EVALUATION OF FINANCIAL PERFORMANCE OF COMMERCIAL BANKS IN KENYA: A COMPARISON BETWEEN LOCAL AND FOREIGN BANKS

BY

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DECLARATION

This Management Research Project Report is my own original work and has not been presented for a degree in any other university.

Signed: .... Date: 07-11-2003..............................

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This Management Research Project has been submitted for examination with my approval as University Supervisor.

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DEDICATION

This study is dedicated to my wife Rose, my daughter Joy and my parents Mr & Mrs. David Muthungu Musila.

God's blessing and favour be upon them always.

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May the Almighty God bless you.

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ABSTRACT

This study was carried out to achieve one key objective namely, to establish whether there is any significant difference between the performance of the locally established banks and the foreign banks with operations in Kenya.

Secondary data on financial performance of banks was obtained mainly from commercial bank's financial statements and CBK Bank Supervision. The data was analyzed using MS Excel statistical package to obtain averages of the various financial performance ratios for both local and foreign banks. Using the same statistical package, trend analyses were done over the study period so as to compare the two categories. Finally t-tests were performed so as to test the hypothesis that there is no significant difference between the financial performance of local and foreign banks.

The results realized from the study showed that, of the eight ratios used, two indicated that there is no significant difference between the financial performance of the two categories. However, the rest of the ratios (six) showed that there is a significant difference between the financial performance of the two categories. Hence the overall conclusion was that there is a significant difference in financial performance of the two categories. The trend analyses showed that the financial performance of the local banks was poor, just as the general economic situation in the country as shown by the NSE Index over the study period.

CHAPTER 1: INTRODUCTION

1.1 Background

Financial Institutions, of which banks are part of, are of great importance to any economy. This is because they facilitate financial intermediation. This is the process of matching for a fee the needs of the ultimate lenders i.e. the possessors of surplus loanable funds in the personal, corporate and public sectors, with those of the ultimate borrowers i.e. those units or sectors in the economy which are in need of liquid funds.

Gardner (2000) mentions that as a depository institution functions as an intermediary, it takes on certain risks, removing these risks from savers. This activity encourages saving and, hence, increases the funds available to borrowers for productive uses within an economy. Obiero (2002) notes that banks offer instruments that are money substitutes and they operate the payment system. Their efficiency affects the entire economy, and banking system failure erodes public wealth and confidence in the economy.

It is due to the above noted crucial importance in the economy, that evaluation of the performance of banks cannot be over-emphasized. Investors who are keen on where to put their money are observant on the financial performance of banks, which they consider having potential for investment. Pandey (2000) indicates that the investors, who have invested their money in the firm's assets, are most concerned about the firm's earnings. They restore more confidence in those firms that show steady growth in earnings. As such, the investors have concentrate on the analysis of the firm's present and future profitability. They are also interested in the firm's financial structure to the extent it influences the firm's earnings ability and risk.

The main objective of the firm is to maximize its value. In so doing, value is created for its shareholders. The shareholders delegate the authority of managing the affairs of the firm to appointed managers. Thus, it is the managers who have this responsibility of value creation. This then calls for the managers to monitor the financial performance of the banks they manage so as to set strategies, which can enable the firm achieve its objective.

1.1.1 Evolution of Commercial Banking in Kenya

According to Money and Banking in Kenya – a CBK publication (1972), commercial banking was established in Kenya at the turn of the century immediately following the establishment of British presence in Kenya. The National Bank of India was the first to open an office in Mombasa in 1896. It was soon followed by the Standard Bank of South Africa in 1910 and the National Bank of South Africa – a Bank incorporated in South Africa, which amalgamated with the Colonial Bank and the Anglo-Egyptian Limited in 1926 to form Barclays Bank (Dominion, Colonial and Overseas) in 1916. Of these three banks, two were branches of British banks established in London. In common with British banks at the time, they followed the development of trade in the colonies and concentrated on the finance of international trade. The National Bank of India, which later became the National and Grindlays Bank, operated mainly in India; the Standard Bank of South Africa, which later became the Standard Bank, had established a thriving business in South Africa as had the National Bank of South Africa.

After half a century of banking by the three banks, a fresh influx of banks came into the country. In 1951, the Nederlandsche Handel-Maatschappij, a Dutch bank incorporated in the Netherlands and later renamed Algemene Bank Nederland, N.V. (General Bank of the Netherlands), opened a branch; in 1953 two Indian banks, the Bank of India and the Bank of Baroda, followed, and in 1956 Habib Bank (Overseas) Ltd., a Pakistan bank, established an office. The Ottoman Bank, a Turkish bank, opened up a branch in 1958 and the Commercial Bank of Africa, registered in Tanzania (with twenty per cent equity holding by Tanzania Co-operative movement) in 1962 opened a branch in the same year.

After independence in 1963, many developments have taken place in the banking sector including the Central Bank of Kenya, which was established on 23rd May, 1966. The first locally owned bank, the Co-operative Bank of Kenya Ltd., was registered under the Co-operative Societies Act on 19thJune, 1965, and opened its doors for business on 10thJanuary, 1968. National Bank of Kenya Ltd., another of the locally owned banks was established on 19thJune, 1968. In 1971, the government registered Kenya Commercial Bank by acquiring 40% shares of Grindlays Bank. According to Kathanje (2000), by 1970's there were few Non-Bank Financial Institutions operating and consequently the regulatory framework favoured the establishment of NBFIs with lenient entry requirements. With these developments, the number of both banks and NBFIs increased to over 80 in 1993 but due to problems associated with instability of the system and encouragement of universal banking and mergers by the Central Bank of Kenya, the number of commercial banks and NBFIs reduced to 58 by year 2000.

1.1.2 The structure of the Banking Sector in Kenya

The Banking Sector in Kenya comprises of the Commercial Banks and Non-Bank Financial Institutions (NBFIs). The various institutions in this sector are registered under the Banking Act, Chapter 488 of the Laws of Kenya. The Central Bank of Kenya, which is established under CBK Act Chapter 491 of the Laws of Kenya, is the main regulatory body in this sector. The CBK is the principal banking institution to exercise monetary control, supervision of financial institutions and assistance to commerce, trade and industry. It supervises, monitors, guides and advises the bank financial institutions so that the government's monetary policy objectives are fulfilled in the interest of the nation.

As per Monthly Economic Review (January 2003), at the end of December 2002, the banking system consisted of 53 institutions, comprising 44 commercial banks, 3 NBFIs, 2 mortgage finance companies and 4 building societies. This represented a decline in the total number of institutions from 56 (comprising 47 commercial banks, 3 NBFIs, 2 mortgage finance companies and 4 building societies) in December 2001. The decline in the number of banks was as a result of mergers involving eight banks. One bank (Delphis Bank) that had been under statutory management resumed operations in December 2002. In addition, there were 48 foreign exchange bureaus. Over the period of study, the number of commercial banks and NBFIs has been fluctuating as shown in Table 1.

TABLE 1: FINANCIAL INSTITUTIONS IN KENYA BETWEEN 1993 – 2002

Year	No. of Commercial Banks	No. of NBFIS	Total
1993	34	51	85
1994	33	50	83
1995	38	44	81
1996	48	26	74
1997	53	17	70
1998	53	15	68
1999	52	13	65
2000	51	10	61
2001	47	3	50
2002	44	3	47

Source: Central Bank of Kenya 1993 – 2002 Annual Reports

The Banking sector has been dominated by nine banks, which have assets of more than Kshs. 10 billion each (together contributing Kshs. 307 billion compared to the total for all the banks of Kshs. 462 billion) as at December 2002. Three of these banks are foreign while the other six have been established locally. Twelve of the financial institutions (including banks and NBFIs) in Kenya were quoted at the Nairobi Stock Exchange

(NSE) as at December 2002. Over the period of study, there were eight foreign banks, which had operations in Kenya.

1.1.3 Financial Performance Drivers in the Financial Sector

Drivers of performance in the Financial Sector are numerous but the key ones are the economic situation in the country, political-legal factors, levels of employment, technological advancement and the corporate governance. The economy of a country must be healthy to achieve good performance of all the institutions. The laws, which have been established by the government to regulate the sector, should be equitable to all the players in the financial sector. Government interference in the sector should be minimal. Low levels of employment mean that individuals do not use the bank facilities. As a result, the financial performance of these institutions is adversely affected. For any institution to be efficient and competitive, it must change with fast pace of the changing information technology. The management of these institutions determines whether they perform well or not. Good management results in good performance whereas poor management leads to financial crises.

1.1.4 Definition of Terms

The following are the definitions of some terms used in this study:

1. *Banking Sector*

For the purposes of this study, this term refers to Commercial Banks and Non-Bank Financial Institutions (NBFIs) licensed to operate banking business in Kenya.

2. *Definitions as per the Banking Act Chapter 488:*

i. A "Bank" means a company which carries on, or proposes to carry on, banking business in Kenya and includes the Co-operative Bank of Kenya Limited but does not include the Central Bank.

ii. "Banking business" means:

(a) The accepting from members of the public of money on deposit repayable on demand or at the expiry of a fixed period or after notice;

(b) The accepting from members of the public of money on current account and payment on and acceptance of cheques; and

(c) 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.

iii. "Capital" means paid-up share capital or, in the case of an institution incorporated outside Kenya, its assigned capital.

iv. " Financial business" means:

(a) The accepting from members of the public of money on deposit repayable on demand or at the expiry of a fixed period or after notice; and

(b) The employing of money held on deposit 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.

v. "Financial institution" means a company, other than a bank, which carries on, or proposes to carry on, financial business and includes any other company which the Minister may, by notice in the Gazette, declare to be a financial institution for the purposes of the Banking Act.

3. *Financial Development* – refers to the development within the financial sector in terms of institutions, products and processes.

4. *Financial Deepening* - refers to an attempt to monitise the economy where investors are encouraged to invest in financial assets as opposed to investment in real assets.

5. *Definitions of various ratios used as measures of performance*

   i. A "Ratio" is defined as the indicated quotient of two mathematical expressions and also as the relationship between two or more things.

   ii. "Liquidity Ratios" indicate the ability of the firm to meet short-term financial obligations.

   iii. "Gearing Ratios" indicate the firm's capacity to meet its debt obligations, both short-term and long-term.

   iv. "Profitability Ratios" measure the total effectiveness of a bank's management in generating profits on interest income, assets, and owners' investment.

1.2 Statement of the Problem

In the last ten years, the banking sector has been faced by various challenges, which have threatened the banks especially the small locally established ones. The liberalization of the economy between 1992 and 1994 meant that our economy was opened to foreign banks. Competition for customers became a cutthroat affair. There was reduced government control of the sector with the removal of many restrictions. However, the many local banks were not ready for this change hence caught unawares. As Kathanje (2000) noted, liberalization of the economy resulted in massive bank failures with 14 banks failing in 1993 alone and another 14 for the rest of the study period. All these financial institutions that failed were locally established except for Meridien Biao, a Zambian bank having a branch in Kenya, which failed in 1996.

Generally, Kenya has been faced with poor economic conditions over the period of study. (Table 2). According to Oloo (2000), the Nairobi Stock Exchange Index fell from a high of 4,559 in 1994 to 1,363 in 2002. The per capita income and hence the residual income of the citizens has been falling. This has meant that saving for most individuals is not possible. The banks have offered minimal savings/deposits interest rates. At some point they were as low as 4% p.a. This discourages the investors to save their money in the banks since essentially, the yield/return is negative (after factoring in inflation). Thus the investors have opted to invest in real assets or involve themselves in informal sector of banking e.g. SACCOs, Welfare groups, Shylocks, Merry-go rounds etc. These activities, which are classified as informal banking sector, inhibit financial deepening which is required for a country's financial development.

The lending rates have remained high since 1993. The effects of the December 1992 elections triggered this situation. Economic Review (December 1994) shows that the Treasury bills and commercial banks lending rates reached a high level of 70% p.a. Since then, the interest rates have been high – mostly above 20% p.a. This has discouraged borrowing from banks since repayment of the loan is not easy. The failure of repayment has been made worse by the shrinking economy, whereby an investment does not yield the expected returns and hence failure to realize enough cash flows to repay the loan. The low interest rates on savings offered by banks and subsequent high interest rates on advances/loans have been aimed at making a profit in the shrinking economy environment. However, this has not yielded fruit in some cases due to high level of defaulters on the loans. Also the banks have been unable to liquidate/sell the collateral/security offered against the loan granted.

Regardless of these economic difficulties that have faced the country over the period of study, the banks that failed were mainly local, while only one foreign bank failed. These foreign banks have continued to pay hefty dividends to their shareholders. On the contrast, the locally established banks have been struggling for survival, many finally collapsing. It is on this premise that the study seeks to carry out a research on whether there are significant differences between financial performance of the local and foreign banks in Kenya over the period 1993 to 2002.

