, 15.5 percent of the total value of outstanding MSME loans, and 3.2 percent of the overall banking sector loan book. In value terms, the level of MSME NPLs in December 2017 amounted to Ksh.56.4 billion or 13.6 percent of the overall MSME loan portfolio of 413.9 billion. **[Table 11(e)]**.

Table 11 (e): MSME Credit Facilities – Asset Quality

Year ending December	No. of NPLs	Value of MSME NPLs (Ksh.Billion)	Total Value of MSME Loan Portfolio (Ksh.Billion)	Value of MSME NPLs/ Total NPLs %
2020	204,802	98.7	638.0	15.5
2017	101,424	56.4	413.9	13.6

Source: Commercial Banks and Microfinance Banks

2.11.3 Innovation Survey 2020

In February 2021, CBK conducted an Innovation Survey, which was aimed at collecting present and forward-looking information on Fintech developments in the Kenyan financial sector as at December 31, 2020. The survey collected data on the state of innovation from 39 commercial banks and 14 Micro Finance Banks (MFBs).

One of the key pillars of the Kenya Banking Sector Charter issued in 2019 by CBK was a keen focus on customer centricity.¹⁶ The Kenyan banking sector is renowned for its uptake of technology to meet customer expectations for “anytime anywhere” financial services, and to drive efficiency gains. As part of aligning to the Charter, the sector has witnessed the diversification of products tailor-made to meet the ever-changing customer needs while improving the competitive edge of the institutions. Relatively all institutions noted a positive impact of the Kenya Banking Sector Charter on their business strategy focus on innovation.

While institutions have been successful in leveraging technology to achieve their objectives, primarily as a cost reduction strategy, there is a change in focus towards an alternative strategic coin, where technology is no longer perceived as a cost saver but as a revenue generator. Furthermore, with the onset of the COVID-19 pandemic in 2020, and the resultant disruptions to the lives and livelihoods of individuals, and the impact to businesses, including banks, it is evident that innovation will be a critical point in adapting to the new “business as usual”.

The COVID-19 pandemic saw banks accelerate their digital strategies. 56 percent of the institutions identified the drive for uptake and utilization of digital channels especially mobile and internet banking as a key strategy in the COVID-19 era. Digital financing innovations were critical in responding to the COVID-19 pandemic. Fintech enabled business continuity and rapid scaling up of support to vulnerable groups.

56 percent of the banks and 29 percent of the MFBs innovated a product specialized to curb the effects of COVID-19. Further, 79 percent of the banks and 72 percent of MFBs introduced a new Fintech product between January 1, 2020 and December 31, 2020. Products implemented by 77 percent of the institutions attained their objectives while 23 percent did not. **Chart 5 (a) and (b)** below highlights the percentage of institutions that developed new Fintech products within five functional areas of innovation.

¹⁶ <https://www.centralbank.go.ke/wp-content/uploads/2020/03/Kenya-Banking-Sector-Charter-2019.pdf>

Chart 5 (a): Microfinance Banks Functional Areas of Innovation

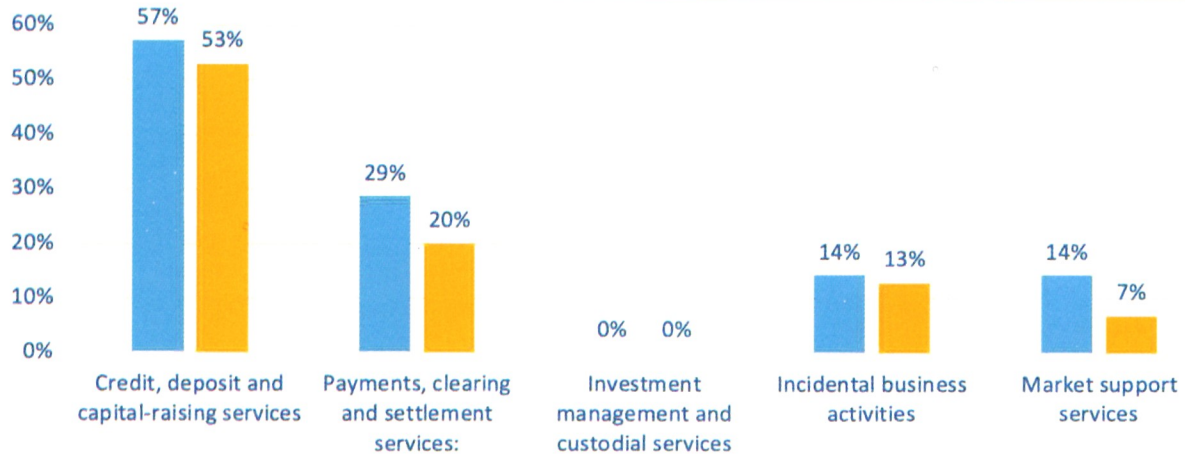
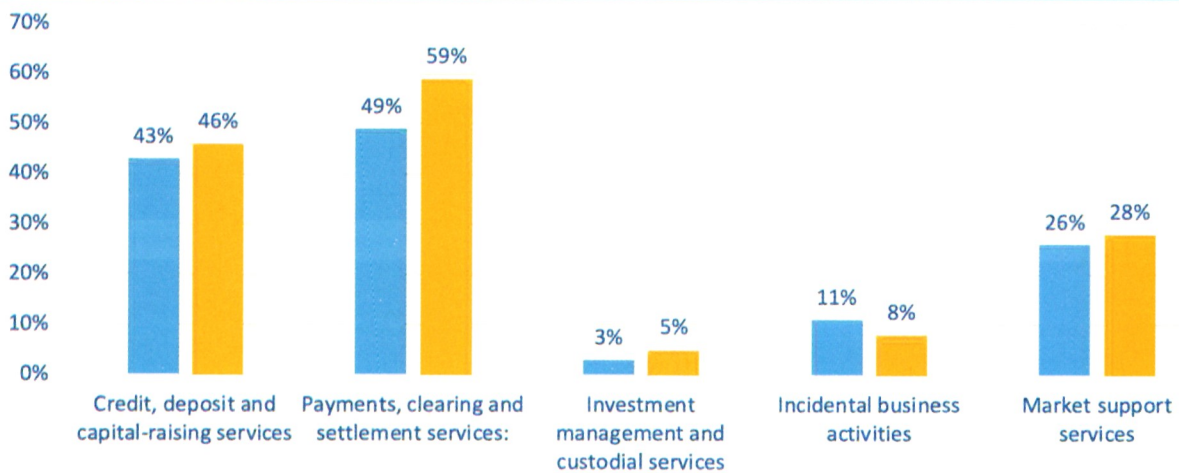


Chart 5 (b): Commercial Banks Functional Areas of Innovation



Source: CBK 2020 Innovation Survey

The top 3 challenges faced by institutions regarding product innovation in 2020 were:

- Increased risk associated with Cyber Security.
- Inadequate resources.
- Fast paced changes in demographic and client behaviours.

The COVID-19 pandemic impacted pre-existing innovations in 56 percent of banks and 43 percent of MFBs. 54 percent of the institutions whose pre-existing innovation was impacted by COVID-19 identified accelerated uptake of their innovative products by customers as the key impact especially increased

transactions through digital channels. Key effects of COVID-19 on innovation activities as highlighted by most institutions were:

- Re-prioritization of ongoing innovation projects with more focus placed on business resilience during the COVID-19 pandemic.
- Reduced uptake and utilization of card products due to reduced physical movement.
- Delayed implementation of some on-going projects especially due to difficulties in coordinating vendors.
- Renewed and increased focus on uptime and availability of digital channels.

Cyber risk (Data Privacy and Data Security risk) and Strategic risk turned out to be the key risk areas for institutions in their innovation endeavor with 35 percent and 33 percent responses respectively. Operational risk was third at 19 percent.

Application Programming Interfaces (APIs), Big Data and Data Analytics, and Cloud Computing continue to be the major innovations whose developments are considered important by financial institutions.

Fiscal incentives remained the most preferred form of public support at 64 percent, a similar ranking to the 2019 survey. 19 percent of the financial institutions identified Fintech incentives and funding of research and development as a high priority public policy area to drive innovation.

The Sustainable Development Goal (SDG) 1: “End poverty in all its form everywhere”, was named the SDG with the most potential for innovation-related activities tied to digitalization of finance, with 92 percent of institutions concurring. This was a rise in ranking from third with 51 percent in the 2019 survey.

The innovation survey report informs the impact of Fintech on the current operating models, including the emergence of new business models and evolving and emerging risks. It also provides an informed basis for evidence-based public policy decisions on Fintech going forward.

2.12 Innovative MSME Products by Banks

Technological advancement has given consumers power to choose what kind of financial products they want. The need to meet customers’ expectations has therefore redefined the way commercial banks innovate products. It is critical that commercial banks come up with products that meet specific needs of their consumers. In addition, commercial banks have realised that venturing into the markets they deem risky is made much easier through providing customer centric products. MSMEs have been deemed risky and were locked out of the financial system for a long time. With this new realisation, MSMEs can now enjoy financial products which meet their specific needs.

In 2020, commercial banks came up with various innovative products to serve the MSME sector. These products were created for various market segments such as women, farmers, suppliers among others. The key attributes of these products is that they were all designed with the target market in mind; what their needs are, what drives them, what value they are likely to acquire from these products among others. CBK continues to encourage the banking sector to innovate and ensure that the products meet the specific needs of all their customers and especially the MSMEs in Kenya.

2.13 Employment Trends in the Banking Sector

The banking sector staff levels marginally decreased by 420 (1.31 percent) from 32,025 in December 2019 to 31,605 in December 2020 (**Table 12**). Management and Clerical staff cadres decreased by 327 and 827 respectively. The decreases were mainly due to staff rationalization by some banks as they aligned their business models to the acceleration in digitalization.

Table 12: Employment in the Banking Sector

	2019	2020	Change	Percentage Change (%)
Management	10,717	10,390	-327	-3.05
Supervisory	7,270	7,582	312	4.29
Clerical	11,965	11,138	-827	-6.91
Secretarial and other Staff	2,073	2,495	422	20.36
Total	32,025	31,605	-420	-1.31

Source: CBK

2.14 Future Outlook

As the world builds back from the COVID-19 pandemic, the banking sector is poised to play a pivotal role. Agility will be the name of the game as banks respond to the “new normal”. Customer demands for “anytime anywhere” services will increase. Legacy ICT systems will come under pressure and the flight to the “cloud” will increase in pace and intensity. Partnerships between Financial Institutions and Fintechs will increase as banks move to orchestrate financial ecosystems to meet the demands of the “new world”.

CHAPTER 3

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BANK SUPERVISION ANNUAL 2020

MACROECONOMIC CONDITIONS AND BANKING SECTOR PERFORMANCE

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3.1 Global Economy

Global growth is estimated to have contracted by 3.5 percent in 2020, compared to an increase of 2.8 percent in 2019. The significant global contraction estimates in 2020 were mainly due to strict containment measures that disrupted trade, travel and economic activity. In particular, it reduced labour supply due to the spread of infections mostly in sectors that rely heavily on social interactions such as travel, hospitality, tourism and entertainment; disruptions of supply chain and; lowered productivity; worsened financial markets conditions; led to a sharp drop in commodity prices and; occasioned debt crisis mostly in emerging and developing economies. However, the 2020 estimates reflect better-than-anticipated second-quarter GDP outturns in advanced economies where activity began to improve sooner than expected after the easing of pandemic induced lockdowns in May and June. The IMF World Economic Outlook (WEO) project the global output growth for 2021 at 5.5 percent, and is expected to moderate to 4.2 percent in 2022 (**Table 13**).

Growth in the advanced economies group, where several countries experienced widespread outbreaks and deployed strict containment measures, is estimated to contract by 4.9 percent in 2020 compared to a growth of 1.6 percent in 2019. In the emerging market and developing economies, growth is projected to contract by 2.4 percent in 2020 compared to a growth of 3.6 percent in the previous year, reflecting largely domestic disruptions of economic activity from the COVID-19 pandemic.

The IMF projects a significant growth recovery for advanced economies in 2021 of 4.3 percent, which will moderate in 2022 to 3.1 percent. However, the recovery paths vary across the countries, with the US and Japan

projected to regain end-2019 activity levels in the second half of 2021, due to the carryover from additional fiscal support, while in the Euro Area and the United Kingdom activity is expected to remain below end-2019 levels into 2022. All economies in this group are expected to expand considerably in 2021 (**Table 13**).

Economic activity in the emerging market and developing economies is expected to expand by 6.3 percent in 2021 and moderate to 5.0 percent in 2022. China and India will rebound strongly in 2021 to expand by 8.1 percent and 11.8 percent, respectively, reflecting considerable differentiation expected between China and other economies, and India's carryover from a stronger-than-expected recovery in 2020 after lockdowns was eased (**Table 13**).

3.2 Regional economy

The onset of the pandemic was delayed in Sub-Saharan Africa (SSA), and infection rates have been relatively low compared with other parts of the world. However, the SSA region is contending with unprecedented health and economic crisis due to the resurgence of new cases in many advanced economies and the threat of repeated outbreaks across the other regions. Overall, the region is estimated to contract by -2.6 percent in 2020 compared with an expansion of 3.2 percent in 2019, with Nigeria and South Africa contracting by 3.2 percent and 7.5 percent, respectively (**Table 13**). Economies in the SSA region are expected to expand by 3.2 percent in 2021 and 3.9 percent in 2022, respectively. The largest impact of the crisis on growth has been in the tourism-dependent economies, while commodity-exporting countries have also been hit hard. Growth in more diversified economies will slow significantly, but in many cases will still be positive in 2020.

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Table 13: World Economic Outlook Projections

Real GDP Growth (% change)

	Year over Year					
	Actual	Estimate	Projections		Difference from June 2020 WEO Projections	
			2021	2022	2021	2022
World Output	2.8	-3.5	5.5	4.2	0.3	0.0
Advanced Economies	1.6	-4.9	4.3	3.1	0.4	0.2
United States	2.2	-3.4	5.1	2.5	2.0	-0.4
Euro Area	1.3	-7.2	4.2	3.6	-1.0	0.5
Germany	0.6	-5.4	3.5	3.1	-0.7	0.0
France	1.5	-9.0	5.5	4.1	-0.5	1.2
Italy	0.3	-9.2	3.0	3.6	-2.2	1.0
Spain	2.0	-11.1	5.9	4.7	-1.3	0.2
Japan	0.3	-5.1	3.1	2.4	0.8	0.7
United Kingdom	1.4	-10.0	4.5	5.0	-1.4	1.8
Canada	1.9	-5.5	3.6	4.1	-1.6	0.7
Emerging Market and Developing Economies	3.6	-2.4	6.3	5.0	0.3	-0.1
China	6.0	2.3	8.1	5.6	-0.1	-0.2
India	4.2	-8.0	11.5	6.8	2.7	-1.2
Russia	1.3	-3.6	3.0	3.9	0.2	1.6
Brazil	1.4	-4.5	3.6	2.6	0.8	0.3
Mexico	-0.1	-8.5	4.3	2.5	0.8	0.2
Saudi Arabia	0.3	-3.9	2.6	4.0	-0.5	0.6
Sub-Saharan Africa	3.2	-2.6	3.2	3.9	0.1	-0.1
Nigeria	2.2	-3.2	1.5	2.5	-0.2	0.0
South Africa	0.2	-7.5	2.8	1.4	-0.2	-0.1

Source: IMF World Economic Outlook (WEO) January 2021 Update

Risks to the Outlook and Policy Direction

The 2021 growth projections are largely supported by favourable news on vaccine development, distribution, and effectiveness of therapeutics that are expected to boost confidence among firms and households and; additional policy support. However, the pace of economic growth across the regions underscores the vulnerabilities, economic structure, pre-crisis growth trends, severity of the COVID-19 pandemic, and the size of the policy response to combat the fallout. Similarly, slower-than-anticipated progress on medical interventions could dampen hopes of a relatively quick exit from the pandemic and weaken confidence; vaccine rollout could suffer delays, deliver shorter-lived immunity than anticipated, and advances on therapeutics could be limited. The ensuing tighter

financial conditions could increase rollover risks for vulnerable borrowers, add to the already large number of economies in debt distress and increase insolvencies among corporates and households.

3.3 Domestic Economy¹⁷

For the first time in recent memory, the economy contracted in the first three quarters of 2020 following the devastating impact of the COVID-19 pandemic which disrupted global as well as a domestic economic activity since March 2020. Real GDP contracted by -0.4 percent compared to a growth of 5.3 percent in the first three quarters of 2019. The slowdown in economic activity was driven by significant declines in the Services

¹⁷Growth numbers for the fourth quarter of 2020 will be released by KNBS in May 2021.

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sector, which were adversely affected by the COVID-19 pandemic in the second and third quarters of 2020. The Services sector contracted by -3.9 percent in the first three quarters of 2020 compared to a growth of 6.6 percent in a similar period of 2019 largely attributed to the domestic and international containment measures enforced to prevent the spread of COVID-19, which led to a drastic slump in Accommodation and Restaurants; Education; Wholesale and Retail Trade; Transport and Storage; and, Professional, Administration and Support Services sectors (**Table 14**).

The Industry sector recorded modest growth in the first three quarters of 2020. It grew by 2.9 percent compared to 4.9 percent in a similar period of 2019. The slowdown was mainly attributed to a contraction of activity in the manufacturing sector. The contraction was due

to reduced activity in food and non-food processing subsectors owing to the various COVID-19 containment measures enforced in the second and third quarters of 2020. However, the Construction sector supported growth in the industry. It grew by 8.6 percent driven by increased activity in the public investment on roads and, water and sewerage work.

Agriculture sector growth was strong, supported by favourable weather conditions experienced in the country. It grew by 6.4 percent in the first three quarters of 2020 compared to 3.6 percent in a similar period of 2019. Production of key crops such as tea, sugarcane and horticultural crops for export increased during the period under review.

Table 14: Real GDP Growth Rates (Percent)

	2019	2019	2019	2019	2020	2020	2020	2019	2020
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q1-Q3	Q1-Q3
Agriculture	4.0	2.0	5.0	3.6	5.8	7.3	6.3	3.6	6.4
2. Non-Agriculture (o/w)	5.6	6.0	6.0	5.8	4.9	-9.2	-2.7	5.9	-2.4
2.1 Industry	4.1	5.5	5.0	4.0	4.4	-0.5	4.9	4.9	2.9
Mining & Quarrying	1.4	5.0	3.4	0.3	9.5	10.0	18.2	3.2	12.6
Manufacturing	2.3	4.1	3.9	2.6	2.9	-3.9	-3.2	3.5	-1.4
Electricity & water supply	7.8	7.3	6.4	6.4	6.3	-0.6	4.7	7.2	3.3
Construction	6.1	7.2	6.6	5.7	5.3	3.9	16.2	6.6	8.6
2.2 Services	6.4	6.7	6.7	6.8	5.5	-11.6	-5.3	6.6	-3.9
Wholesale & Retail Trade	6.3	7.8	6.1	6.4	6.4	-7.0	-2.5	6.7	-1.3
Accommodation & restaurant	11.0	12.1	9.9	9.0	-9.3	-83.2	-57.9	10.9	-45.1
Transport & Storage	6.4	7.6	7.6	9.2	6.1	-11.4	2.9	7.2	-0.9
Information & Communication	10.0	7.5	8.0	9.1	9.8	4.6	7.3	8.6	7.5
Financial & Insurance	6.3	5.2	8.1	6.6	6.2	4.2	5.3	6.5	5.3
Public administration	8.9	8.7	8.4	6.2	6.7	5.7	9.6	8.7	7.3
Professional, Administration & Support Services	5.5	4.2	4.8	4.9	4.4	-15.3	-12.3	4.8	-7.9
Real estate	4.7	6.0	5.5	5.1	4.4	2.3	5.3	5.4	4.0
Education	4.3	6.0	6.0	5.5	5.3	-56.2	-41.9	5.4	-31.2
Health	5.4	6.2	5.5	6.2	5.8	10.3	5.6	5.7	7.3
Other services	5.6	5.6	5.3	3.8	2.2	-8.5	-4.5	5.5	-3.6
FISIM	4.6	7.3	6.8	5.7	5.0	3.7	7.7	6.2	5.5
2.3 Taxes on products	4.7	4.0	4.2	4.5	3.4	-14.2	-4.2	4.3	-5.2
Real GDP Growth	5.2	5.1	5.8	5.4	5.2	-5.5	-1.1	5.3	-0.4

Source: KNBS and CBK

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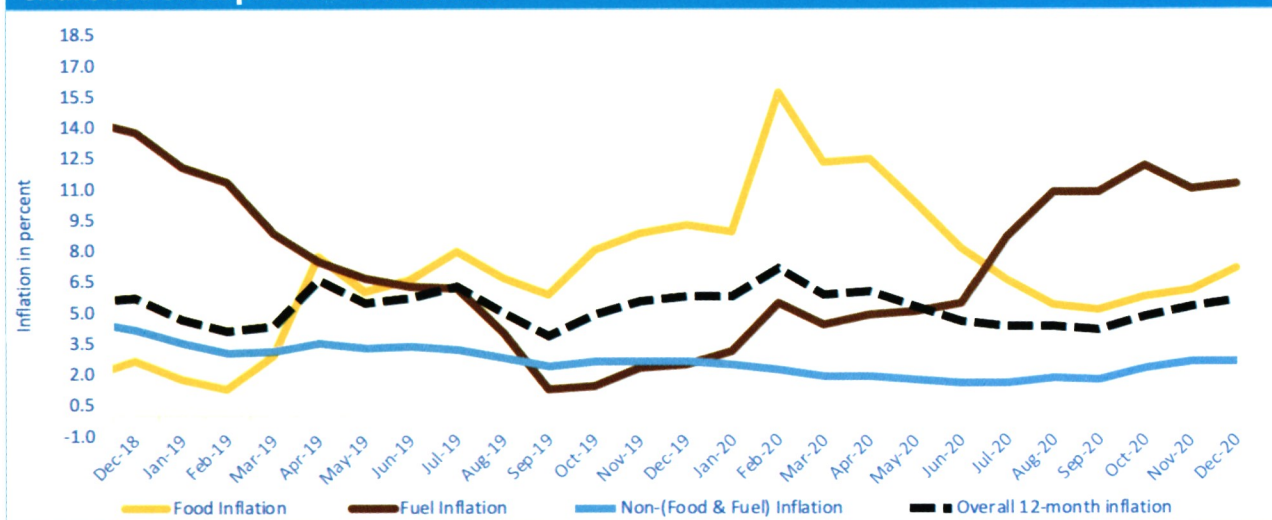
Economic Outlook for 2021

Economic growth is expected to rebound in 2021, supported by the normalization of the domestic and global economy as well as supportive fiscal and monetary policies. However, there are significant downside risks to this outlook, mainly attributed to uncertainties surrounding the COVID-19 pandemic. New waves of infections and COVID-19 strains could lead to renewed enforcement of containment measures, thus slowing the momentum of global recovery. Prolonged supply chain disruptions in some regions, uneven recovery of the global economy, and rising international oil prices could also slow down domestic and international growth.

3.4 Inflation

Overall inflation¹⁸ remained well anchored within the Government medium-term target band in 2020. Annual average inflation declined to 4.9 percent in December 2020 compared to 5.2 percent in 2019. The decline was largely driven by lower food inflation following reduced prices of key food items. Fuel inflation continued to rise during the year, occasioned by increased transport costs associated with social distancing measures in public transport to prevent the spread of COVID-19. Meanwhile, Non-Food-Non-Fuel (NFFN) inflation remained low and stable, averaging 2.1 percent in 2020, reflective of muted demand pressures in the economy. Inflation is projected to remain stable, within the medium-term target band of 5 ± 2.5 percent in 2021, on account of low food prices as weather conditions remain favourable.

Chart 6: Developments in inflation



Source: KNBS and CBK

¹⁸The Kenya National Bureau of Statistics (KNBS) revised the inflation basket in February 2020. The previous CPI basket of 234 items was revised to 330 items, and an additional category known as 'Financial and Insurance services' was added in the basket. 'Miscellaneous goods and services' category were revised to 'Personal Care, Social Protection and Miscellaneous Goods and Services' category. **Food inflation** comprise "food and non-alcoholic beverages" categories of the CPI basket; and **fuel inflation** comprise "transport" and "housing, water, electricity, gas and other fuels" categories of the CPI basket; NFFN inflation excludes food and fuel inflation.

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3.5 Exchange rate

The foreign exchange market weakened against major international currencies in 2020. The Kenya shilling weakened against the US dollar to exchange at an average rate of 106.5 in 2020 from an average of 102.0 in 2019 (**Table 15**).

Table 15: Exchange rate developments

	USD Dollar	Sterling Pound	EURO	SA RAND	USHS	TSHS	RWF	BIF
2017	103.2	138.8	123.3	8.4	35.2	21.7	8.3	17.1
2018	101.8	129.0	116.4	7.1	36.5	22.6	8.8	17.6
2019	101.3	132.9	113.4	7.2	36.2	22.7	9.4	18.5
2020	106.5	136.6	121.5	6.5	35.0	21.8	9.0	18.0

Source: CBK

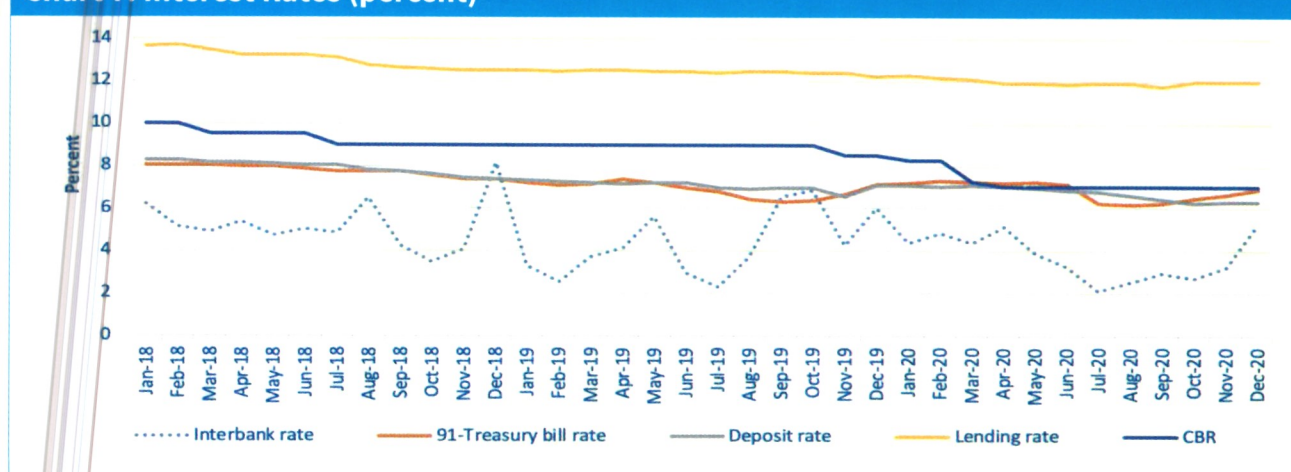
3.6 Interest rates

All interest rates generally declined in 2020, largely reflecting an accommodative monetary policy stance and improved liquidity conditions geared towards mitigating the adverse effects of the pandemic and supporting economic activities. The Monetary Policy Committee (MPC) reduced the Central Bank Policy Rate (CBR) by cumulative 150 basis points to 7.00 percent, with the bulk of the reduction (125 basis points) occurring following the COVID-19 pandemic shock in March 2020. Improved liquidity conditions partly reflected increased government payments including COVID-19 related expenditure as well as the reduction of the Cash Reserve Ratio (CRR) from 5.25 percent to 4.25 percent in March 2020, which released KSh.35.2 billion in liquidity to banks for supporting customers who were distressed by COVID-19.

Interest rates on 91-day and 182-day Treasury bills declined to 6.85 percent and 7.51 percent in 2020 from 6.92 percent and 7.87 percent in 2019, respectively. Similarly, the weighted average interbank interest rate declined to 3.73 percent from 4.32 percent in 2020, largely reflecting improved liquidity conditions in the money market.

Commercial banks' average lending rates declined to an average of 12.00 percent in 2020 from 12.44 percent in 2019, with the lending rate reaching a historical low of 11.75 percent in September 2020. The deposit rates declined to an annual average of 6.73 percent in 2020 from 7.07 percent in 2019. As a result, the interest rate spread narrowed to an average of 5.27 percent in 2020 from 5.37 percent in 2019 (**Chart 7**).

Chart 7: Interest Rates (percent)



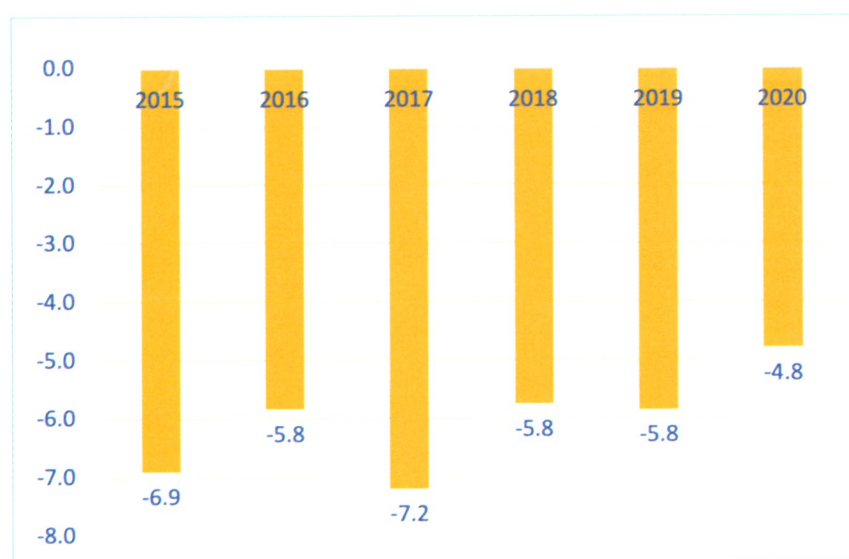
Source: CBK

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3.7 Balance of Payments

The current account deficit remained stable at 4.8 percent of GDP in 2020, supported by savings from lower oil import bill, the strong performance of agricultural exports, and resilient remittances (**Chart 8**).