1.3 Objective of the Study

The study is conducted with the aim of establishing whether there is any significant difference between the performance of the locally established banks and the foreign banks with operations in Kenya.

1.4 Importance of the Study

1. To provide to the public and scholars useful background material on the Kenya Banking sector framework

2. To educate current and potential investors in the banking sector on how to evaluate financial performance of the banks so as to choose correctly where to invest their money

3. To assist the regulator in understanding the current issues affecting banking sector and in formulating appropriate policies in the sector

4. To guide the owners and management of the banks in carrying out financial analysis of their financial businesses so as to achieve profitability

CHAPTER 2: LITERATURE REVIEW

2.1 Introduction

Pandey (2000) indicates that users of financial statements can get further insight about financial strengths and weaknesses of the firm if they properly analyse information reported in these statements. Management should be particularly interested in knowing financial strengths of the firm to make their best use and to be able to spot out financial weaknesses of the firm to take suitable corrective actions. The future plans of the firm should be laid down in the view of the firm's financial strengths and weaknesses. Thus, financial analysis/review of financial performance is the starting point for making plans, before using any sophisticated forecasting and planning procedures. Understanding the past is a prerequisite for anticipating the future.

2.1.1 Understanding a Bank's Financial Statements

The main financial statements in a bank are the balance sheet and the profit and loss statement.

Balance Sheet

The balance sheet is composed of assets and liabilities.

Assets:

Gardner (2000) notes that a bank holds a large portion of its investment portfolio in short-term securities that it can easily sell with little or no loss of value to meet future deposit withdrawals and loan demands. A bank's assets include cash and balances from other institutions, investment securities e.g. Treasury Bills, Loans/advances (includes Commercial loans, Retail loans housing, Retail lending and leases net of provisions for doubtful debts) and other assets.

Liabilities

Liabilities include: Current accounts, Passbook savings accounts & Statement savings accounts & Investment savings accounts, Fixed deposits & Certificates of deposit, Short-term borrowing, Bill acceptances, Long term debt and Other liabilities.

Equity

It comprises of: Shareholders' Funds, Preference shares, Ordinary shares, Retained earnings and Reserves.

Banks are also involved in off Balance Sheet Activities. These are contingent liabilities that may affect the future status. They are less obvious and often invisible but are an important source of income to banks. They however involve risks that add to institutions risk exposure.

Profit & Loss Statement

It shows the flow over the period. Most items in the profit and loss are interest rate related. The components of the profit and loss include: - Interest income and expense, provision for doubtful debts, Salaries and wages (benefits), non interest costs, abnormal items (large transaction normal course), Extraordinary items and Bad & Doubtful Debts.

2.1.2 Risks Facing the Banking Sector

According to Hitchins (1996), risks arise from every transaction and process in a bank's business. Banks are only profitable if they charge a price that exceeds the cost of delivering a product or service and cost of any loss crystallising from the risks that arise in carrying out the transaction. It is therefore essential that banks identify all the risks associated with each business they enter into.

Most of banking transactions give rise to a combination of the following risks: Credit risk, Liquidity risk, Interest rate risk, Operational risk, Capital or Solvency risk and Foreign exchange /country risk.

Credit Risk

It arises when there is a possibility that the borrower may not repay on a timely basis. This inability to repay may be due to variation in net income of the borrower, changes in economic conditions and unemployment. These changes are difficult to predict.

Liquidity Risk

This is the variation in net income and market value caused by a bank's difficulty in obtaining cash at reasonable cost. It is greatest when the bank cannot anticipate new loan demand or deposit withdrawals and subsequent access to sources of cash. Thus a bank must have sufficient assets, which can be converted to cash with minimal loss.

Interest Rate Risk

It is the exposure of a bank to the financial consequences of adverse interest rate movements. Although a fully matched position eliminates interest rate risk, a fundamental banking objective is to borrow funds at one rate and lend them at a higher rate. This risk reflects the effects on a bank's profitability of changes in market interest rates. The concern is how much will net interest income vary with movements in rates. Increased sensitivity to changes in rates means more risk and hence possibility of lower net interest income.

Operational Risk

There are many causes of earnings variability in a bank's operating policies. This may include losses due to employee and customer theft. The risk is that operating expenses might vary significantly from what is expected and result into decline in net income and firm value. This risk is closely related to its burden, number of divisions or subsidiaries, number of employees and the use of technology.

Country Risk

It is the risk that a counter party, while having cash available to meet commitments in a local currency is unable to convert local currency into an external currency to meet its obligations in that currency because of foreign exchange restrictions or non-availability of the external currency in the country.

2.1.3 Comparison of Institutions in Banking Sector with other Sectors

The primary goal of any business establishment including institutions in the banking sector is to create value to the owners (maximize shareholders wealth). The ultimate measure is the market value of its equity. Profit maximisation suggests investing in assets that generate highest gross yields and keeping costs down. Higher yields take on increased risk or lower operating costs. However, there are some aspects of the institutions in the banking sector which make them unique from institutions in other sectors. These features include:

Position in the Economy and Regulation

As Obiero (2002) indicates, banks are important because they are the main channels of savings and the allocators of credit in an economy. As a result, banks are influenced and do influence a country's economy. Generally, all other non-financial institutions and the public use the banking sector for their financial operations e.g. payments processes. As a result they are heavily regulated – through the Banking Act and Central Bank of Kenya Act. These regulations are aimed at protecting the various players in the sector. Examples of these regulations include disclosure requirements, registration requirements and rules on daily operations of the banks.

Sources of Income

Financial institutions have one key source of income –namely, interest income. This income is realised from interest charged on loans and advances to customers. Thus the profit and loss of a financial institution will not contain income from sales like the institutions in the manufacturing and agricultural sectors.

The risks facing the sector

According to Hitchins (1996), banks face greater risks in their operations including Credit risk, Liquidity risk, Interest rate risk, Operational risk, Capital or Solvency risk and Foreign exchange /country risk. As a result they face a greater volatility in net income and market value. Banks have then to trade-off between higher returns, probability of not realising those returns, and possibility of eventual failure.

Structure of the Balance Sheet

Banks have fewer amounts tied up in fixed & non-current assets, more short-term loans and lower equity composition of short-term liabilities. They also have lower asset utilisation; return on assets and higher profit margins.

2.1.4 Review of factors influencing performance in the Banking Sector

The following factors have impacted on the financial performance in the banking sector:

i. Economic situation

The economy of the country contributes a great deal to the performance of the financial businesses. If the economy is in a state of boom, the performance is expected to be good. However, poor economic condition means dismal performance. The economic drivers include inflation levels, interest rates, foreign exchange rates and Gross Domestic Product (GDP). Over the period of study, the economic situation in the country has been poor. Inflation levels have been fairly high and the GDP has been quite low. The foreign exchange rates have been on the rise, creating an unfavorable condition since the country is a net importer. Table 2 shows an annual average of the economic indicators in Kenya over the study period.

TABLE 2: ECONOMIC INDICATORS IN KENYA FOR PERIOD 1993 -2002

Econ. Indicator / YEAR	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
Inflation Rate (%)	46	29	2	9	11	7	4	6	1	0.4
Treasury Bills rate (%)	39	18	22	21	26	17	27	10	11	10.9
Lending Rates (%)	72	31	33	35	30	27	25	14	20	19
US Dollar rate (Kshs)	70	53	54	56	63	61	74	75	78	79
GDP (%)	0.2	3	5	5	2	2	1	-0.2	1	0.9

Source: Central Bank of Kenya Monthly Economic Review, January 1994 – January 2003

ii. Political- Legal factors

Favorable government policies and political stability are ingredients of good financial performance. These policies are in the form of Laws and regulations setup to oversee the smooth operations in the banking sector. Government interference in operations of the banks lead to poor performance e.g. when loans are granted to government officials who do not pay back.

Kenya has had a stable political situation since independence. This has encouraged investors including the foreign banks, which have invested in the country. Most of these foreign banks have achieved good financial performance over the years. Overtime, the government has influenced the decisions of the local banks. This has resulted to poor performances of these banks. Good examples are Kenya Commercial Bank and the National Bank of Kenya. According to Kathanje (2000), liberalization of the Kenyan economy in early 1990s meant reduced government involvement and fewer restrictions in the banking sector. This led to stiff competition, resulting to some banks making profits while others performed miserably to the point of collapse. In year 2000, the CBK Amendment Bill 2000, (the Donde Bill), caused panic in the banking sector. It advocated for controlled interest rates and this would have impacted negatively on the banks performance. The Bill did not go through, to the joy of banks.

iii) Levels of employment

When most of the country's citizens are in employment, they are able to generate enough income for their spending and saving. Payments to employees in the formal employment are channeled through banks. Also employees invest their excess income (savings) in or through the financial institutions. Hence the banks realize income in form of charges on the customer accounts. On the other hand, low levels of employment mean that the citizens will have no use of the financial institutions and hence their poor performance.

Economic Survey (2002) indicate that trends in labor market show that the weak economic performance and the public sector reforms have adversely affected employment in Kenya in the recent past. Over the period of study, levels of employment have been very low. Restructurings in the public and private sectors have led to massive layoffs and retrenchments of employees. Quite a number of these laid off employees ventured in the informal (Jua-Kali) sector. This sector has been doing well comparatively. The banks have targeted individuals in this sector so as to capture additional customers and make up for the loss of income previously obtained from employees in informal sector.

iv) Technological advancement

Use of technology leads to efficiency – i.e. reduction in costs and effectiveness. Reduced costs means increased profitability. Computer software of various types have been used as the financial institutions move from manual to computerized banking systems. In Kenya, the foreign banks have been on the forefront in technological advancement. They are already using advanced technology on electronic banking whereby a customer can transact with the bank from his premises. As a result these banks have reported good financial performance. Over the period of study, Automated Teller Machines (ATM) were introduced in the country. As Oloo (2002) noted, close to 200 ATMs were in place as at 31st December 2002. As a result, banks with ATMs have reduced the time and hence the expense incurred in serving customers over the counter.

v) Management style/Corporate Governance

Good management is a recipe for good financial performance. Banks, which have been run professionally, have reported good profits. Obiero (2002) noted that most of the banks that collapsed had poor management. The Capital Markets Authority released the CMA Act in 2002, which addresses essentials of corporate governance. All companies (banks included) are supposed to follow the guidelines in this Act.

2.2 Expectations on Performance in the Kenyan Banking Sector over the study period

The economic situation in the country has been generally poor. From an overview of the economic indicators, the economic performance in the country can be divided into two phases. According to various Economic Reviews, in the period 1993 to 1997, the economy was improving; while the period 1997 to 2002, the economy was declining. These two phases can be shown as follows:

Economic Indicator	*1993*	*1997*	*%Δ*	*2002*	*%Δ*
GDP (%)	0.2	2	900% (Increase)	0.9	55% (Decrease)
NSE Index (1966 = 100)	2,514	3,115	24% (Increase)	1,363	56% (Decrease)

As indicated from the tabulation above, the GDP and the NSE Index were on the rise up to 1997 and then fell to low levels by 2002. In addition to these indicators, the commercial banks lending rate has been falling through out the period of study – 72% in 1993, 30% in 1997 and 19% by 2002.

From the above indicators of performance, it is expected that the performance in the banking sector over the period will be improving from 1993 up to 1997 then deteriorate from 1998 to 2002. However, the factors that influence the overall financial performance are many and varied. For example, banks transact to a large extend in foreign currency. As a result, if in a given year the Kenya Shilling has been loosing against the hard currencies (US Dollar and the British Pound), then there is a high possibility of the bank reporting a profit. A loss may be reported if the shilling is gaining. This profit/loss will have arisen out of foreign exchange gains/losses. This scenario may explain why the banks financial performance may be fairly good through out the period because in general the Shilling has been loosing.

Oloo (2002) noted that, for the last four years up to 2002, the financial performance in the banking sector has been improving. Some of the notable factors, which could have led to this improved financial performance, include:

- Banks have engaged in a clean up process on their bad debt books and more stringent lending processes are already in place. Also the Donde Bill of 2000 held some uncertainty that led to banks lending less and opted to invest much more in the secure government securities.

- The banking industry has come to realize that this sector can be serviced cost effectively and that the margins can be comparatively high and risks lowered. More so, the employers no longer want to tie scarce resources in the non-core activity of staff loans. They would rather that the activity be outsourced, even if it means providing some measure of comfort to the lending institution. Other activities like security, payroll and cleaning are also being outsourced. As a result, the profits have improved for the banks, which have embraced this new approach. The foreign banks have been at fore front on this cost cutting approach. For example, in the 1990s, there were massive retrenchments for most of the large banks including Barclays Bank and Standard Chartered Bank.

- There has been increased disclosure requirements and CBK supervision. Previously, many banks were very economical with information they published.

Now, required disclosures include the level of insider loans e.g. loans to staff and directors and the companies associated with them. A lesson had been learnt from many collapsed institutions where loans had been extended to companies or ventures closely associated with directors, which compromised risk management and the interests of the depositors. CBK has improved its inspection capacity and also inspects the banks more regularly. These measures have led to improved financial performance since a bank will be exposed if it engages in uneconomical activities.

2.3 Use of Financial Ratios in Financial Performance evaluation

Pandey (2000) describes ratio analysis as a powerful tool of financial analysis. Ratios measures how well bank has performed and it collapses data/figures into a few concise ratios. In financial analysis, a ratio is used as a benchmark for evaluating the financial position of a bank. The ratio analysis involves comparison for a useful interpretation of the financial statements. The data for constructing ratios generally comes from a firm's balance sheet, income statement, and statement of cash flows (the financial statements). A single ratio in itself does not indicate favourable or unfavourable condition. It should be compared with some standard. Some standards of comparison are:

Trend/Time Series Analysis

This involves comparison of financial ratios over time. It gives an indication of the direction of change and reflects whether the firm's financial performance has improved, deteriorated or remained constant over time. This analysis should act as an early warning signal and indicate if there are any major problems. Trend analysis simply indicates direction of change and cannot be used for decision making unless other information available.

Cross-sectional Analysis

This is another way of comparison, which involves comparing ratios of one bank with other selected banks in the same category. The category may be in terms of amounts of assets, local or foreign banks etc. This kind of a comparison indicates the relative financial position and performance of the bank.

Industry Analysis

To determine the financial conditions and performance of a bank, its ratios may be compared with average ratios of the banking industry as a whole. Industry ratios are important standards in view of the fact that each industry has its characteristics that influence the financial and operating relationships. Based upon direction and extent of deviation from industry norm, if there are any substantive reasons for deviation, the implication will be considered and necessary steps taken so that ratio approximates average. Premise is that all banks are operating in similar environment. If a particular bank is not a representative of the industry, then deviation in characteristics of that bank should be allowed for.

2.3.1 General comments on ratios

- Weston (1992) notes that ratios are extremely useful tools. But as with other analytical methods, they must be used with judgement and caution, not in an unthinking, mechanical manner. When using ratios to evaluate the performance of a bank, the following should be noted:
  - Ratios must be evaluated together, not individually. Thus, there is the need to view a particular ratio in context of other ratios and information concerning the bank.
  - Different ratios can provide conflicting signals for the same bank.
  - Ratio reflects a particular aspect of bank. Any decision should be made by reference to all relevant information.

- *Weaknesses of ratio analysis*

Although ratios can provide valuable information, they can be misleading for a number of reasons.

- Ratios are only as reliable as the accounting data on which they are based.
- Industry "average" ratios may not be very meaningful if there is significant dispersion in the ratio for the industry.
- Industry classifications may be defined too broadly to make reliable comparative analysis between a firm and a particular industry average.
- Financial ratios provide a historical assessment of performance which may or may not be a useful basis for making future projections.
- Comparing a bank's ratios with industry norms provides a relative measure of performance, not an absolute measure. For example, a bank's profitability ratios may be relatively better than its industry average, but on an absolute basis it may be poor compared to the other banks in general.

- *Uses of Financial Ratios*

Different people use financial ratios in many ways including:

- Ratios are used internally by management for planning and for evaluating performance.
- Credit managers use ratios to estimate the riskiness of potential borrowers.
- Investors use ratios to evaluate the stocks and bonds of various corporations.
- Managers use ratios to identify and assess potential merger candidates.

2.3.2 Categories of Financial Ratios

Financial ratios are frequently grouped into the following classes:

1. *Liquidity ratios*

Computation of the liquidity ratios involves evaluation of the liquidity needs for depositors' outflows and loan commitments. They thus involve the assessment of the liquidity risk facing the bank. Liquidity risk changes with actual or potential sources of liquidity, either selling assets or acquiring a liability. There is a trade-off between returns and liquidity risks. A shift from short-term securities into longer-term securities or loans would increase banks returns but would also increase its liquidity risks.

The main liquidity ratios in banking sector are:

- Cash Ratio = Cash and Cash equivalents/ Deposits
- Advances/Deposits ratio
- Current Ratio = Current Assets/Current Liabilities

2. ***Gearing ratios***

Ratios in this category include:

- Debt Ratio = Total Liabilities/ Total Assets
- Debt to Equity Ratio = Total Liabilities/Total Equity
- Times interest Earned = Earnings Before Interest & Taxes/ Interest charges

3. ***Profitability ratios***

These ratios include:

i) *Return on Equity (ROE)*

It measures how well a bank has performed in all aspects, i.e. measures the amount of net income after tax for each shilling of equity capital. Shareholders prefer ROE to be high. Risk of bankruptcy increases as equity levels fall.

The decomposition of ROE allows a bank to identify its strengths and weakness. It provides a systematic method to identify reasons for these strengths and weakness.

Return on Equity = Net Income / Equity

= {net income/ assets} X {assets/ equity}

Change in leverage leads to a change in ROE

ii) Return on Assets (ROA) or Return on Investment (ROI)

ROA measures the income produced per shilling of assets.

Return on Assets =Net income / Assets

Change in ROA leads to a change in ROE

ROA can be decomposed into product of Profit Margin (PM) and Asset Utilisation (AU)

ROA = PM x AU.

iii) Profit Margin (PM)

PM measures net income per shilling of total revenue.

Profit Margin = Net income / Total revenue

This ratio shows the bank's ability to control expenses and reduce taxes. The greater PM, the more efficient in reducing expenses or taxes.

iv) Asset Utilisation

This ratio is affected by how much a bank has in earning assets. AU represents gross yield on assets.

Asset Utilisation = Total revenue / Total assets *v)* *Other Profitability Ratios which may be useful in financial analysis of a bank include:*

- *Interest Expense Ratio* = Interest expenses / Total revenue

- *Non-Interest expense Ratio* = Non-Interest Expenses / Total Revenue

- *Provision for Loan loss* = Provision for Loan Losses / Total Revenue

- *Net Interest Margin* = Net interest income / Earning assets

  This ratio is important in evaluating a bank's ability to manage interest rate risk.

- *Overhead Efficiency* = Non Interest income / Non-interest expense

4. *Other Ratios used in Banking Sector*

Ratios to evaluate Credit Risk

The greatest risk in loan portfolio is the risk that interest or principal, or both, will not be paid as agreed. Credit risk is higher if the bank has more medium quality loans, but in such a case, the returns are usually higher too. The returns are lower if bank choses to lower credit risk by having smaller portion of its assets in medium quality loans.

Credit Risk Measures/ ratios include:-

- Loans / Assets
- Provision for Losses / Loans
- Provision Loan Loss / Non performing Loans

Ratios to evaluate Capital Risk

Capital risk gives an indication of how much asset values may decline before the position of depositors and other creditors are jeopardised. Management of this risk ensures that there is capital protection for depositors, finances the banks infrastructure and ensures that there is buffer for losses. It thus provides flexibility for management. When calculating these ratios, there is need to take into account off balance sheet transactions.

Capital Risk Measures/Ratios include:-

- Capital Adequacy Ratio = Equity / Total Assets
- Equity capital / Risk Assets or Loans

2.4 Prior studies and findings in the use of ratios to evaluate performance

Weston (1992) indicates that the limitations of ratio analysis arise from the fact that the methodology is basically univariate – that is, each ratio is examined in isolation. Therefore to overcome these shortcomings of ratio analysis, it is necessary to combine different ratios into a meaningful predictive model. Two statistical techniques, namely *Regression Analysis* and *Discriminant Analysis Regression* have been used for this purpose. *Regression Analysis* uses past data to predict the future values of a dependent variable while *Discriminant Analysis* results in an index that allows classification of an observation into one of several priori groupings.

Bird and McHugh (1977) adopted an efficient small-sample test for the normality of financial ratios for an Australian sample of five ratios over six years. Like Deakin they found in their independent study that normality is short-lived across financial ratios and time. They also studied the adjustment of the financial ratios towards industry means.

Lev and Sunder (1979) wrote a seminal paper on ratio analysis. They pointed out, using theoretical deduction, that in order to control for the size effect, the financial ratios must fulfill very restrictive proportionality assumptions (about the error term, existence of the intercept, linearity, and dependence on other variables in the basic financial variables relationship models Y = bX + e and its ratio format Y/X = b + e/X). It is shown that the choice of the size deflator (the ratio denominator) is a critical issue. Furthermore, Lev and Sunder brought up the problems caused in multiple regression models where the explaining variables are ratios with the same denominator.

McDonald and Morris (1984) presented the first extensive empirical studies of the statistical validity of the financial ratio method. The authors used three models with two samples, one with a single industry the other with one randomly selected firm from each industry branch to investigate the implications of homogeneity on proportionality. The first model is the traditional model for replacement of financial ratios by bivariate regression, with intercept Y(i) = a + bX(i) + e(i).

Buijink and Jegers (1986) studied the financial ratio distributions from year to year from 1977 to 1981 for 11 ratios in Belgian firms. Refined industry classification brought less extreme deviation from normality. They also pointed to the need of studying the temporal persistence of cross-sectional financial ratio distributions and suggested a symmetry index for measuring it.

Watson (1990) examined the multivariate distributional properties of four financial ratios from a sample of approximately 400 manufacturing firms for cross-sections of 1982, 1983 and 1984. Multivariate normality was rejected for all the four financial ratios. However, when multivariate outliers were removed, normality was confirmed. Multivariate normality has particular bearing on research using multivariate methods, for example on bankruptcy prediction.

Salmi and Martikainen (1994), provided a critical review of the theoretical and empirical basis of four central areas of financial ratio analysis. The research areas reviewed were the functional form of the financial ratios, distributional characteristics of financial ratios, classification of financial ratios, and the estimation of the internal rate of return from financial statements. A common feature of all the areas of financial ratio analysis research seems to be that while significant regularities can be observed, they are not necessarily stable across the different ratios, industries, and time periods. This leaves much space for the development of a more robust theoretical basis and for further empirical research.

Kathanje (2000) used financial ratio analysis to evaluate financial performance of Kenyan Banking sector during the period 1987 to 1999. He also sought to determine whether financial performance in the Pre-liberalisation period (1987-1992) is significantly different from performance in the Post-liberalisation period (1993-1999). His findings were that the overall performance of banks in pre-liberalisation period was different from that of post-liberalisation period.

CHAPTER 3: RESEARCH METHODOLOGY

3.1 Population

The population considered in this study comprises the 47 financial institutions consisting of 44 commercial banks and 3 Non-Bank Financial Institutions (NBFIs), as at December 2002. Out of these 44 commercial banks, 8 are foreign banks with operations in Kenya.

3.2 Sample

A census of all the 8 foreign commercial banks and the 3 NBFIs are used in this study. This is because these institutions have been in operation in the country for the whole period of study. However, the number of local banks has been fluctuating over the study period. The sample used for these local commercial banks is 17, which is the number of the banks that were in existence throughout the study period (1993 – 2002). This resulted in a total of 28 institutions being considered in the study, which is about 60% of the population.

3.3 Data Collection

The study mainly used secondary data from the following sources:

1. Commercial banks and NBFIs published financial statements
2. Annual reports of Central Bank of Kenya
3. Financial data gathered on the Commercial Banks by the Bank Supervision Department of CBK
4. Statistical Bulletins from Central Bank of Kenya
5. Monthly Economic Reviews by the Central Bank of Kenya

The data collected related to the financial performance of commercial banks i.e. data on liquidity, profitability and gearing of these institutions.

3.4 Data Analysis

The general evaluation of the financial performance of Commercial Banks and NBFIs was done using ratios. The key ratios namely, Cash Ratio, Advances/Deposit Ratio, Debt Ratio, Debt to Equity Ratio, Return on Equity, Return on Assets, Asset Utilization and Capital Adequacy Ratio were computed annually for each category (category1 – an aggregate of all local banks; category 2 – an aggregate of all foreign banks) through out the study period. In addition, Trend Analysis over the period of study was done to compare the movement of the various ratios in the local banks and the foreign banks to that of the NSE Index. T-test for the sample means of both the local and foreign banks was done to test the hypothesis that there is no significant difference in the financial performance between the two categories.