Chart 8: Developments in Current Account



Source: KNBS and CBK

3.8 Fiscal Developments

Total government revenues and grants amounted to Ksh.808.6 billion in the period July-December 2020, representing a 14.0 percent decrease from Ksh.940.5 billion collected in a similar period in FY 2019/2020 (**Table 16**). Tax revenue fell below its set target in the first half FY 2020/21, owing to the impact of tax relief measures taken by the Kenya Government to cushion Kenyans against the impact of COVID-19 which adversely affected revenue collection. Total expenditure and net lending also decreased by 2.2 percent during the first half of FY 2020/21 to Ksh.1,191 billion compared to Ksh.1,218.1 billion over a similar period in 2019. Consequently, Government budgetary operations during the period under review resulted in a deficit of Ksh.382.4 billion (3.4 percent of GDP) on a cash basis compared to a deficit of Ksh.259.5 billion (2.5 percent of GDP) incurred over the same period in 2019. The deficit was above the target of 3.3 percent of GDP.

Kenya's public and publicly guaranteed debt increased by 20.4 percent from KSh.6,048.9 billion in December 2019 to KSh.7,281.8 billion in December 2020, with both domestic and external debt increasing at 18.6 percent and 22.1 percent, respectively. Public debt profile comprised 47.9 percent and 52.1 percent of domestic and external debt respectively. The ratio of public debt to GDP rose to 67.8 percent in December 2020 from 62.1 percent in December 2019.

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Table 16: Fiscal Developments

Ksh Bn			FY 2019/20			Target	Over (+) /	%
	Q2	Cumulative	Q1	Q2	Cumulative	Target	Below (-)	Variance
		to Dec-2019			to Dec-2020		Target	
1. TOTAL REVENUE & GRANTS	516.6	940.5	382.9	425.7	808.6	827.8	(19.2)	(2.3)
Ordinary Revenue	473.5	857.9	342.6	383.8	726.4	726.4	-	
Tax Revenue	385.2	756.6	316.8	351.9	668.7	683.3	(14.6)	
Non Tax Revenue	88.3	101.2	25.8	31.9	57.7	43.1	14.6	
Appropriations-in-Aid	35.7	72.5	36.1	37.5	73.6	88.3	(14.7)	
External Grants	7.3	10.1	4.2	4.3	8.5	13.1	(4.6)	
2. TOTAL EXPENSES & NET LENDING	673.5	1,218.1	510.4	675.4	1,191.0	1,195.1	(4.1)	(0.3)
Recurrent Expenses	436.6	827.7	359.5	424.5	798.7	788.6	10.1	
Development Expenses	172.2	268.1	122.1	150.3	262.8	256.9	5.9	
County Transfers	64.7	122.2	28.8	100.6	129.5	149.6	(20.2)	
Others	-	-	-	-	-	-	-	
3. DEFICIT (INCL. GRANTS) (1-2)	(156.9)	(277.6)	(127.5)	(249.8)	(382.4)	(371.8)	(10.6)	2.9
As percent of GDP	(1.5)	(2.7)	(1.1)	(2.2)	(3.4)	(3.3)	(0.1)	
4. ADJUSTMENT TO CASH BASIS	18.1	18.1	-	-	-	-	-	
5. DEFICIT INCL. GRANTS ON A CASH BASIS	(138.8)	(259.5)	(127.5)	(249.8)	(382.4)	(371.8)	(10.6)	2.9
As percent of GDP	(1.3)	(2.5)	(1.1)	(2.2)	(3.4)	(3.3)	(0.1)	
6. DISCREPANCY: Expenditure (+) / Revenue (-)	20.4	(6.3)	2.4	(21.5)	(19.7)	-	(19.7)	
7. FINANCING	159.2	253.2	129.9	228.3	362.7	371.8	(9.1)	(2.4)
Domestic (Net)	90.1	170.9	152.4	188.5	345.5	340.9	4.5	
External (Net)	67.5	80.7	(22.5)	39.7	17.2	30.8	(13.7)	
Other Dom. Financing (domestic loan receipts)	1.6	1.6	0.0	0.0	0.1	0.1	-	
Others	-	-	-	-	-	-	-	

Source: The National Treasury-Dec 2020 Provisional BOT

3.9 Performance of the Banking Sector

The banking sector recorded a declined performance in the year ended December 2020 as a result of the COVID-19 pandemic. The sector's profit before tax decreased by 29.3 percent to Ksh.112.4 billion in the year ended December 2020 from Ksh.159.1 billion in the year ended December 2019. The decline in profitability was mainly driven by a lower increase in total income (7.3 percent) compared to the increase in total expenses (22.6 percent). The higher increase in total expenses was mainly attributed to a 177.2 percent increase in loan loss provisions.

3.10 Commercial Banks Balance Sheet Analysis

The banking sector registered improved financial strength in 2020, with total net assets recording an increase of 12.4 percent from Ksh.4,809.4 billion in December 2019 to Ksh.5,405.8 billion in December 2020 (**Table 17**). This is attributable to increased investment in Government securities and loans and advances. Government securities increased by 23.0 percent from Ksh.1,302.0 billion in December 2019 to Ksh.1,601.0 billion in December 2020. Net loans and advances registered an increase of 6.6 percent from Ksh.2,494.0

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billion in December 2019 to Ksh.2,658.7 billion in December 2020. Net loans and advances, government securities and placements accounted for 49.2 percent, 29.6 percent and 6.0 percent of the total net assets, respectively and remained the main components of the banks' balance sheet.

Table 17: GLOBAL BALANCE SHEET ANALYSIS (Ksh.M)

	Dec-19	Dec-20	% of Total Assets/Total Liabilities
Cash	72,013	72,107	1.3
Balances at Central bank	257,786	214,820	4.0
Placements	214,854	323,485	6.0
Government Securities	1,301,979	1,601,044	29.6
Investments	46,396	68,466	1.3
Loans and Advances (Net)	2,494,006	2,658,712	49.2
Other assets	422,376	467,112	8.6
Total Assets	4,809,410	5,405,746	100.0
Liabilities and Shareholders' Funds			
Customer Deposits	3,531,373	4,011,316	74.2
Other liabilities	549,215	586,966	10.9
Capital and Reserves	728,822	807,464	14.9
Total liabilities and Shareholders' Funds	4,809,410	5,405,746	100.0

Source: CBK

Customer deposits, which are the main source of funding for the banks grew by 13.6 percent from Ksh.3,531.4 billion in December 2019 to Ksh.4,011.3 billion in December 2020. The growth was supported by mobilization of deposits through agency banking and mobile phone platforms.

In 2020, the banking sector capital and reserves increased by 9.8 percent from Ksh.728.8 billion in December 2019 to Ksh.807.5 billion in December 2020. The increase in capital and reserves is attributable to increase in retained earnings and share premium. Retained earnings increased by Ksh.55.9 billion from Ksh.357.5 billion in December 2019 to Ksh.413.4 billion in December 2020. Share premium increased by Ksh.2.69 billion from Ksh.109.9 billion in December 2019 to Ksh.112.6 billion in December 2020.

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

The largest proportion of the banking industry gross loans and advances were channelled to the Personal and Household, Trade, Real Estate and Manufacturing Sectors. In total, these four economic sectors accounted

for 74.0 percent of gross loans in December 2020 as indicated in Table 18. Personal and Household, Trade and Agriculture sectors accounted for the highest number of loan accounts with a total of 98.8 percent. Trade, Personal and Household, Real Estate and Manufacturing sectors accounted for the highest value of non-performing loans by registering 70.4 percent. This was mainly due to delayed payments from public and private sectors, slow uptake of housing units and challenges brought about by the COVID-19 pandemic.

The concentration of non-performing loans was mainly in Trade, Personal and Household, Manufacturing and Real Estate sectors in December 2020. CBK will closely monitor the four economic sectors to ensure that commercial banks make adequate provisions for the loans in the four economic sectors to mitigate risk of default.

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Table 18: Sectoral Distribution of Loan Accounts, Gross Loans and NPLs-December 2020

	No. of Loan A/Cs	% of Total	Gross Loans, Ksh. Million	% of Total	Gross NPLs, Ksh. Million	% of Total
Agriculture	119,453	1.05	108,053	3.59	23,286	5.34
Manufacturing	21,778	0.19	416,845	13.87	66,626	15.28
Building and construction	13,154	0.12	117,426	3.91	28,492	6.53
Mining and Quarrying	1,612	0.01	21,902	0.73	2,993	0.69
Energy and water	3,062	0.03	112,172	3.73	12,876	2.95
Trade	280,267	2.45	517,729	17.23	101,884	23.36
Tourism, restaurant and Hotels	7,300	0.06	103,181	3.43	16,079	3.68
Transport and Communication	44,028	0.39	223,884	7.45	38,178	8.76
Real Estate	29,873	0.26	444,705	14.79	68,448	15.70
Financial Services	11,725	0.10	96,608	3.21	7,007	1.61
Personal and Household	10,892,342	95.34	843,599	28.06	70,198	16.10
Total	11,424,594	100.00	3,006,104	100.00	436,067	100.00

Source: CBK

3.11.1 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 category increased by 10.7 percent from Ksh.2,036.9 billion and in December 2019 to Ksh.2,254.0 billion in December 2020. The normal category accounted for 75.0 percent of the total loans in 2020 compared to 75.7 percent in 2019 whereas, the watch category accounted for 10.5 percent of the total loans in 2020 compared to 11.8 percent in 2019.

The loans and advances in the substandard, doubtful and loss categories increased by 81.6 percent, 16.0 percent and 32.1 percent respectively (**Table 19**). This is also reflected by the increased levels of these categories to the entire loan book. The substandard, doubtful and loss categories accounted for 3.2 percent, 8.3 percent and 3.1 percent of the loan book in 2020 compared to 2.0 percent, 8.0 percent and 2.6 percent in 2019. The increase in the non-performing loans' categories were occasioned by deteriorating asset quality as a result of COVID-19 pandemic, enhanced reclassification and provisioning of loans, challenges in the business environment and increased default of digital loans since they are unsecured.

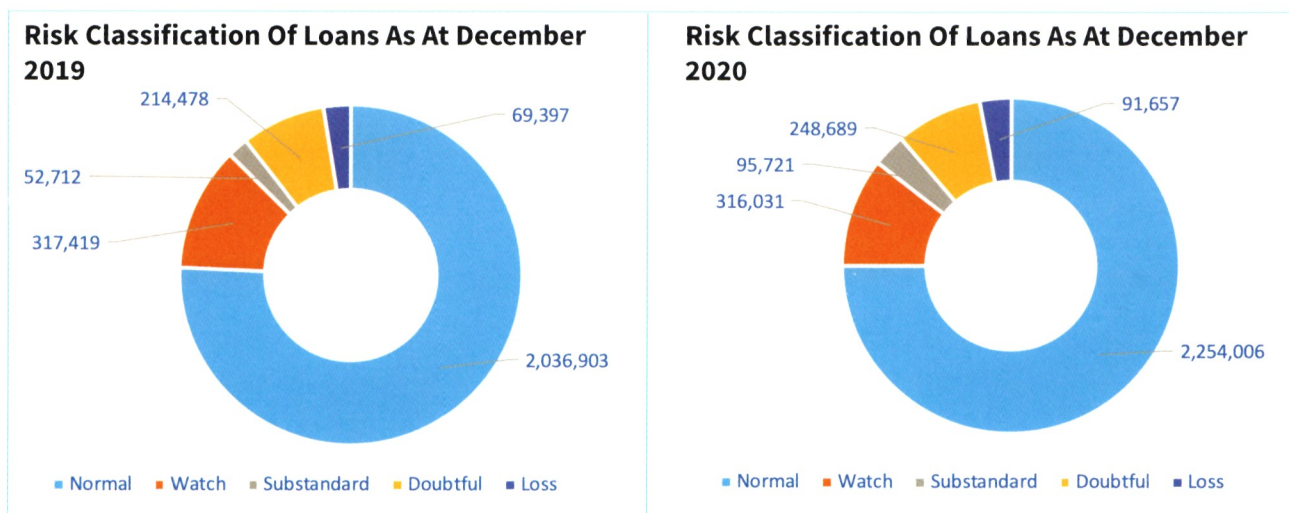
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The proportions of loans in all categories increased in 2020 with exception of watch and substandard categories as shown in **Table 19** and **Chart 9**.

	2019		2020		Change Ksh. Million	% Change
	Amount Ksh. Million	% of Total	Amount Ksh. Million	% of Total		
Normal	2,036,903	75.6	2,254,006	75.0	217,103	10.7
Watch	317,419	11.8	316,031	10.5	-1,388	-0.4
Substandard	52,712	2.0	95,721	3.2	43,009	81.6
Doubtful	214,478	8.0	248,689	8.3	34,211	16.0
Loss	69,397	2.6	91,657	3.0	22,260	32.1
Total	2,690,910	100.0	3,006,104	100.0	315,194	11.7

Source: CBK

Chart 9: Risk Classification of Loans and Advances in Ksh.Millions



Source: CBK

3.12 Asset Quality

The stock of non-performing loans (NPLs) increased by 29.6 percent to Ksh.436.1 billion in December 2020 from Ksh.336.6 billion in December 2019. Asset quality, which is measured by the ratio of gross NPLs to gross loans deteriorated to 14.5 percent in December 2020 from 12.5 percent in December 2019 as shown in **Table 20** and **Appendix III** mainly due to a lower increase in gross loans of 11.7 percent as compared to increase in gross non-performing loans of 29.6 percent. The deterioration in asset quality was mainly due to:

- Worsening households' livelihoods and business closures due to COVID-19 pandemic.
- Staff lay-offs due to disruptions in supply chains as result of COVID-19 pandemic.
- Slowdown in business activities due to COVID-19 pandemic.

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Table 20: Asset Quality and Provisions (Ksh.M)

	December 2019	December 2020	% Change
Net Assets	4,809,410	5,405,746	12.4
Gross Loans and Advances	2,690,910	3,006,104	11.7
Total Loans	2,628,302	2,934,294	11.6
Net Loans	2,494,006	2,736,226	9.7
Gross Non-Performing Loans	336,588	436,067	29.6
Interest in Suspense	62,607	71,810	14.7
Total Non-Performing Loans	273,322	364,256	33.3
Total Provisions	134,296	198,067	47.5
Net Non-Performing Loans	139,026	166,189	19.5
Gross Loans/Net Assets (%)	56.0	55.6	- 0.4
Gross NPLs/Gross Loans (%)	12.5	14.5	2.0
Net NPLs/Gross Loans (%)	5.2	5.5	0.3

Source: CBK

3.13 Capital Adequacy

The CBK Prudential Guideline on Capital Adequacy (CBK/PG/04) requires banks to adhere to the prescribed capital adequacy ratios. The current minimum regulatory capital adequacy ratios for Core Capital to Total Deposits, Core Capital and Total Capital to Total Risk Weighted Assets are 8.0 percent, 10.5 percent and 14.5 percent respectively. Core Capital to Total Risk Weighted Assets ratio remained the same at 16.6 percent in December 2020 and December 2019. The Total Capital to Total Risk Weighted Assets ratio increased from 18.8 percent in December 2019 to 19.0 percent in December 2020. However, the core capital to total deposits ratio decreased from 17.9 percent in December 2019 to 17.1 percent in December 2020. The Kenyan banking industry was therefore fully compliant with the capital adequacy ratios in 2020. **Table 21** presents the Kenyan banking sector capital adequacy trend from 2017 to 2020.

Table 21: Capital Adequacy Ratios

	2017	2018	2019	2020	Minimum Capital Adequacy Ratios (%)
Core Capital/TRWA (%)	16.5	16.6	16.6	16.6	10.5
Total Capital/TRWA (%)	18.8	19.5	18.8	19.0	14.5
Core Capital/Total Deposits (%)	18.9	17.9	17.9	17.1	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 2020 stood at 54.5 percent compared to 49.7 percent registered in December 2019. 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 23.7 percent while total short-term liabilities grew by 12.9 percent. The higher increase in liquid assets was mainly attributed to a 35.3 percent increase in investments in government treasury bonds. The banking sector's average liquidity in 2020 was way above the statutory minimum requirement of 20 percent.

3.15 Profit and Loss

The banking sector registered a decrease in profitability in 2020 with profit before tax decreasing by 29.5 percent from Ksh.159.1 billion in December 2019 to Ksh.112.1 billion in December 2020 as shown in **Table 22**. The decrease in profitability was attributed to a higher increase in total expenses (Ksh.86.1 billion) compared to the increase in income (Ksh.39.1 billion).

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3.15.1 Income

Total income for the banking sector increased by 7.3 percent to Ksh.576.4 billion in December 2020 from Ksh.537.3 billion in December 2019 as shown in **Table 22**. The increase in income was largely attributed to increase in interest on Government Securities which increased by 22.3 percent from Ksh.122.0 billion in 2019 to Ksh.149.2 billion in 2020.

Table 22: Income and Expenditure Items as a Percentage of Total Income/Total Expenses				
Income	December 2019		December 2020	
	Ksh.M	% of Total Income/ Total Expenses	Ksh.M	% of Total Income/ Total Expenses
Interest on Advances	265,020	49.3	276,933	48.0
Fees and Commission for Loans and Advances	33,946	6.3	35,871	6.2
Other Fees and Commission Income	52,237	9.7	43,816	7.6
Interest on Government Securities	122,011	22.7	149,242	25.9
Interest on Placement	8,515	1.6	7,623	1.3
Other Income	55,578	10.3	62,961	10.9
Total Income	537,307	100.0	576,446	100.0
Expenses				
Interest Expenses	137,485	36.4	146,083	31.5
Bad Debts Charge	39,640	10.5	110,688	23.8
Salaries and Wages	96,055	25.4	97,123	20.9
Other Expenses	105,055	27.8	110,407	23.8
Total Expenses	378,236	100.0	464,300	100.0
Profit Before Tax	159,072		112,145	

Source: CBK

3.15.2 Expenses

As shown in **Table 22**, the banking sector expenses increased by 22.8 percent from Ksh.378.2 billion in December 2019 to Ksh.464.3 billion in December 2020. The increase in total expenses was largely attributed to increase in loan loss provisions by Ksh.71.0 billion in 2020. Interest expenses accounted for 31.5 percent of the total banking sector expenses in 2020. Interest expense as a ratio of income decreased slightly to 25.3 percent in 2020 from 25.6 in 2019. Other expenses including training, advertising, printing and management fees increased by 5.1 percent from Ksh.105.1 billion in December 2019 to Ksh.110.4 billion in December 2020. Salaries and wages increased by 1.1 percent to Ksh.97.1 billion in December 2020 from Ksh.96.1 billion

in December 2019. Salaries and wages as a ratio of income decreased from 17.9 percent in 2019 to 16.8 percent in 2020 reflecting a lower increase in staffing costs compared to the increase in income.

3.16 Performance Rating

CBK 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 in **Table 23**.

The banking sector was on overall rated satisfactory in 2020 as was in 2019. The institutions rated strong, satisfactory, fair, marginal and unsatisfactory in

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December 2020 were 11, 21, 4, 2 and 1 respectively, as compared to 8, 20, 7, 2, and 1 in December 2019, respectively (**Table 23**). The number of institutions rated strong and satisfactory increased from 8 and 20 in December 2019 to 11 and 21 in December 2020 respectively. The number of institutions rated fair decreased from 7 in December 2019 to 4 in December 2020. The market share for banks rated strong increased to 40.5 percent in December 2020 from 24.5 percent in December 2019.

Table 23: Banking Sector Performance Rating

Performance Rating	December 2019			December 2020		
	No. of Institutions	Total Net Assets (Ksh 'Million)	Market Share (%)	No. of Institutions	Total Net Assets (Ksh 'Million)	Market Share (%)
Strong	8	1,177,968	24.49	11	2,187,403	40.46
Satisfactory	20	3,301,374	68.65	21	2,921,548	54.05
Fair	7	183,831	3.82	4	224,317	4.15
Marginal	2	130,792	2.72	2	67,364	1.25
Unsatisfactory	2	15,445	0.32	1	5,114	0.09
Total*	39	4,809,410	100.0	39	5,405,746	100.0
Overall Rating	Satisfactory			Satisfactory		

* Charterhouse Bank Ltd and Chase Bank Ltd In Liquidation and Imperial Bank Ltd In Receivership have been excluded in the 2020 statistics.

Source: CBK

3.17 Compliance with Supervisory and Regulatory Requirements

During the year ended December 31, 2020, thirteen banks violated the Banking Act and CBK Prudential Guidelines compared to twelve banks in the previous year 2019. Most of the violations were in respect to breach of single obligor limits mainly due to a 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, 2020 were as follows:

i. Single Obligor Limit

Nine banks violated Section 10 (1) of the Banking Act as they exceeded the single obligor limit of 25 percent of core capital.

ii. Prohibited Business

- Five banks violated Section 12 (C) of the Banking

Act and CBK Prudential Guideline on Prohibited Business (CBK/PG/07) which restricts investment in land and buildings to 20 percent of core capital.

- Five institutions violated CBK/PG/07 on Prohibited Business that restricts aggregate large exposures to not more than 5 times of the Core Capital.

iii. Capital Adequacy Requirements

- Three commercial banks violated Section 7(1) of the Banking Act due to failure to maintain the minimum core capital required of Ksh.1 billion.
- Six banks violated Section 18 of the Banking Act and CBK Prudential Guideline on Capital Adequacy, CBK/PG/03, Clause 4.1.2 due to their failure to meet the minimum statutory required ratio for total capital to total risk-weighted assets of 14.5 percent. Five banks failed to meet the statutory minimum required ratio for core capital to total risk-weighted assets of 10.5 percent. While five banks failed to meet the statutory minimum required ratio for core capital to deposit ratio of 8 percent.

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iv. Insider Lending

- Two banks violated Section 11(1) (f) of the Banking Act as they exceeded the single insider borrower limit of 20 percent of core capital.
- One bank violated Section 11(1) (g) of the Banking Act as it exceeded the total insider borrowing limit of 100 percent of core capital.

v. Foreign Exchange Exposure

Two banks violated the Central Bank of Kenya Prudential Guideline on Foreign Exchange Exposure (CBK/PG/06) that requires an institution to maintain foreign exchange exposure at not more than 10 percent of core capital.

vi. Liquidity Management

Two banks violated Section 19 (1) of the Banking Act due to failure to maintain the minimum statutory liquidity ratio of 20 percent.

vii. Financial Statement Reporting

One bank violated Section 22 of the Banking Act due to failure to display a copy of the latest audited balance sheet and profit and loss account in a conspicuous position in every office and at the branches. The same bank violated Section 23(1) of the Banking Act due to failure to submit audited balance sheet, profit and loss account and auditor's report to the CBK within three months of the end of the financial year.

viii. In Duplum Rule

One bank violated Section 44A (1) of the Banking Act that restricts the amount of interest recoverable on non-performing loans and advances to the principal owing when the loan becomes non-performing.

ix. Corporate Governance Principles

- One bank violated the CBK Prudential Guideline on Corporate Governance, (CBK/PG/02), Clause 3.7.5, due to failure to ensure that the Chief Finance Officer is a member of the Institute of Certified Public Accountants of Kenya (ICPAK)

or an equivalent institute recognized by the East Africa Community member states, or an equivalent international institute recognized by ICPAK.

- One institution violated the CBK Prudential Guideline on Corporate Governance, Clause 3.3.3, due to failure to ensure that every board member attends at least 75 percent of the board meetings of an institution in any financial year.
- One bank violated CBK Prudential Guideline on Corporate Governance, Clause 3.2.2, due to failure to ensure that no Chief Executive Officer, Executive Director or Member of Management owns more than 5 percent of the institution's shareholding.

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

3.18 Performance of Microfinance Banks

The microfinance banks' performance declined in the year ended December 31, 2020. As shown in **Table 24**, the sector reported a combined loss before tax of Ksh.2.2 billion as at December 31, 2020, compared to a loss of Ksh.339 million reported as at December 31, 2019. Four institutions reported profits, while the remaining ten institutions registered losses. The main contributors to the loss-making position were Kenya Women Microfinance Bank Plc. and Faulu Microfinance Bank Limited, which reported losses before tax of Ksh.1.5 billion and Ksh.476 million respectively.

The deterioration in performance of the sector was largely attributed to the effects of COVID-19 on the economy, leading to low uptake of credit, high level of NPLs and decrease in interest income. NPLs increased by 32 percent from Ksh.9.8 billion in 2019 to Ksh.13 billion while interest from the loan portfolio declined by 11 percent from Ksh.11.2 billion in 2019 to Ksh.9.9 billion. The sector's provisions for loan impairment increased by 219 percent from Ksh.539 million in 2019 to Ksh.1.7 billion. In addition, the sector spent more to cover staff costs, administrative expenses and finance costs, accounting for 29 percent, 19 percent and 24 percent of

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total expenses respectively. Consequently, the sector reported a decline in return on assets and equity ratios to stand at negative 3 percent and negative 28 percent. The return on assets and equity ratio as at December 31, 2019 was negative 0.4 percent and negative 3 percent respectively.

Customer deposits increased by 12 percent, from Ksh.43.9 billion in 2019 to Ksh.49.3 billion. The growth in deposits was as a result of increased usage of alternative delivery channels and customers' choice of deposits as a savings method. Net loans decreased by 5 percent from Ksh.46.7 billion in 2019 to Ksh.44.2 billion. The decline was attributed to low demand for credit due to COVID-19.

Table 24: Performance of MFBs - Ksh. 'M'			
Parameter	2019	2020	% Change
Pre-Tax Profits	(339)	(2,240)	561
Customer Deposits	43,941	49,356	12
Loan Portfolio (Net)	46,652	44,179	(5)
Core Capital/Total Risk Weighted Assets (%)	15	10	(34)
Total Capital/Total Risk Weighted Assets (%)	18	13	(29)
Return on Assets (%)	(0.4)	(3)	650
Return on Shareholder's funds (%)	(3)	(28)	833
Number of Branches	124	120	(3)
Source: CBK			

The sector's capital levels declined in 2020 as a result of cumulative losses reported by the sector, coupled by increased provisioning occasioned by the effects of COVID-19 on businesses that led to increased default on loan repayments. As a result, the ratio of core capital to total risk weighted assets deteriorated from 15 percent in December 2019 to 10 percent in December 2020 while the ratio of total capital to total risk weighted assets declined from 18 percent as at December 31, 2019 to 13 percent during the same period. While the sectors' capital ratios were within the minimum requirement of 10 percent and 12 percent respectively, 5 institutions were non-compliant, as shown in **Appendix XII**.

The sector's liquidity ratio stood at 37 percent as at December 31, 2020. Two institutions were non-compliant with the statutory minimum liquidity ratio of 20 percent.

The microfinance sector's branch network declined in the year under review, with the number of branches standing at 120. Kenya Women MFB closed four (4) branches during the period under review. The sector established two marketing offices and closed 32 marketing offices during the period under review, bringing down the total marketing offices from 119 in 2019 to 89 in 2020. Similarly, the sector engaged 128 new specific third-party agents and closed

1,300 agents, leading to a decline of agents from 2,447 in 2019 to 1,275 in December 2020.

3.19 Agency Banking

The delivery of financial services through the agent banking model decreased in 2020. During the year, 21 commercial banks and 5 microfinance banks (MFBs) had contracted 72,617 and 1,275 bank agents, respectively. As at December 2019, commercial banks recorded 67,314 bank agents, while MFBs agents were 2,447. The change was an increase of 5,303 commercial bank agents (7.9 percent) and a decrease of 1,172 MFB agents (91.9 percent).

The increase in the number of agents in banks is attributed to the growing confidence, the need for banks to decongest banking halls and the acceptability of the agency banking model by financial institutions and the general public. This is illustrated by an additional one commercial bank that rolled out the agency banking model during the year and the continued recruitment of specific agents by commercial banks (jointly recruited over 10,000 specific agents). Despite the increase in the number of agents, some commercial banks' agents closed their businesses, necessitated by the business slowdown in 2020 as a result of COVID-19, and low income earned by the agents rendering the agents inactive.

Over 90 percent of the approved bank agents were concentrated in 3 banks with the largest physical branch presence namely; Equity Bank with 39,951 agents, The Cooperative Bank

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Limited with 14,583 agents and KCB Bank Kenya Limited with 12,724 agents. On the other hand, for the MFBs, over 90 percent of the agents were contracted by the two largest MFBs – Kenya Women Microfinance Bank Limited (630 agents) and Faulu Microfinance Bank Limited (479 agents).

3.19.1 Number of Transactions

The number of banking transactions undertaken through bank agents decreased by 30.2 percent from approximately 162.9 million transactions recorded in 2019 to 118.8 million transactions in December 2020, mainly due to the increased use of mobile phone banking. A summary is provided in **Table 25(a)**.

Table 25(a): Agency Banking Data for Banks- No. of Transactions				
Type of Transactions	Number of Transactions			
	2019	2020	% Change	Cumulative (2010-2020)
Cash Deposits	82,528,474	55,003,720	-33.4	443,653,280
Cash Withdrawals	46,535,842	33,812,403	-27.3	292,540,133
Payment of Bills	2,367,534	2,616,284	10.5	11,358,365
Payment of Retirement and Social Benefits	1,391,128	1,810,169	30.1	11,077,823
Transfer of Funds	16,388	12,833	-21.7	210,934
Account balance enquiries	29,304,050	23,571,720	-19.6	136,975,510
Mini statement requests	789,500	1,802,733	128.3	3,462,091
Collection of loan applications forms	-	56,395	100	62,743
Collection of account opening application forms	36,237	19,354	-46.6	1,780,915
Collection of debit and credit card application forms	-	1,812	100	119,876
Collection of debit and credit cards	-	-	-	60,580
Others	-	67,860	100	669,302
Total	162,969,153	118,775,283	-30.2	894,940,147
Number of Agents	67,314	72,617	7.9	

Source: CBK

The decrease in total transactions was mainly as a result of decreases in transactions relating to cash deposits, cash withdrawals, transfer of funds, account balances inquiry and collection of account opening application forms which recorded a decline by 33.4 percent, 27.3 percent, 21.7 percent, 19.6 percent and 46.6 percent, respectively (**Table 25(b)**). The decline in numbers relating to these transactions was attributed to the surge in the use of mobile phone banking in 2020 accelerated by the COVID-19 pandemic.

Table 25(b): Agency Banking Data for Banks- Value of Transactions (Ksh.'M')				
Type of Transactions	Value of Transactions (Ksh.'M')			
	2019	2020	% Change	Cumulative (2010 to 2020)
Cash Deposits	897,903.1	814,732.9	-9.3	4,750,720.6
Cash Withdrawals	293,152.2	236,767.0	-19.2	1,598,768.6
Payment of Bills	15,547.6	12,280.7	-21.0	72,619.6
Payment of Retirement and Social Benefits	13,179.8	9,280.9	-29.6	61,604.7
Transfer of Funds	435.7	806.1	85.0	3,193.6
Total	1,220,218.4	1,073,867.6	-12.0	6,486,907.1

Source: CBK

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In 2020, the value of banking transactions undertaken through agents decreased from Ksh.1.22 trillion (USD12.0 billion) in December 2019 to Ksh.1.07 trillion (USD 9.8 billion) in December 2020. The decrease was attributed to a slowdown in businesses due to the adverse effects of COVID 19 in 2020. This was further enhanced by the COVID-19 mitigation measures taken on March 18, 2020, where banks were to waive all charges for balance enquiries using digital platforms and waive all charges for transfers between mobile money wallets and banks accounts. This led to an increase in the use of mobile phone banking.