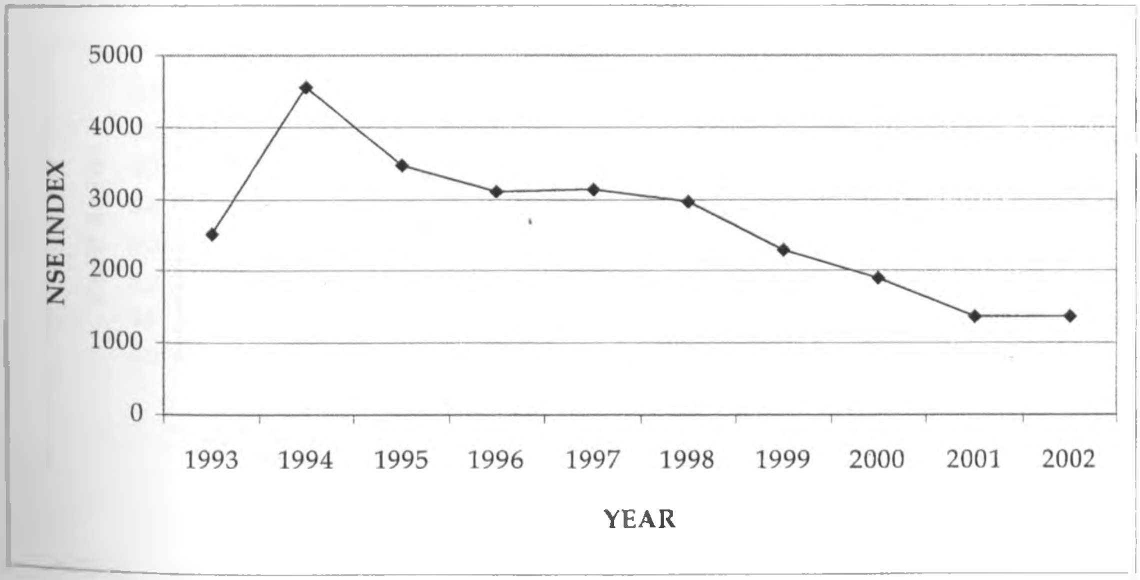
CHAPTER 4: DATA ANALYSIS AND FINDINGS

4.1 Introduction

This study uses MS Excel statistical package for the data analysis. The package is used for tabulation and obtaining the averages of the various ratios (Appendix A). It is also used to derive the trend of NSE Index and for the ratios over the period of study (Charts 1 to 9) and finally in the computation of the t-tests so as to perform the hypothesis test (Tables 3 to 10).

Note that Charts 2 to 9 show combined financial performance trends for both local and foreign banks. This is meant to give a quick glance of the performance for comparison purposes. However, the comments on the trends are first done for the local banks and then for the foreign banks.

CHART 1: TRENDS IN NSE PRICE INDEX



As shown in Chart 1 above, the trend of the NSE Index has been falling since 1994 when it was at a high level of 4,559.4 to a low of 1,355 in 2001. This general falling trend is also shown by most of the ratios computed for both local and foreign banks. However, the

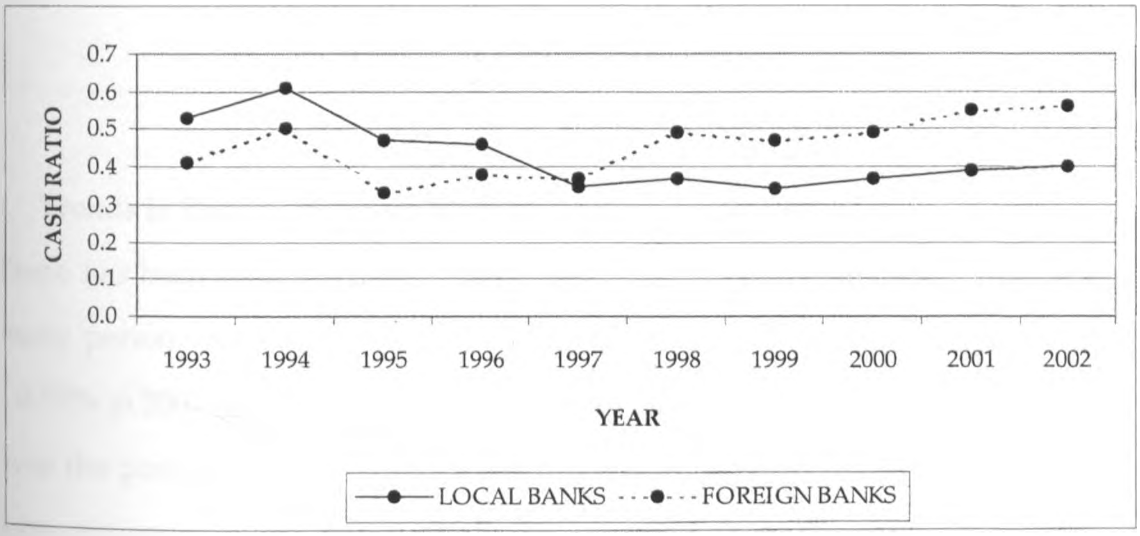
NSE is mostly influenced by the turnover of the shares being bought and sold at the Nairobi Stock Exchange. The decline in the state of the economy in the country over the study period contributed a lot to the fall in the NSE Index. This impacted negatively on the profits of most businesses in the country and especially the local banks whose profit before tax fell over the period to a negative position in 2002.

4.2 Trends in performance Ratios for the Local Banks

- Trends in Cash Ratio

Cash ratios over the whole period have ranged from a high of 0.61 in 1994 to a low of 0.34 in 1999 (Chart 2). This can be attributed to the increase in levels of customer deposits and relatively low levels of cash and cash equivalent amounts held by banks. This shows that the banks were expanding and attracting more deposits from customers. This situation posed a liquidity risk to the local banks since the deposits were not adequately covered.

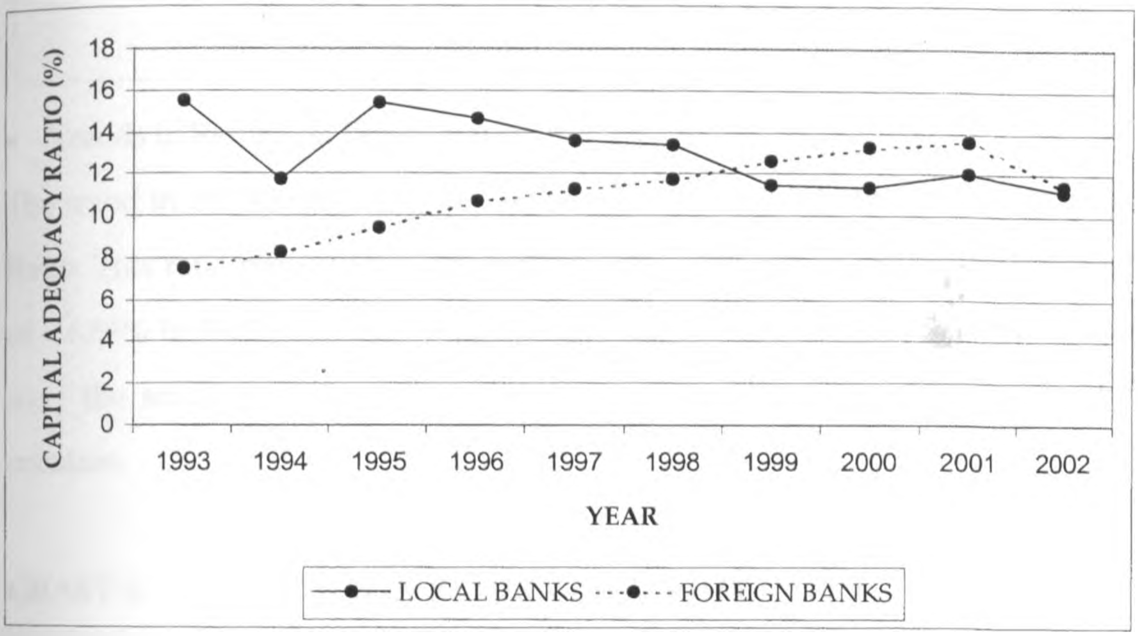
CHART 2: TRENDS IN CASH RATIO



• Trends in Capital Adequacy Ratio

Capital adequacy ratios have remained above the 10% level. The highest level was 15.46% in 1993 while the lowest was 11.16% in 2002 (Chart 3). This is due to relatively falling profits which the local banks faced over the period as compared to the increase in total assets. Since the minimum capital for the banks is a statutory requirement, the falling trend of the ratio can be generally attributable to low profits.

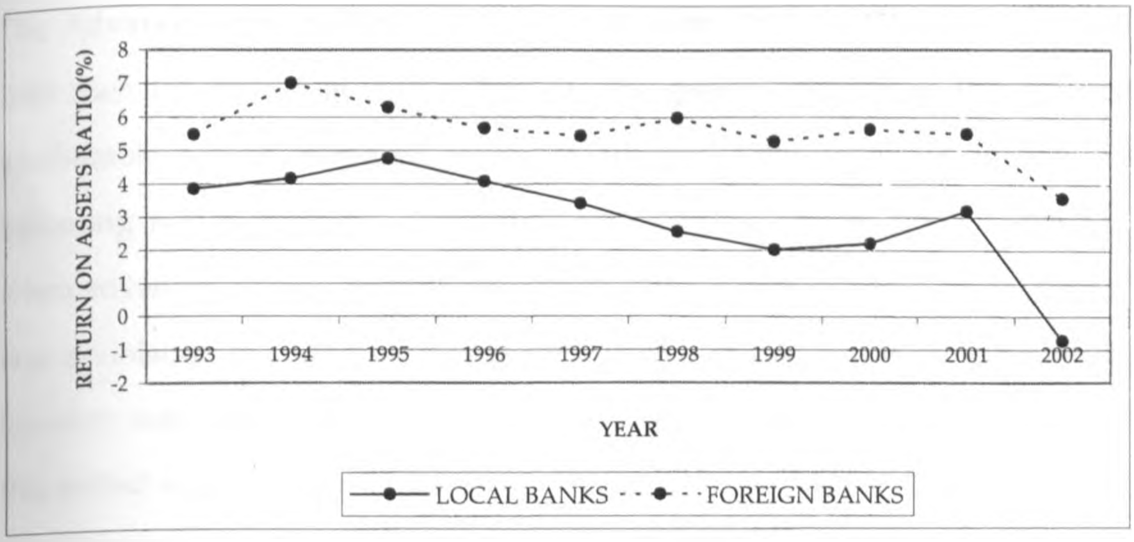
CHART 3: TRENDS IN CAPITAL ADEQUACY RATIO



• Trends in Return on Assets Ratio

There has been a conspicuous decline in the Return on Assets Ratio throughout the study period whereby it fell from a high of 4.76% in 1994 to a negative return of – 0.73% in 2002 (Chart 4). In essence, this means that the assets which the banks held over the period were continually less utilized in order to realize a return until they were not earning any return at all. The situation is made worse by the increasing amount of assets as compared to the relative decrease in profits before tax over the study period.

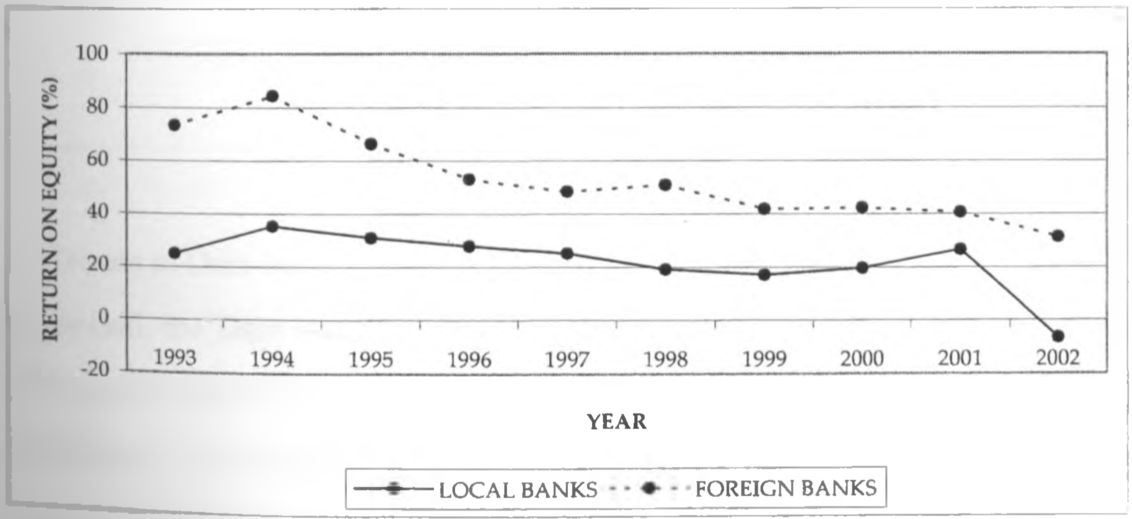
CHART 4: TRENDS IN RETURN ON ASSETS RATIO



- Trends in Return on Equity Ratio

The trend in the Return on Equity Ratio is much similar to that of Return on Assets Ratio. This ratio moved from the highest level of 35.28% in 1994 to the lowest point of – 6.56% in 2002 (Chart 5). This is attributable to the decreasing profits before tax over the study period while the amount of shareholders equity remained fairly constant.

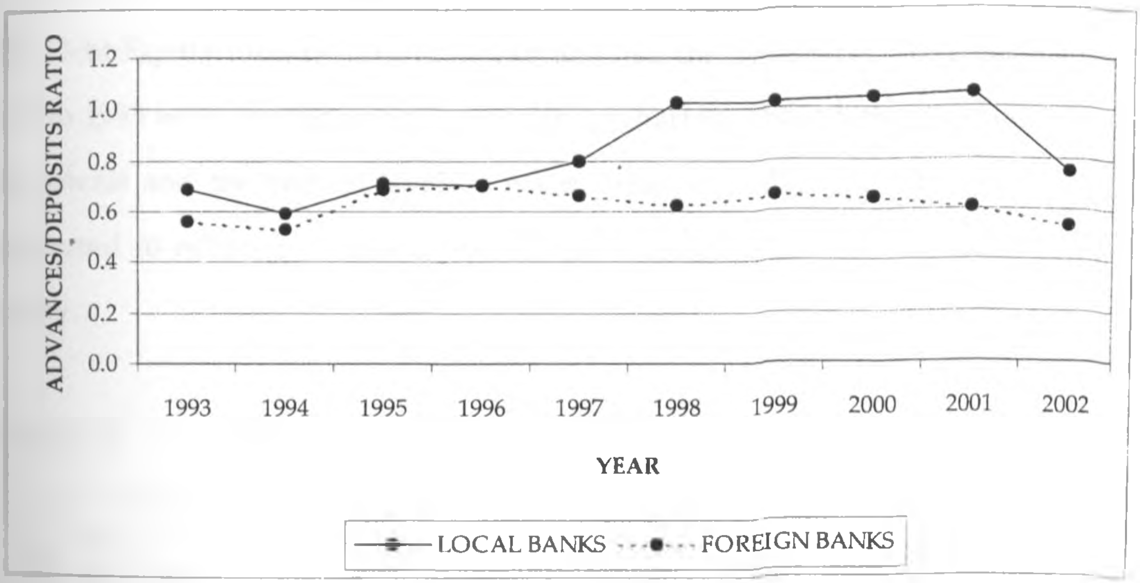
CHART 5: TRENDS IN RETURN ON EQUITY RATIO



• Trends in Advances/Deposits Ratio

The Advance/Deposits Ratio gradually rose from 0.59 in 1994 to a high of 1.06 in 2001 then fell to 0.75 in 2002 (Chart 6). The general increase in this ratio can be attributable to the increased levels of advances and many of these advances becoming non-performing. This situation is conspicuous in period 1998 to 2001, when advances granted were slightly more that the deposits held by the banks. This was a violation of rules of business since such a situation was tantamount to high liquidity risks. Due to non-performance of these advances, the income realized over this period was not good.

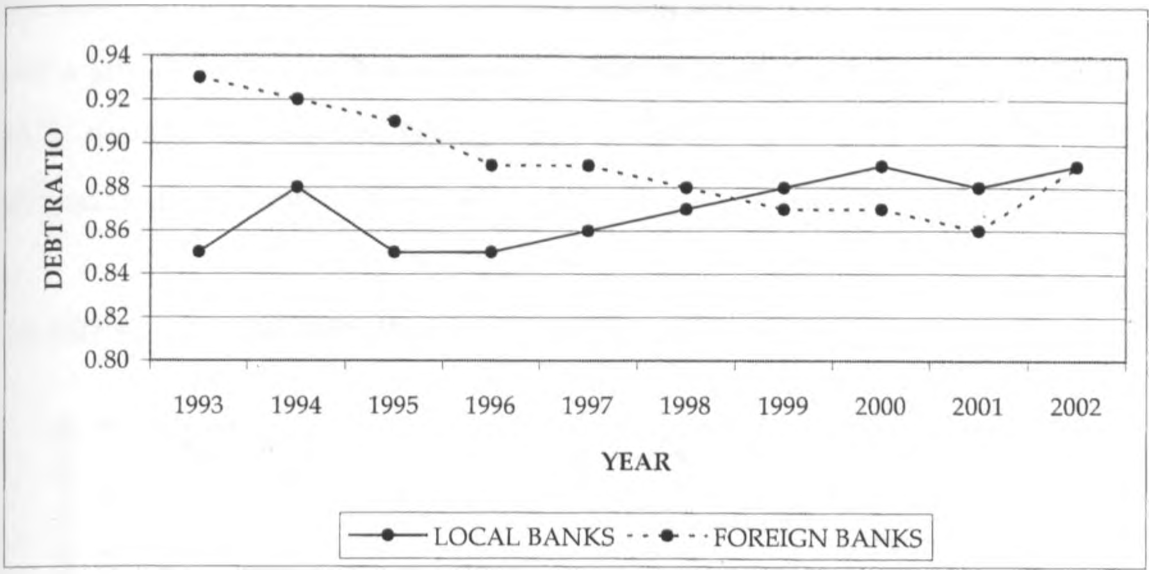
CHART 6: TRENDS IN ADVANCES/DEPOSITS RATIO



• Trends in Debt Ratio

In general, the Debt Ratio has been on the increase with a low of 0.85 in 1993 and 1995; and a high of 0.89 in 2000 and 2002 (Chart 7). The range of the ratio is only 0.04 (difference of the highest and the lowest levels), hence not material. This trend resulted from total liabilities increasing at a relatively faster rate than the increase in total assets.

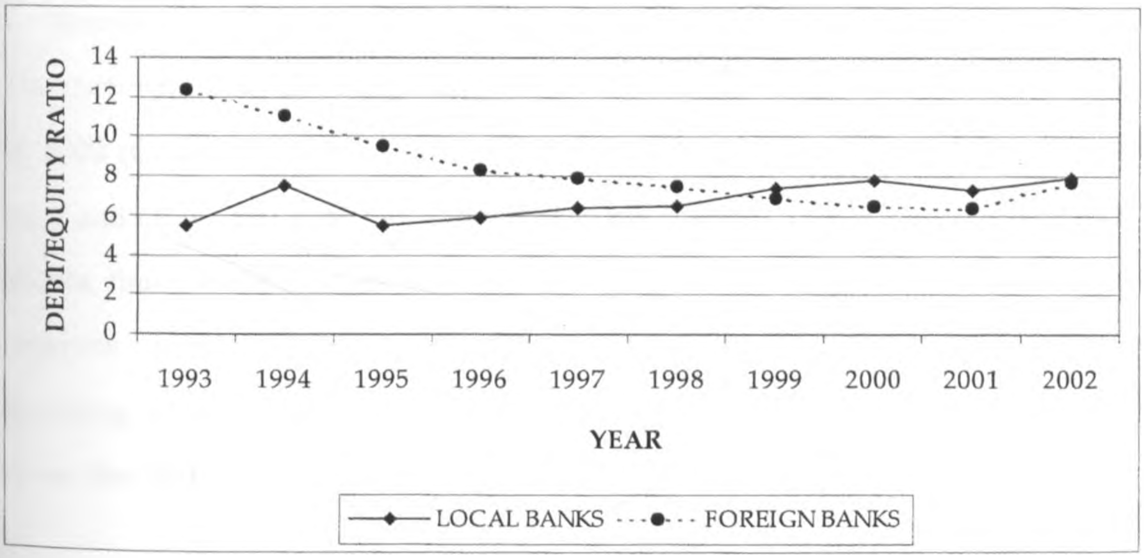
CHART 7: *TRENDS IN DEBT RATIO*



- Trends in Debt/Equity Ratio

The Debt/Equity ratio behaved more or less like the Debt ratio. The lowest level was 5.47 in 1993 with the highest of 7.96 in 2002 (Chart 8). Though the difference between the lowest and the highest levels is not material, the increase in this ratio could be attributed to relative increase in the levels of debt at a faster rate than that of the equity.

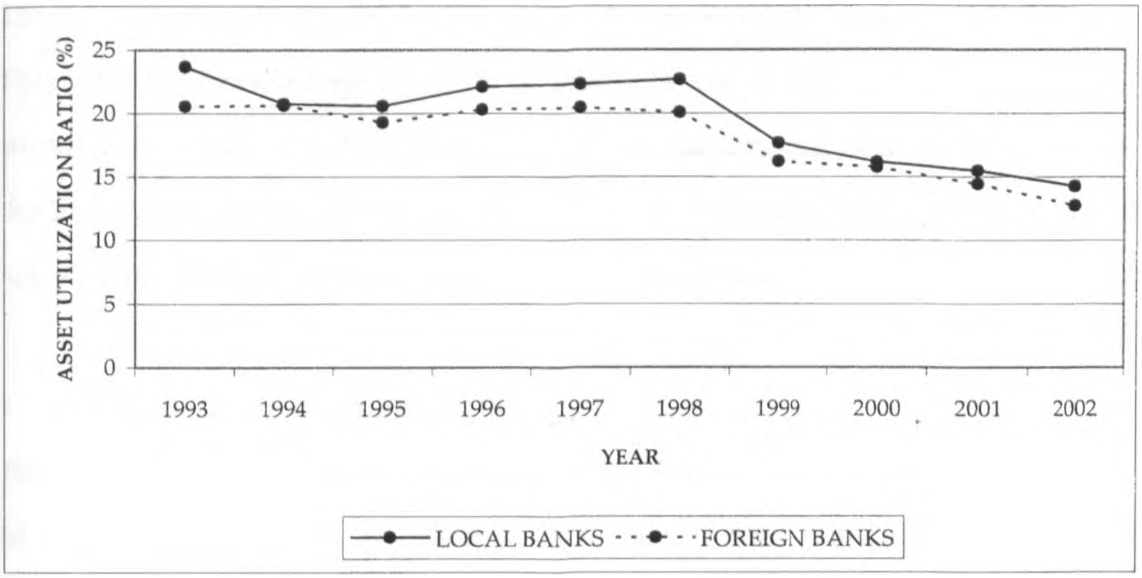
CHART 8: *TRENDS IN DEBT/EQUITY RATIO*



- Trends in Asset Utilization Ratio

The assets utilization ratio has been on a falling trend with a high of 23.68% in 1993 and a low of 14.26% in 2002 (Chart 9). This shows that the assets were increasing while the total income was falling. Thus the assets held by the banks were under-utilized in the generation of income.

CHART 9: TRENDS IN ASSET UTILIZATION RATIO



4.3 Trends in performance Ratios for the Foreign Banks

- Trends in Cash Ratio

The cash ratio had an increasing trend with a low of 0.33 in 1995 and a high of 0.56 in 2002 (Chart 2). This can be attributed to a relatively faster increase in levels of cash and cash equivalents as compared to the increase in the levels of deposits. This shows that the foreign banks were being risk sensitive by holding enough cash reserves – i.e. the banks could have opted for holding cash instead of lending out or investing possibly because the expected return was not considered adequately to cover the perceived risk.

- Trends in Capital Adequacy Ratio

This ratio showed a general increase with a low of 7.47% in 1993 and a high of 13.55% in 2001 (Chart 3). Since the minimum capital for the banks is a statutory requirement, the increase could be attributed to increased profits as compared to total assets over the study period.

- Trends in Return on Assets Ratio

There has been a decline in the Return on Assets Ratio throughout the study period. This ratio fell from a high of 7.01% in 1994 to a low of 3.58% in 2002 (Chart 4). This situation is attributable to a faster increase in the amount of assets as compared to the increase in profits before tax over the study period i.e. the assets acquired were not yielding enough return to warrant their acquisition.

- Trends in Return on Equity Ratio

The Return on equity Ratio had a falling trend over the study period with a high of 84.34% in 1994 to a low 31.25% in 2002 (Chart 5). This is attributable to the rate of increase in equity being higher than that of the profit before tax over the study period.

- Trends in Advances/Deposits Ratio

The Advance/Deposits Ratio was fairly stable over the period with a movement from 0.56 in 1993; 0.70 in 1996 and gradually falling back to 0.54 in 2002 (Chart 6). This shows that the foreign banks had a stable policy on the percentage of deposits they can lend out i.e. as the deposits from customers were increasing, the banks advanced money at a more or less similar rate. This policy is meant to ensure liquidity at all times.