3.20 Credit Reference Bureaus

Over the past ten years of operation, the Credit Information Sharing (CIS) mechanism has expanded in scope, both in terms of participants and the range of information shared. To further strengthen the CIS mechanism, the Banking Credit Reference Bureau (CRB) Regulations, 2020 were gazetted on April 8, 2020. The key reforms introduced by CRB Regulations, 2020 include:

- A minimum threshold of Ksh.1,000 for negative credit information submitted to CRBs by lenders.
- First-time certificates to be provided by CRBs at no charge.
- Savings and Credit Cooperatives Societies (SACCOs) regulated by Sacco Societies Regulatory Authority (SASRA) were incorporated as authorized subscribers of data to CRBs.

Other developments during the year include:

- The withdrawal of approvals granted to unregulated digital (mobile-based) and credit-only lenders in April 2020 as third-party credit information providers to CRBs. The prohibition was in response to numerous public complaints about misuse of the CIS by the unregulated digital and credit-only lenders, particularly their poor responsiveness to customer complaints.
- The suspension of negative listing of borrowers for six months to cushion borrowers from the impact

of COVID-19. The suspension applied to borrowers whose loans were performing previously but had become non-performing from April 1, 2020. The six-month suspension ended on September 30, 2020, following which existing procedures for risk classification of loans concerning their performance and subsequent listing with CRBs resumed. Consequently, borrowers whose loans were performing before April 1 and subsequently went into arrears, had three months (up to the end of December 2020) per existing procedures to regularize their loans before they were listed with CRBs.

Despite the challenging business environment due to COVID-19, there was a noted growth in the number of credit reports requested by both individuals and subscribing institutions (commercial banks and microfinance banks) in 2020. The number of credit reports requested by subscribing institutions increased by 19 percent from 26.8 Million reports in 2019 to 31.9 Million reports in 2020. Similarly, the requests for credit reports by individual customers increased by 34 percent from 661,891 reports in 2019 to 889,490 reports in 2020. The increase is a testament to the integral role played by the CIS mechanism in the credit market and the increase in general awareness of the CIS mechanism by the populace. Table 26 shows the growth of credit reports accessed from the CRBs since the inception of the CIS mechanism in July 2010:

MACROECONOMIC CONDITIONS AND BANKING SECTOR PERFORMANCE

Table 26: Number of credit reports requested since August 2010

Period	Banks*	% Change	Individual Customers	% Change
August - December 2010	284,722	-	434	-
January - December 2011	1,021,717	259	5,607	1,192
January - December 2012	1,015,327	-1	22,692	305
January - December 2013	1,275,522	26	26,361	16
January - December 2014	1,674,707	31	33,442	27
January - December 2015	5,966,729	256	75,078	125
January - December 2016	4,938,224	-17	84,412	12
January - December 2017	4,381,442	-11	131,587	56
January - December 2018	12,404,219	183	149,558	14
January - December 2019	26,822,614	116	661,891	343
January - December 2020	31,882,336	19	888,647	34
Total	91,667,559		2,079,709	

*Commercial and Microfinance banks
Source: CBK

On a month-to-month basis, the number of credit reports requested during the year declined between April and August 2020 as disclosed in **Chart 10**.

Chart 10: Monthly credit report requests by banks CRBs in 2020



As at December 31, 2020, CBK had approved a total of 1,994 third-party data providers compared to 2,618 data sources approved as at December 31, 2019. The decline in numbers follows CBK withdrawal on April 14, 2020 of 491 approvals granted to unregulated digital (mobile-based) and credit-only lenders as third-party credit information providers to CRBs. Further, CBK had approved a total of 262 specific third-party agents for one CRB as at December 31, 2020. Bureaus are permitted to contract third-party agents with CBK approval to provide certain services including delivery of credit reports and receiving and channelling of customer complaints.

3.21 Money Remittance Providers (MRPs)

The issuance of the Money Remittance Regulations, 2013 paved the way for the licensing and supervision of MRPs in Kenya. MRPs are licensed by CBK to facilitate the remittance of funds from one country to another, usually conducted through a partnership with authorized money remittance providers based in other countries. As at December 31, 2020, there were a total of seventeen (17) licensed MRPs as compared to nineteen (19) licensed MRPs in 2019. The number of MRPs declined following the closure of two (2) institutions that faced operational challenges in the year. The licensed MRPs had a total of 41 outlets, out of which 33 are located in Nairobi and 4 each in Mombasa and Garissa. Also, the MRPs have engaged 47 agents that are distributed across the country as shown in **Table 27**.

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Table 27: Distribution of outlets and agents of MRPs

No.	City/Town	Outlets		Agents	
		Number	Percentage	Number	Percentage
1	Nairobi	33	80	19	40.3
2	Mombasa	4	10	2	4.3
3	Dadaab			4	8.5
4	Nakuru			2	4.3
5	Eldoret			2	4.3
6	Garissa	4	10	2	4.3
7	Kitale			1	2.1
8	Kajiado			1	2.1
9	Kakuma			1	2.1
10	Moyale			2	4.3
11	Mandera			2	4.3
12	Wajir			1	2.1
13	Isiolo			2	4.3
14	Malindi			1	2.1
15	Namanga			2	4.3
16	Kisumu			1	2.1
17	Malaba			1	2.1
18	Busia			1	2.1
	Total	41	100	47	100.0

Source: CBK

There was a decline in the number of outlets and agents from 46 outlets and 52 agents in 2019 to 41 outlets and 47 agents respectively in 2020, following closure of two MRPs in 2020 which had a total of 5 outlets and 6 agents. In addition, one agent was opened in the year 2020.

Remittance inflows continue to be a major source of foreign exchange to the country's economy. Remittance inflows processed through MRPs during the year 2020 amounted to Ksh.149 billion, having increased by 77 percent from Ksh.84 billion in the year 2019 despite the adverse economic impact of the COVID-19 pandemic. The total remittance outflows during the year amounted to Ksh.61 billion increasing by 11 percent from Ksh.55 billion in the year 2019 as shown in **Table 28**.

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Table 28: Total remittance inflows and outflows of MRPs in 2019 and 2020 in Ksh."000"

Month	2019		2020	
	Inflows	Outflows	Inflows	Outflows
January	6,278,478	6,375,920	9,830,679	4,839,472
February	5,329,420	5,244,304	7,772,509	4,093,252
March	5,918,512	5,587,025	8,053,274	4,602,182
April	6,296,274	6,062,241	8,553,088	4,657,321
May	6,689,422	4,680,258	9,513,140	4,920,314
June	5,458,027	3,565,864	12,801,851	4,928,165
July	7,946,229	4,659,407	15,959,952	5,367,620
August	7,481,946	4,889,738	15,817,444	5,445,440
September	7,209,676	4,079,591	15,940,096	5,421,962
October	8,457,342	4,580,766	16,199,432	5,659,096
November	8,129,812	2,932,397	13,911,028	4,781,943
December	9,120,905	2,199,426	14,951,518	5,824,682
Total	84,316,042	54,856,937	149,304,011	60,541,449

Source: CBK

The significant growth in remittances during the COVID-19 pandemic period is mainly attributed to the fact that most of the MRPs in the country have adopted digital remittance platforms that enable individuals to send and receive remittances through their mobile phones.

CHAPTER 4

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DEVELOPMENTS IN THE SUPERVISORY FRAMEWORK

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4.1. Introduction

In the wake of the COVID-19 pandemic, CBK undertook several initiatives geared towards ensuring a resilient banking sector. These initiatives included:

- (a) Following the outbreak of the COVID-19 pandemic, CBK issued **Banking Circular Number 2 of 2020** on March 25, 2020 advising institutions to activate their precautionary measures and update their business continuity plans (BCPs). This was to ensure continuity of operations while mitigating the pandemic risk.
- (b) On March 27, 2020, CBK issued **Banking Circular Number 3 of 2020** to provide clarity to banks on loan classification, provisioning and restructuring following the COVID-19 pandemic. Institutions were required to work with their customers to alleviate the adverse effects of the pandemic while safeguarding the soundness of the banking sector.
- (c) **Banking Circular Number 4 of 2020** issued on March 27, 2020 communicated to institutions, the Monetary Policy Committee's review of the Cash Reserve Ratio to 4.25 percent from 5.25 percent. The review of the CRR was expected to release Ksh.35.2 billion directly to banks as additional liquidity to support borrowers adversely affected by the COVID-19 pandemic.
- (d) On March 27, 2020, CBK vide **Banking Circular Number 5 of 2020** issued to institutions, the Guidance Note on Pandemic Planning for the Banking Sector. The Guidance Note provides minimum standards for institutions to ensure that they have resilient frameworks to effectively address emerging pandemic risks in the banking sector.
- (e) **Banking Circular Number 11 of 2020** issued to institutions on August 14, 2020, required institutions to re-submit by October 31, 2020 their Internal Capital Adequacy Assessment Process (ICAAP) documents for 2020. The re-submitted ICAAP documents considered the impact of the COVID-19 pandemic and mitigating measures taken by the institution, measures taken and proposed to strengthen the balance sheet and maintain adequate capital and liquidity, and any

proposed distribution of 2020 profits. Banks were also required not to make any decisions on the distribution of their 2020 profits before discussing the re-submitted ICAAP documents for 2020 with CBK.

4.2. Proposed Amendments to the Central Bank of Kenya Act

The Central Bank of Kenya (Amendment) Bill, 2020 proposed to amend the Central Bank of Kenya Act and put in place a legal and regulatory framework to govern unregulated digital lenders. The amendment will empower CBK to regulate and supervise the conduct of unregulated digital money lenders. The Bill is currently before the National Assembly for consideration.

4.3 Host Country Assessments

In March 2015, as part of the implementation of Risk Based Supervision Framework on Consolidated Supervision, CBK in partnership with IMF's East AFRITAC developed a structured approach for the assessment of the quality of supervision undertaken by host countries where Kenyan banks have establishments. Assessment on the quality of host country supervision is required under Basel Core Principle ¹⁹(BCP) 12, on consolidated supervision.

The host country assessments entail review of the legal and regulatory frameworks, and supervisory practices of the host countries. The assessments assist CBK to; identify vulnerabilities in banking groups with cross border establishments, which is key in the development of effective supervision strategies for the banking groups. Assessments also assist CBK to develop structured supervisory mechanisms to assess the quality of host country supervision practices, legal and bank's resolution frameworks.

Currently, Kenyan banking groups have establishments in seven foreign jurisdictions, both in EAC and beyond. Five out of the seven jurisdictions where Kenyan

¹⁹These are the minimum global standards for the sound prudential regulation and supervision of banks issued by the Basel Committee on Bank Supervision.

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banks have establishments belong to the East Africa Community. Since the assessment criterion was developed in 2015, BSD has conducted assessments in all the seven (7) jurisdictions. The assessments revealed that, amongst the seven jurisdictions, the supervisory practices, legal and regulatory frameworks in four (4) jurisdictions were largely adequate and could be relied upon by CBK in the supervision of the hosted subsidiaries. Although, gaps were identified in the legal and supervisory frameworks of two (2) jurisdictions, it was observed that considerable efforts were being undertaken by the host countries to improve the quality of their frameworks. Further, the assessments established that in one (1) jurisdiction, the legal and supervisory framework was inadequate. Therefore, CBK will continue monitoring developments in the legal and supervisory framework in this jurisdiction and undertake another assessment going forward.

In 2020, BSD continued to monitor developments in the legal and regulatory frameworks and supervisory practices in the seven jurisdictions, of which assessments had been conducted. This was necessitated by the external shocks brought about by the slowdown in economic activities in most of the countries as a result of the COVID- 19 pandemic. For the East Africa Community members, it was observed that Central Banks have strived to implement most of the aspects of the convergence criteria agreed amongst them to harmonize banking legal, regulatory and supervisory rules and practices in the region. It is expected that full harmonization of the legal, regulatory and supervisory rules and practices will strengthen supervisory standards for subsidiaries of Kenyan banks in the region.

In totality, it was noted that there were no significant changes in the legal and regulatory regimes and supervisory practices in all jurisdictions where Kenyan banks have establishments, which adversely affect hosted subsidiaries of Kenyan banks.

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

National Risk Assessment

As the global standard setter, the Financial Action Task Force (FATF) requires all countries to identify, assess and understand the money laundering (ML) and terrorist financing (TF) risks for its country and to develop a risk-based approach (RBA) in addressing the identified ML/TF risks. FATF could impose counter measures against a country for failing to undertake the national risk assessment. This could include issuing a public statement on the country's lack of adherence to international AML/CFT standards and eventual blacklisting.

Through a gazette notice issued in March 2019, CBK among other ministries, departments and agencies was appointed as a member to the Task Force on National Risk Assessment on ML and TF. CBK also forms part of the joint Secretariat to the Taskforce. Only a few of the NRA activities were achieved in the year 2019 hence the extension for the taskforce existence to December 2020 through another gazette notice issued in March 2020. The activities that took place in 2020 include:

- Sensitization workshops for stakeholders.
- Preparation and dissemination of questionnaires to stakeholders to collect data.
- Data collection where the stakeholders submitted their responses.
- Stakeholder interview workshops held on November 2 – 13, 2020 to collect views on ML/TF situation in the country.
- Analysis of qualitative data collected through questionnaires at workshops held on November 30 – December 11, 2020.
- Preparation of working group reports retreat held on December 14–18, 2020.

The stakeholders participating in the NRA exercise were drawn from both public and private sectors.

It is anticipated that the NRA exercise will be completed in 2021.

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4.5 International Financial Reporting Standards (IFRS)

4.5.1 Application of IFRS 9 during COVID-19 Pandemic

The year 2020 marked the third year since the commencement of implementation of IFRS 9 on Financial Instruments. IFRS 9 replaced International Accounting Standard (IAS) 39 with regard to the methodology used to compute impairment provisions on financial instruments. IFRS 9 introduced the Expected Credit Loss (ECL) model that replaced the Incurred Credit Loss (ICL) under IAS 39. The IFRS 9's ECL model requires banks to make provisions for both performing and non-performing loans, which translates to higher provisions compared to IAS 39 ICL model and thus a higher impact on banks' regulatory capital. In order to mitigate the impact of IFRS 9 on banks' capital, CBK issued a Guidance Note in April 2018 to the banking sector on the computation of regulatory capital. For purposes of computing capital requirements, banks were allowed to add back IFRS 9 provisions relating to performing facilities/loans outstanding as at December 31, 2017 and those issued in 2018 over a 5-year transition period. The transition period was to enable banks to build-up capital gradually. As a result, IFRS 9 provisions added back to regulatory capital stood at Ksh.22.5 billion in 2018, Ksh.17.3 billion in 2019 and Ksh.1.8 billion in 2020.

In view of the unprecedented impact of COVID-19 pandemic, CBK issued a Banking Circular (CBK's Circular) to banks in March 2020 providing guidance and clarification on the relief granted to borrowers with regard to loans classification and provisioning of extended and restructured loans. The one-year relief granted under the emergency only applied to borrowers who had made requests to banks and their repayments were up to date as at March 2, 2020 and classified under normal category in accordance with the CBK Prudential Guideline on Assets, Provisioning and Limitation of Interest Recoverable on Non-Performing Loans (CBK/PG/04). Banks were to undertake assessment and restructure the loans based on the

respective circumstances arising from the pandemic and borrower's capacity to pay under the proposed new terms.

On March 27, 2020, the International Accounting Standards Board (IASB) issued a statement on IFRS 9 and COVID-19. IASB clarified that: -

- the extension of payment holidays to all borrowers in particular classes of financial instruments should not automatically result in all those instruments being considered to have suffered a Significant Increase in Credit Risk (SICR).
- the assessment of SICRs and the measurement of ECLs are required to be based on reasonable and supportable information that is available to an entity without undue cost or effort.
- in assessing forecast conditions, consideration should be given both to the effects of COVID-19 and the significant support measures undertaken by governments.
- IFRS 9 should not be applied mechanistically, in estimating ECLs, particularly during COVID-19 pandemic.
- It had closely engaged with many prudential and securities regulators regarding the application of IFRS 9 in the context of the COVID-19 pandemic and encouraged entities whose regulators had issued guidance to consider it.

In June 2020, the Institute of the Certified Public Accountants of Kenya (ICPAK) issued a statement on the application of IFRS 9 in the COVID-19 pandemic environment. ICPAK observed that the COVID-19 environment was inherently uncertain, the availability of reliable forward-looking information was expected to become increasingly available as time and experience progresses. Institutions were therefore urged to make use of such information but could also consider historical information, and in particular past due information, in determining whether there had been a SICR in circumstances where reasonable and supportable forward-looking information was not available. Given the uncertainty, and where banks foresaw a lack of availability of reasonable and

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supportable forward-looking information, they could assign a greater probability to the overall longer-term prospects of default by the borrower, particularly for instruments with longer expected lives. ICPAK further observed that CBK's Circular required banks to:

- exercise judgement in implementing IFRS 9 with regard to restructured loans considering the dynamic COVID-19 environment.
- carefully assess the relief measures in the Circular to determine their impact on the credit risk. As restructured facilities do not automatically imply that there is increase in credit risk.
- provide adequate disclosures including the impact of COVID-19 emergency/relief measures on the application of IFRS 9.

4.5.2 Impact of COVID-19 on implementation of IFRS 16

IFRS 16 on Leases came into effect on January 1, 2019. Under IFRS 16, a lessee (user of asset) is required to recognize a right of use asset representing its right to use the underlying leased asset and a lease liability representing obligation to make lease payments. Due to the COVID-19 pandemic, a number of lease modifications have occurred in the lease arrangements. These modifications include; lessors (owner of asset) providing rent concessions, adding or terminating the right to use (ROU) underlying assets and extending or shortening the contractual lease term.

In May 2020, IASB issued COVID-19-Related Rent Concessions²⁰ (Amendment to IFRS 16). The amendment provides relief to lessees in accounting for rent concessions occurring as a direct consequence of COVID-19. The relief permits a lessee to elect not to assess whether a COVID-19-related rent concession is a lease modification.

²⁰The rent concessions could be in various forms and may include one-off rent reductions, rent waivers or deferrals of lease payments.

Some commercial banks were granted rent concessions by the lessors due to COVID-19. These concessions mostly consisted of rent reduction. However, these concessions do not qualify as lease modification under IFRS 16 as the concessions period was short. Therefore, the rent concessions as a result of COVID-19 did not yield a significant impact on the ROU, lease liabilities, depreciation and the finance charge associated with the lease liability.

4.6 Developments in Digital Lending/Credit

Digital credit in Kenya has become a tool for households and small businesses to supplement their day-to-day expenses. Digital credit has acquired heightened significance during the COVID-19 crisis which strained most sources of income for the low- and middle-class populace. High mobile phone penetration, the adoption of mobile phone based financial services, and the ease and convenience of access to digital lending platforms, have catapulted the growth of digital lending in Kenya over the last few years. Changes in consumer behaviour, especially in the wake of the COVID-19 pandemic, has also boosted activity in the digital lending space. The Digital Credit space comprises of:

- Digital lending regulated by the CBK.
- Unregulated digital lending, which in recent years has experienced notable growth in activity and use²¹.

Several key concerns have been raised regarding unregulated digital lending:

- High indebtedness of borrowers, given the ease with which they can switch between platforms without settling their previous debts.
- Lack of consumer protection safeguards: This includes not giving customers the full terms and conditions for use of the platforms before on-boarding – especially regarding pricing, and aggressive debt collection by the unregulated credit providers

²¹FinAccess 2019 indicated that usage of unregulated digital credit had grown from 0.6 percent (200,000) of Kenya's adult population in 2016 to 8.3 percent (Approximately two million people) in 2019.

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- Financial integrity concerns relating to Anti-Money Laundering (AML)/Combatting the Financing of Terrorism (CFT)
- Misuse of Credit Reference Bureau (CRB) reporting for blackmailing borrowers

In this regard, the CBK (Amendment) Bill, 2021 is under consideration by the National Assembly. The Bill seeks to empower CBK to regulate and supervise the conduct of unregulated lenders. The enactment of the Bill will lead to a robust credit market that provides choice and in which consumers are protected through:

- Fairness and transparency in pricing.
- Complaints resolution.
- Consumer Data protection.

CHAPTER 5

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REGIONAL AND INTERNATIONAL DEVELOPMENTS AND INITIATIVES

REGIONAL AND INTERNATIONAL DEVELOPMENTS AND INITIATIVES

5.1 Introduction

In 2020, CBK participated in several regional and global initiatives that fall within its supervisory mandate. CBK participates in these initiatives either by its membership in regional/global forums or by invitation. These engagements enable CBK to keep abreast with developments in the regional and international regulatory environment, broaden exposure to international developments, and provide capacity-enhancement opportunities to CBK staff.

CBK mainly hosted and participated in meetings and training forums which were held virtually arising from the outbreak of the COVID-19 pandemic. In the regional and global arena, BSD participated in forums hosted by the International Institute of Finance (IIF), Financial Stability Board (FSB) in the Sub-Saharan Africa region and Financial Stability Institute (FSI). These forums discussed key issues affecting the global arena including sustainable finance, digital finance, innovation as well as the implications of the COVID-19 pandemic on financial stability. BSD also participated in meetings under the auspices of the Monetary Affairs Committee (MAC) whose aim was to promote convergence of supervisory frameworks as the East African Community region moves towards the establishment of the proposed East African Monetary Union. Bank Supervision Staff continued to equip themselves on regulatory and supervisory matters through the Financial Stability Institute's (FSI) on-line learning tool, FSI Connect.

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 Partner States²². The main objective of MAC is to coordinate efforts by EAC Central Banks towards greater regional financial integration, stability and harmonization of financial systems. Ultimately, MAC aims at facilitating the establishment

of the envisaged East African Monetary Union (EAMU). MAC initiatives focus on areas pertinent to financial stability, including bank supervision, and are implemented through committees composed of technical officials whose work is overseen by the Governors. In 2020, the Bank Supervision Department participated in various MAC activities, including the following:

- The virtual meeting of the MAC Macro-Prudential Analysis, Stress Testing and Statistics Working Group was held from October 12 – 15, 2020. The meeting assessed the progress on implementation of the Basel III and G20 recommendations by the Partner States Central Banks as well as conducted a regional risk assessment based on the updated EAC Dashboard to reflect the impact of the COVID-19 pandemic on the regional financial system. The participants also assessed the progress on network analysis framework for assessing Regionally Systemically Important Banks.
- The virtual meeting of the MAC Working Group on Crisis Management hosted by CBK was held from October 12 – 15, 2020. The objectives of the Working Group meeting were for EAC Central Banks to make presentations on their existing national Crisis Management Frameworks to identify common areas and gaps, aimed at developing key elements for EAC Crisis Management Frameworks convergence criteria. Additionally, the Partner States' provided status updates on the implementation of the Working Group Action Plan.
- The 24th Ordinary Meeting of MAC held virtually from October 19-23, 2020. The meeting reviewed the impact and threat of COVID-19 on regional economies, banks and banking systems. It also reviewed the progress on implementation of the decisions of the 23rd MAC meeting. During the meetings, the Partner States Central Banks identify emerging issues of interest to the region and assign one of the Central Banks to take the lead in suggesting the necessary policy interventions. To this end, CBK was requested to lead in the development of minimum standards

²²Kenya, Uganda, Tanzania, Rwanda, Burundi and South Sudan.

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for supervision of Cyber Security in the EAC region. The developed standards were subjected to consultation and approved during the 24th Ordinary Meeting. Further, during the same meeting it was noted that cloud computing has increasingly gained significance across the EAC region as a mechanism for storage and management of customer data in the banking sector. In this regard, CBK was charged with the task of taking the lead in developing minimum standards for overseeing cloud computing in the EAC region.

East African Monetary Union (EAMU)

Efforts to implement the East African Monetary Union (EAMU) roadmap continued in 2020. Progress continued towards the attainment of the prerequisites stipulated under the EAMU Protocol, namely integration of regional financial systems and adoption of common frameworks for the regulation and supervision of the regional financial system. Efforts to harmonize monetary policy frameworks, exchange rate policies, supervisory rules and practices governing bank supervision, financial accounting principles, as well as payment systems, were carried on.

In 2020, engagements between EAMU partner states were conducted mostly virtually owing to the COVID-19 crisis that broke out in mid-March 2020, which restricted cross-border movement. All Monetary Affairs Committee (MAC) engagements held during the year, including meetings of technical sub-committees and working groups, as well as the 24th Ordinary Meeting of MAC, were conducted virtually.

Negotiations carried on towards implementation of the agreed convergence criteria on supervisory rules and practices. The strides made so far in harmonizing regional supervisory frameworks were acknowledged but outstanding work was also highlighted.

At their virtual meeting held on October 23, 2020 at the start of the 24th Ordinary MAC Meeting, which was chaired by the National Bank of Rwanda, EAC Central Bank Governors noted the progress made towards

convergence and operationalization of EAMU. With the meeting being held against the backdrop of the COVID-19 crisis, the Governors shared and assessed policy measures implemented in the respective member jurisdictions to mitigate the adverse economic effects and financial disruptions arising from the pandemic.

The Governors noted that economic growth in the EAC region had been strong, supported by public investments in infrastructure and the enabling environment put in place by EAC Governments. However, the COVID-19 crisis had disrupted regional economic activity, forcing partner states to put in place containment measures to limit its spread including travel restrictions and lockdowns. This had led to a contraction in regional economic growth in the second half of 2020. Governors however expressed optimism that regional and global economic growth would recover in 2021 once current containment measures were eased.

Common Market for Eastern and Southern Africa (COMESA)

CBK was represented at a virtual symposium on The Potential of Establishing a Cross Border Retail Payments Scheme within the East African Community (EAC), the South African Development Community (SADC) and Common Market for East and Southern Africa (COMESA) regions in November 2020.

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 2020, 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. The ESAAMLG Taskforce of Senior Officials held a combined 39th and 40th virtual meeting from November 24 to December 4, 2020. The Council of Ministers meeting was held on December 7, 2020.

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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 November 2021 under the revised program. A desktop review will therefore be carried out in June 2021.

A work programme of ESAAMLG Secretariat was developed for the 5th ESAAMLG Strategic Plan for 2020 – 2023. The strategic objectives are as follows:

- 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 individual AML/CFT systems.
- Increase and sustain the knowledge of ML/TF trends and techniques in the region to effectively contribute to regional and international AML/CFT policy formulation.
- Complete the expansion of ESAAMLG membership and increase the visibility of ESAAMLG in the region.
- Promoting the implementation of risk-based AML/CFT measures which support the implementation of financial inclusion initiatives.
- Kenya's Post Implementation Evaluation report that is used to gauge the effectiveness of the AML/CFT system in place was considered. Kenya is expected to make significant progress in designating advocates, notaries and other independent legal professionals as reporting institutions. Kenya had been scheduled to receive a High-Level Mission in March 2020 that did not take place due to the outbreak of the COVID-19 pandemic. The mission is expected to visit the country once the pandemic situation improves.

Alliance for Financial Inclusion (AFI)

Owned and powered by its members, the Alliance for Financial Inclusion (AFI) continues to live up to its vision, of making financial services more accessible to the world's unbanked, for over a decade now. During this period, AFI has witnessed tremendous achievements including the growth of membership to 100-member institutions (84 Principal members and 16 Associate members) representing 88 countries. It has also facilitated the implementation of impactful policy changes by providing a platform for peer learning, knowledge sharing and peer transformation across its network.

AFI's transformative journey has been successful so far due to the use of the collaborative model whose focus has been on two priority areas;

- a. Country-led approaches:** Under this approach, AFI members focus on ways to support countries to identify their unique needs and challenges and come up with customized high-impact solutions. Through this approach, member countries have been able to own and take pride in the process as more ambitious targets are set and achieved.
- b. Peer-to-peer engagement:** This approach promotes a culture of equal opportunities for members by allowing all members to share their experiences as well as learn from each other. The value of knowledge and experience is not judged by the size or wealth of any one institution.

CBK, being a member of AFI, since inception and later on a Principal member, continues to support AFI's initiatives as well as participate in AFI activities such as working groups and other global initiatives. CBK also participates as a Board Member of the AFI Board of Directors.

a) The 12th AFI Global Policy Forum

AFI has over the years, since 2009, organized its annual flagship event, the Global Policy Forum (GPF), for its vibrant and growing global network. Being the most important and comprehensive forum within the AFI network, the GPF provides a platform for regulatory

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institutions, other AFI members and stakeholders to share experiences, knowledge and initiatives. These discussions have made an impact in bringing financial services to the world's 1.7 billion unbanked population. This has been supported by the creation of a supporting environment for financial inclusion policy initiatives as well as declarations geared towards financial inclusion. Each year, the GPF is co-hosted by a different member institution in a different region of the world. The last GPF was held in September 2019, in conjunction with National Bank of Rwanda. The 12th GPF was scheduled to take place from September 7-11, 2020 in the Dead Sea Region, in conjunction with the Central Bank of Jordan. However, due to the COVID-19 pandemic, the AFI Board of Directors agreed to postpone the event to 2021, on dates to be communicated in due course.

The AFI Annual General Meeting (AGM), which is held during the GPF was convened virtually on September 9, 2020 to facilitate decision-making by the AFI Membership Council on key strategic matters. Some of these matters included;

- Submission of the Annual Report and Audited Financial Report of AFI.
- The adoption of Financial Inclusion Policy Models.
- Ratification of appointments to AFI's Board Committees for the term 2020-2022.

CBK participated in the AGM as a Principal member and member of the Board of Directors.

b) African Financial Inclusion Policy Initiative (AfPI)

Unveiled in May 2017 in Maputo, Mozambique, AfPI carries on the objectives of the African Mobile Phone Financial Services Policy Initiative (AMPI) which was launched in Zanzibar in February 2013. The main aim of AfPI is to provide a platform for AFI's African members to support and develop financial inclusion policies, regulatory frameworks, and other knowledge products which are customized to their specific needs. It also coordinates regional capacity building and peer learning efforts. The key AfPI initiatives include; the Leaders Roundtable and an Expert Group on Financial Inclusion Policy (EGFIP).