- Trends in Debt Ratio

The Debt ratio has been on the decrease with a high of 0.93 in 1993 and a low of 0.86 in 2001 and then rising to 0.89 in 2002 (Chart 7). This trend resulted from total assets increasing at a relatively faster rate than the increase in total liabilities. Just like the case of local banks, the range of the ratio is only 0.07 (difference of the highest and the lowest levels), hence not material.

- Trends in Debt/Equity Ratio

The Debt/Equity ratio behaved more or less like the Debt ratio. The highest level was 12.38 in 1993 with the lowest of 6.38 in 2001 then a slight increase to 7.73 in 2002 (Chart 8). Though the difference between the lowest and the highest levels is not material, the decrease in this ratio could be attributed to relative increase in the levels of equity (i.e. retained profit) at a faster rate than that of the debt.

- Trends in Asset Utilization Ratio

The assets utilization ratio has been on a falling trend with a high of 20.55% in 1993 and a low of 12.73% in 2002 (Chart 9). This shows that the total assets were increasing at a faster rate as compared to the total income.

4.4 Similarities and differences in financial performance between the two categories

- Cash Ratio

There is a similarity in the Cash Ratio trends for both categories in that, these ratios are not significantly different, as indicated by the significance test (Table 3) i.e. they are more or less the same. This is attributable to the fact that the Central Bank of Kenya sets the minimum cash reserves, which every bank must deposit with it. Subsequently, the banks will not hold excessive cash above this minimum required amount. However, a comparison of the trends in local and foreign banks shows that the ratios in both categories are moving in opposite directions, with the local banks starting with a high level and ending with a low level, while the foreign banks' trend is the opposite.

- Capital Adequacy Ratio

Capital adequacy ratios of both categories behaved mainly in the opposite direction until year 2002 when the ratio for both categories was almost the same. This resulted from the local banks profits which were falling while those of foreign banks were fairly stable, just increasing slightly.

- Return on Assets Ratio

There was a general decline in Return on Assets ratio for both foreign and local banks, that of the local banks being worse. The similarity in these trends was as a result of increase in assets, whilst the profits being realized were not adequate to warrant this increase in assets. The case of local banks in overall ends in a negative return because though there was an increase in assets, the banks had made losses in year 2002.

- Return on Equity Ratio

This trend of Return on Equity for both categories is similar and compares to that of Return on Assets Ratio. This resulted from the falling profits as compared to the increase in shareholders' funds (local banks) while for the foreign banks, though the profits were stable, the shareholders' funds were increasing at a faster rate.

- Advances/Deposits Ratio

Foreign banks had a fairly stable Advances/Deposits ratio while that of the local banks started first by increasing then fell by year 2002. This shows that the foreign banks had different policies from local banks in regards to lending and deposits. This is seen clearly in years 1998 to 2001 whereby the ratio was higher than one for local banks. This meant that these banks advanced more money than was deposited during that period, a situation that posed a liquidity risk.

- Debt Ratio

The trend in Debt Ratio for the foreign banks was almost the opposite of that of the local banks. The local banks had a rising debt ratio trend while that of foreign banks was falling. However the range of change in both of the categories was minimal – local banks had a high of 0.89 and a low of 0.85; while foreign banks had a high of 0.93 and a low of 0.86.

- Debt/Equity Ratio

The trend in this ratio was similar to that of Debt Ratio for both of the categories. This shows that the behaviour of the denominators – Total Assets for Debt Ratio and Equity for Debt/Equity Ratio were behaving in a similar manner i.e. having a similar trend.

- Asset Utilization Ratio

The trend of Asset Utilization ratio is similar for both foreign and local banks. This can be explained by the fact that loans and advances are a large component of total assets and much of a bank's income is derived from interest charged on loans and advances. Hence regardless of whether a bank is local or foreign, increase/decrease in total income will be more or less a reflection of an increase/decrease in total assets.

4.5 Significance testing

Testing of the Null Hypothesis that there is no significant difference in financial performance between the local and foreign banks over the study period was done using MS Excel statistical package. T-test for the sample means of the two categories yielded the results shown in Tables 3 to 10.

TABLE 3: SIGNIFICANCE TEST ON CASH RATIO

YEAR	Local Banks X_1	Foreign Banks X_2	$X_1 - \overline{X_1}$	$X_2 - \overline{X_2}$	$(X_1 - \overline{X_1})^2$	$(X_2 - \overline{X_2})^2$
1993	0.53	0.41	0.101	-0.045	0.010	0.002
1994	0.61	0.50	0.181	0.045	0.033	0.002
1995	0.47	0.33	0.041	-0.125	0.002	0.016
1996	0.46	0.38	0.031	-0.075	0.001	0.006
1997	0.35	0.37	-0.079	-0.085	0.006	0.007
1998	0.37	0.49	-0.059	0.035	0.003	0.001
1999	0.34	0.47	-0.089	0.015	0.008	0.000
2000	0.37	0.49	-0.059	0.035	0.003	0.001
2001	0.39	0.55	-0.039	0.095	0.002	0.009
2002	0.40	0.56	-0.029	0.105	0.001	0.011
TOTAL	**4.29**	**4.55**		**TOTAL**	**0.069**	**0.055**

Null Hypothesis, H_o: There is no Significant difference in Cash Ratio for both Local and Foreign banks

H_A: There is a significant difference in Cash Ratio for both Local and Foreign Banks

Mean: $\overline{X_1}$ = 0.429 $\overline{X_2}$ = 0.455

Standard Deviation: δ_1 - 0.088 δ_2 - 0.078

No. of years (n = 10)

Degrees of freedom($n_1 + n_2$) – 2 = 18

Significance Level: α = 95% (two tail test)

Critical test Value at this level = 2.101

Computed t – statistic = -0.700

Decision: Accept Null Hypothesis

TABLE 4: SIGNIFICANCE TEST ON CAPITAL ADEQUACY

YEAR	Local Banks X_1	Foreign Banks X_2	$X_1 - \overline{X_1}$	$X_2 - \overline{X_2}$	$(X_1 - \overline{X_1})^2$	$(X_2 - \overline{X_2})^2$
1993	15.46	7.47	2.440	-3.513	5.954	12.341
1994	11.79	8.32	-1.230	-2.663	1.513	7.092
1995	15.37	9.47	2.350	-1.513	5.522	2.289
1996	14.60	10.69	1.580	-0.293	2.496	0.086
1997	13.61	11.23	0.590	0.247	0.348	0.061
1998	13.39	11.74	0.370	0.757	0.137	0.573
1999	11.48	12.60	-1.540	1.617	2.372	2.615
2000	11.32	13.30	-1.700	2.317	2.890	5.368
2001	12.02	13.55	-1.000	2.567	1.000	6.589
2002	11.16	11.46	-1.860	0.477	3.460	0.228
TOTAL	**130.20**	**109.83**		**TOTAL**	**25.692**	**37.242**

Null Hypothesis, H_0: There is no Significant difference in Capital Adequacy for both Local and Foreign banks

H_A: There is a significant difference in Capital Adequacy for both Local and Foreign Banks

Mean: $\overline{X_1}$ = 13.02 $\overline{X_2}$ = 10.983

Standard Deviation: δ_1 - 1.690 δ_2 - 2.034

No. of years (n = 10)

Degrees of freedom($n_1 + n_2$) – 2 = 18

Significance Level: α = 95% (two tail test)

Critical test Value at this level = 2.101

Computed t – statistic = 2.436

Decision: Reject Null Hypothesis

TABLE 5: SIGNIFICANCE TEST ON RETURN ON ASSETS RATIO

YEAR	Local Banks X_1	Foreign Banks X_2	$X_1 - \overline{X_1}$	$X_2 - \overline{X_2}$	$(X_1 - \overline{X_1})^2$	$(X_2 - \overline{X_2})^2$
1993	3.85	5.48	0.899	-0.105	0.808	0.011
1994	4.16	7.01	1.209	1.425	1.462	2.031
1995	4.76	6.29	1.809	0.705	3.272	0.497
1996	4.07	5.67	1.119	0.085	1.252	0.007
1997	3.41	5.44	0.459	-0.145	0.211	0.021
1998	2.56	5.98	-0.391	0.395	0.153	0.156
1999	2.02	5.27	-0.931	-0.315	0.867	0.099
2000	2.21	5.63	-0.741	0.045	0.549	0.002
2001	3.20	5.50	0.249	-0.085	0.062	0.007
2002	(0.73)	3.58	-3.681	-2.005	13.550	4.020
TOTAL	**29.51**	**55.85**		**TOTAL**	**22.186**	**6.851**

Null Hypothesis, H_o: There is no Significant difference in Return on Assets Ratio for both Local and Foreign banks

H_A: There is a significant difference in Return on Assets Ratio for both Local and Foreign Banks

Mean: $\overline{X_1}$ = 2.951 $\overline{X_2}$ = 5.585

Standard Deviation: δ_1 - 1.570 δ_2 - 0.873

No. of years (n = 10)

Degrees of freedom($n_1 + n_2$) – 2 = 18

Significance Level: α = 95% (two tail test)

Critical test Value at this level = 2.101

Computed t – statistic = -4.637

Decision: Reject Null Hypothesis

TABLE 6: SIGNIFICANCE TEST ON RETURN ON EQUITY RATIO

YEAR	Local Banks X_1	Foreign Banks X_2	$X_1 - \overline{X}_1$	$X_2 - \overline{X}_2$	$(X_1 - \overline{X}_1)^2$	$(X_2 - \overline{X}_2)^2$
1993	24.89	73.32	2.909	20.071	8.462	402.845
1994	35.28	84.34	13.299	31.091	176.863	966.650
1995	30.97	66.44	8.989	13.191	80.802	174.002
1996	27.88	53.08	5.899	-0.169	34.798	0.029
1997	25.06	48.43	3.079	-4.819	9.480	23.223
1998	19.11	50.89	-2.871	-2.359	8.243	5.565
1999	17.03	41.80	-4.951	-11.449	24.512	131.080
2000	19.56	42.33	-2.421	-10.919	5.861	119.225
2001	26.59	40.61	4.609	-12.639	21.243	159.744
2002	(6.56)	31.25	-28.541	-21.999	814.589	483.956
TOTAL	**219.81**	**532.49**		**TOTAL**	**1184.854**	**2466.318**

Null Hypothesis, H_o: There is no Significant difference in Return on Equity Ratio for both Local and Foreign banks

H_A: There is a significant difference in Return on Equity Ratio for both Local and Foreign Banks

Mean: $\overline{X}_1 =$ 21.981 $\overline{X}_2 =$ 53.249

Standard Deviation: δ_1 = 11.474 δ_2 = 16.554

No. of years (n = 10)

Degrees of freedom$(n_1 + n_2) - 2$ = 18

Significance Level: α = 95% (two tail test)

Critical test Value at this level = 2.101

Computed t – statistic = -4.909

Decision: Reject Null Hypothesis

TABLE 7: SIGNIFICANCE TEST ON ADVANCES/DEPOSITS RATIO

YEAR	Local Banks X_1	Foreign Banks X_2	$X_1 - \bar{X}_1$	$X_2 - \bar{X}_2$	$(X_1 - \bar{X}_1)^2$	$(X_2 - \bar{X}_2)^2$
1993	0.69	0.56	-0.150	-0.062	0.023	0.004
1994	0.59	0.53	-0.250	-0.092	0.063	0.008
1995	0.71	0.69	-0.130	0.068	0.017	0.005
1996	0.70	0.70	-0.140	0.078	0.020	0.006
1997	0.80	0.66	-0.040	0.038	0.002	0.001
1998	1.03	0.62	0.190	-0.002	0.036	0.000
1999	1.03	0.66	0.190	0.038	0.036	0.001
2000	1.04	0.65	0.200	0.028	0.040	0.001
2001	1.06	0.61	0.220	-0.012	0.048	0.000
2002	0.75	0.54	-0.090	-0.082	0.008	0.007
TOTAL	**8.40**	**6.22**		**TOTAL**	**0.292**	**0.034**

Null Hypothesis, H_o: There is no Significant difference in Advances/Deposits Ratio for both Local and Foreign banks

H_A: There is a significant difference in Advances/Deposits Ratio for both Local and Foreign Banks

Mean: $\bar{X}_1 =$ 0.840 $\bar{X}_2 =$ 0.622

Standard Deviation: δ_1 - 0.1.80 δ_2 - 0.061

No. of years (n = 10)

Degrees of freedom($n_1 + n_2$) – 2 = 18

Significance Level: α = 95% (two tail test)