The Leaders Roundtable brings together AfPI leaders and high-level policymakers and regulators to discuss policy issues and provide strategic guidance. The 8th Annual Roundtable of the Leaders of AfPI, a first of its kind, was convened virtually and co-hosted by Bank of Tanzania and AFI, on August 20, 2020. This event was attended by AfPI leaders from nearly 30 countries with the objective of discussing challenges faced across the continent and beyond with special attention given to enhancing enablers for accelerating financial inclusion. One of the topics discussed, was how to accelerate financial inclusion among disadvantaged groups such as women, youth, forcibly displaced persons and other disproportionately excluded communities.

The participants also examined the key aspects of two policy frameworks being developed by AfPI's Expert Group on Financial Inclusion Policy. These are;

- ***The framework on Strengthening Agent Network for Digital Financial Services in Africa.*** This framework highlights key aspects that should be considered by the regulators and Digital Financial Services (DFS) providers in ensuring that agent networks are ably managed and do not create undue risk to the consumers. In addition, the framework is intended to ensure that financial integrity is not compromised, and that there are no disruptions in the DFS ecosystem.
- ***The framework on Enhancing MSME Financing Ecosystem in Africa.*** This framework is intended to;
 - Identify the best practices of MSME financing policy.
 - Explore pathways and enabling factors of implementable action plans.
 - Provide policy recommendations to financial sector regulators with regard to access to finance for MSMEs in Africa.

In addition, discussions on AFI's COVID-19 policy response support to members in the Africa region were held.

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The **EGFIP** is a working group comprising of senior officials from AFI member institutions whose mandate is to undertake the technical implementation of AfPI activities. The team also assists in addressing pertinent regional and sub-regional challenges in enhancing financial inclusion in Africa through providing insights on policy and regulatory approaches. In 2020, EGFIP and AFI's Eastern Europe and Central Asia Policy Initiative (ECAPI) held a joint virtual meeting from June 1-3, 2020. The meeting was co-hosted by AFI and the Central Bank of Armenia (CBA) with the objective of sharing key achievements and current challenges of member countries. In addition, the participants also explored peer learning opportunities to address specific challenges in responding to the COVID-19 pandemic.

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

In 2020, CBK continued participating in the activities of the Financial Stability Board (FSB) in the Sub-Saharan Africa region. The Bank was part of efforts to implement the FSB 2020 Workplan, which had the following areas of focus:

- Identification and assessment of new and emerging risks to global financial stability.
- Strengthening policy guidance on technological innovations in the financial sector to enhance oversight.
- Review of regulatory and supervisory approaches to global 'stable coins' and cross-border payment systems among member jurisdictions.
- Addressing new and emerging vulnerabilities in the financial system;
- Finalizing implementation and evaluating the effects of post-crisis regulatory reforms.

As part of its participation, CBK was represented at the FSB Regional Consultative Group meeting for Sub-Saharan Africa held virtually in December 2020 which discussed, among others, recent macroeconomic and financial market developments, including the medium- and long-term implications to regional financial stability arising from the COVID-19 pandemic. The meeting also

considered the importance of international cooperation in coordinating the policy responses to COVID-19, and ways in which members could contribute towards enhanced policy responses.

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

IMF's East Africa Technical Assistance Centre (East-AFRITAC) East AFRITAC is a Technical Assistance (TA) arm of the International Monetary Fund (IMF). The TA arm of the IMF's objective is to enhance financial sector capacity in seven Eastern Africa countries (Eritrea, Ethiopia, Kenya, Malawi, Rwanda, Tanzania and Uganda). In 2020, CBK benefited from East AFRITAC's Technical Assistance (TA) and capacity building in various areas aimed at developing robust banking sector regulatory and supervisory frameworks. Due to the COVID-19 pandemic, the following TA missions/capacity building trainings were undertaken virtually by East AFRITAC.

- Six BSD officers attended training on the assessment of banks' implementation of the International Financial Reporting Standard (IFRS) 9 on financial instruments on January 13-17, 2020.
- Five BSD officers attended training on the implementation of the Internal Liquidity Adequacy Assessment Process (ILAAP) by banks on January 20 – 24, 2020.
- Five BSD officers participated in an on-line roundtable discussion on Banking Regulation and Supervision during the COVID-19 Pandemic on July 2, 2020. The roundtable discussion was organized by the International Monetary Fund's (IMF) East AFRITAC and the Monetary and Capital Markets (MCM) Department of the IMF. The roundtable brought together participants from Central Banks in the East African region and focused on the supervisory actions taken by banking regulators in the region to deal with the effects of COVID-19.
- Two (2) BSD officers participated in the IMF MCM/ East AFRITAC Regional Financial Sector Virtual Seminar on Fintech, SupTech and RegTech, on October 26-27, 2020.

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Part of CBK's strategic objectives is to ensure that the skills of its staff are enhanced continuously. This is key as it will ensure that the staff are kept abreast with the changing times. In this regard, CBK and East AFRITAC have scheduled the following virtual training missions and workshops for 2021: -

- a) Training on implementation of Basel III liquidity and capital ratios specifically Liquidity Coverage Ratio (LCR), Net Stable Funding Ratio (NSFR) and leverage ratio.
- b) Capacity building of BSD staff on the adoption of regulatory and supervisory technologies. This will enhance BSD staff on the management of the ever-evolving digital financial services risks with the focus being cyber resilience.
- c) Training on the development of Basel Core Principles (BCPs) EAC regional Peer Review Mechanism. This TA mission for EAC Central Banks will play a key role in developing and implementing a regional BCP Peer Review Mechanism. Currently, there is no framework in place for conducting a peer review of the EAC Central Banks' self-assessment on compliance with BCPs. In this regard, TA from East AFRITAC will guide the design and development of the proposed framework. Further, it will provide insights on how the framework can be used as a tool for evaluating the individual EAC Central Banks' self-assessments on compliance with BCPs during the peer reviews.

African Rural and Agricultural Credit Association (AFRACA)

The African Rural & Agricultural Credit Association (AFRACA) is a regional association of financial and non-financial institutions involved in promoting rural and agricultural finance in Africa. AFRACA has a network of over 110 members spread across Africa and is currently based at the Kenya School of Monetary Studies (KSMS). In spite of the COVID-19 pandemic, AFRACA managed to host some of their meetings virtually. This includes; The first virtual East Africa Sub-Regional Meeting which was held from June 2-4, 2020. the meeting's objective was

to strengthen the AFRACA network for effective impact on rural and agribusiness financing. In addition, the meeting also focused on how AFRACA can support its members in making an impact on access to finance in rural areas, especially during the period of the COVID-19 pandemic.

Bank Supervision Application (BSA)

a) Background

Bank Supervision Application (BSA) software is a web-based software developed through a joint initiative of Eastern, Central and Southern Africa central banks to support the automation of Banking Supervision functions. Currently, the BSA application is being used by 17²³ (seventeen) central banks and one regulatory authority.

The BSA System is managed by Bank Supervision Application Support Office (BSO) domiciled at the Central Bank of Mozambique. BSO is responsible for the BSA development, maintenance and providing support to the BSA users.

BSO, as the lead developer of BSA together with central banks using BSA System have continued to improve the BSA software. The software has evolved from BSA Version 1.0 in 2003 to the current BSA Version 4.0 launched in 2018. BSO is currently in the process of developing BSA version 5.0, which is expected to be launched in 2022.

b) BSA Version 4.0

The current BSA Version 4.0 (BSAV.4.0) is composed of 4 modules:

- i) **The Bank Supervision System (BSS) Module,** which facilitates workflow management.

²³Banco de Cabo Verde, Banco de Moçambique, Bank of Namibia, Bank of Uganda, Bank of Zambia, Banque Centrale du Congo, Banque de la République du Burundi, Central Bank of Kenya, Central Bank of Lesotho, Central Bank of Eswatini, Reserve Bank of Malawi, Reserve Bank of Zimbabwe, National Bank of Ethiopia, Central Bank of the Republic of Madagascar, Central Bank of the Republic of Djibouti, Central Bank of the Democratic Republic of Timor-Leste, Central Bank of Haiti and Financial Services Regulatory Authority from Kingdom of Eswatini

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

c) BSA Governance

The functioning of the BSA System is governed by the BSA Stakeholders and the BSA Executive Committee. The BSA Stakeholders are the Bank Supervision and Information Technology Directors from fourteen BSA founding Central Banks. The BSA Executive is composed of four central banks elected on rational basis from among the BSA Stakeholders every three years. The BSA Stakeholders and the BSA Executive Committee are responsible for strategic management of all BSA related activities

d) BSA Activities in the year 2020

BSO organized a virtual BSA Executive Committee, on September 23-24, 2020, and BSA Stakeholders meeting on September 30, 2020. The meetings reviewed and approved BSA Operational Plan for the year 2020/2021, ratified the Budget for 2020/2021 and approved the BSA Financial Audit Report for 2020.

BSO also organized a BSA v 4.0 virtual Users Training on December 30, 2020. The training focused on current functionalities of BSA v 4.0 and the BSA User requirements to be incorporated in the development of BSA v 5.0.

BSO launched the BSA software system at the Central Bank of Haiti in November 2020, which became the latest central bank to adopt the BSA Software.

e) BSA Version 5.0

BSO together with central banks using BSA software are currently developing BSA version 5.0. (BSA v 5.0). The BSA v 5.0 is being developed based on changing requirements of the BSA users.

BSA v 5.0 will introduce several innovations and enhancements in order to:

- support supervisory activities in the data collection and analysis of financial industry.
- ensure that the regulated institutions comply with regulatory standards, compliance and reporting requirements.

The release of BSA v 5.0 is scheduled for 2022.

International Institute of Finance

In January 2020, CBK marked five years since joining the International Institute of Finance (IIF) as an Associate Member in 2016. Over the previous four years, the Bank has benefitted from access to IIF's wide research and publications that focus on a broad range of topical issues relevant to CBK's regulatory mandate. In 2020, the Bank continued exploring options towards participation in IIF's capacity-building programmes for the enhancement of staff skills and competencies.

In 2020, CBK was represented in the 2020 IIF Annual Membership Meeting held virtually from October 12-16, 2020. Discussions focused on themes pertinent to the global financial sector including sustainable finance, digital finance and innovation, and the outlook for the international financial sector in the wake of the COVID-19 pandemic.

Financial Stability Institute

CBK maintained its subscription to the Financial Stability Institute's (FSI) on-line learning tool, FSI Connect. Under FSI Connect, staff can pursue on-line courses in various areas of financial regulation. The courses update users' knowledge of both the theoretical and practical aspects of financial regulation for continued learning and capacity development.

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- **The utilisation of FSI Connect:** In 2020, 80 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. 28 other staff members from the Banking and Payment Services (BPS) Department were also granted regular access to FSI Connect for the first time. 12 additional CBK staff benefitted from a complementary licence programme offered to subscribers by FSI from April to September 2020. The programme was part of FSI's efforts to support member institutions by broadening e-learning capabilities in the wake of the disruptions caused by the COVID-19 pandemic. Under the programme, beneficiaries were granted complementary access to the FSI Connect learning platform for six months.
- **BIS-IMF Supervisory and Regulatory Online Course (SROC) for Banking Supervisors:** 5 members of BSD's technical staff participated in this interactive on-line programme organised jointly between the Bank of International Settlements (BIS) and the International Monetary Fund from September 2020 through January 2021. The programme updated participants on the technical aspects of various relevant supervisory matters.
- **FSI Survey on supervisory practices relating to correspondent banking activity:** In January – March 2020, CBK participated in a survey conducted by FSI on supervisory practices relating to correspondent banking. The survey, which was part of FSI's efforts to learn more on global correspondent banking activity and associated risks, sought to:
 - a) identify the range of supervisory practices relating to correspondent banking,
 - b) describe trends in supervisory practices, especially in light of recent guidance by the FATF and BCBS, and
 - c) identify areas where further reform could support both improved AML/CFT regimes and financial inclusion.

The findings will further inform FSB's work and facilitate a better understanding of the current state of international correspondent banking activity.

Islamic Financial Services Board (IFSB)

CBK joined the Institute Financial Services Board (IFSB) in 2019 as an Associate Member. IFSB is an international standard-setting organization based in Kuala Lumpur, Malaysia for the Islamic financial services industry. It promotes the soundness and stability of the industry, by issuing global prudential standards and guiding principles for Islamic banking, Islamic capital markets and Takāful (Insurance) sectors. Over the previous two years, the Bank has benefitted from participating in surveys and conferences that focus on Islamic banking which is relevant to CBK's regulatory mandate. The most recent survey CBK participated in, focused on Recovery and Resolution Planning for Institutions Offering Islamic Financial Services. The Conferences on the other hand emphasized FinTech, RegTech, and SupTech and their Implications on Regulation and Supervision as well as the development of strong regulations to support a robust regulatory regime for Islamic Banking.

In 2020, CBK intended to host a training course on Islamic Banking for BSD which was scheduled to be held from March 9 -12, 2020 at the Kenya School of Monetary Studies, Nairobi. The focus of the course was on the implementation of the IFSB Standards in the regulatory framework. However, due to the outbreak of the COVID-19 pandemic, the course was cancelled.

Knowledge Exchanges

CBK did not host delegations in 2020 for knowledge exchange visits due to the outbreak of the COVID-19 pandemic.

Memoranda of Understanding

To enhance its relationship with foreign banking regulators, CBK 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

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on Banking Supervision. The MOUs with these regulators govern areas of 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 to negotiate MOUs.

5.3 Kenyan Banks Regional Footprint

Cross border banking by some Kenyan banks has expanded in the East African Community (EAC) Partner States and the Democratic Republic of Congo (DRC). The banks include, KCB Group Holdings Plc, Diamond Trust Bank Group, NCBA Group Plc, Guaranty Trust Bank Kenya Limited, Equity Group Holdings Plc, I&M Holdings Plc, African Banking Corporation Limited and The Co-operative Bank of Kenya Limited. These banks have positioned themselves to capitalize on the growing cross

border trade flows. This has in turn not only contributed to the deepening of customer relationships, delivery of products and services but also utilization of host country resources, both capital and human that have positively impacted market development and social economics.

The year 2020 was challenging particularly due to the COVID-19 pandemic that affected global economic activities as well as cross border activities of these banks. However, as at December 31, 2020, the total number of branches of Kenyan banks subsidiaries in EAC Partner States and DRC grew by 8.5 percent from 316 branches recorded as at December 31, 2019 to 343 recorded as at December 31, 2020. The growth was mainly driven by Equity Group Holding Plc's acquisition of Banque Commerciale du Congo in DRC. However, two banking groups, KCB Group Plc and Guarantee Trust Bank Kenya Limited, scaled down their branch network in the region. The regional presence is as illustrated in **Table 29**.

Table 29: Branches of Kenyan Banks Subsidiaries in the Region

Country Presence	KCB Group Plc	Equity Group Holdings Plc	Diamond Trust Bank Group	NCBA Group Plc	I&M Holdings Plc	Guaranty Trust Bank	Co-operative Bank	ABC Bank	Total
Tanzania	14	14	28	12	8	-	-	-	76
Uganda	13	43	36	5	-	8	-	3	108
Rwanda	13	14	-	3	14	14	-	-	58
Burundi	6	-	4	-	-	-	-	-	10
South Sudan	12	5	-	-	-	-	4	-	21
Democratic Republic of Congo	-	70	-	-	-	-	-	-	70
Total 2020	58	146	68	20	22	22	4	3	343
Total 2019	60	116	68	20	22	23	4	3	316

Source: CBK

In addition to having presence within the EAC Partner States and DRC, some of the Kenyan banks such as I&M Holdings Plc and Prime Bank Limited have expanded beyond the EAC jurisdiction. I&M Holdings Plc has 50 percent shareholding in Bank One Limited in Mauritius, Prime Bank Limited has 11.24 percent shareholding of

First Merchant Bank Limited in Malawi and 10.96 percent shareholding of Capital Bank of Botswana. Equity Group PLC introduced cross border banking services to its customers enabling them to transact seamlessly across all countries it has presence.

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5.3.1 Performance Highlights

5.3.1.1 Number of Employees

The subsidiaries of Kenyan banks had a combined employee count of 7,244 as at December 31, 2020, an increase of 8 percent compared to 6,706 employees in the preceding year. The growth was primarily driven by the expansion of Equity Group Holdings Plc in DRC. The employee count in subsidiaries shows that Uganda had the highest number of employees at 2,229 as at December 2020 compared to 2,266 employees in 2019. Uganda accounted for 30.8 percent of the total number of employees and has the largest proportion of subsidiaries and branches in the region. **Table 30** shows regional employee count for subsidiaries of Kenyan banks.

Country Presence	KCB Group Plc	Equity Group Holdings Plc	Diamond Trust Bank Group	NCBA Group Plc	I&M Holdings Plc	Guaranty Trust Bank	The Co-operative Bank	ABC Bank	Total
Tanzania	270	400	531	305	185	-	-	-	1,691
Uganda	236	1,000	626	165	-	153	-	49	2,229
Rwanda	244	353	-	61	400	128	-	-	1,186
Burundi	126	-	48	-	-	-	-	-	174
South Sudan	115	89	-	-	-	-	132	-	336
Democratic Republic of Congo	-	1,180	-	-	-	-	-	-	1,180
Mauritius	-	-	-	-	448	-	-	-	448
Total 2020	991	3,022	1,205	531	1,033	281	132	49	7,244
Total 2019	1,043	2,503	1,213	492	995	273	131	56	6,706

Source: CBK

5.3.1.2 Total Assets

Total assets of subsidiaries stood at Ksh.936 billion as at December 31, 2020 compared to Ksh.665 billion as at December 31, 2019. A significant contributor to the asset base was: Equity Group Plc's subsidiary in DRC, Banque Commerciale Du Congo -BCDC with total assets of Ksh.286 billion. Individual performance per country is as illustrated in **Table 31**.

Country presence	2019		2020		% Change of Total Assets From 2019
	Total Assets (Ksh.'000')	% of Total Assets	Total Assets (Ksh.'000')	% of Total Assets	
Burundi	11,837,557	1.8	13,862,559	1.48	17.11
DRC	80,315,464	12.1	286,410,379	30.58	256.61
Mauritius	151,222,691	22.7	151,255,673	16.15	0.02
Rwanda	99,660,206	15.0	128,273,589	13.69	28.71
South Sudan	30,386,798	4.6	33,594,663	3.59	10.56
Tanzania	150,559,866	22.6	166,085,152	17.73	10.31
Uganda	141,199,944	21.2	157,198,236	16.78	11.33
Grand Total	665,182,526	100	936,680,251	100.00	40.82

Source: CBK

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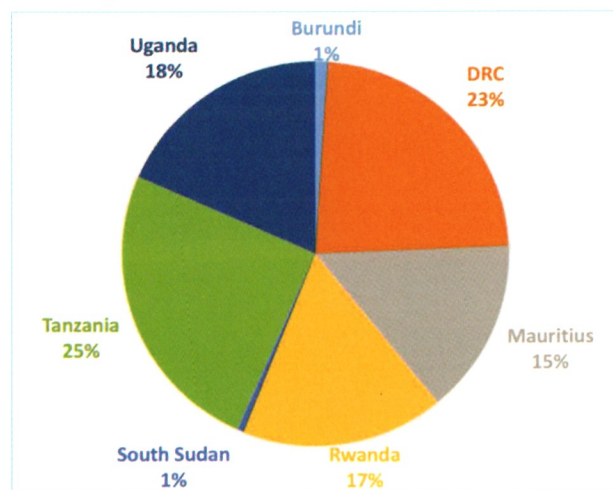
As shown in **Table 32**, DRC now accounts for most regional assets at 30.6 percent in 2020 compared to 12.1 percent in 2019.

5.3.1.3 Gross Loans

The combined gross loans for the subsidiaries in the host countries stood at Ksh.421.1 billion as at December 31, 2020, an increase of 25.2 percent from Ksh.336.4 billion as at December 31, 2019. The Kenyan banks subsidiaries operating in Tanzania recorded the highest level of gross loans at Ksh.105 billion accounting for 25 percent of gross loans in all the subsidiaries outside Kenya. This was followed by subsidiaries operating in DRC which accounted for 23 percent of the gross loans. Uganda and Rwanda accounted for 18 percent and 17 percent of the gross loans respectively. Mauritius recorded gross loans of Ksh.62 billion accounting for 15 percent of gross loans.

Chart 11 below shows the proportion of gross loans for subsidiaries in the host countries.

Chart 11: Percent of gross loans per host country



Source: CBK

5.3.1.4 Deposits

The Kenyan subsidiaries accounted for a combined deposit base of Ksh.746 billion in December 2020 compared to Ksh.514.4 billion in December 2019. The main contributor of deposits was Equity Group Plc's subsidiary in DRC, Banque Commerciale Du Congo -BCDC with total deposits of Ksh.243 billion or 33 percent of the total deposits of subsidiaries in the host countries. The regional spread of deposits is as depicted in **Table 32**.

Table 32: Deposit distribution

Country Presence	2020 Gross Deposits (Ksh.'000)	2020 % of Gross Deposits	2019 Gross Deposits (Ksh.'000)	2019 % of Gross Deposits
Burundi	10,111,090	1.4	7,976,384	1.6
DRC	243,329,559	32.5	64,347,778	12.5
Mauritius	129,613,843	17.4	131,009,393	25.4
Rwanda	93,056,595	12.5	72,913,865	14.2
South Sudan	22,120,241	3.0	19,844,601	3.9
Tanzania	127,611,824	17.1	110,323,447	21.4
Uganda	120,221,909	16.1	108,023,084	21.0
Grand Total	746,065,061	100	514,438,552	100

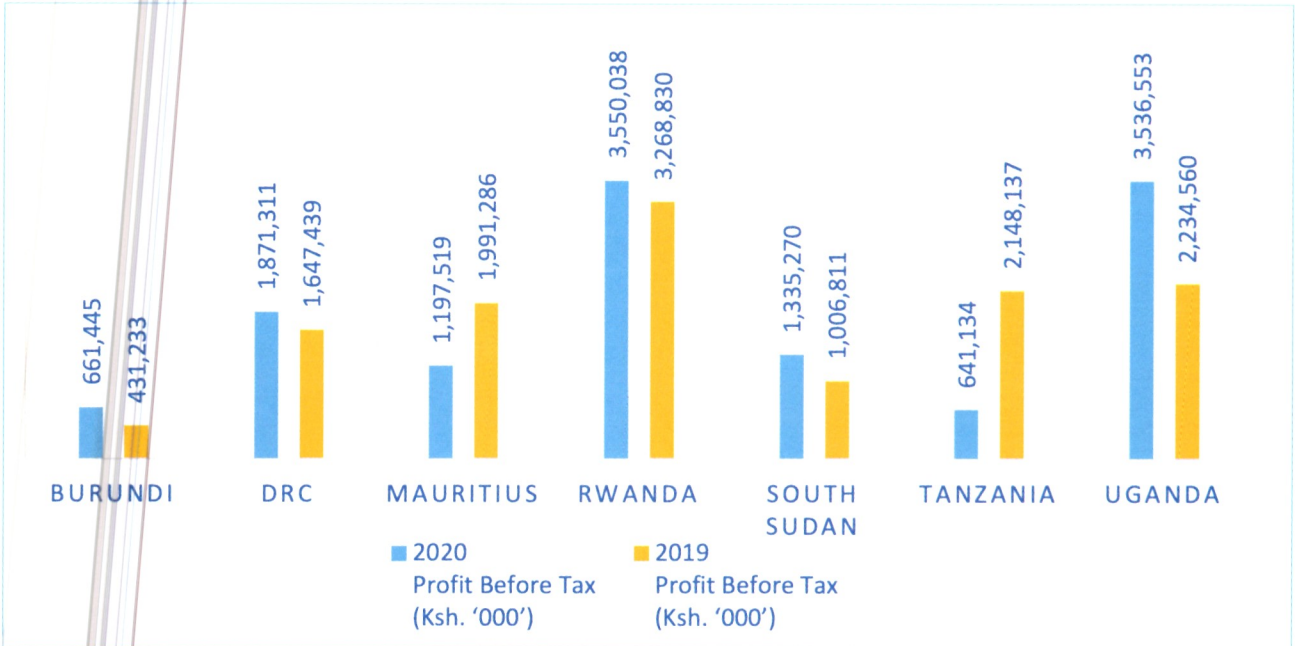
Source: CBK

5.3.1.5 Profitability

The regional subsidiaries profit before tax stood at Ksh.12.79 billion as at December 31, 2020, an increase of 0.51 percent from Ksh.12.72 billion reported in December 31, 2019. The negative impact of COVID-19 pandemic that continues to disrupt growth in global markets has impaired profitability of the Kenyan banks across borders. Profitability of the banks in their respective host countries is as shown in **Chart 12**.

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Chart 12: Regional profitability K'000'



Source: CBK

Rwanda contributed the highest earnings capacity recording Ksh.3.55 billion in profits, translating to 27.75 percent of the total profits.

- Subsidiaries operating in Tanzania were the least profitable and contributed 5 percent of the total profits of combined subsidiaries in all host countries. The performance in Tanzania was affected by losses reported by some subsidiaries attributed to provisions for loan losses.
- Three subsidiaries registered a combined loss of Ksh.978.5 million. Out of the three loss-making subsidiaries, two were operating in Tanzania and one in Rwanda.

APPENDIX I: BANKING SECTOR BALANCE SHEET - DECEMBER 2020-KSH.M

A	ASSETS	December 2019				December 2020			
		BANKS	NBFIS	GRAND TOTAL	% OF TOTAL	BANKS	NBFIS	GRAND TOTAL	% OF TOTAL
1	Cash (both Local & Foreign)	71,454	559	72,013	1.5	71,345	761	72,107	1.33
2	Balances due from Central Bank of Kenya	255,498	2,288	257,786	5.4	214,064	757	214,820	3.97
3	Kenya Government and other securities held for dealing purposes	71,604	-	71,604	1.5	77,649	-	77,649	1.44
4	Financial Assets at fair value through profit and loss	17,220	-	17,220	0.4	14,757	-	14,757	0.27
5	Investment Securities:	-	-	-	0.0	-	-	-	0.00
	a) Held to Maturity:	-	-	-	0.0	-	-	-	0.00
	a. Kenya Government securities	566,238	427	566,665	11.8	781,367	1,942	783,308	14.49
	b. Other securities	16,341	-	16,341	0.3	13,729	-	13,729	0.25
	b) Available for sale:	-	-	-	0.0	-	-	-	0.00
	a. Kenya Government securities	659,534	4,176	663,710	13.8	734,923	5,164	740,087	13.69
	b. Other securities	30,055	-	30,055	0.6	29,248	-	29,248	0.54
6	Deposits and balances due from local banking institutions	62,469	870	63,340	1.3	68,487	205	68,692	1.27
7	Deposits and balances due from banking institutions abroad	151,445	69	151,514	3.2	254,030	764	254,793	4.71
8	Tax recoverable	3,558	63	3,621	0.1	7,146	233	7,380	0.14
9	Loans and advances to customers (net)	2,454,071	39,935	2,494,006	51.9	2,620,517	38,195	2,658,712	49.18
10	Balances due from banking institutions in the group	91,966	-	91,966	1.9	127,780	-	127,780	2.36
11	Investments in associates	4,270	-	4,270	0.1	6,843	-	6,843	0.13
12	Investments in subsidiary companies	25,900	-	25,900	0.5	18,438	-	18,438	0.34
13	Investments in joint ventures	-	242	242	0.0	-	208	208	0.00
14	Investment properties	5,864	538	6,402	0.1	6,673	560	7,232	0.13
15	Property and equipment	68,629	1,805	70,434	1.5	71,818	1,775	73,594	1.36
16	Prepaid lease rentals	1,358	38	1,395	0.0	983	-	983	0.02
17	Intangible assets	31,228	862	32,090	0.7	29,698	702	30,400	0.56
18	Deferred tax asset	54,838	1,013	55,850	1.2	75,580	1,095	76,674	1.42
19	Retirement benefit asset	-	1,647	1,647	0.0	72	-	72	0.00
20	Other assets	111,337	-	111,337	2.3	140,695	2,118	142,813	2.64
21	TOTAL ASSETS	4,754,878	54,532	4,809,410	100.0	5,351,268	54,478	5,405,746	100
B	LIABILITIES								
22	Balances due to Central Bank of Kenya	19,275	-	19,275	0.5	18,981	-	18,981	0.41
23	Customer deposits	3,493,897	37,476	3,531,373	86.5	3,971,310	40,006	4,011,316	87.24
24	Deposits and balances due to local banking institutions	54,553	528	55,081	1.3	57,344	1,190	58,534	1.27
25	Deposits and balances due to foreign banking institutions	44,861	-	44,861	1.1	46,984	-	46,984	1.02
26	Other money market deposits	534	-	534	0.0	5,675	-	5,675	0.12
27	Borrowed funds	155,993	5,804	161,797	4.0	209,824	3,681	213,505	4.64
28	Balances due to banking institutions in the group	116,419	-	116,419	2.9	106,949	-	106,949	2.33
29	Tax payable	4,021	-	4,021	0.1	1,515	-	1,515	0.03
30	Dividends payable	8,517	-	8,517	0.2	274	-	274	0.01
31	Deferred tax liability	570	-	570	0.0	27	-	27	0.00
32	Retirement benefit liability	349	-	349	0.0	418	-	418	0.01
33	Other liabilities	136,219	1,571	137,791	3.4	132,752	1,354	134,105	2.92
34	TOTAL LIABILITIES	4,035,209	45,379	4,080,588	100.0	4,552,052	46,231	4,598,283	100
C	SHAREHOLDERS' FUNDS								
35	Paid up /Assigned capital	196,319	5,000	201,319	27.6	203,416	5,000	208,416	25.81
36	Share premium/(discount)	106,345	3,514	109,858	15.1	109,073	3,514	112,587	13.94
37	Revaluation reserves	11,163	180	11,343	1.6	14,697	311	15,008	1.86
38	Retained earnings/Accumulated losses	359,846	(2,309)	357,538	49.1	417,621	(4,226)	413,395	51.20
39	Statutory loan loss reserves	20,455	2,668	23,123	3.2	17,540	3,654	21,194	2.62
40	Other Reserves	(864)	48	(816)	-0.1	3,392	(5)	3,387	0.42
41	Proposed dividends	24,032	-	24,032	3.3	31,168	-	31,168	3.86
42	Capital grants	2,374	51	2,425	0.3	2,310	-	2,310	0.29
43	TOTAL SHAREHOLDERS' FUNDS	719,669	9,152	728,822	100.0	799,217	8,247	807,464	100%
44	Minority Interest	-	-	-	-	-	-	-	-
45	TOTAL LIABILITIES AND SHAREHOLDERS' FUNDS	4,754,878	54,532	4,809,410		5,351,268	54,478	5,405,746	