Critical test Value at this level = 2.101

Computed t – statistic = 3.626

Decision: Reject Null Hypothesis

TABLE 8: SIGNIFICANCE TEST ON DEBT RATIO

YEAR	Local Banks X_1	Foreign Banks X_2	$X_1 - \overline{X_1}$	$X_2 - \overline{X_2}$	$(X_1 - \overline{X_1})^2$	$(X_2 - \overline{X_2})^2$
1993	0.85	0.93	-0.020	0.039	0.00040	0.00152
1994	0.88	0.92	0.010	0.029	0.00010	0.00084
1995	0.85	0.91	-0.020	0.019	0.00040	0.00036
1996	0.85	0.89	-0.020	-0.001	0.00040	0.00000
1997	0.86	0.89	-0.010	-0.001	0.00010	0.00000
1998	0.87	0.88	0.000	-0.011	0.00000	0.00012
1999	0.88	0.87	0.010	-0.021	0.00010	0.00044
2000	0.89	0.87	0.020	-0.021	0.00040	0.00044
2001	0.88	0.86	0.010	-0.031	0.00010	0.00096
2002	0.89	0.89	0.020	-0.001	0.00040	0.00000
TOTAL	**8.70**	**8.91**		**TOTAL**	**0.00240**	**0.00469**

Null Hypothesis, H_o: There is no Significant difference in Debt Ratio for both Local and Foreign banks

H_A: There is a significant difference in Debt Ratio for both Local and Foreign Banks

Mean: $\overline{X_1}$ = 0.87 $\overline{X_2}$ = 0.891

Standard Deviation: δ_1 - 0.0163 δ_2 - 0.0228

No. of years (n = 10)

Degrees of freedom($n_1 + n_2$) – 2 = 18

Significance Level: α = 95% (two tail test)

Critical test Value at this level = 2.101

Computed t – statistic = - 2.366

Decision: Reject Null Hypothesis

TABLE 9: SIGNIFICANCE TEST ON DEBT/EQUITY RATIO

YEAR	Local Banks X_1	Foreign Banks X_2	$X_1 - \overline{X_1}$	$X_2 - \overline{X_2}$	$(X_1 - \overline{X_1})^2$	$(X_2 - \overline{X_2})^2$
1993	5.47	12.38	-1.299	3.950	1.687	15.603
1994	7.49	11.03	0.721	2.600	0.520	6.760
1995	5.51	9.56	-1.259	1.130	1.585	1.277
1996	5.85	8.35	-0.919	-0.080	0.845	0.006
1997	6.35	7.90	-0.419	-0.530	0.176	0.281
1998	6.47	7.51	-0.299	-0.920	0.089	0.846
1999	7.44	6.94	0.671	-1.490	0.450	2.220
2000	7.83	6.52	1.061	-1.910	1.126	3.648
2001	7.32	6.38	0.551	-2.050	0.304	4.203
2002	7.96	7.73	1.191	-0.700	1.418	0.490
TOTAL	**67.69**	**84.30**		**TOTAL**	**8.200**	**35.334**

Null Hypothesis, H_o: There is no Significant difference in Debt/Equity Ratio for both Local and Foreign banks

H_A: There is a significant difference in Debt/Equity Ratio for both Local and Foreign Banks

Mean: $\overline{X_1}$ = 6.769 $\overline{X_2}$ = 8.430

Standard Deviation: δ_1 - 0.955 δ_2 - 1.981

No. of years (n = 10)

Degrees of freedom($n_1 + n_2$) – 2 = 18

Significance Level: α = 95% (two tail test)

Critical test Value at this level = 2.101

Computed t – statistic = -2.388

Decision: Reject Null Hypothesis

TABLE 10: SIGNIFICANCE TEST ON ASSET UTILIZATION RATIO

YEAR	Local Banks X_1	Foreign Banks X_2	$X_1 - \overline{X_1}$	$X_2 - \overline{X_2}$	$(X_1 - \overline{X_1})^2$	$(X_2 - \overline{X_2})^2$
1993	23.68	20.55	4.119	2.510	16.966	6.300
1994	20.72	20.64	1.159	2.600	1.343	6.760
1995	20.59	19.29	1.029	1.250	1.059	1.563
1996	22.11	20.29	2.549	2.250	6.497	5.063
1997	22.31	20.45	2.749	2.410	7.557	5.808
1998	22.65	20.06	3.089	2.020	9.542	4.080
1999	17.65	16.20	-1.911	-1.840	3.652	3.386
2000	16.16	15.75	-3.401	-2.290	11.567	5.244
2001	15.48	14.44	-4.081	-3.600	16.655	12.960
2002	14.26	12.73	-5.301	-5.310	28.101	28.196
TOTAL	**195.61**	**180.40**		**TOTAL**	**102.938**	**79.359**

Null Hypothesis, H_o: There is no Significant difference in Asset Utilization Ratio for both Local and Foreign banks

H_A: There is a significant difference in Asset Utilization Ratio for both Local and Foreign Banks

Mean: $\overline{X}_1 =$ 19.561 $\overline{X}_2 =$ 18.04

Standard Deviation: δ_1 - 3.382 δ_2 - 2.969

No. of years (n = 10)

Degrees of freedom($n_1 + n_2$) – 2 = 18

Significance Level: α = 95% (two tail test)

Critical test Value at this level = 2.101

Computed t – statistic = 1.069

Decision: Accept Null Hypothesis

The results of the significance tests can be summarized as follows:

Ratio	*t- statistic*	*Decision*
Cash Ratio	-0.700	Accept Null Hypothesis
Capital adequacy Ratio	2.436	Reject Null Hypothesis
Return on Assets Ratio	-4.637	Reject Null Hypothesis
Return on Equity Ratio	-4.909	Reject Null Hypothesis
Advances/Deposits Ratio	3.626	Reject Null Hypothesis
Debt Ratio	-2.366	Reject Null Hypothesis
Debt/Equity Ratio	-2.388	Reject Null Hypothesis
Asset Utilization Ratio	1.069	Accept Null Hypothesis

As shown in the summary of hypothesis test results above, six of the ratios show that the null hypothesis should be rejected. The interpretation of this rejection is that there is actually a significant difference in financial performance between the local and foreign banks. Cash and capital adequacy ratios show that there is no significant difference between the financial performance between the two categories. This can be explained in the case of cash ratio by the fact that a large portion of the cash held by banks is deposited with the Central Bank of Kenya as the minimum cash reserve for every bank in operation. Hence for all the banks whether local or foreign, the trend will be similar. For the asset utilization ratio, the two variables used to compute this ratio are related i.e. loans and advances are a large component of the total assets and much of a bank's income is derived from interest charged on loans and advances. Hence regardless of whether a bank is local or foreign, increase/decrease in total income will be more or less a reflection of an increase/decrease in total assets.

We can then conclusively deduce from the above results that there is a significant difference in the financial performance between the local and foreign banks.

CHAPTER 5: CONCLUSIONS AND RECOMMENDATION

5.1 Conclusions

This study was carried out with the objective of establishing whether there is any significant difference between the financial performance of the locally established banks and the foreign banks with operations in Kenya.

The period covered by the study was a ten-year period, from 1993 to 2002. The main sources of information were the various Central Bank of Kenya publications and the published/audited financial statements of the relevant banks.

The banks considered in the study for a thorough analysis (sample) were 28 – composed of 17 local commercial banks, 8 foreign commercial banks and 3 NBFIs. These institutions in the sample were those which were in existence through out the study period.

After a thorough analysis of the data obtained, the results showed that:

- Most of the ratios had a similar trend for both categories. These trends showed falling performance over the period of study, a situation which compares to the major economic indicators, namely the NSE Index (Chart1) and the GDP level (Table 2). We can then deduce that there is a relationship between the state of the economy and the financial performance in the banking sector.

- Most notable ratios for the local banks were Return on Assets and Return on Equity, which fell to a negative position by end of year 2002. Also the Advances/Deposits ratio showed a poor picture in years 1998 to 2001 whereby the amount of Advances were higher than the Deposits.

- The hypothesis test, which had a Null Hypothesis that there is no significant difference in financial performance between the local and foreign banks was rejected. This conclusion was reached after the analysis showed that six of the ratios considered did not support the null hypothesis.

5.2 Limitations of Study

This study was carried out using secondary data extracted from financial statements of banks. There is a possibility of this data being manipulated to suit the bank's management and hence one has to be cautious of this limitation.

Data on first two years of operation of Euro Bank, which was licensed in 1993 was not accessible. This was made more difficult by the fact that the bank was put under receivership in March 2003 and hence the management could not be conducted for assistance. However, it is expected that since in the inception years the performance of a business is very low, absence of this data does not materially affect the results of this research i.e. the conclusions arrived at will not have changed even with availability of this data.

5.3 Recommendation for further research

This study was mainly seeking to find out whether there is any significant difference in financial performance between local and foreign banks. The results have shown that there is a significant difference in financial performance between the two categories.

A recommendation is made that a research be carried out to find out the reasons for one category performing better than the other. Visiting these banks to understand their operations and interviewing their top management so as to obtain an insight of their performance can do this.

APPENDIX A

I. CASH RATIO

	Local Commercial Banks & NBFIs	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
1	Bank of Baroda	0.40	0.66	0.41	0.39	0.55	0.70	0.70	0.73	0.74	0.75
2	Chase Bank - Formerly United Bank Ltd	0.60	0.07	0.47	0.76	0.60	0.47	0.82	0.79	0.70	0.59
3	City Finance Bank	0.37	0.48	0.35	0.33	0.26	0.06	0.10	8.88	4.19	4.12
4	Commercial Bank of Africa	0.67	0.60	0.61	0.59	0.53	0.66	0.63	0.66	0.74	0.36
5	Consolidated Bank	0.44	0.45	0.48	0.55	0.68	0.78	0.75	0.69	0.78	0.48
6	Co-operative Bank of Kenya	0.46	0.67	0.64	0.59	0.40	0.41	0.33	0.29	0.26	0.32
7	Delphis Bank	1.16	0.85	0.40	0.26	0.33	0.22	0.29	0.28	0.13	2.86
8	Devna Finance	0.00	6.33	1.82	1.39	2.25	3.44	2.83	1.85	1.08	1.00
9	Diamond Trust	0.41	0.38	0.33	0.34	0.12	0.51	0.63	0.84	0.76	0.68
10	Dubai Bank (formerly Mashreq Bank)	0.57	0.28	0.28	0.67	0.83	1.02	1.36	0.72	0.80	1.11
11	Euro Bank	0.00	0.00	0.77	0.37	0.31	0.19	0.12	0.13	0.11	0.00
12	Giro Commercial Bank	1.66	0.89	0.54	0.55	0.90	0.35	0.34	0.34	0.29	0.36
13	Habib Bank Ltd	0.77	0.83	0.72	0.80	0.72	0.77	0.73	0.80	0.86	0.87
14	HFCK	2.43	0.05	0.22	0.23	0.17	0.21	0.17	0.22	0.22	0.21
15	Kenya Commercial Bank	0.51	0.67	0.47	0.50	0.32	0.35	0.36	0.38	0.40	0.44
16	Middle East Bank	1.02	0.99	1.10	0.82	0.27	0.81	0.43	0.69	0.62	0.87
17	National Bank of Kenya	0.42	0.55	0.39	0.28	0.25	0.07	0.07	0.08	0.06	0.10
18	Prime Bank	1.13	0.88	0.74	1.14	2.94	0.40	0.45	0.51	0.51	0.70
19	Prime Capital & Credit	0.48	0.21	0.48	0.55	0.63	1.40	0.61	0.56	0.62	0.63
20	Trans-National Bank	0.48	0.58	0.72	0.58	0.29	0.28	0.38	0.33	0.52	0.66
	AVERAGE = (TOTAL CASH/ TOTAL DEPOSITS)	**0.53**	**0.61**	**0.47**	**0.46**	**0.35**	**0.37**	**0.34**	**0.37**	**0.39**	**0.40**

	Foreign Commercial Banks	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
1	Bank of India	0.75	0.98	0.88	0.77	0.80	0.63	0.80	0.78	0.81	0.88
2	Barclays Bank of Kenya	0.40	0.51	0.34	0.40	0.36	0.53	0.45	0.39	0.36	0.37
3	Citibank	1.22	0.86	0.35	0.36	0.20	0.36	0.28	0.58	0.61	0.76
4	Credit Agricole Indosuez (Formerly Banque Indosuez)	0.32	0.19	0.39	0.50	0.76	0.50	0.43	0.34	0.73	0.70
5	First American	0.77	0.72	0.27	0.42	0.43	0.40	0.51	0.55	0.64	0.66
6	Habib A.G. Zurich	0.82	0.75	0.35	0.58	0.82	0.90	0.90	0.87	0.90	0.93
7	Stanbic Bank-Formerly Grindlays Bank	0.56	0.55	0.27	0.25	0.30	0.32	0.37	0.50	0.42	0.56
8	Standard Chartered Bank	0.25	0.38	0.28	0.30	0.35	0.48	0.52	0.54	0.70	0.67
	AVERAGE = (TOTAL CASH/ TOTAL DEPOSITS)	**0.41**	**0.50**	**0.33**	**0.38**	**0.37**	**0.49**	**0.47**	**0.49**	**0.55**	**0.56**