Source: Commercial Banks Published Financial Statements

APPENDIX II: BANKING SECTOR PROFIT AND LOSS ACCOUNT – DECEMBER 2020 – KSH.M

	December 2019				December 2020				
	BANKS	NBFIS	GRAND TOTAL	% OF TOTAL	BANKS	NBFIS	GRAND TOTAL	% OF TOTAL	
1	INTEREST INCOME								
1.1	Loans and advances	260,341	4,679	265,020	66.3	273,112	3,821	276,933	64.3
1.2	Government securities	121,591	419	122,011	30.5	148,687	555	149,242	34.7
1.3	Deposits and placements with banking institutions	8,497	19	8,515	2.1	7,582	41	7,623	1.8
1.4	Other Interest Income	1,207	-	1,207	0.3	1,591	-	1,591	0.4
1.5	Total interest income	391,635	5,117	396,752	99.2	430,972	4,417	435,389	101.2
2.0	INTEREST EXPENSE								
2.1	Customer deposits	114,146	1,788	115,933	30.7	125,469	1,806	127,275	27.4
2.2	Deposits and placement from banking institutions	8,108	99	8,208	2.2	6,891	154	7,045	1.5
2.3	Other interest expenses	12,367	977	13,344	3.5	11,317	445	11,763	2.5
2.4	Total interest expenses	134,622	2,864	137,485	36.3	143,677	2,405	146,083	31.5
3.0	NET INTEREST INCOME/(LOSS)	257,014	2,253	259,267		287,294	2,012	289,307	
4.0	NON-INTEREST INCOME								
4.1	Fees and commissions on loans and advances	33,763	184	33,946	8.5	35,817	54	35,871	8.3
4.2	Other fees and commissions	52,074	164	52,237	13.1	43,698	118	43,816	10.2
4.3	Foreign exchange trading income/(Loss)	30,836	50	30,886	7.7	35,396	85	35,481	8.2
4.4	Dividend Income	1,785	-	1,785	0.4	3,391	-	3,391	0.8
4.5	Other income	21,582	119	21,701	5.4	22,395	103	22,498	5.2
4.6	Total Non-interest income	140,039	517	140,555	35.2	140,697	360	141,057	32.8
5.0	TOTAL OPERATING INCOME	397,053	2,770	399,822	100.0	427,991	2,372	430,363	100.0
6.0	OTHER OPERATING EXPENSES								
6.1	Loan loss provision	39,289	351	39,640	10.5	110,273	415	110,688	23.8
6.2	Staff costs	92,325	924	93,249	24.7	93,555	1,109	94,664	20.4
6.3	Directors' emoluments	2,798	8	2,805	0.7	2,452	7	2,459	0.5
6.4	Rental charges	5,046	136	5,181	1.4	5,481	146	5,628	1.2
6.5	Depreciation charge on property and equipment	15,884	160	16,044	4.2	16,537	165	16,703	3.6
6.6	Amortisation charges	7,342	212	7,554	2.0	8,451	227	8,678	1.9
6.7	Other operating expenses	75,274	1,003	76,276	20.2	78,133	1,266	79,399	17.1
6.8	Total Other Operating Expenses	237,957	2,793	240,750	63.7	314,883	3,335	318,218	68.5
	TOTAL EXPENSES (2.4+6.8)	372,579	5,657	378,236	100.0	458,560	5,741	464,300	100.0
7	Profit/(loss) Before Tax and Exceptional Items	159,095	(23)	159,072		113,109	(963)	112,145	
8.0	Exceptional Items	3,635	(6)	3,629		4,840	34	4,875	
9.0	Profit/(Loss) After Exceptional Items	155,460	(18)	155,443		108,268	(997)	107,271	
10.0	Current Tax	55,437	126	55,563		42,361	-	42,361	
11.0	Deferred Tax	(10,086)	(150)	(10,236)		(22,096)	(66)	(22,161)	
12.0	Profit/(Loss) After Tax and Exceptional Items	110,110	6	110,116		88,003	(932)	87,071	
13.0	Minority Interest			-				-	
14.0	Profit/(loss) after tax, exceptional items and Minority Interest	110,110	6	110,116		88,003	(932)	87,071	
15.0	Other Comprehensive Income								
15.1	Gains/(Losses) from translating the financial statements of foreign operations	(1,172)	-	(1,172)		(176)	-	(176)	
15.2	Fair value changes in available for sale financial assets	(2,197)	104	(2,093)		6,582	(76)	6,507	
15.3	Revaluation surplus on Property, plant and equipment	(494)	-	(494)		196	137	333	
15.4	Share of other comprehensive income of associates	316	-	316		-	-	-	
15.5	Income tax relating to components of other comprehensive income	1,196	(31)	1,164		(502)	16	(486)	
16.0	Other Comprehensive Income for the year net of tax	(2,351)	73	(2,278)		6,101	77	6,178	
17.0	Total comprehensive income for the year	107,758	79	107,838		94,104	(855)	93,249	

Source: Commercial Banks Published Financial Statements

Appendix III: BANKING SECTOR OTHER DISCLOSURES – DECEMBER 2020, Ksh. Millions

	December 2019			December 2020			ANNUAL PERCENTAGE CHANGE
	BANKS	NBFIS	GRAND TOTAL	BANKS	NBFIS	GRAND TOTAL	
NON-PERFORMING LOANS AND ADVANCES							
(a) Gross Non-performing loans and advances	324,272	12,316	336,588	425,268	10,799	436,067	29.6
(b) Less: Interest in Suspense	59,376	3,231	62,607	68,523	3,288	71,810	14.7
(c) Total Non-Performing Loans and Advances (a-b)	264,896	9,085	273,980	356,745	7,511	364,256	32.9
(d) Less: Loan Loss Provision	131,640	2,656	134,296	194,503	3,564	198,067	47.5
(e) Net Non-Performing Loans and Advances(c-d)	133,255	6,429	139,684	162,242	3,947	166,189	19.0
(f) Discounted Value of Securities	121,208	6,429	127,637	148,488	3,947	152,435	19.4
(g) Net NPLs Exposure (e-f)	12,047	0	12,047	13,754	0	13,754	14.2
INSIDER LOANS AND ADVANCES							
(a) Directors, Shareholders and Associates	41,323	1,411	42,734	46,732	2,212	48,943	14.5
(b) Employees	72,661	814	73,475	77,713	794	78,507	6.8
(c) Total Insider Loans and Advances and other facilities	113,983	2,226	116,209	124,444	3,006	127,450	9.7
OFF-BALANCE SHEET ITEMS							
(a) Letters of credit, guarantees, acceptances	544,379	92	544,471	586,922	822	587,743	7.9
(b) Forwards, swaps and options	548,606	1,238	549,843	452,430	665	453,095	(17.6)
(c) Other contingent liabilities	18,903	-	18,903	14,154	-	14,154	(25.1)
(d) Total Contingent Liabilities	1,111,888	1,330	1,113,217	1,053,505	1,487	1,054,992	(5.2)
CAPITAL STRENGTH							
(a) Core capital	626,393	5,813	632,206	683,048	3,622	686,669	8.6
(b) Minimum Statutory Capital	1,000	1,000	1,000	1,000	1,000	1,000	-
(c) Excess/(Deficiency)(a-b)	626,393	4,813	631,206	683,048	2,622	685,669	8.6
(d) Supplementary Capital	82,260	558	82,818	98,991	579	99,569	20.2
(e) Total Capital (a+d)	708,653	6,371	715,024	782,038	4,200	786,239	10.0
(f) Total risk weighted assets	3,752,476	44,679	3,797,156	4,090,000	46,280	4,136,280	8.9
(g) Core Capital/Total deposits Liabilities	17.9	15.5	17.9	17.2	9.1	17.1	
(h) Minimum statutory Ratio	8.0	8.0	8.0	8.0	8.0	8.0	
(i) Excess/(Deficiency) (g-h)	9.9	7.5	9.9	9.2	1.1	9.1	
(j) Core Capital / total risk weighted assets	16.7	13.0	16.6	16.7	7.8	16.6	
(k) Minimum Statutory Ratio	10.5	10.5	10.5	10.5	10.5	10.5	
(l) Excess (Deficiency) (j-k)	6.2	2.5	6.1	6.2	-2.7	6.1	
(m) Total Capital/total risk weighted assets	18.9	14.3	18.8	19.1	9.1	19.0	
(n) Minimum statutory Ratio	14.5	14.5	14.5	14.5	14.5	14.5	
(o) Excess/(Deficiency) (m-n)	4.4	-0.2	4.3	4.6	-5.4	4.5	
LIQUIDITY							
(a) Liquidity Ratio	46.2	20.8	45.5	54.9	18.2	54.5	
(b) Minimum Statutory Ratio	20.0	20.0	20.0	20.0	20.0	20.0	
(c) Excess (Deficiency) (a-b)	26.2	0.8	25.5	34.9	-1.8	34.5	
Performance Indicators							
Yield on Earning Assets	9.4	10.0	9.4	9.0	8.3	9.0	
Cost of Funding Earning Assets	3.2	5.6	3.3	3.0	4.5	3.0	
Interest Margin on Earning Assets	6.2	4.4	6.1	6.0	3.8	6.0	
Yield on Advances	9.8	10.2	9.8	9.5	8.5	9.5	
Cost of Deposits	3.7	7.5	3.8	3.5	5.8	3.5	
Return on Assets (ROA)	2.6	0.0	2.6	1.7	-1.5	1.7	
Return on Equity (ROE)	22.1	-0.3	21.8	14.2	-11.7	13.9	
Overheads to Earnings	44.8	49.6	44.8	55.1	69.8	55.2	
Gross NPLs/Gross Loans	12.3	26.9	12.5	14.3	25.8	14.5	
RATINGS							
Capital Adequacy	2	3	2	2	4	2	
Asset Quality	2	5	2	2	4	2	
Earnings	2	5	2	3	5	3	
Liquidity	1	3	1	1	4	1	
Composite Score	2	4	2	2	4	2	
Performance Category	Satisfactory	Marginal	Satisfactory	Satisfactory	Marginal	Satisfactory	
Ratings	PERFORMANCE CATEGORY	CAPITAL ADE- QUACY (Total Capital/ TRWA) (%)	ASSET QUALITY (NPLs-Provi- sions)/Gross Loans (%)	EARNINGS Net Profits/ Total Assets (%)	LIQUIDITY (Total Liquid Assets/Total Short-term Liabilities)(%)	MANAGEMENT (Total weighted Score)	COMPOSITE SCORE (Average Score)
1	Strong	19.50 and above	0 - 5	Over 3%	Over 34	1.0 - 1.4	1.0 - 1.4
2	Satisfactory	15.60 - .49	5.1 - 10.0	2.0%-2.9%	26 - 34	1.5 - 2.4	1.5 - 2.4
3	Fair	12.00 - .59	10.1 - 15.0	1.0%-1.9%	20 - 25	2.5 - 3.4	2.5 - 3.4
4	Marginal	8.31 - 1.99	15.1 - 20.0	0.0%-0.9%	15 - 19	3.5 - 4.4	3.5 - 4.4
5	Unsatisfactory	8.30 and below	Over 20	Net Loss	Under 15	4.5 - 5.0	4.5 - 5.0

Source: Commercial Banks Published Financial Statements

Appendix IV: BANKING SECTOR MARKET SHARE - DECEMBER 2020

		Market size index (%)	Market Rank index (%)	Total Net Assets	% of the market (%)	Total Deposits	% of the market (%)	Total Shareholders' funds (%)	% of the market (%)	Number Deposit accounts (Millions)	% of the market (%)	Number of loan accounts (Millions)	% of the Market (%)
				Ksh.M		Ksh.M		Ksh.M					
	Weighting			0.33		0.33		0.33		0.005		0.005	
Large Peer Group >5%													
1	KCB Bank Kenya Ltd	14.05	1	758,345	14.03	591,067	14.34	111,271	13.78	8.96	12.82	1.87	16.39
2	Equity Bank Kenya Ltd	11.75	2	667,650	12.35	502,423	12.19	86,697	10.74	10.73	15.36	0.70	6.09
3	NCBA Bank Kenya PLC	9.70	3	491,614	9.09	394,813	9.58	72,028	8.92	38.73	55.42	7.30	63.91
4	Co-operative Bank of Kenya Ltd	9.56	4	496,823	9.19	370,085	8.98	85,597	10.60	3.62	5.18	0.80	7.03
5	Absa Bank Kenya Plc	6.23	5	377,936	6.99	257,706	6.25	44,969	5.57	1.83	2.63	0.25	2.23
6	Standard Chartered Bank (K) Ltd	6.10	6	325,873	6.03	256,951	6.23	50,219	6.22	0.24	0.34	0.05	0.44
7	Diamond Trust Bank Kenya Limited	6.00	7	312,189	5.78	235,048	5.70	54,032	6.69	0.53	0.75	0.01	0.12
8	I & M Bank Limited	5.63	8	283,569	5.24	219,167	5.32	52,324	6.48	0.18	0.25	0.02	0.13
9	Stanbic Bank Kenya Ltd	5.53	9	318,986	5.90	233,493	5.66	41,857	5.18	0.21	0.30	0.05	0.45
	Sub-Total	74.55		4,032,984	74.60	3,060,754	74.24	598,995	74.18	65.03	93.05	11.06	96.78
Medium Peer Group (1-5%)													
1	Bank of Baroda (K) Limited	3.21	10	166,313	3.08	138,406	3.36	26,677	3.30	0.05	0.08	0.00	0.03
2	Prime Bank Ltd	2.44	11	116,204	2.15	88,594	2.15	24,902	3.08	0.04	0.06	0.00	0.04
3	Citibank N.A. Kenya	2.20	12	106,454	1.97	81,190	1.97	22,134	2.74	0.00	0.00	0.00	0.00
4	National Bank of Kenya Ltd	2.17	13	126,842	2.35	112,672	2.73	11,936	1.48	0.78	1.11	0.05	0.40
5	Family Bank Ltd.	1.68	14	90,591	1.68	70,577	1.71	13,162	1.63	2.34	3.35	0.18	1.55
6	Bank of India	1.64	15	75,129	1.39	56,912	1.38	17,853	2.21	0.02	0.02	0.00	0.01
7	Ecobank Kenya Ltd	1.55	16	94,428	1.75	85,021	2.06	7,070	0.88	0.18	0.26	0.00	0.04
8	SBM Bank Kenya Ltd	1.31	17	79,190	1.46	57,094	1.38	8,871	1.10	0.20	0.29	0.02	0.16
9	HFC Ltd	1.00	18	54,478	1.01	41,196	1.00	8,247	1.02	0.28	0.40	0.01	0.09
	Sub-Total	17.21		909,628	16.83	731,662	17.75	140,851	17.44	3.89	5.57	0.26	2.31
Small Peer Group < 1%													
1	Victoria Commercial Bank Limited	0.74	19	37,890	0.70	28,806	0.70	6,745	0.84	0.01	0.01	0.00	0.01
2	Guaranty Trust Bank Limited	0.74	20	31,267	0.58	21,316	0.52	9,189	1.14	0.02	0.03	0.00	0.01
3	Bank of Africa Ltd	0.72	21	44,917	0.83	27,977	0.68	5,419	0.67	0	0.13	0	0.08
4	Gulf African Bank Limited	0.68	22	37,653	0.70	29,972	0.73	5,029	0.62	0.11	0.15	0.02	0.19
5	African Banking Corporation Ltd	0.58	23	32,643	0.60	28,082	0.68	3,816	0.47	0.04	0.05	0.00	0.01
6	Sidian Bank Ltd	0.56	24	33,500	0.62	23,770	0.58	4,080	0.51	0.19	0.28	0.02	0.13
7	Habib Bank A.G Zurich	0.47	25	27,212	0.50	22,082	0.54	3,204	0.40	0.01	0.01	0.00	0.00
8	Credit Bank Plc	0.42	26	23,145	0.43	18,149	0.44	3,218	0.40	0.04	0.06	0.00	0.02
9	First Community Bank Ltd	0.37	27	21,947	0.41	19,038	0.46	2,051	0.25	0.08	0.12	0.01	0.05
10	UBA Kenya Bank Ltd	0.33	28	18,743	0.35	15,544	0.38	2,257	0.28	0.00	0.01	0.00	0.01
11	Development Bank of Kenya Ltd	0.33	29	17,222	0.32	8,279	0.20	3,823	0.47	0.00	0.00	0.00	0.01
12	Guardian Bank Limited	0.32	30	16,858	0.31	13,238	0.32	2,834	0.35	0.01	0.01	0.00	0.01
13	Mayfair CIB Bank Ltd	0.31	31	12,729	0.24	8,082	0.20	4,121	0.51	0.00	0.00	0.00	0.01
14	M Oriental Commercial Bank Limited	0.28	32	12,985	0.24	9,749	0.24	3,071	0.38	0.00	0.00	0.00	0.01
15	Kingdom Bank Limited	0.28	33	30,612	0.57	5,081	0.12	1,300	0.16	0.17	0.24	0.02	0.19
16	DIB Bank Kenya Ltd	0.28	34	13,263	0.25	10,149	0.25	2,847	0.35	0.00	0.01	0.00	0.01
17	Consolidated Bank of Kenya Limited	0.23	35	12,886	0.24	9,287	0.23	1,837	0.23	0.05	0.06	0.00	0.03
18	Paramount Bank Ltd	0.22	36	11,378	0.21	9,265	0.22	1,911	0.24	0.01	0.01	0.00	0.02
19	Middle East Bank (K) Ltd	0.20	37	11,022	0.20	9,605	0.23	1,274	0.16	0.00	0.01	0.00	0.01
20	Access Bank Plc	0.18	38	10,147	0.19	7,826	0.19	1,413	0.18	0.11	0.15	0.01	0.09
21	Spire Bank Limited	0.00	39	5,114	0.09	4,793	0.12	(1,820)	-0.23	0.02	0.03	0.00	0.03
22	Imperial Bank Ltd*												
23	Chase Bank (K) Ltd**												
24	Charterhouse Bank Ltd**												
	Sub-Total	8.24		463,135	8.57	330,093	8.01	67,618	8.38	0.96	1.38	0.10	0.91
	Grand-Total	100		5,405,746	100	4,122,509	100	807,464	100	69.88	100	11.42	100

*Bank In Receivership

**Banks In Liquidation

Source: Commercial Banks Published Financial Statements (December 2020)

Appendix V: BANKING SECTOR PROFITABILITY - DECEMBER 2020

		Return on Assets			Return on Equity	
		Profit/(Loss) Before Tax (Ksh.M)	Total Assets (Ksh.M)	(1/2) (%)	Total Shareholders' Funds (Ksh.M)	(1/4) (%)
		1	2	3	4	5
1	KCB Bank Kenya Ltd	23,586	758,345	3.11	111,271	21.2
2	Co-operative Bank of Kenya Ltd	16,961	496,823	3.41	85,597	19.8
3	Equity Bank Kenya Ltd	14,207	667,650	2.13	86,697	16.4
4	I & M Bank Ltd	10,289	283,569	3.63	52,324	19.7
5	Absa Bank Kenya Plc	8,300	377,936	2.20	44,969	18.5
6	Standard Chartered Bank Kenya Ltd	7,018	325,873	2.15	50,219	14.0
7	NCBA Bank Kenya PLC	6,955	491,614	1.41	72,028	9.7
8	Stanbic Bank Kenya Ltd	6,237	318,986	1.96	41,857	14.9
9	Bank of Baroda (Kenya) Limited	5,791	166,313	3.48	26,677	21.7
10	Citibank N.A. Kenya	5,480	106,454	5.15	22,134	24.8
11	Diamond Trust Bank Kenya Limited	3,942	312,189	1.26	54,032	7.3
12	Bank of India	2,733	75,129	3.64	17,853	15.3
13	Prime Bank Ltd	1,849	116,204	1.59	24,902	7.4
14	Family Bank Ltd.	1,326	90,591	1.46	13,162	10.1
15	SBM Bank Kenya Ltd	617	79,190	0.78	8,871	7.0
16	Gulf African Bank Ltd	559	37,653	1.49	5,029	11.1
17	Guaranty Trust Bank Ltd	493	31,267	1.58	9,189	5.4
18	Victoria Commercial Bank Limited	480	37,890	1.27	6,745	7.1
19	Habib Bank AG Zurich	451	27,212	1.66	3,204	14.1
20	National Bank of Kenya Ltd	313	126,842	0.25	11,936	2.6
21	First Community Bank Ltd	238	21,947	1.09	2,051	11.6
22	African Banking Corporation Ltd	147	32,643	0.45	3,816	3.9
23	Middle East Bank (K) Ltd	105	11,022	0.95	1,274	8.3
24	Sidian Bank Ltd	104	33,500	0.31	4,080	2.5
25	Paramount Bank Ltd	97	11,378	0.85	1,911	5.1
26	Guardian Bank Limited	77	16,858	0.45	2,834	2.7
27	UBA Kenya Bank Ltd	56	18,743	0.30	2,257	2.5
28	M-Oriental Commercial Bank Ltd	43	12,985	0.33	3,071	1.4
29	Development Bank of Kenya Ltd	19	17,222	0.11	3,823	0.5
30	Credit Bank PLC	8	23,145	0.04	3,218	0.3
31	Ecobank Kenya Ltd	6	94,428	0.01	7,070	0.1
32	Kingdom Bank Ltd	-124	30,612	(0.41)	1,300	(9.6)
33	Consolidated Bank of Kenya Limited	-262	12,886	(2.03)	1,837	(14.2)
34	Mayfair CIB Bank Ltd	-352	12,729	(2.76)	4,121	(8.5)
35	Bank of Africa (K) Ltd	-680	44,917	(1.51)	5,419	(12.5)
36	DIB Bank Kenya Ltd	-693	13,263	(5.22)	2,847	(24.3)
37	HFC Ltd	-963	54,478	(1.77)	8,247	(11.7)
38	Spire Bank Limited	-1,257	5,114	(24.59)	-1,820	69.1
39	Access Bank PLC	-2,010	10,147	(19.81)	1,413	(142.3)
40	Imperial Bank Ltd*			-		-
41	Chase Bank (K) Ltd**			-		-
42	Charterhouse Bank Ltd**			-		-
	Total	112,145.42	5,405,746	2.07	807,464	13.9
	*Bank In Receivership					
	**Banks In Liquidation					

Source: Commercial Banks Published Financial Statements (December 2020)

Appendix VI: BANKING SECTOR GROSS LOANS AND NON-PERFORMING LOANS- DECEMBER 2020

BANKS	Gross Loans and Advances, Ksh. M		Gross Non-Performing Loans, Ksh. M		
	December 2019	December 2020	December 2019	December 2020	
1	KCB Bank Kenya Ltd	468,258	544,837	34,786	66,810
2	Equity Bank Kenya Ltd.	290,564	355,630	26,185	42,825
3	Co - operative Bank of Kenya Ltd	281,516	307,324	31,156	51,781
4	NCBA Bank Kenya Plc	244,395	259,698	30,516	35,995
5	Absa Bank Kenya Plc	205,304	229,677	13,519	17,099
6	Stanbic Bank (Kenya) Ltd	163,859	176,597	19,345	25,038
7	Diamond Trust Bank (K) Ltd	155,307	165,948	12,892	19,747
8	I&M Bank Ltd	152,807	160,665	18,799	20,178
9	Standard Chartered Bank (K) Ltd	144,483	152,711	20,058	22,337
10	National Bank of Kenya Ltd	60,677	74,774	25,175	26,438
11	Family Bank Ltd.	54,389	63,111	8,244	9,391
12	Bank of Baroda (K) Ltd	49,335	51,151	4,126	6,342
13	HFC Ltd	45,822	41,836	12,316	10,799
14	Prime Bank Ltd	38,932	44,531	4,555	4,838
15	SBM Bank (Kenya) Ltd	27,226	36,760	14,980	16,225
16	Citibank N.A. Kenya	27,068	39,726	1,116	1,120
17	Gulf African Bank Ltd	24,578	22,928	3,613	4,028
18	Victoria Commercial Bank Ltd	24,542	25,442	1,204	1,679
19	Ecobank Kenya Ltd	24,118	26,884	4,783	4,377
20	Bank of Africa (K) Ltd	22,546	21,850	8,998	8,689
21	African Banking Corporation Ltd	20,115	21,961	3,557	3,425
22	Sidian Bank Ltd	15,846	20,409	3,258	2,337
23	Credit Bank Plc	15,797	17,512	1,592	2,017
24	Guaranty Trust Bank Ltd	14,872	15,714	2,747	3,269
25	Bank of India	13,608	20,980	1,212	996
26	First Community Bank Ltd	11,833	14,572	4,699	5,258
27	Kingdom Bank Limited	10,766	8,907	6,083	6,787
28	Guardian Bank Ltd	9,892	9,248	944	1,181
29	Development Bank of Kenya Ltd	9,801	10,149	3,341	3,420
30	Consolidated Bank of Kenya Ltd	8,929	10,130	2,632	2,436
31	M-Oriental Commercial Bank Ltd	7,455	7,742	1,411	1,812
32	Access Bank (Kenya) Plc	7,313	3,481	2,196	159
33	Paramount Bank Ltd	7,177	7,883	1,263	1,346
34	Habib Bank A.G. Zurich	7,000	6,847	787	836
35	Middle East Bank (K) Ltd	6,153	7,639	870	790
36	Spire Bank Ltd	5,114	3,827	2,632	2,711
37	DIB Bank Kenya Ltd	5,067	8,789	50	125
38	Mayfair CIB Bank Ltd	4,606	5,056	67	129
39	UBA Kenya Ltd	3,841	3,178	883	1,295
40	Imperial Bank Ltd *	-	-	-	-
41	Chase Bank (K) Ltd**	-	-	-	-
42	Charterhouse Bank Ltd **	-	-	-	-
	Total	2,690,910	3,006,104	336,588	436,067

*Bank In Receivership

**Banks In Liquidation

Source: Commercial Banks Published Financial Statements

APPENDIX VII: BANKING SECTOR CAPITAL AND RISK WEIGHTED ASSETS-DECEMBER 2020

Banks	Core Capital (Ksh.000)	Total Capital (Ksh.000)	Overall Risk Weighted Assets (Ksh.000)	Core Capital/ TRWA (%)	Total Capital/ TRWA (%)	Core Capital/ Total Deposits (%)	
1	KCB Bank Kenya Ltd	102,218	126,674	654,393	15.6	19.4	17.3
2	Co-operative Bank of Kenya Ltd	70,566	77,446	455,847	15.5	17.0	19.1
3	Equity Bank Kenya Ltd	70,268	92,118	566,959	12.4	16.2	14.1
4	NCBA Bank Kenya Plc	60,707	61,233	341,742	17.8	17.9	15.6
5	Diamond Trust Bank Kenya Limited	47,561	51,543	229,366	20.7	22.5	22.9
6	Absa Bank Kenya Plc	43,715	51,909	297,314	14.7	17.5	17.2
7	I&M Bank Ltd	42,208	49,335	223,976	18.8	22.0	19.3
8	Stanbic Bank Kenya Ltd	40,940	46,444	256,472	16.0	18.1	18.9
9	Standard Chartered Bank (K) Ltd	39,240	45,676	247,251	15.9	18.5	15.3
10	Bank of Baroda (Kenya) Limited	26,670	26,670	86,842	30.7	30.7	19.8
11	Prime Bank Ltd	22,559	22,912	58,365	38.7	39.3	25.5
12	Citibank N.A. Kenya	18,091	18,515	82,243	22.0	22.5	22.8
13	Bank of India	17,145	17,322	35,693	48.0	48.5	35.1
14	Family Bank Ltd.	11,344	13,363	74,824	15.2	17.9	16.2
15	SBM Bank Kenya Ltd	7,355	7,932	46,180	15.9	17.2	13.1
16	National Bank of Kenya Ltd	6,578	7,835	76,037	8.7	10.3	6.6
17	Victoria Commercial Bank Limited	6,097	6,605	35,151	17.3	18.8	21.6
18	Ecobank Kenya Ltd	5,804	7,070	44,549	13.0	15.9	7.2
19	Guaranty Trust Bank	5,413	5,673	20,794	26.0	27.3	25.4
20	Gulf African Bank	4,640	6,055	31,903	14.5	19.0	15.5
21	Mayfair CIB Bank Ltd	4,052	4,052	7,625	53.1	53.1	50.2
22	HFC Ltd	3,622	4,200	46,280	7.8	9.1	9.1
23	Sidian Bank Ltd	3,506	5,123	31,047	11.3	16.5	15.4
24	Credit Bank Plc	2,870	3,220	22,156	13.0	14.5	16.3
25	Habib Bank AG Zurich	2,826	2,995	11,255	25.1	26.6	13.0
26	Guardian Bank Limited	2,649	2,834	12,030	22.0	23.6	20.1
27	M-Oriental Commercial Bank	2,546	2,654	8,712	29.2	30.5	26.1
28	African Banking Corporation Ltd	2,534	3,208	21,095	12.0	15.2	9.3
29	Development Bank of Kenya Ltd	2,395	2,695	12,114	19.8	22.2	38.6
30	UBA Kenya Bank Ltd	2,259	2,259	7,426	30.4	30.4	29.1
31	Bank of Africa Ltd	2,246	3,484	21,331	10.5	16.3	8.0
32	Paramount Bank Ltd	1,747	1,747	7,064	24.7	24.7	18.9
33	DIB Bank Kenya Ltd	1,620	1,663	10,291	15.7	16.2	16.0
34	Access Bank Plc	1,413	1,413	6,699	21.1	21.1	18.0
35	Middle East Bank (K) Ltd	1,209	1,221	4,371	27.7	27.9	12.7
36	Kingdom Bank Limited	1,026	1,026	7,427	13.8	13.8	20.2
37	First Community Bank Ltd	836	1,619	17,453	4.8	9.3	4.4
38	Consolidated Bank of Kenya Limited	828	1,076	11,740	7.0	9.2	9.0
39	Spire Bank Limited	(2,634)	(2,581)	4,263	(61.8)	(60.6)	(55.0)
Total	686,669	786,239	4,136,280	16.6	19.0	17.1	

Source: Commercial Banks Published Financial Statements

Appendix VIII: BANKING SECTOR ACCESS TO FINANCIAL SERVICES - NUMBER OF DEPOSIT ACCOUNTS - DECEMBER 2020

	Peer Group - 2020	December 2019			December 2020			% change	
		< 100,000	>100,000	Total	< 100,000	>100,000	Total		
Commercial Banks									
1	NCBA Bank Kenya Ltd.	Large	31,609,349	102,235	31,711,584	38,608,821	122,535	38,731,356	22.14
2	Equity Bank Kenya Ltd	Large	10,935,007	347,787	11,282,794	10,355,380	377,148	10,732,528	-4.88
3	KCB Bank Kenya Ltd	Large	8,013,686	253,958	8,267,644	8,677,330	280,186	8,957,516	8.34
4	Co-operative Bank of Kenya Ltd	Large	3,299,513	241,260	3,540,773	3,359,864	262,614	3,622,478	2.31
5	ABSA Kenya Plc	Large	1,641,727	108,177	1,749,904	1,722,587	112,265	1,834,852	4.85
6	Diamond Trust Bank (K) Ltd	Large	453,359	55,617	508,976	468,471	56,852	525,323	3.21
7	Stanbic Bank Kenya Ltd	Large	165,342	38,216	203,558	169,528	41,931	211,459	3.88
8	Standard Chartered Bank (K) Ltd	Large	158,852	71,645	230,497	162,193	74,423	236,616	2.65
9	Family Bank Ltd	Medium	2,193,599	56,468	2,250,067	2,280,069	60,389	2,340,458	4.02
10	National Bank of Kenya Ltd	Medium	659,446	40,683	700,129	734,115	43,108	777,223	11.01
11	HFC Limited	Medium	254,663	12,651	267,314	262,926	13,799	276,725	3.52
12	Ecobank Kenya Ltd	Medium	164,974	8,045	173,019	174,315	8,409	182,724	5.61
13	I & M Bank Ltd.	Medium	108,468	52,560	161,028	118,764	57,176	175,940	9.26
14	Bank of Africa Kenya Ltd	Medium	95,591	9,559	105,150	83,377	9,555	92,932	-11.62
15	Bank of Baroda Ltd	Medium	21,078	29,987	51,065	19,777	34,228	54,005	5.76
16	Prime Bank Ltd	Medium	18,529	16,954	35,483	19,950	19,040	38,990	9.88
17	Bank of India	Medium	6,780	9,396	16,176	6,008	9,765	15,773	-2.49
18	Citibank N.A. Kenya	Medium	559	1,381	1,940	678	1,426	2,104	8.45
19	Sidian Bank Limited	Small	239,857	8,249	248,106	184,669	9,633	194,302	-21.69
20	SBM Bank (Kenya) Ltd.	Small	200,162	13,637	213,799	187,091	14,277	201,368	-5.81
21	Kingdom Bank Limited	Small	157,475	2,007	159,482	166,567	2,003	168,570	5.70
22	Access Bank (Kenya) Plc	Small	100,344	5,944	106,288	101,458	6,287	107,745	1.37
23	Gulf African Bank Ltd	Small	88,196	16,235	104,431	88,229	16,953	105,182	0.72
24	First Community Bank Ltd	Small	76,126	9,308	85,434	72,739	9,720	82,459	-3.48
25	Consolidated Bank of Kenya Ltd	Small	42,241	5,087	47,328	39,971	5,118	45,089	-4.73
26	Credit Bank Plc	Small	35,121	4,140	39,261	37,918	4,351	42,269	7.66
27	African Banking Corporation Ltd	Small	31,266	5,748	37,014	29,688	6,157	35,845	-3.16
28	Spire Bank Limited	Small	21,367	1,875	23,242	21,149	1,669	22,818	-1.82
29	Guaranty Trust Bank (Kenya) Ltd	Small	11,770	5,340	17,110	13,008	6,014	19,022	11.17
30	Guardian Bank Limited	Small	6,257	3,003	9,260	6,304	3,150	9,454	2.10
31	Paramount Bank Ltd	Small	6,122	1,473	7,595	6,218	1,493	7,711	1.53
32	UBA Bank Kenya Ltd	Small	5,493	777	6,270	4,044	800	4,844	-22.74
33	M-Oriental Commercial Bank Ltd	Small	2,914	1,439	4,353	2,705	1,529	4,234	-2.73
34	DIB Bank Kenya Ltd	Small	2,455	814	3,269	2,827	1,057	3,884	18.81
35	Habib Bank A.G. Zurich	Small	1,935	3,051	4,986	1,885	3,144	5,029	0.86
36	Middle East Bank Ltd	Small	1,563	738	2,301	1,904	1,090	2,994	30.12
37	Victoria Commercial Bank Ltd	Small	1,362	3,685	5,047	1,360	3,980	5,340	5.81
38	Mayfair CIB Bank Ltd	Small	1,136	1,250	2,386	1,548	1,380	2,928	22.72
39	Development Bank of Kenya Ltd	Small	747	850	1,597	758	1,000	1,758	10.08
40	Imperial Bank Ltd*								
41	Chase Bank Ltd**								
42	Charterhouse Bank Ltd**								
Sub-Totals			60,834,431	1,551,229	62,385,660	68,196,193	1,685,654	69,881,847	12.02
Microfinance Banks									
1	Kenya Women Microfinance Bank Limited	Large	941,578	10,189	951,767	984,851	9,850	994,701	4.51
2	Faulu Microfinance Bank Limited	Large	395,010	8,871	403,881	365,033	8,961	373,994	-7.40
3	Rafiki Microfinance Bank Limited	Large	125,856	1,949	127,805	127,518	2,000	129,518	1.34
4	SMEP Microfinance Bank Limited	Medium	533,319	1,900	535,219	544,132	1,911	546,043	2.02
5	Sumac Microfinance Bank Limited	Medium	8,736	328	9,064	10,780	343	11,123	22.72
6	KEY Microfinance Bank Limited	Medium	11,230	111	11,341	10,288	88	10,376	-8.51
7	Maisha Microfinance Bank Ltd	Small	220,422	167	220,589	451,952	101	452,053	104.93
8	Caritas Microfinance Bank Limited	Small	22,106	973	23,079	26,195	1,226	27,421	18.81
9	Century Microfinance Bank Limited	Small	24,241	168	24,409	23,391	160	23,551	-3.52
10	U & I Microfinance Bank Limited	Small	6,138	152	6,290	6,696	119	6,815	8.35
11	Uwezo Microfinance Bank Limited	Small	5,775	31	5,806	6,063	15	6,078	4.68
12	Choice Microfinance Bank Limited	Small	7,526	99	7,625	8,103	113	8,216	7.75
13	Daraja Microfinance Bank Limited	Small	4,188	79	4,267	4,394	71	4,465	4.64
14	Muungano Microfinance Bank Limited	Small				1,124	44	1,168	100.00
Sub-Totals			2,306,125	25,017	2,331,142	2,569,396	24,958	2,594,354	11.29
Grand Total			63,140,556	1,576,246	64,716,802	70,765,589	1,710,612	72,476,201	11.99

* Bank In receivership

** Banks In Liquidation

Source: CBK

Appendix IX: BANKING SECTOR PROTECTED DEPOSITS - DECEMBER 2020

		December 2019				December 2020			% Change In
		Insured	Customer	Insured	Customer	Change in Insured Deposits	% Change In Customer Deposits		
								Deposits	
BANKS		Ksh M	Ksh. M	Ksh M	Ksh. M				
1	ABSA Bank Kenya Plc	Large	15,084	242,375	44,333	253,630	29,249	4.6	
2	Access Bank Plc	Small	837.45	7,100	1,884	7,826	1,046	10.2	
3	African Banking Corporation Ltd	Small	762.487	22,981	2,618	27,299	1,855	18.8	
4	Bank of Africa (K) Ltd	Small	1,659	33,329	3,835	27,977	2,176	-16.1	
5	Bank of Baroda (Kenya) Limited	Medium	3,472	119,341	14,791	135,000	11,320	13.1	
6	Bank of India	Medium	1,075.26	46,755	4,345	48,874	3,269	4.5	
7	Citibank N.A. Kenya	Medium	144.82	65,335	676	79,193	531	21.2	
8	Consolidated Bank of Kenya Limited	Small	806.09	8,796	2,025	9,224	1,219	4.9	
9	Credit Bank Plc	Small	565.39	17,347	1,834	17,638	1,268	1.7	
10	Development Bank of Kenya Ltd	Small	100.07	6,029	439	6,202	339	2.9	
11	Diamond Trust Bank Kenya Limited	Large	7,283.64	221,038	23,807	207,984	16,524	-5.9	
12	DIB Bank Kenya Ltd	Small	106.56	6,512	356	10,149	249	55.9	
13	Ecobank Kenya Ltd	Medium	1,170.63	66,321	3,389	80,233	2,218	21.0	
14	Equity Bank Kenya Ltd	Large	68,758	381,138	144,726	496,748	75,969	30.3	
15	Family Bank Ltd.	Medium	10,050.88	58,332	22,695	70,125	12,644	20.2	
16	First Community Bank Ltd	Small	1,409.09	16,285	3,900	18,819	2,491	15.6	
17	Guaranty Trust Bank (Kenya) Ltd	Small	694.94	18,932	1,594	21,314	899	12.6	
18	Guardian Bank Limited	Small	394.44	13,078	1,286	13,238	891	1.2	
19	Gulf African Bank Ltd	Small	2,429.08	27,818	6,716	29,972	4,287	7.7	
20	Habib Bank AG Zurich	Small	366.27	20,532	1,333	21,749	967	5.9	
21	HFC Ltd	Medium	1,970.58	38,004	5,443	40,006	3,472	5.3	
22	I & M Bank Ltd	Large	6,677.94	195,841	38,191	218,153	31,513	11.4	
23	KCB Bank Kenya Ltd	Large	50,115.44	536,830	116,106	588,628	65,991	9.6	
24	Kingdom Bank Ltd	Small	397.30	4,795	870	5,081	473	6.0	
25	Mayfair CIB Bank Ltd	Small	147.13	7,293	615	8,069	467	10.6	
26	Middle East Bank (K) Ltd	Small	94.25	7,138	470	9,523	375	33.4	
27	M-Oriental Commercial Bank Ltd	Small	184.98	9,188	646	9,749	461	6.1	
28	National Bank of Kenya Ltd	Medium	6,954.97	97,079	17,218	99,229	10,263	2.2	
29	NCBA Bank Kenya Limited	Large	24,431.57	360,305	52,384	389,484	27,952	8.1	
30	Paramount Bank Ltd	Small	200.02	8,479	648	9,265	448	9.3	
31	Prime Bank Ltd	Medium	1,994.84	81,345	8,471	88,548	6,476	8.9	
32	SBM Bank Kenya Ltd	Medium	1,935.72	50,573	5,870	56,033	3,934	10.8	
33	Sidian Bank Limited	Small	1,532.73	18,014	3,860	22,768	2,328	26.4	
34	Spire Bank Limited	Small	305.30	4,553	683	4,793	377	5.3	
35	Stanbic Bank Kenya Ltd	Large	5,373.90	205,516	16,804	216,805	11,430	5.5	
36	Standard Chartered Bank Kenya Ltd	Large	9,437.28	236,461	29,877	256,498	20,439	8.5	
37	Co-operative Bank of Kenya Ltd	Large	44,419.95	330,113	100,384	369,430	55,964	11.9	
38	UBA Kenya Bank Ltd	Small	104.50	13,600	341	7,772	236	-42.9	
39	Victoria Commercial Bank Limited	Small	408.175	27,350	1,721	28,286	1,313	3.4	
40	Imperial Bank Ltd*								
41	Chase Bank Kenya Ltd**								
42	Charterhouse Bank Ltd**								
	Sub-Totals		273,856	3,631,850	687,182.5	4,011,315.7	384,077.9	18.4	
	Microfinance Banks								
1	Faulu Microfinance Bank Ltd	Large	1,563.0	20,092	3,804.10	22,931.3	2,241	14.1	
2	Kenya Women Microfinance Bank Ltd	Large	8,225.0	15,774	8,644	16,335	419	3.6	
3	Rafiki Microfinance Bank Ltd	Large	424.9	2576	850	3,027	425	17.5	
4	Century Microfinance Bank Ltd	Medium	40.3	256	80	270	40	5.4	
5	SMEP Microfinance Bank Ltd	Medium	690.2	2,143	1,129	2,398	438	11.9	
7	Sumac Microfinance Bank Ltd	Medium	47.0	631	11	978	(36)	54.9	
6	Muongano Microfinance Bank PLC	Small			19	47	19	100.0	
8	Caritas Microfinance Bank Ltd	Small	173.3	1353	501	1,943	328	43.6	
9	Choice Microfinance Bank Ltd	Small	19.4	83	33	98	14	18.1	
10	Daraja Microfinance Bank Ltd	Small	16.6	107	33	97	17	-9.7	
11	KEY Microfinance Bank Ltd	Small	28.3	99	42	74	14	-25.6	
12	Maisha Microfinance Bank Ltd	Small	50.8	446	48	781	(3)	75.2	
13	U & I Microfinance Bank Ltd	Small	31.1	356	55	368	24	3.3	
14	Uwezo Microfinance Bank Ltd	Small	13.1	25	509	10	496	-60.5	
	Sub-Totals		11,323	43,941	11,954.1	26,425.0	2,194.0	10.8	
	Grand total		285,179	3,675,791	699,136.6	4,037,740.8	386,271.9	18.3	

*Bank In Receivership

**Banks In Liquidation

Source: Banks Published Financial Statements (December 2019 and December 2020)

APPENDIX X: MICRO FINANCE BANKS BALANCE SHEET - DECEMBER 2020

	KENYA WOMEN	FAULU	RAFIKI*	SMEP	CARITAS	SUMAC	KEY	U & I	UWEZO	DARAJA*	MAISHA	CENTURY	MUUNGANO	CHOICE*	TOTAL	
	Ksh.M	Ksh.M	Ksh. M	Ksh. M	Ksh. M	Ksh. M	Ksh. M	Ksh. M	Ksh. M	Ksh. M	Ksh. M	Ksh. M	Ksh. M	Ksh. M	Ksh. M	
A) STATEMENT OF FINANCIAL POSITION																
1.0 ASSETS																
1.1	Cash and bank balances	703	399	79	41	24	15	4	8	1	0	3	2	0	0	1,280
1.2	Short term deposits with banks	4,490	3,099	948	682	643	568	85	72	11	7	195	65	65	6	10,935
1.3	Government securities	-	4,294	-	-	15	-	-	-	-	-	-	-	-	-	4,309
1.4	Advances to customers (net)	16,741	17,561	4,095	1,761	1,411	1,314	98	700	39	2	307	114	29	6	44,179
1.5	Due from related organisations															
1.6	Other receivables	413	383	89	390	55	294	34	4	20	29	38	45	1	3	1,797
1.7	Tax recoverable	200	337	53	29	-	-	3	-	0	1	-	2	6	-	632
1.8	Deferred tax Asset	448	771	18	78	-	8	76	-	55	71	24	38	4	26	1,616
1.9	Other investment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1.10	Investment in associate companies	1	61	333	-	-	-	-	-	-	-	113	-	-	-	507
1.11	Intangible assets	336	1,348	60	155	32	62	10	4	17	4	21	1	17	24	2,092
1.12	Property and equipment	5,042	2,374	389	465	137	111	7	21	8	14	985	31	27	13	9,622
	TOTAL ASSETS	28,038	29,279	6,005	3,446	2,284	2,310	307	805	134	124	1,665	296	132	54	74,879
2.0 LIABILITIES																
2.1	Cash collaterals held	-	-	-	-	-	-	-	-	-	-	-	-	1	-	-
2.2	Customer deposits	16,335	22,931	3,027	2,398	1,943	978	74	368	10	97	781	270	47	98	49,356
2.3	Borrowings	7,108	2,017	726	401	-	728	110	236	-	-	-	9	-	5	11,340
2.4	Deposit & balances due to banking institutions	-	-	-	-	-	-	-	-	-	-	-	-	1	-	1
2.5	Deferred tax liability	-	-	-	-	-	-	-	0.89	-	-	-	-	-	-	1
2.6	Due to related organisations	-	-	-	-	-	-	-	-	-	-	-	-	1	-	1
2.7	Other liabilities	2,235	1,423	1,633	214	85	253	15	3	25	75	19	56	15	17	6,069
	TOTAL LIABILITIES	25,678	26,371	5,386	3,012	2,028	1,958	199	608	34	172	801	335	63	119	66,766
3.0 SHARE CAPITAL & RESERVES																
3.1	Share capital	186	480	2,500	545	610	212	230	151	203	139	1,017	373	91	154	6,890
3.2	Share premium	2,851	2,900	-	2	-	110	16	-	-	27	20	-	-	5	5,932
3.3	Retained earnings	(676)	(748)	(1,961)	(293)	(379)	29	(138)	46	(103)	(217)	(377)	(414)	(21)	(225)	(5,479)
3.4	Revaluation reserve	-	275	-	154	-	-	-	-	-	2	205	-	-	-	637
3.5	Statutory reserve	0	-	79	26	26	-	0	-	-	-	-	3	-	-	133
3.6	Total Shareholders' funds	2,361	2,907	619	434	256	351	108	197	100	(48)	864	(39)	69	(65)	8,113
	TOTAL LIABILITIES AND EQUITY	28,038	29,279	6,005	3,446	2,284	2,310	307	805	134	124	1,665	296	132	54	74,879

*Unaudited Financial Statements

Source: MFBs Published Financial Statements

APPENDIX XI: MICRO FINANCE BANKS PROFIT AND LOSS ACCOUNT - DECEMBER 2020

	KENYA WOMEN	FAULU	RAFIKI*	SMEP	CARITAS	SUMAC	KEY	U & I	UWEZO	DARAJA*	MAISHA	CENTURY	MUUNGANO	CHOICE*	TOTAL
1.0	Ksh. M	Ksh.M	Ksh. M	Ksh. M	Ksh. M	Ksh. M	Ksh. M	Ksh. M	Ksh. M	Ksh. M	Ksh. M	Ksh. M	Ksh. M	Ksh. M	Ksh. M
Income															
1.1 Interest on Loan Portfolio	4,079	3,948	620	475	172	358	26	106	10	3	101	39	2	6	9,946
1.2 Fees and Commission on Loan Portfolio	513	558	71	56	31	24	1	28	5	0	7	4	2	1	1,301
1.3 Government Securities	-	457	-	-	1	-	-	-	-	-	-	-	-	-	458
1.4 Deposit and Balances with Banks and Financial Inst.	199	95	66	31	66	11	7	-	-	-	9	-	8	-	493
1.5 Other Investments	-	-	12	-	-	-	-	-	-	-	-	1	-	1	14
1.6 Other Operating Income	267	124	117	58	14	6	3	-	1	1	69	9	0	0	669
1.7 Non- Operating Income	-	4	-	-	-	-	-	-	0	-	205	-	-	-	209
Total Income	5,058	5,185	886	620	285	400	38	135	16	4	390	53	11	9	13,090
2.0 Expenses															
2.1 Interest and Fee Expense on Deposits	858	1,866	171	120	65	101	6	34	0	9	70	27	2	6	3,334
2.2 Other Fees and Commissions expense	66	237	4	-	-	10	0	-	-	-	-	-	0	-	317
2.3 Provision for Loan Impairment	625	952	(37)	33	1	20	1	5	4	(1)	89	22	0	3	1,719
2.4 Staff Costs	2,215	903	374	241	88	59	25	22	10	11	38	26	10	9	4,029
2.5 Director's Emoluments	170	12	5	7	5	12	0	6	1	1	2	4	1	-	227
2.6 Rental Charges	382	139	112	24	6	20	4	4	5	4	5	1	1	4	710
2.7 Depreciation Charges	332	275	87	28	33	11	1	3	2	2	5	8	3	2	791
2.8 Amortization Charges	40	91	2	17	1	6	0	0	3	2	7	5	3	3	179
2.9 Other Administrative Expense	1,187	770	181	201	75	42	17	19	13	16	111	20	6	7	2,665
2.1 Non-Operating Expense	-	-	-	-	-	-	-	3	1	-	-	-	-	-	3
Total Expenses	5,874	5,244	899	671	274	281	54	96	40	44	326	112	26	34	13,974
3.0 Operating Profit	(816)	(59)	(14)	(51)	11	119	(17)	39	(23)	(40)	65	(59)	(15)	(25)	(884)
4.0 Interest and Fee Expense on Borrowings (Finance Costs)	691	417	46	47	6	108	17	21	-	-	-	2	-	0	1,356
5.0 Profit/(Loss) before tax	(1,507)	(476)	(60)	(98)	5	11	(34)	18	(23)	(40)	65	(60)	(15)	(26)	(2,240)
6.0 Current Tax	-	118	(18)	-	-	4	-	6	-	-	-	-	-	-	110
6.1 Deferred Tax	-	(195)	-	(29)	-	-	-	0	(6)	-	-	-	-	-	(230)
7.0 Net Profit (After Taxes and Before Donations)	(1,507)	(399)	(42)	(69)	5	7	(34)	12	(18)	(40)	65	(60)	(15)	(26)	(2,120)
8.0 Donations for Operating Expense	22	-	-	-	-	-	-	-	-	-	-	-	-	-	-
9.0 Net Profit After Taxes	(1,485)	(399)	(42)	(69)	5	7	(34)	12	(18)	(40)	65	(60)	(15)	(26)	(2,120)
Other Comprehensive Income	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Surplus on revaluation of building	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Deferred tax on revaluation surplus	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total comprehensive income	(1,485)	(399)	(42)	(69)	5	7	(34)	12	(18)	(40)	65	(60)	(15)	(26)	(2,120)

*Unaudited Financial Statements

Source: MFBs Published Financial Statements

APPENDIX XII: MICRO FINANCE BANKS OTHER DISCLOSURES - DECEMBER 2020

		KENYA WOMEN	FAULU	RAFIKI*	SMEP	CARITAS	SUMAC	KEY	U & I	UWEZO	DARAJA*	MAISHA	CENTURY	MUUNGANO	CHOICE*	TOTAL
		Ksh. M	Ksh. M	Ksh. M	Ksh. M	Ksh. M	Ksh. M	Ksh. M	Ksh. M	Ksh. M	Ksh. M	Ksh. M	Ksh. M	Ksh. M	Ksh. M	Ksh.M
1	NON-PERFORMING LOANS AND ADVANCES															
(a)	Gross Non-Performing Loans and Advances	4,784	4,086	2,648	465	128	425	86	39	62	16	160	73	0	8	12,980
(b)	Less: Interest in Suspense	668	606	1,107	155	20	-	-	9	-	18	-	25	-	3	2,611
(c)	Total Non-Performing Loans and Advances (a-b)	4,116	3,480	1,540	311	108	425	86	31	62	(2)	160	48	0	5	10,369
(d)	Less: Impairment Loss Allowance	365	3,122	409	307	65	95	53	16	32	(1)	169	30	0	8	4,670
(e)	Net Non-Performing Loans (c-d)	3,751	358	1,132	3	43	330	33	15	30	(2)	(9)	18	-	(3)	5,699
2	INSIDER LOANS AND ADVANCES															
(a)	Directors, Shareholders and Associates	163	31	-	9	1	6	1	5	2	-	-	-	1	-	220
(b)	Employees	299	468	35	7	48	13	7	10	-	0	11	5	1	4	907
(c)	Total Insider Loans, Advances and Other Facilities	462	499	35	16	49	19	8	15	2	0	11	5	2	4	1,127
3	OFF-BALANCE SHEET ITEMS															
(a)	Guarantees and Commitments	92	157	4,028	-	-	-	-	-	-	-	214	-	-	-	4,491
(b)	Other Contingent Liabilities	32	1,048	-	-	-	-	-	-	-	-	-	-	-	-	1,080
(c)	Total Contingent Liabilities	124	1,205	4,028	-	-	-	-	-	-	-	214	-	-	-	5,570
4	CAPITAL STRENGTH															
(a)	Core Capital	1,911	1,800	539	147	231	332	32	197	44	(121)	436	(41)	80	(93)	5,494
(b)	Minimum Statutory Capital	60	60	60	60	60	60	60	60	60	20	60	60	20	20	720
(c)	Excess/(Deficiency) (a-b)	1,851	1,740	479	87	171	272	(28)	137	(16)	(141)	376	(101)	60	(113)	4,774
(d)	Supplementary Capital	1,473	69	104	-	26	-	-	-	-	2	-	-	-	-	1,674
(e)	Total Capital (a+d)	3,385	1,869	642	147	256	332	32	197	44	(119)	436	(41)	80	(93)	7,168
(f)	Total Risk Weighted Assets	20,848	19,715	5,341	2,444	1,712	1,832	234	571	68	47	1,499	240	80	78	54,709
(g)	Core Capital/ Total Deposit Liabilities (%)	12	8	18	6	12	34	43	54	451	-125	56	-15	170	-95	11
(h)	Minimum Statutory Ratio (%)	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8
(i)	Excess/(Deficiency) (g-h) (%)	4	0	10	-2	4	26	35	46	443	-133	48	-23	162	-103	3
(j)	Core Capital/ Total Risk Weighted Assets (%)	9	9	10	6	13	18	13	35	65	-259	29	-17	100	-120	10
(k)	Minimum Statutory Ratio (%)	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10
(l)	Excess/(Deficiency) (j-k) (%)	-1	-1	0	-4	3	8	3	25	55	-269	19	-27	90	-130	0
(m)	Total Capital/ Total Risk Weighted Assets (%)	16	9	12	6	15	18	13	35	65	-254	29	-17	100	-120	13
(n)	Minimum Statutory Ratio (%)	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12
(o)	Excess/(Deficiency) (m-n) (%)	4	-3	0	-6	3	6	1	23	53	-266	17	-29	88	-132	1
5	LIQUIDITY															
(a)	Liquidity Ratio (%)	20	29	31	23	35	37	31	22	95	6	25	23	138	1	37
(b)	Minimum Statutory Ratio (%)	20	20	20	20	20	20	20	20	20	20	2	20	20	20	20
(c)	Excess/(Deficiency) (a-b) (%)	0	9	11	3	1	17	11	22	75	-14	5	3	118	-19	17

* Unaudited Financial Statements

Source: MFBs Published Financial Statements

APPENDIX XIII: RESIDENTIAL MORTGAGES MARKET SURVEY DECEMBER 2020

December 2019													December 2020												
Institution	Peer Group	Mortgage Outstanding (Ksh. M)	% of the Mortgage Market	No. of Mortgage Accounts	Value of Mortgage Loans NPLs (Ksh. M)	Number of Accounts for Mortgage Loans NPLs	Mortgage Outstanding (Ksh. M)	% of the Mortgage Market	Number of Mortgage Accounts	Value of Mortgage Loans NPLs (Ksh. M)	Number of Accounts for Mortgage Loans NPLs														
1	KCB Bank Kenya Ltd	Large	66,134.0	27.8	8,404	5,143.0	559	69,063.0	29.7	8,837	6,040.0	795													
2	Stanbic Bank Kenya Limited	Large	28,380.0	11.9	2,224	1,830.0	201	30,541.0	13.1	2,344	2,597.0	258													
3	HFC Ltd	Medium	40,066.0	16.9	4,717	11,652.0	533	26,092.0	11.2	4,101	4,398.0	209													
4	Standard Chartered Bank Kenya Limited	Large	21,983.0	9.3	2,042	669.0	97	21,422.1	9.2	1,942	1,142.0	120													
5	Absa Bank Kenya Plc	Large	12,594.0	5.3	1,242	423.0	49	14,298.0	6.1	1,371	449.0	63													
6	Co-operative Bank of Kenya Limited	Large	11,646.0	4.9	1,274	1,656.0	94.00	11,884.0	5.1	1,285	2,071.0	142.00													
7	Equity Bank Ltd	Large	10,872.0	4.6	1,955	1,052.0	198	11,529.0	5.0	1,898	1,225.0	212													
8	NCBA Bank Kenya Plc	Large	10,133.0	4.3	1,283	789.0	87	11,102.0	4.8	1,371	1,640.0	177													
9	Family Bank Ltd	Medium	7,161.8	3.0	863	834.5	81	7,656.3	3.3	965	1,212.4	105													
10	DIB Bank Kenya Ltd	Small	2,163.9	0.9	70	55.3	3	3,716.0	1.6	90	60.0	6													
11	Development Bank of Kenya Limited	Small	2,950.0	1.2	617	875	90.00	3,092.4	1.3	473	807	62.00													
12	SBM Bank Kenya Limited	Medium	3,239.6	1.4	199	2,276.8	98	3,049.4	1.3	149	2,427.4	89													
13	I&M Bank Ltd	Large	2,546.0	1.1	314	387.0	37	2,866.0	1.2	307	537.0	39													
14	First Community Bank Ltd	Small	2,108.0	0.9	218	727.0	40	2,415.8	1.0	221	698.7	37													
15	Bank of Africa Ltd	Medium	2,996.0	1.3	374	52.0	6	2,285	1.0	182	123.0	28													
16	National Bank of Kenya Ltd	Medium	1,953.0	0.8	324	142.0	21	2,163.0	0.9	342	189.0	25													
17	Bank of Baroda Ltd	Small	1,268.8	0.5	128	35.9	2	1,563.0	0.7	142	91.0	6													
18	Kingdom Bank Ltd	Small	1,294.6	0.5	223	840.2	82	1,194.5	0.5	203	853.9	109													
19	Diamond Trust Bank of Kenya Ltd	Large	980.0	0.4	90	52.0	6	1,118.3	0.5	100	68.3	9													
20	Sidian Bank Ltd	Small	621.0	0.3	109	211.0	47	984.0	0.4	149	135.0	28													
21	Consolidated Bank of Kenya Limited	Small	2,272.3	1.0	293	621.8	48	869.4	0.4	153	169.7	36													
22	Guardian Bank Ltd	Small	880.0	0.4	32.00	259.0	150	793.0	0.3	27	299.0	3													
23	African Banking Corporation Ltd	Small	707.4	0.3	658	75.8	6	764.6	0.3	92	96.4	7													
24	Ecobank Kenya Ltd	Medium	550.6	0.2	84	52.0	645	533.4	0.2	70	56.4	14													
25	Gulf African Bank Ltd	Small	751.0	0.3	154	-	-	385.6	0.2	61	39.1	9													
26	Spire Bank Ltd	Small	390.8	0.2	21.00	183.4	5.00	322.9	0.1	20	248.3	8.00													
27	Bank of India	Medium	252.7	0.1	22	-	-	288.9	0.1	23	-	-													
28	Victoria Commercial Bank Ltd	Small	328.0	0.1	14	17.0	1.00	276.0	0.1	11	90.0	3.00													
29	Paramount Bank Ltd	Small	254.0	0.1	19	18.0	3	246.0	0.1	21	22.0	3													
30	Prime Bank Ltd	Medium	195.0	0.1	21	10.0	1	164.0	0.1	17	9.0	1													
31	Middle East Bank Kenya Limited	Small	42.0	0.0	5	34.0	3	22.0	0.0	4	13.0	1													
32	Habib Bank A.G. Zurich	Small	-	-	-	-	-	-	-	-	-	-													
33	M-Oriental Commercial Bank Ltd	Small	-	-	-	-	-	-	-	-	-	-													
34	Access Bank Plc	Small	-	-	-	-	-	-	-	-	-	-													
35	Mayfair CIB Bank Kenya Ltd	Small	-	-	-	-	-	-	-	-	-	-													
Banks not offering Mortgage Loans																									
32	Citibank N.A. Kenya	Medium	-	-	-	-	-	-	-	-	-	-													
33	Guaranty Trust Bank Ltd	Small	-	-	-	-	-	-	-	-	-	-													
34	Credit Bank Plc	Small	-	-	-	-	-	-	-	-	-	-													
39	UBA Kenya Bank Ltd	Small	-	-	-	-	-	-	-	-	-	-													
Total			237,715	100.0	27,993	30,974	3,193	232,700	100	26,971	27,808	2,604													
Average Mortgage Loan Size (Mortgage outstanding loans/Number of mortgage accounts)			8.5					8.6																	
Source: Commercial Banks and Mortgage Finance Companies																									

APPENDIX XIV: BANKING CIRCULARS ISSUED IN 2020

Circular No.	Date	Title	Purpose
1	January 27, 2020	Review of the Central Bank Rate (CBR)	To inform the financial institutions on the revised CBR and the Central Bank Window Rate.
2	March 25, 2020	Activation of precautionary measures to ensure business continuity and mitigate pandemic risk	To ensure institutions review and update their Business Continuity Plans (BCPs) to ensure continuity of operations.
3	March 27, 2020	Implementation of the emergency measures to mitigate the adverse impact of corona virus (COVID 19) pandemic on loans and advances	To provide guidance to commercial banks and mortgage finance companies on the implementation of the recommended emergency measures on extended and restructured loans.
4	March 27, 2020	Review of the Cash Reserve Ratio (CRR)	To provide guidance on how to access the additional liquidity following the reduction of the CRR from 5.25 to 4.25 percent.
5	March 27, 2020	Guidance Note on Pandemic Planning for the banking sector	To provide guidance on pandemic planning for the banking sector.
6	March 30, 2020	Extension of Reverse REPO tenors	To advise commercial banks on the extension of Reverse Repos from 28 to 91 days which enables them access longer term liquidity.
7	April 14, 2020	Temporary suspension of exchange of some aspects of negative credit information	To direct financial institutions to comply with the directives published by the Cabinet Secretary, National Treasury and Planning on negative credit information.
8	April 14, 2020	Submission of credit information by digital lenders and credit only microfinance institutions	To direct credit reference bureaus to terminate data submission arrangements with the unregulated digital lenders and credit only micro-finance institutions.
9	May 4, 2020	Review of the Central Bank Rate (CBR)	To inform the financial institutions on the revised CBR and the Central Bank Window Rate.
10	May 19, 2020	Anti-Money Laundering and Combating the Financing of Terrorism requirements relating to safety deposit boxes/lockers	To ensure that the financial institutions ascertain the contents of the safety deposit boxes in their custody in order to minimize the risk of these boxes being used to perpetrate illegal activities.
11	August 14, 2020	Internal Capital Adequacy Assessment Process (ICAAP) by commercial banks and mortgage finance companies during the COVID-19 pandemic	To ensure that the financial institutions remain resilient by strengthening their capital levels that would guarantee continuity of operations.
12	September 1, 2020	Fraudulent and Unlicensed Financial Schemes	To ensure that the financial institutions review their customer databases to ensure they do not hold accounts with fraudulent entities and schemes.

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 Benefits Authority (RBA)	31.08.2009 Amended on 28.08.2013
3	Bilateral MOU between South Africa Reserve Bank (SARB) and Central Bank of Kenya (CBK)	01.07.2010
4	Bilateral MOU between Central Bank of Nigeria (CBN) and Central Bank of Kenya (CBK)	23.06.2011
5	Bilateral MOU between Bank of Mauritius (BoM) and Central Bank of Kenya (CBK)	08.08.2011
6	Bilateral MOU on Technical Cooperation between the Bank of Southern Sudan and the Central Bank of Kenya	19.12.2012
7	Bilateral MOU between Reserve Bank of Malawi (RBM) and Central Bank of Kenya (CBK)	23.04.2013
8	Bilateral MOU between Reserve Bank of Zimbabwe (RBZ) and Central Bank of Kenya (CBK)	15.05.2013
9	Bilateral MOU between Bank of Zambia (BoZ) and Central Bank of Kenya (CBK)	12.06.2013
10	Bilateral MOU between the Financial Reporting Centre and Central Bank of Kenya (CBK)	30.09.2013
11	Bilateral MOU between the Reserve Bank of India and Central Bank of Kenya (CBK)	16.10.2014

APPENDIX XVI :BANKS BRANCH NETWORK PER COUNTY

	County	December 2019	December 2020	Increase/(Decrease)
1	Baringo	10	9	-1
2	Bomet	8	9	1
3	Bungoma	15	16	1
4	Busia	10	10	0
5	Elgeyo/Marakwet	6	6	0
6	Embu	10	10	0
7	Garissa	9	9	0
8	Homa Bay	9	9	0
9	Isiolo	7	7	0
10	Kajiado	46	44	-2
11	Kakamega	17	18	1
12	Kericho	17	17	0
13	Kiambu	74	76	2
14	Kilifi	34	35	1
15	Kirinyaga	16	17	1
16	Kisii	22	21	-1
17	Kisumu	39	40	1
18	Kitui	15	15	0
19	Kwale	12	12	0
20	Laikipia	18	20	2
21	Lamu	9	9	0
22	Machakos	30	29	-1
23	Makueni	14	16	2
24	Mandera	3	3	0
25	Marsabit	7	7	0
26	Meru	39	40	1
27	Migori	13	14	1
28	Mombasa	123	121	-2
29	Murang'a	20	20	0
30	Nairobi City	593	597	4
31	Nakuru	62	61	-1
32	Nandi	12	12	0
33	Narok	15	15	0
34	Nyamira	5	6	1
35	Nyandarua	10	9	-1
36	Nyeri	29	29	0
37	Samburu	3	3	0
38	Siaya	7	8	1
39	Taita/Taveta	10	9	-1
40	Tana River	3	3	0
41	Tharaka-Nithi	7	7	0
42	Trans Nzoia	14	14	0
43	Turkana	7	7	0
44	Uasin Gishu	46	49	3
45	Vihiga	7	6	-1
46	Wajir	4	4	0
47	West Pokot	4	4	0
	Total	1,490	1,502	12

NO.	Appendix XVII: DIRECTORY OF COMMERCIAL BANKS, MORTGAGE FINANCE COMPANIES, KENYA BANKERS ASSOCIATION, NON-OPERATING HOLDING COMPANIES AND AUTHORISED REPRESENTATIVE OFFICES
1	<p>Absa Bank Kenya Plc Managing Director: Mr. Jeremy Awori Postal Address: P.O. Box 30120 - 00100 Telephone numbers: +254 (20) 4254000 Fax: +254 (20) 4455491 Email: absa.kenya@absa.africa Website: www.absabank.co.ke Physical Address: ABSA Bank, Westend Building, Off Waiyaki Way, Nairobi Date Licensed: 1916 Peer Group: Large Number of Branches: 107</p>
2	<p>Access Bank (Kenya) Plc Managing Director: Mr. David Aluko Postal Address: P.O. Box 34353 - 00100 Nairobi Telephone: 020-2252188/91, 0780022224, 0720081772 Fax: +254-20-2252225 Email: info@accessbankplc.co.ke Website: www.accessbankplc.com Physical Address: Transnational Plaza, Mama Ngina Street, Nairobi Date Licensed: 8/1/1985 Peer Group: Small Branches: 28</p>
3	<p>African Banking Corporation Limited Group Managing Director: Mr. Shamaz Savani Postal Address: P.O. Box 46452-00100, Nairobi Telephone: +254-20- 4263000, 223922, 2251540/1, 217856/7/8. Fax: +254-20-2222437 Email: headoffice@abcthebank.com; talk2us@abcthebank.com Website: http://www.abcthebank.com Physical Address: ABC Bank House, Woodvale Grove, Westlands, Nairobi Date Licensed: 08-12-1984 Peer Group: Small Branches: 12</p>
4	<p>Bank of Africa Kenya Limited Managing Director: Mr. Ronald Marambii Postal Address: P.O. Box 69562-00400 Telephone numbers: +254 20 3275000 Email: yoursay@boakenya.com Website: www.boakenya.com Facebook: Bank of Africa Kenya Twitter: BankofAfrica_Ke Physical Address: BOA House, Karuna Close, Off Waiyaki Way, Westlands, Nairobi Date Licensed: 22-07-2004 Peer Group: Small Number of Branches: 31</p>
5	<p>Bank of Baroda (Kenya) Ltd Managing Director: Mr. Saravanakumar Appavu Postal Address: P.O. Box 300333-00100 Nairobi Telephone numbers: +254(20)2248402/2248412/2226416 Fax: +254(20)3316070/310439 Email: ho.kenya@bankofbaroda.com Website: kenya@bankofbaroda.com Physical Address: Baroda House, 29 Koinange Street, Nairobi Date Licensed: 01-07-1953 Peer Group: Medium Number of Branches: 13</p>
6	<p>Bank of India Chief Executive Officer: Sharda Bhushan Rai Postal Address: P.O. Box 30246 - 00100 Nairobi Telephone: +254-20-2221414/5/6/7,0720606707, 0734636737 Fax: +254-20-2221417 Email: cekenya@boikenya.com Website: www.boikenya.com Physical Address: Bank of India Building, Kenyatta Avenue, Nairobi Date Licensed: 05-06-1953 Peer Group: Medium Branches: 5</p>

NO.	Appendix XVII: DIRECTORY OF COMMERCIAL BANKS, MORTGAGE FINANCE COMPANIES, KENYA BANKERS ASSOCIATION, NON-OPERATING HOLDING COMPANIES AND AUTHORISED REPRESENTATIVE OFFICES
7	<p>Charterhouse Bank Ltd IN LIQUIDATION 17th Floor UAP Old Mutual Towers, Upper Hill, Nairobi Postal Address: P.O. Box 45983-00100 Nairobi, Kenya Email: customercare@kdic.go.ke +254 20 66 77 000, +254 709 043 000 www.kdic.go.ke Date Licensed: 11-11-1996</p>
8	<p>Chase Bank (K) Limited IN LIQUIDATION 17th Floor UAP Old Mutual Towers, Upper Hill, Nairobi Postal Address: P.O. Box 45983-00100 Nairobi, Kenya Email: customercare@kdic.go.ke +254 20 66 77 000, +254 709 043 000 www.kdic.go.ke Date Licensed: 1st April, 1996</p>
9	<p>Citibank N.A Kenya Chief Executive Officer: Mr. Martin Mugambi Postal Address: P.O. Box 30711-00100 Nairobi, Kenya Telephone numbers: +254 020 2754444 Email: citiservice@citi.com Website: https://citigroup.com/citi/about/countrypresence/kenya.html Physical Address: Citibank House, Upper Hill, Nairobi Date Licensed: 01-07-1974 Peer Group: Medium Number of Branches: 3</p>
10	<p>Consolidated Bank of Kenya Ltd Ag. Chief Executive Officer: Mr. Japheth Kisilu Postal Address: P.O. Box 51133-00200, Nairobi. Telephone numbers: +254 20 3215000, +254 703 016 000 Email: tellus@consolidated-bank.com Website: www.consolidated-bank.com Physical Address: Consolidated Bank House, 6th Floor, Koinange Street, Nairobi Date Licensed: 18-12-1989 Peer Group: Small Number of Branches: 17</p>
11	<p>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: 156</p>
12	<p>Credit Bank Limited Plc Chief Executive Officer: Ms. Betty C. Maritim-Korir Postal Address: P.O. Box 61064, Nairobi Telephone: +254 20 2283000 / +254 709072000 / +254 738 222300 Fax: +254-20-2216700 Email: customerservice@creditbank.co.ke Website: www.creditbank.co.ke Physical Address: Mercantile House, Ground Floor, Koinange Street, Nairobi Date Licensed: 30-11-1994 Peer Group: Small Branches: 18</p>
13	<p>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</p>

NO.	Appendix XVII: DIRECTORY OF COMMERCIAL BANKS, MORTGAGE FINANCE COMPANIES, KENYA BANKERS ASSOCIATION, NON-OPERATING HOLDING COMPANIES AND AUTHORISED REPRESENTATIVE OFFICES
14	<p>DIB Bank Kenya Limited Chief Executive Officer: Mr. Peter M. Makau Postal Address: P.O. Box 6450 – 00200 Nairobi Telephone numbers: +254 20 513 1300 / +254 709 913 000 Fax: N/A Email: contact@dibkenya.co.ke Website: www.dibkenya.co.ke Physical Address: Upper Hill Building, Bunyala/Lower Hill Rd Junction, Nairobi Date Licensed: 13-4-2017 Peer Group: Small Number of Branches: 5</p>
15	<p>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@dtbf africa.com Website: https://dtbk.dtb africa.com Physical Address: DTB Centre, Mombasa Road, Nairobi Date Licensed: 1-1-1946 Peer Group: Large Branches: 70</p>
16	<p>Ecobank Kenya Limited Managing Director: Mr. Cheikh Mohamed Travaly Postal Address: P.O. Box 49584 - 00100 Nairobi, Kenya Telephone numbers: (+254) 719 098 000, Toll Free 0800 221 2218 Fax: +254 020 2883304 Email: Kenya@ecobank.com Website: www.ecobank.com Physical Address: Fortis Office Park, Muthangari Drive Off Waiyaki Way, Nairobi Date Licensed: 16-06-2008 Peer Group: Medium Number of Branches: 18</p>
17	<p>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:190</p>
18	<p>Family Bank Limited Managing Director and CEO: Ms. Rebecca Mbithi Postal Address: P.O. Box 74145-00200, Nairobi Telephone numbers: +254 703 095 445 / +254 705 325 325 / +254 703 095 000 Email: info@familybank.co.ke Website: www.familybank.co.ke Physical Address: Family Bank Tower, Muindi Mbingu Street, Nairobi Date Licensed: 01-05-2007 Peer Group: Medium Number of Branches: 92</p>
19	<p>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: 29-04-2008 Peer Group: Small Number of Branches:18</p>

NO.	Appendix XVII: DIRECTORY OF COMMERCIAL BANKS, MORTGAGE FINANCE COMPANIES, KENYA BANKERS ASSOCIATION, NON-OPERATING HOLDING COMPANIES AND AUTHORISED REPRESENTATIVE OFFICES
20	<p>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</p>
21	<p>Guardian Bank Limited Chief Executive Officer: Mr. Narayanamurthi Sabesan Postal Address: P.O. Box 67437 – 00200, Nairobi Telephone numbers: (+254) 020 2226771/4 Mobile:0722282213 / 0733888060 Email: Headoffice@guardian-bank.com Website: www.guardian-bank.com Physical Address: Guardian Centre, Biashara Street, Nairobi Date Licensed: 20-12-1995 Peer Group: Small Number of Branches: 10</p>
22	<p>Gulf African Bank Limited Chief Executive Officer: Mr. Abdalla Abdulkhalik Postal Address: P.O. Box 43683 - 00100 Nairobi, Kenya Telephone numbers: Tel: +254-20-2740000/0711-075000 Fax: N/A Email: info@gab.co.ke Website: http://www.gulfafricanbank.com Physical Address: Geminia Insurance Plaza, Upper Hill, Nairobi Date Licensed: 01-11-2007 Peer Group: Small Number of Branches: 17</p>
23	<p>Habib Bank AG Zurich Chief Executive Officer: Mr. Asim Basharullah Postal Address: P.O. Box 30584 - 00100, Nairobi Telephone numbers: 020-3341172/6/7 Fax: 020- 2218699 Email: info.ke@habibbank.com Website: www.habibbank.com Physical Address: Habib House, Koinange Street, Nairobi Date Licensed: 01-07-1978 Peer Group: Small Number of Branches: 4</p>
24	<p>Imperial Bank Ltd IN-RECEIVERSHIP 17th Floor UAP Old Mutual Towers, Upper Hill, Nairobi Postal Address: P.O. Box 45983 – 00100, Kenya Email: customercare@kdic.go.ke +254 20 66 77 000, +254 709 043 000 www.kdic.go.ke Date Licensed: 08-12-1994 Peer Group: Medium Branches: 1</p>
25	<p>I&M Bank Ltd Chief Executive Officer: Mr. Christopher M. Kihara Postal Address: P.O. Box 30238 – 00100, Nairobi Telephone: +254 20 322 1000, +254 719 088 000, +254 732 100 000 Fax: +254-20-2713757 / 2716372 Email: customercare@imbank.co.ke Website: http://www.imbank.com Physical Address: 1 Park Avenue, First Parklands Avenue Date Licensed: 1-1-1974 Peer Group: Large Branches: 40</p>

NO.	Appendix XVII: DIRECTORY OF COMMERCIAL BANKS, MORTGAGE FINANCE COMPANIES, KENYA BANKERS ASSOCIATION, NON-OPERATING HOLDING COMPANIES AND AUTHORISED REPRESENTATIVE OFFICES
26	<p>Kingdom Bank Kenya Ltd Chief Executive Officer: Mr. Anthony Mburu Postal Address: P.O. Box 22742 - 00400, Nairobi Telephone numbers: 0709881000 Fax: N/A Email: info@kingdombank.co.ke Website: www.kingdombank.co.ke Physical Address: Kingdom Bank Towers, Argwings Kodhek Rd, Nairobi Date Licensed: 02-03-2010 Peer Group: Small Number of Branches: 20</p>
27	<p>KCB Bank Kenya Limited Chief Executive Officer: Mr. Joshua Oigara Postal Address: P.O. Box 48400 – 00100, Nairobi Telephone numbers: +254 20 3270000, 2852000, 2851000, +254 711012000/ 734 108200 Email: contactus@kcbgroup.com Website: www.kcbgroup.com Physical Address: Kencom House, Moi Avenue, Nairobi Date Licensed: 01-01-1896 Peer Group: Large Branches: 203</p>
28	<p>Mayfair CIB Bank Limited Managing Director: Mr. Joram Kiarie Postal Address: P.O. Box 2051-00606, Nairobi Telephone numbers: +254 20 3951 000/ + 254 709 063 000 Fax: N/A Email: jkiarie@mayfair-bank.com Website: www.mayfair-bank.com Physical Address: KAM House, Mezzanine Floor, Mwanzi Road, Westlands, Nairobi Date Licensed: 20-06-2017 Peer Group: Small Branches: 5</p>
29	<p>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: ho@mebkenya.com Website: www.mebkenya.com Physical Address: Mebank Tower, Jakaya Kikwete Road (formerly Milimani Road), Nairobi Date Licensed: 15-12-1980 Peer Group: Small Branches: 4</p>
30	<p>M Oriental Bank Limited Managing Director: Mr. Alakh Kohli Postal Address: P.O. Box 44080-00100 Telephone numbers: 0722 209 585/ 0734 333 291 Email: info@moriental.co.ke Website: www.moriental.co.ke Physical Address: Finance House, 7 Koinange Street, Nairobi Date Licensed: 08-02-1991 Peer Group: Small Number of Branches: 7</p>
31	<p>National Bank of Kenya Ltd Managing Director and CEO: Mr. Paul Russo Postal Address: P.O. Box 72866 - 00200 Nairobi Telephone: 020 282 8900, 0703 088 900, 0732 118 900 Fax: +254-20-311444/2223044 Email: callcentre@nationalbank.co.ke Website: www.nationalbank.co.ke Physical Address: National Bank Building, Harambee Ave, Nairobi Date Licensed: 01-01-1968 Peer Group: Medium Branches: 78</p>

NO.	Appendix XVII: DIRECTORY OF COMMERCIAL BANKS, MORTGAGE FINANCE COMPANIES, KENYA BANKERS ASSOCIATION, NON-OPERATING HOLDING COMPANIES AND AUTHORISED REPRESENTATIVE OFFICES
32	<p>NCBA Bank Plc Chief Executive Officer: Mr. John Gachora Postal Address: P.O. Box 30437-00100, Nairobi, Kenya Telephone numbers: 020-2884000 Email: contact@ncbagroup.com Website: www.ncbagroup.com Physical Address: NCBA Center, Mara/Ragati Roads, Upper Hill, Nairobi Date Licensed: 1-1-1967 Peer Group: Large Branches: 82</p>
33	<p>Paramount Bank Limited Chief Executive Officer: Mr. Ayaz A. Merali Postal Address: P.O. Box 14001-00800, Nairobi Telephone numbers: 020 4449266/7 or 0709 935000 Fax: 020-4449265 Email: info@paramountbank.co.ke Website: www.paramountbank.co.ke Physical Address: Sound Plaza, Woodvale Grove Road, Nairobi Date Licensed: 05-07-1995 Peer Group: Small Number of Branches: 8</p>
34	<p>Prime Bank Ltd Chief Executive Officer: Mr. Bharat Jani Postal Address: P.O. Box 43825- 00100 Telephone numbers: (020) 4203000/4203116/4203148 Fax: 020-4451247 Email: headoffice@primebank.co.ke Website: www.primebank.co.ke Physical Address: Prime Bank Building – Riverside Drive, Nairobi Date Licensed: 03-09-1992 Peer Group: Medium Number of Branches: 22</p>
35	<p>SBM Bank (Kenya) Ltd Managing Director: Mr. Moezz Mahmood Mir Postal Address: P.O. Box 34886, Nairobi Telephone: (254) (20) 2242348 / 2248842 / 2244187 Fax: +254-20-2243389/2245370 Email: emailsbm@sbmgroup.mu Web: https://www.sbmgroup.mu/ Physical Address: Riverside Mews, Nairobi Date Licensed: 07-03-1996 Peer Group: Medium Branches: 53</p>
36	<p>Sidian Bank Limited Chief Executive Officer: Mr. Chege Thumbi Postal Address: P.O. Box 25363 – 00603, Nairobi Telephone: (+254)0711-058000, (+254)0732-158000, (+254)020-3906000 Fax: +254-20-3873178 / 3568998 Email: talktous@sidianbank.co.ke Website: www.sidianbank.co.ke Physical Address: K-Rep Centre Wood Avenue, Kilimani, Nairobi Date Licensed: 23-03-1999 Peer Group: Small Branches: 42</p>
37	<p>Spire Bank Ltd Ag. Managing Director: Mr. Brian Kilonzo Postal Address: P.O. Box 52764 - 00200 Telephone numbers: +254 -020- 4981000 Email: letstalk@spirebank.co.ke Website: spirebank.co.ke Physical Address: Mwalimu Towers, Hill Lane, Upper Hill, Nairobi Date Licensed: 23-06-1995 Peer Group: Small Branches: 12</p>

Appendix XVII: DIRECTORY OF COMMERCIAL BANKS, MORTGAGE FINANCE COMPANIES, KENYA BANKERS ASSOCIATION, NON-OPERATING HOLDING COMPANIES AND AUTHORISED REPRESENTATIVE OFFICES	
38	<p>Stanbic Bank Kenya Limited Chief Executive Officer: Mr. Charles Mudiwa Postal Address: P.O. Box 72833 - 00200 Nairobi Telephone: +254-20-36380000. /11 /17 /18 /20 /21, 0711-0688000 Fax: +254-20-3752905/7 Email: customercare@stanbic.com Website: https://www.stanbicbank.co.ke Physical Address: Stanbic Bank Centre, Westlands Road, Chiromo, Nairobi Date Licensed: 5/14/1955 Peer Group: Large Branches: 26</p>
39	<p>Standard Chartered Bank Kenya Limited Chief Executive Officer: Mr. Kariuki Ngare Postal Address: P.O. Box 30003, 00100, Nairobi, Kenya Telephone numbers: +254 (0)20 3293000 Fax: +254 (0)20 3747880 Email: Ke.Service@sc.com Website: www.sc.com/ke Physical Address: Standard Chartered Building, Chiromo 48, Westlands Road, Nairobi Date Licensed: 10-1-1910 Peer Group: Large Number of Branches: 26</p>
40	<p>UBA Kenya Bank Limited Chief Executive Officer: Mr. Chike Hilary Isiuwe Postal Address: P.O. Box 34154 00100 Nairobi Telephone numbers: +254 711027099 / +254 203612099 Fax: N/A Email: cfckeny@ubagroup.com Website: https://www.ubagroup.com/countries/ke Physical Address: 1st Floor, Apollo Centre, Vale Close, Ring Road, Westlands, Nairobi Date Licensed: 25-09-2009 Peer Group: Small Number of Branches: 3</p>
41	<p>Victoria Commercial Bank Limited Managing Director: Dr. Yogesh Pattni Postal Address: P.O. Box 41114-00100 Telephone numbers: 0709 876100 Fax: N/A Email: yogesh@vicbank.com Website: www.victoriabank.co.ke Physical Address: Victoria Towers, Upper Hill, Nairobi Date Licensed: 11-01-1996 Peer Group: Small Number of Branches: 5</p>
B: MORTGAGE FINANCE COMPANIES	
1	<p>HFC Limited Ag. Chief Executive Officer: Ms. Regina Anyika Postal Address: P.O. Box 30088 – 00100, Nairobi Telephone numbers: 020 326 2000/ 0709 438 000 Fax: (+254 20) 2250858 Email: customer.service@hfgroup.co.ke Website: https://www.hfgroup.co.ke/ Physical Address: Rehani House, Kenyatta Avenue/Koinange Street, Nairobi Date Licensed: 07.05.1965 Peer Group: Medium Number of Branches: 22</p>
C. KENYA BANKERS ASSOCIATION	
1	<p>Chief Executive Officer: Dr. Habil Olaka Postal Address: P.O. Box 73100-00200, Nairobi Tel: +254-20-2221704/2224014/2224015/2217757 Fax: +254-20-2221792 Email: ceo@kba.co.ke Website: www.kba.co.ke Physical Address: 13th floor, International House, Mama Ngina Street, Nairobi</p>

NO.	Appendix XVII: DIRECTORY OF COMMERCIAL BANKS, MORTGAGE FINANCE COMPANIES, KENYA BANKERS ASSOCIATION, NON-OPERATING HOLDING COMPANIES AND AUTHORISED REPRESENTATIVE OFFICES
D. NON-OPERATING BANK HOLDING COMPANIES	
1	<p>Bakki Holdco Limited Licensed Subsidiary: Sidian Bank Ltd Postal Address: P.O. Box 10518 -00100, Nairobi Telephone: 0709902000 E-mail: info@centum.co.ke Website: www.centum.co.ke (NB: Bakki Holdco is a subsidiary of Centum Ltd) Physical Address: 5th Floor, International Life House, Mama Ngina Street, Nairobi Date Authorised: 31st December 2014</p>
2	<p>Equity Group Holdings Limited Licensed Subsidiary: Equity Bank Kenya Ltd Postal Address: P.O. Box 75104 – 00200, Nairobi Telephone: +254 763 3026000 Contact Centre: +254 763 063 000 E-mail: info@equitygroup Holdings.com Website: www.equitygroup Holdings.com Physical Address: Equity Centre, 9th Floor, Hospital Road, Upper Hill, Nairobi</p>
3	<p>HF Group Limited Licensed Subsidiary: HFC Ltd Postal Address: P.O. Box 30088 – 00100, Nairobi Telephone: +254(20)-3262000, 0722715256, 0722708660, 0722201175, 0733617682 E-mail: housing@hfgroup.co.ke Website: www.hfgroup.co.ke Physical Address: Rehani House, Kenyatta Avenue/ Koinange Street. Junction, Nairobi. Date Authorised: 3rd June, 2015</p>
4	<p>I&M Holdings PLC Licensed Subsidiary: I&M Bank Kenya Ltd Postal Address: P.O. Box 30238-00100, Nairobi Telephone: +254 20 322 1000, +254 719 088 000, +254 732 100 000, +254 753 221 000 E-mail: invest@imbank.co.ke Website: www.imbank.com Physical Address: 1 Park Avenue, First Parklands Avenue. Date Authorised: 13th May 2013</p>
5	<p>KCB Group Plc Licensed Subsidiary: KCB Bank Kenya Ltd Postal Address: P.O. Box 48400 – 00100, Nairobi Telephone: +254 20 3270000/2851000/2852000/+254 711012 000 /0734 108200 / Sms: 22522 E-mail: contactus@kcbbankgroup.com Website: www.kcbbankgroup.com Physical Address: Kencom House, Nairobi Date Authorised: 1st November, 2015</p>
6	<p>M Holdings Limited Licensed Subsidiary: M-Oriental Bank Ltd Postal Address: P.O. Box 73248-00200 Nairobi, Kenya Telephone: +254 20 2149923 E-mail address: mholdings2014@gmail.com Physical address: Jadala Place, 3rd Floor, Ngong Lane, Ngong Road, Nairobi Date Authorised: 18th February, 2015</p>
7	<p>NCBA Group PLC Licensed Subsidiary: NCBA Bank Kenya Plc Postal Address: P.O. Box 44599-00100 Nairobi, Kenya Telephone: +254 20 2888000 E-mail address: info@nic-bank.com Physical address: NIC House, Masaba Road, Upper Hill, Nairobi Date Authorised: 30th September 2019</p>
8	<p>Stanbic Holdings PLC Licensed Subsidiary: Stanbic Bank Kenya Ltd Postal Address: P.O. Box 72833-00200, Nairobi Telephone: + 254 20 3638000 E-mail: customercare@stanbic.com Website: http://www.stanbicbank.co.ke Physical Address: Stanbic Bank Centre, 1st Floor, Westlands Road, Chiromo Nairobi Date Authorised: 21st June 2013</p>

Appendix XVII: DIRECTORY OF COMMERCIAL BANKS, MORTGAGE FINANCE COMPANIES, KENYA BANKERS ASSOCIATION, NON-OPERATING HOLDING COMPANIES AND AUTHORISED REPRESENTATIVE OFFICES	
E. AUTHORISED REPRESENTATIVE OFFICES	
1	<p>Bank of China Limited - Kenya Representative Office Chief Representative Officer: Mr. Chen Thao Address: P.O. Box 21357 - 00505 – Nairobi, Kenya Telephone No.: +254 - 20 - 3862811 / 2 Mobile: +254 - 788808600 E-mail: chentao.19@bankofchina.com Physical Address: Unit 1, 5th Floor, Wing B, Morningside Office Park, Ngong Road, Nairobi Date Authorised: 29th June 2012</p>
2	<p>Bank of Kigali Ltd - Kenya Representative Office Chief Representative Officer Designate: Ms. Christa Sangwa Postal Address: P.O. Box 73279-00200 GPO– Nairobi, Kenya Telephone No.: +254 (20) 2711076 E-mail: csangwa@bk.rw Physical Address: Ground Floor, Capitol Hill Square, Off Chyulu Road, Upper Hill, Nairobi Date Authorised: 12th February 2013</p>
3	<p>FirstRand Bank Limited - Kenya Representative Office Chief Representative Officer: Mrs. Alfetta Koome Mungai Postal Address: P.O. Box 35909 - 00200 – Nairobi, Kenya Telephone No.: +254 20 4908201 / 4908206 Cell: +254790469978 E-mail: Alfetta.Koome@rmb.co.za Physical Address: Ground Floor, Eaton Place, UN Crescent, Gigiri, Nairobi Date Authorised: 29th November 2011</p>
4	<p>HDFC Bank Limited - Kenya Representative Office Chief Representative Officer: Mr. Rajesh Kumar Saboo Postal Address: P.O. Box 14235 - 00800 – Nairobi, Kenya Mobile No.: +254 713597593 Telephone No: +254 20 3749857/63 E-mail address: Rajesh.Saboo@hdfcbank.com Physical Address: Prosperity House, Westlands Road, Off Museum Hill, Westlands, Nairobi Date Authorised: 26th June 2008</p>
5	<p>Mauritius Commercial Bank Limited - Kenya Representative Office Chief Representative Officer: Mr. Murray Van Resson Postal Address: P.O. Box 35699 - 00800 – Nairobi, Kenya Telephone No: +254 20 44931000 Mobile No: +254 798 362 948 E-mail address: murray.vanrossom@mcb.mu Physical Address: 7th Floor, Pramukh Towers, 52 Westlands Road, Westlands, Nairobi Date Authorised: 27th November 2014</p>
6	<p>Nedbank Limited - Kenya Representative Office Chief Representative Officer: Mr. Jaap van Luijk Postal Address: P.O Box 39218 - 00623, Nairobi, Kenya Telephone: +254-20 - 8045102 E-mail: kenyacontact@nedbank.co.ke Physical Address: The Exchange Building, 3rd Floor, 55 Westlands Road, Nairobi Date Authorized: 18th June 2010</p>
7	<p>Co-operative Rabobank U.A - Kenya Representative Office Chief Representative Officer: Mr. Adrianus Cornelis Verbeek Postal Address: P.O. Box 1105-00606, Nairobi, Kenya Telephone: +254 202 955 000/1/2 Mobile: 254 700 331 196 E-mail: kees.verbeek@rabobank.com Website Address: www.rabobank.com Physical Address: 17th Floor, Delta Corner Tower, Waiyaki Way, Nairobi Date Authorised: 5th June 2014</p>
8	<p>Société Générale - Kenya Representative Office Chief Representative Officer: Mr. George Mutua Postal Address: P.O. Box 1795-00606, Nairobi, Kenya Telephone: +254 774995860 Mobile: 254 710764933 E-mail: George.Mutua@sgcib.com Website Address: www.societegenerale.com Physical Address: Unit 2, 8th Floor, Tower 3, The Mirage, Chiromo Road, Westlands, Nairobi Date Authorised: 28th August 2017</p>
9	<p>BAHL - Representative Office Chief Representative Officer: Mr. Hasnain Muhammad Postal Address: P.O. Box 2445-00606, Nairobi, Kenya Telephone: +254 799743776 Mobile: +254 799743777 E-mail: bahl.kenyaro@bankalhabib.com/Hasnain.13535@bankalhabib.com Website Address: www.bankalhabib.com Physical Address: Unit 5, 8th Floor, The Mirage Tower, Waiyaki Way, Nairobi Date Authorised: 9th April, 2018</p>

APPENDIX XVIII: DIRECTORY OF MICROFINANCE BANKS

1	<p>Caritas Microfinance Bank Limited Chief Executive Officer: Mr. David Mukaru Postal Address: P.O. Box 15352 – 00100, Nairobi Telephone: +254 – 020 – 5151500 Email: info@caritas-mfb.co.ke Website: www.caritas-mfb.co.ke Physical address: Cardinal Maurice Otunga Plaza, Kaunda Street, Nairobi Date Licensed: 02.06.2015 Branches: 5</p>
2	<p>Century Microfinance Bank Limited Ag. Chief Executive Officer: Ms. Florence Mugure Muchiri Postal Address: P.O. Box 38319 – 00623, Nairobi Telephone: +254 – 020 – 2664282, 0722168721, 0756305132 Email: info@century.co.ke Website: www.century.co.ke Physical address: Bihi Towers, 8th Floor, Moi Avenue, Nairobi Date Licensed: 17.09.2012 Branches: 3</p>
3	<p>Choice Microfinance Bank Limited Ag. Chief Executive Officer: Mr. Joseph Kung'u Ndung'u Postal Address: P.O. Box 18263 – 00100, Nairobi Telephone: +254 – 020 – 3882206/207, 0736662218, 0724308000 Email: info@choicemfb.com Website: www.choicemfb.com Physical address: Siron Place, Ongata Rongai, Magadi Road, Kajiado Date Licensed: 13.05.2015 Branches: 2</p>
4	<p>Daraja Microfinance Bank Limited, Ag. Chief Executive Officer: Ms. Jane Mwangi Postal Address: P.O. Box 100854 – 00101, Nairobi Telephone: +254 – 020 – 3879995, 0733988888, 0707444888, 0718444888 Email: info@darajabank.co.ke Website: www.darajabank.co.ke Physical address: Daraja House, Karandini Road, off Naivasha Road, Nairobi Date Licensed: 12.01.2015 Branches: 2</p>
5	<p>Faulu Microfinance Bank Limited Managing Director: Mr. Apollo Nderitu Njoroge Postal Address: P. O. Box 60240 – 00200, Nairobi Telephone: +254 – 020 – 3877290/3/7; 3872183/4; 3867503, 0711074074, 0708 111000 Fax: +254 – 020 – 3867504, 3874875 Email: info@faulukukenya.com, customercare@faulukukenya.com, contact@faulukukenya.com Website: www.faulukukenya.com Physical address: Faulu Kenya House, Ngong Lane - Off Ngong Road, Nairobi Date Licensed: 21.05.2009 Branches: 37</p>
6	<p>Kenya Women Microfinance Bank PLC. Managing Director: Mr. James Mwangi Githaiga Postal Address: P.O. Box 4179 – 00506, Nairobi Telephone: +254 – 020 – 3067000, 2470272-5/2715334-5, 0729 920920, 0732633332, 0703067000 Email: info@kwft.com Website: www.kwft.com Physical address: KWFT House, Kiambere Road/Masaba Road Junction, Upper Hill, Nairobi Date Licensed: 31.03.2010 Branches: 28</p>
7	<p>Key Microfinance Bank Limited Chief Executive Officer: Mr. Gregory Siro Odongo Postal Address: P. O. Box 20833 – 00100, Nairobi Telephone: +254 – 020 – 2214483/2215384/5/7/8/9, 2631070, 2215380, 0733554555 Email: g.siro@keymicrofinancebank.com Website: www.remu.co.ke Physical Address: Finance House, 14th Floor, Loita Street, Nairobi Date Licensed: 31.12.2010 Branches: 3</p>

APPENDIX XVIII: DIRECTORY OF MICROFINANCE BANKS

8	<p>Maisha Microfinance Bank Limited Chief Executive Officer: Mr. Ireneus Gichana Postal Address: P.O. Box 49316 - 00100, Nairobi Telephone: +254 - 020 - 2220648, 0736028982, 0792002300 Email: info@maishamfbank.co.ke Website: www.maishabank.com Physical Address: Chester House, 2nd Floor, Koinange Street, Nairobi Date Licensed: 21.05.2016 Branches: 2</p>
9	<p>Muungano Microfinance Bank Limited Chief Executive Officer: Ms. Lydia Kibaara Postal Address: P.O. Box 355 - 10218, Muranga Telephone: +254 725454762 Email: info@muunganomfbank.com Website: www.muunganomfbank.com Date Licensed: 30.10.2019 Branches: 2</p>
10	<p>Rafiki Microfinance Bank Limited Ag. Managing Director: Mr. Paul Karanja Macharia Postal Address: P.O. Box 12755 - 00400, Nairobi Telephone: +254 - 020 - 2166401, 0730170000/500 Email: info@rafiki.co.ke Website: www.rafiki.co.ke Physical address: Rafiki House, Biashara Street, Nairobi Date Licensed: 14.06.2011 Branches: 17</p>
11	<p>SMEP Microfinance Bank Limited The Chief Executive Officer: Mr. Symon Kamore Postal Address: P.O. Box 64063 - 00620, Nairobi Telephone: +254 - 020 - 3572799, 2055761, 2673327/8, 0711606900 Email: info@smep.co.ke Website: www.smep.co.ke Physical address: SMEP Building - Kirichwa Road, Off Argwings Kodhek Road, Nairobi Date Licensed: 14.12.2010 Branches: 7</p>
12	<p>Sumac Microfinance Bank Limited Chief Executive Officer: Mr. John Njihia Postal Address: P.O. Box 11687 - 00100, Nairobi Telephone: +254 - 020 - 2212587, 2210440, 2249047, 0738637245, 0725223499 Fax: +254 - 020 - 2210430 Email: info@sumacmicrofinancebank.co.ke Website: www.sumacmicrofinancebank.co.ke Physical address: Consolidated Bank House, 2nd Floor, Koinange Street, Nairobi Date Licensed: 29.10.2012 Branches: 5</p>
13	<p>U & I Microfinance Bank Limited Chief Executive Officer: Mr. Simon Mwangi Ngigi Postal Address: P.O. Box 15825 - 00100, Nairobi Telephone: +254 - 020 - 2367288, 0713112791 Email: info@uni-microfinance.co.ke Website: www.uni-microfinance.co.ke Physical address: Asili Complex, 1st Floor, River Road, Nairobi Date Licensed: 08.04.2013 Branches: 2</p>
14	<p>UWEZO Microfinance Bank Limited Chief Executive Officer/Managing Director: Mr. Jaafah Sheikh Postal Address: P.O. Box 1654 - 00100, Nairobi Telephone: +254 720 - 350808, 0729 - 211829 Email: info@uwezomfbank.com Website: www.uwezomfbank.com Physical Address: Park Plaza Building, Ground Floor, Moktar Daddah Street, Nairobi Date Licensed: 08.11.2010 Branches: 3</p>

NO.	APPENDIX XIX: DIRECTORY OF CREDIT REFERENCE BUREAUS
1	<p>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@transunionafrica.com Website: www.transunionafrica.com Physical Address: Delta Corner Annex, 2nd Floor, Ring Road, Westland, Nairobi Date Licensed: 09.02.2010</p>
2	<p>Creditinfo Credit Reference Bureau Kenya Limited Chief Executive Officer: Mr. Stephen Kamau Kunyiha Postal Address: P.O Box 38941 – 00623, Nairobi Telephone: +254 - 020 – 3757272/0735880880 Email: cikinfor@creditinfo.co.ke or consumercare@creditinfo.co.ke Website: www.creditinfo.co.ke Physical Address: Standard Chartered Building, 48 Westlands Rd, Nairobi Date Licensed: 29.04.2015</p>
3	<p>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: KCB Towers, 15th Floor - Kenya Road, Upper Hill, Nairobi Date Licensed: 06.04.2011</p>

APPENDIX XX: DIRECTORY OF FOREIGN EXCHANGE BUREAUS

	Name of Bureau	Location	E-mail Address & Fax
1	Alpha Forex Bureau Ltd P. O. Box 476 – 00606 Nairobi Tel: 4451435/7	Pamstech House Woodvale Grove Westlands, Nairobi	alphaforexbureau@hotmail.com Fax: 254-2-4451436
2	Aristocrats Forex Bureau Ltd P. O. Box 10884 – 00400 Nairobi Tel: (020) 2228080	Kenindia House, Loita Street Nairobi	aristoforex@nbi.ispkenya.com aristocratsforex@gmail.com Fax: 254-2-213794
3	Avenue Forex Bureau Ltd P. O. Box 1755 – 80100 Mombasa Tel: (041) 2319749/50	Motor Mart Building, Moi Avenue, Mombasa	avenueforex@gmail.com info@avenueforex.com
4	Bamburi Forex Bureau Ltd P. O. Box 97803 - 80102 Mombasa Tel: 041-4477004, 0722-412649/ 0733-466729	City Mall Nakumatt Nyali, Mombasa - Malindi Road	bamburiforex@hotmail.com Fax: 254-41-5486948
5	Bay Forex Bureau (Nairobi) Ltd P. O. Box 46154 – 00100 Nairobi Tel: 0704482421/0700-510000	280 Annex Building, Eastleigh, Nairobi	bayforex@yahoo.com Fax: 254-2-229665/248676
6	Boston Forex Bureau Limited P.O. Box 11076-00400 Nairobi Tel: 0205249664/ 0732622429/ 0702022429	Ameer Centre, Westlands, Nairobi	mariosah_101@hotmail.com
7	CBD Forex Bureau Limited P. O. Box 30840 – 00100 Nairobi Tel: 020 – 316123/2250853	Sound Plaza, Woodvale Groove, Nairobi	cbdforex@gmail.com Fax: 254-2-318895
8	Central Forex Bureau Ltd P. O. Box 43966 – 00100 Nairobi Tel: (020) 317217/2226777	I. P. S. Building, Ground Floor, Kaunda Street, Nairobi	centralforex2012@gmail.com Fax: 254-2-249016
9	Classic Forex Bureau Limited P. O. Box 76694 – 00508 Nairobi Tel: 3862343/4	Prestige Plaza, 1st Floor, Ngong Road, Nairobi	info@classicforex.co.ke Fax No. 3862346
10	Commercial Forex Bureau Limited P. O. Box 47452 – 00100 Nairobi Tel. 020-2210307/8	KCS House, Mama Ngina Street, Nairobi	info@commercialforex.co.ke
11	Conference Forex Bureau Company Limited P. O. Box 32268 – 00600 Nairobi Tel. (020) 2219677, 2219518, 2219069	KICC, Ground Flour, Harambee Avenue, Nairobi	cfbltd@akarim.net Fax: 254-2-224126
12	Continental Forex Bureau Ltd P. O. Box 49580 – 00400 Nairobi Tel: (020) 5101078	Old Mutual Building, Ground Floor, Kimathi Street, Nairobi	continentalforex@yahoo.com Fax: 254-2-216163
13	Cosmos Forex Bureau Ltd P. O. Box 10284 – 00100 Nairobi Tel: 2250582/5; 0701666622	Rehema House, Ground Floor, Standard/Kaunda Street, Nairobi	cosmosforex@yahoo.com Fax: 254-2-250591
14	Forex Bureau Afro Ltd P. O. Box 14353 – 00800 Nairobi Tel: 2222950/2250676/222950	Jamia Plaza Kigali Street Nairobi	forexafro@gmail.com Fax: 254-2-2251078
15	Gala Forex Bureau Ltd P. O. Box 35021-00100 Nairobi Tel: 020-2210346 Mobile: 0717729772/0712095004	20th Century, 1st Floor Mama Ngina/ Kaunda Street, Nairobi	galaforexbureau@gmail.com Fax: 254 20 310261
16	Gateway Forex Bureau Ltd P. O. Box 11500 – 00100 Nairobi Tel: 020-2212945/55	Town House, Kaunda Street, Nairobi	info@gatewayforex.co.ke Fax: 254-20-2212942

APPENDIX XX: DIRECTORY OF FOREIGN EXCHANGE BUREAUS

	Name of Bureau	Location	E-mail Address & Fax
17	Giant Forex Bureau de Change Ltd P. O. Box 56947 – 00200 Nairobi Tel: 020-2680516	Terminal 1A, Jomo Kenyatta International Airport, Nairobi	giantforex@mitsuminet.com Fax: 254-2-825327
18	Give and Take Forex Bureau Ltd P. O. Box 51463 – 00200 Nairobi Tel: 020-3562152/0738157274	China Garden, United Nations Avenue, Nairobi	info@giventakeforex.co.ke Fax: 254-2-7120046
19	Glory Foreign Exchange Bureau Ltd P. O. Box 42909 – 00100 Nairobi Tel: 2244333/2241164/2243115	Norwich Union House Kimathi Street, Nairobi	gloryforex@yahoo.com Fax: 254-2-245614
20	GNK Forex Bureau Ltd P. O. Box 14297 – 00100 Nairobi Tel: 890303/2461598	The Great Jubilee Shopping Centre, Ground Floor, Langata Road, Nairobi	gnkforex@swiftkenya.com Fax: 254-2-892266
21	Green Exchange Forex Bureau Ltd P. O. Box 20809 – 00100 Nairobi Tel:+2540202214547/8/9	Emperor Plaza, Ground Floor, Koinange Street, Nairobi	greenexchangeforexbureau@hotmail.com Fax: 254-2-2214550
22	Industrial Area Forex Bureau Ltd P. O. Box 45746 – 00100 Nairobi Tel: 020-3755456/0711768786	Diamond Plaza, Parklands, Nairobi.	indafx@gmail.com Fax: 254-2-551186
23	Island Forex Bureau Ltd P. O. Box 84300- 80100 Mombasa Tel: 041-2223988/ 2229626	Abdulrasul Inst. Building, Makadara Road, Moi Avenue, Mombasa	islandforex@hotmail.com Fax: 254-41-2227057
24	Junction Forex Bureau Limited P. O. Box 43888 – 00100 Nairobi Tel: 3861268/9, 0725-852840	The Junction Shopping Mall, Ngong Road/ Dagoreti Corner, Nairobi	junctionforexbureaultd@yahoo.com
25	Kenza Exchange Bureau Ltd P. O. Box 21819 – 00400 Nairobi Tel: 0710820345, 0735320345	JKIA, Arrival Unit 1 Nairobi	okambua@gmail.com, rokora@yahoo.com
26	La'che Forex Bureau Ltd P. O. Box 13464 – 00800 Nairobi Tel: (020) 2221305/6	Mirage Towers, Chiromo Road, Nairobi.	lachekenya@gmail.com Fax: 254-2-2733485
27	Leo Forex Bureau Ltd P. O. Box 3073– 80100 Mombasa Tel: 041-2230396/7/8; 2230399	T. S. S. Towers Nkrumah Road, Mombasa	info@leoforex.com Fax: 254-41-230399
28	Link Forex Bureau Ltd P. O. Box 11659 – 00400 Nairobi Tel: 0734-542903	Uganda House – Arcade, Kenyatta Avenue, Nairobi	Link-forex@yahoo.com Fax: 254-2-213620
29	Magnum Forex Bureau De Change Ltd P. O. Box 46434 – 00100 Nairobi Tel: 652532/0732736575	Southfield Mall, Airport North Road, Nairobi	magnumkenya@gmail.com
30	Maritime Forex Bureau Ltd P. O. Box 43296 – 80100 Mombasa Tel: 041- 2319175/6/7/0734244644	Hassanali Building, Nkrumah Road, Nairobi	info@maritimeforex.com Fax: 254-41-2319178
31	Middletown Forex Bureau Ltd P. O. Box 41830 – 00100 Nairobi Tel: 2211227/2211798	Westminster House Kaunda Street Nairobi	mtforex@iconnect.co.ke Fax: 254-2-332534
32	Mona Bureau De Change Ltd P. O. Box 46180 – 00100 Nairobi Tel: 828111/2, Cell: 0733-744348	Panari Centre, Mombasa Road Nairobi	monaraj@ymail.com Fax: 254-2-828113

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	Name of Bureau	Location	E-mail Address & Fax
33	Moneypoint Forex Bureau Ltd P. O. Box 3338-00100 Nairobi Tel No. 0720-393049	Immigrations Department, Customs Yard Busia	moneypointforex@gmail.com Fax:+254-20-2211342
34	Morgan Forex Bureau De Change Ltd P. O. Box 79012 – 00400 Nairobi Tel No. 020-4444072/3	Kipro Centre, Sports Street, Westlands, Nairobi	morgankenya@gmail.com Fax: 254 -2-4444074
35	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
36	Muthaiga-ABC Forex Bureau Ltd P. O. Box 63533 – 00619, Tel: 020-2135761 Cell: 07215/0736 - 123456	Triad Building, Muthaiga Road, Nairobi	mfbfx@mafxgroup.com; adminoffice@mafxgroup.com
37	Nairobi Bureau De Change Ltd P. O. Box 644 – 00624, Village Mkt Nairobi Tel: 822158	Unit 2 JKIA Nairobi	info@nairobiibureau.com Fax: 254-2-241307
38	Namanga Forex Bureau Ltd P. O. Box 12577 – 00100 Nairobi Tel: 0721466737/0732412157	Immigration Building, Namanga Town	namangaforexbureaubranch@gmail.com
39	Nawal Forex Bureau Ltd P. O. Box 10715 – 00100 Nairobi Tel: 2720111/0720242578	Chaka Place, Chaka Road, Nairobi	nawalforexbureau@yahoo.com Fax: 254-2-272011
40	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
41	Pacific Forex Bureau Limited P. O. Box 24273 – 00100 Nairobi Tel. 020-5100940/310882	Lonhro House, Standard Street, Nairobi	pacific@sahannet.com, pacificbc@yahoo.com
42	Peaktop Bureau De Change Ltd P. O. Box 13074 – 00100 Nairobi Tel: 020-254371, 0722 - 332518	20th Century, Mama Ngina/Kaunda Streets, Nairobi	info@peaktop.co.ke, peaktopbureau@gmail.com Fax: 254-2-210210
43	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
44	Pel Forex Bureau Ltd P. O. Box 957 – 40100 Kisumu Tel: 057-2024134/2044425	Allmamra Plaza Oginga Odinga Road, Kisumu	41472pelforex@gmail.com Fax: 254-57-2022495
45	Pwani Forex Bureau Ltd P. O. Box 87200 – 80100 Mombasa Tel: 041-2221727/2221734/2221845	Mombasa Block 404 XV11/M1 Abdel Nasser	pwaniforex@yahoo.com Fax: 254-41-2221870
46	Rand Forex Bureau Limited P. O. Box 30923 - 00100 Nairobi Tel: 0722200815	The Waterfront Mall, Karen, Nairobi	info@randforex.co.ke
47	Regional Forex Bureau Limited P. O. Box 634 – 00100, Nairobi Tel. 020-3311953	Kimathi House, Kimathi Street, Nairobi	regionalfx@gmail.com Fax: 254-20-312296
48	Rift Valley Forex Bureau Ltd P. O. Box 12165 Nakuru Tel: 051-2212495/2210174	Merica Hotel Building, Court Road, Nakuru	riftvalleyforex@yahoo.com Fax: 254-51-2210174

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	Name of Bureau	Location	E-mail Address & Fax
49	Satellite Forex Bureau Ltd P. O. Box 43617- 00100 Nairobi Tel: 2218140/1, Cell: 0721-411300	City House, Standard Street, Nairobi	satelliteforexbureauLtd2@hotmail.com Fax: 254-20-230630
50	Simba Forex Bureau Limited P. O. Box 66886 – 00800 Nairobi Tel. 020 – 445995, 0723 – 598662	Moi International Airport, Mombasa	simbaforexombasa@gmail.com Fax No: 020 – 4443706
51	Sisi Forex Bureau Limited P.O. Box 60770 - 00200 Nairobi Tel: 2445846/0722-382995	Agip House, Haile Selasie Avenue, Nairobi	sisiforex@sisi.co.ke.
52	Sky Forex Bureau Limited P. O. Box 26150 – 00100 Nairobi Tel: 020-2242062/3	20th Century, Mama Ngina/ Kaunda Street, Nairobi	info@skyforexbureau.com Fax No. 020-2242064
53	Solid Exchange Bureau Ltd P. O. Box 19257– 00501 Nairobi Tel: 822922/0722-853769	JKIA-Unit 2, Nairobi	solidexchangebureau@yahoo.com Fax: 254-2-822923
54	Southend Forex Bureau Ltd P. O. Box 3321 – 00506 Nairobi Tel: 0722844598, 0719806999	Freedom Heights Mall, Langata Road, Nairobi	southendforexbureauLtd@gmail.com
55	Springs Forex Bureau Limited P.O. Box 15913 – 00100 Nairobi Tel: 0711796625	Medina Mall, Ground Floor, Eastleigh, Nairobi.	springsforex@gmail.com
56	Sterling Forex Bureau Ltd P. O. Box 43673 – 00200 Nairobi Tel: 2228923/340624	Laxmi Plaza, Biashara Street, Nairobi	info@sterlingforexbureau.com Fax: 254-2-330894
57	Sunny Forex Bureau Limited P. O. Box 41257 – 00100 Nairobi Tel: 2252013/252079	Uniafric House, Koinange Street, Nairobi	sunnyfoexbureau@yahoo.com Fax: 254-2-252076
58	Taipan Forex Bureau Ltd P. O. Box 42909 – 00100 Nairobi Tel: 0722 397661/7122901	The Village Market, Nairobi	Info@taipanforex.com Fax: 254-2-229665/248676
59	Trade Bureau De Change Ltd P. O. Box 102214 – 00101 Nairobi Tel: (020) 8000700/0715518999	St Eliss House, City Hall Way, Nairobi	tradebureau1@gmail.com Fax: 254-2-317759
60	Travellers Forex Bureau Ltd P. O. Box 13580 – 00800 Nairobi Tel: 447204/5/6	The Mall, Ring Road Westlands, Nairobi	bmawjee@hotmail.com Fax: 254-2-443859
61	Travel Point Forex Bureau Limited P. O. Box 75901 – 00200 Nairobi Tel. 020-2532065/2306479	JKIA, International Arrivals Terminal, Nairobi	info@travelpoint.com Fax: 254-2-827872
62	Union Forex Bureau Ltd P. O. Box 430– 00606 Nairobi Tel: 4441855/4448327/4447618	Sarit Centre , Lower Kabete Road , Westlands, Nairobi	unionforex@hotmail.com Fax: 254-2-4441855
63	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
64	Wallstreet Bureau De Change Ltd P. O. Box 6841- 30100 Eldoret Tel: 053-2062907/0733665555	Bargetuny Plaza, Uganda Road, Eldoret	wallstreet756@gmail.com Fax: 254- 53-2062907
65	Westlands Forex Bureau Ltd P. O. Box 45746 – 00100 Nairobi Tel: 4442385/6	Westgate Mall, Nairobi	info@westforex.co.ke Fax: 254-2-3748785

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	Name of Bureau	Location	E-mail Address & Fax
66	Yaya Centre Exchange Bureau Ltd P.O. Box 76302 – 00508 Nairobi Tel: 02-3862881/0722349746	Yaya Centre Towers, Argwings Kodhek Road, Nairobi	info@yayaforex.co.ke Fax: 254-2-3870869

APPENDIX XXI: DIRECTORY OF MONEY REMITTANCE PROVIDERS

	Name of MRP	Location	Email Address
1	Airtel Money Transfer Limited P.O. Box 73146 – 00200 NAIROBI Tel: 0734110000	Parkside Towers, Mombasa Road, Nairobi.	IMT@ke.airtel.com
2	Amal Express Money Transfer Limited P.O. BOX 3165 – 00100 Nairobi Tel: 0722878597 / 0723281122	Amal Plaza, 1 st Avenue Eastleigh, Nairobi	info@amalexpress.co.ke
3	Amana Money Transfer Ltd P.O. Box 68578 – 00622 Nairobi Tel : 6761296 / 2379824	Amana Shopping Complex, Captain Mungai Street, Eastleigh, Nairobi.	amanamnytransfer@gmail.com/ amaneforex@hotmail.com
4	Bakaal Express Money Transfer Ltd P.O. BOX 71248 – 00610 Nairobi Tel: 2394513 / 0717399039	Amco Shopping Mall, 1 st Avenue Eastleigh, Nairobi	nbiinfo@bakaal.com
5	Dahabshiil Money Transfer Company Limited. P.O. Box 68991 – 00622 Nairobi Tel:2222728/9 / 0720169999	Sanlam House, Kenyatta Avenue, Nairobi	ken.dmtc@dahabshiil.com
6	Flex Money Transfer Limited P.O. Box 23786-00100 Nairobi Tel: 020-3861100/ 0715919391	Green House, 4 th Floor, Suite 13, Ngong Road, Nairobi	info@flex-money.com www.flex-money.com
7	Hodan Global Money Remittance and Exchange Limited P.O. Box 68811 – 00622 Nairobi Tel:2084862	Ecobank Towers, Ground Floor, Kaunda Street, Nairobi	info@hodanglobal.net hodanforex2008@ hotmail.com
8	Iftin Express Money Transfer Limited P.O. Box 100184 – 00101 Nairobi Tel: 2629818 / 0713105944	Portal Place, Muindi Mbingu Street, Nairobi	iftinforex@gmail.com
9	Juba Express Money Transfer Limited P.O. BOX 16567 – 00100 Nairobi Tel: 2240540, 0727699669 / 0772699669	Hamilton House, Kaunda Street Nairobi	info@jubaexpress.co.ke
10	Kaah Express Money Transfer Limited P.O. BOX 10327 – 00400 Nairobi Tel: 0206767494/604 / 0724710153	Kaah Building, 2 th Avenue, 8 th Street, Eastleigh, Nairobi	kaahexpress.kenya@gmail.com
11	Mobex Money Transfer Services Ltd P.O. Box 1956 – 00621 NAIROBI Tel: 0733701243 / 0731005504	4th Floor, Woodlands Office Park, Woodlands Road, Nairobi.	contactus@terrapay.com regulatory@terrapay.com
12	Mukuru Money Transfer Limited P. O. Box 764 – 00606 Sarit Centre, Nairobi Tel:0736219056, 0708047188/9	ALN House, Eldama Ravine Close, Westlands, Nairobi	andre@mukuru.com
13	Real Value Money Transfer Limited P.O. Box 26530-00100 Nairobi Tel:0721297906	Shariff Complex, 5 th Avenue, Eastleigh, Nairobi	realvaluemtransfer@gmail.com
14	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
15	Taaj Money Transfer Limited P.O. Box 47583 – 00100 Nairobi Tel: 020-2321972 / 0700420700 / 0732420777	1st Floor Shariff Centre, Eastleigh Nairobi	globalfrx@gmail.com

APPENDIX XXI: DIRECTORY OF MONEY REMITTANCE PROVIDERS

	Name of MRP	Location	Email Address
16	Tawakal Money Transfer Limited P.O. BOX 71623 – 00610 Nairobi Tel: 6766171, 0722146643	City House, Ground Floor, Nairobi.	info@tawakalmoneytransfer.com
17	Upesi Money Transfer Limited P.O Box 60776-00200 Nairobi Tel:0726499656 / 0726500404	Morning Side Office Park, Ngong Road, Nairobi	info@upesi.co.ke