II. CAPITAL ADEQUACY RATIO

	Local Commercial Banks & NBFIs	1993 %	1994 %	1995 %	1996 %	1997 %	1998 %	1999 %	2000 %	2001 %	2002 %
1	Bank of Baroda	9.13	10.21	12.46	-16.92	13.35	10.48	10.90	11.00	10.01	8.32
2	Chase Bank - Formerly United Bank Ltd	11.17	32.93	51.37	34.82	25.06	29.18	28.82	40.31	34.88	31.66
3	City Finance Bank	9.01	9.61	9.95	7.22	4.25	-129.36	-95.69	48.45	48.81	48.65
4	Commercial Bank of Africa	11.60	13.89	12.64	12.57	12.77	11.43	13.16	13.01	11.67	10.25
5	Consolidated Bank	62.34	52.94	39.78	39.92	44.41	34.01	37.32	32.55	25.25	23.05
6	Co-operative Bank of Kenya	30.55	24.62	34.78	30.98	18.02	14.41	12.73	5.13	6.83	9.00
7	Delphis Bank	10.53	9.15	11.22	10.38	9.06	11.05	13.47	2.01	-37.92	37.28
8	Devna Finance	65.00	92.45	80.33	68.49	78.67	82.61	81.40	80.95	79.07	78.75
9	Diamond Trust	14.96	12.13	12.33	13.40	9.98	16.72	18.98	24.38	22.60	17.77
10	Dubai Bank (formerly Mashreq Bank)	15.77	14.63	16.29	17.42	31.04	32.65	55.83	44.13	36.22	40.61
11	Euro Bank	0.00	0.00	13.62	16.73	12.50	9.59	5.05	7.36	2.16	1.17
12	Giro Commercial Bank	25.00	10.54	7.44	6.71	7.80	8.61	9.16	8.78	9.10	9.68
13	Habib Bank Ltd	24.10	0.55	12.38	27.15	9.57	10.52	9.74	9.74	10.89	12.14
14	HFCK	64.71	11.60	16.69	14.91	14.48	11.12	11.10	10.32	9.30	9.78
15	Kenya Commercial Bank	8.30	7.52	11.10	11.93	13.41	13.10	11.75	10.98	12.85	8.82
16	Middle East Bank	6.20	5.93	16.07	11.07	14.02	14.98	14.87	17.19	17.57	18.30
17	National Bank of Kenya	10.06	16.64	16.39	13.05	11.47	16.67	8.43	8.92	10.22	7.60
18	Prime Bank	8.11	2.59	10.59	11.46	12.54	15.17	16.88	15.08	15.08	14.43
19	Prime Capital & Credit	7.57	8.32	9.43	8.93	10.92	16.53	15.68	16.49	19.92	20.77
20	Trans-National Bank	21.72	31.31	37.65	29.29	31.59	32.68	30.28	32.07	43.45	52.72
	AVERAGE = (TOTAL SH FUNDS / TOTAL ASSETS)%	**15.46**	**11.79**	**15.37**	**14.60**	**13.61**	**13.39**	**11.84**	**11.32**	**12.02**	**11.16**

	Foreign Commercial Banks	1993 %	1994 %	1995 %	1996 %	1997 %	1998 %	1999 %	2000 %	2001 %	2002 %
1	Bank of India	15.40	16.28	2.27	17.66	17.92	13.69	15.72	12.62	12.23	16.50
2	Barclays Bank of Kenya	6.26	8.15	9.82	10.82	11.34	11.61	12.61	14.70	15.48	11.63
3	Citibank	11.73	10.22	14.49	13.03	12.46	13.92	12.76	10.32	14.49	13.48
4	Credit Agricole Indosuez (Formerly Banque Indosuez)	7.13	5.85	7.64	7.24	7.58	9.24	13.08	11.25	12.48	16.12
5	First American	10.48	11.77	10.04	12.16	13.53	15.50	17.03	18.45	17.92	20.21
6	Habib A.G. Zurich	12.83	6.41	7.55	8.82	7.75	9.13	8.82	9.31	10.05	9.87
7	Stanbic Bank-Formerly Grindlays Bank	7.71	11.90	12.43	14.10	13.73	14.76	14.23	13.35	11.22	7.82
8	Standard Chartered Bank	7.48	7.06	7.83	9.03	9.86	10.55	11.71	12.57	10.65	9.23
	AVERAGE = (TOTAL SH FUNDS / TOTAL ASSETS)%	**7.47**	**8.32**	**9.47**	**10.69**	**11.23**	**11.74**	**12.60**	**13.30**	**13.55**	**11.46**

III. RETURN ON ASSETS RATIO

	Local Commercial Banks & NBFIs	1993 %	1994 %	1995 %	1996 %	1997 %	1998 %	1999 %	2000 %	2001 %	2002 %
1	Bank of Baroda	2.34	4.65	2.49	3.31	0.31	2.63	1.59	1.45	1.65	0.82
2	Chase Bank - Formerly United Bank Ltd	1.52	(19.51)	(16.44)	(7.69)	(9.89)	4.23	2.14	3.75	3.19	4.15
3	City Finance Bank	1.90	1.63	1.39	0.82	(2.23)	(146.34)	(109.22)	(1.12)	2.63	1.84
4	Commercial Bank of Africa	7.38	10.94	6.21	6.00	6.12	5.00	6.85	4.16	3.06	5.69
5	Consolidated Bank	(1.59)	(0.77)	0.36	2.07	0.55	2.97	0.53	(1.84)	0.22	2.84
6	Co-operative Bank of Kenya	1.16	1.31	1.96	1.61	2.43	3.47	1.62	(1.69)	0.19	0.36
7	Delphis Bank	4.56	3.13	1.41	(0.99)	0.99	2.41	2.07	(4.14)	(4.12)	(11.27)
8	Devna Finance	(10.00)	(1.89)	1.64	1.37	1.33	-	2.33	2.38	1.16	(3.75)
9	Diamond Trust	5.44	5.45	4.91	(1.42)	(7.83)	3.15	3.40	4.35	0.74	1.67
10	Dubai Bank (formerly Mashreq Bank)	11.90	6.71	3.46	5.52	3.16	4.96	(6.11)	0.18	1.34	(3.60)
11	Euro Bank	-	-	0.86	3.46	(8.09)	2.21	2.53	6.41	3.41	(2.79)
12	Giro Commercial Bank	(25.00)	0.68	2.39	2.40	2.98	2.47	2.80	1.89	1.68	0.80
13	Habib Bank Ltd	10.52	8.24	14.81	5.00	5.33	6.25	3.50	3.46	2.85	3.59
14	HFCK	5.12	4.98	4.01	4.64	4.80	4.46	4.08	2.59	(0.57)	0.90
15	Kenya Commercial Bank	5.28	4.66	6.54	5.93	5.58	4.32	3.82	3.84	5.42	(5.51)
16	Middle East Bank	3.72	3.52	7.80	4.75	2.82	5.12	3.04	2.78	2.04	1.53
17	National Bank of Kenya	1.18	2.44	3.47	3.70	2.24	(1.51)	(2.91)	0.28	3.59	1.55
18	Prime Bank	2.30	2.59	2.15	3.20	2.37	3.01	2.62	2.33	3.04	1.89
19	Prime Capital & Credit	1.29	1.66	2.14	1.31	1.10	2.53	2.75	1.82	2.58	3.34
20	Trans-National Bank	(10.21)	5.63	(11.85)	0.97	0.29	4.83	8.15	6.43	16.56	7.41
	AVERAGE = (TOTAL NET INCOME/TOTAL ASSETS)%	**3.85**	**4.16**	**4.76**	**4.07**	**3.41**	**2.56**	**2.02**	**2.21**	**3.20**	**(0.73)**

	Foreign Commercial Banks	1993 %	1994 %	1995 %	1996 %	1997 %	1998 %	1999 %	2000 %	2001 %	2002 %
1	Bank of India	7.57	6.44	6.17	5.55	3.66	4.99	4.90	3.84	3.74	1.34
2	Barclays Bank of Kenya	5.71	7.80	6.90	6.88	6.48	6.53	5.54	6.68	7.29	2.97
3	Citibank	15.33	11.63	5.93	3.63	5.10	4.65	3.39	3.18	2.78	3.84
4	Credit Agricole Indosuez (Formerly Banque Indosuez)	6.35	5.73	3.94	(2.23)	3.80	3.50	3.50	3.45	0.66	0.96
5	First American	6.76	8.78	5.76	6.43	6.69	6.77	5.11	4.92	4.73	3.23
6	Habib A.G. Zurich	12.42	6.09	5.94	3.17	3.22	5.01	3.08	3.39	3.33	2.16
7	Stanbic Bank-Formerly Grindlays Bank	3.85	1.75	1.99	1.57	2.64	(0.47)	0.65	(1.85)	(2.23)	0.43
8	Standard Chartered Bank	2.76	5.10	6.48	5.73	4.45	6.78	6.56	6.88	6.26	5.21
	AVERAGE = (TOTAL NET INCOME/TOTAL ASSETS)%	**5.48**	**7.01**	**6.29**	**5.67**	**5.44**	**5.98**	**5.27**	**5.63**	**5.50**	**3.58**

IV. RETURN ON EQUITY RATIO

	Local Commercial Banks & NBFIs	1993 %	1994 %	1995 %	1996 %	1997 %	1998 %	1999 %	2000 %	2001 %	2002 %
1	Bank of Baroda	25.67	45.58	20.00	(19.58)	2.34	25.08	14.58	13.19	16.45	9.86
2	Chase Bank - Formerly United Bank Ltd	13.64	(59.26)	(32.00)	(22.09)	(39.45)	14.50	7.44	9.31	9.14	13.11
3	City Finance Bank	21.09	16.96	13.95	11.30	(52.32)	113.13	114.14	(2.31)	5.38	3.79
4	Commercial Bank of Africa	63.66	78.75	49.15	47.78	47.89	43.74	52.05	31.99	26.27	55.50
5	Consolidated Bank	(2.55)	(1.46)	0.90	5.18	1.23	8.74	1.42	(5.65)	0.87	12.34
6	Co-operative Bank of Kenya	3.80	5.34	5.62	5.21	13.46	24.10	12.73	(32.86)	2.73	3.99
7	Delphis Bank	43.29	34.25	12.60	(9.54)	10.89	21.82	15.40	(205.48)	10.87	(30.23)
8	Devna Finance	(15.38)	(2.04)	2.04	2.00	1.69	-	2.86	2.94	1.47	(4.76)
9	Diamond Trust	36.35	44.93	39.80	(10.63)	(78.46)	18.82	17.93	17.82	3.28	9.37
10	Dubai Bank (formerly Mashreq Bank)	75.47	45.83	21.25	31.67	10.18	15.18	(10.95)	0.40	3.70	(8.85)
11	Euro Bank	-	-	6.33	20.69	(64.71)	23.08	50.00	87.04	158.06	(237.04)
12	Giro Commercial Bank	(100.00)	6.41	32.18	35.78	38.21	28.74	30.61	21.57	18.40	8.31
13	Habib Bank Ltd	43.65	1,511.11	119.58	18.40	55.71	59.41	35.94	35.50	26.18	29.57
14	HFCK	7.92	42.99	24.01	31.12	33.17	40.06	36.75	25.11	(6.18)	9.23
15	Kenya Commercial Bank	63.62	62.05	58.90	49.69	41.60	33.01	32.52	34.95	42.17	(62.45)
16	Middle East Bank	60.00	59.30	48.51	42.89	20.14	34.20	20.47	16.15	11.59	8.37
17	National Bank of Kenya	11.71	14.68	21.15	28.33	19.50	(9.04)	(34.48)	3.09	35.16	20.34
18	Prime Bank	28.33	100.00	20.26	27.88	18.92	19.87	15.51	15.42	20.13	13.08
19	Prime Capital & Credit	17.05	20.00	22.70	14.62	10.04	15.33	17.55	11.05	12.97	16.07
20	Trans-National Bank	(46.99)	17.97	(31.46)	3.30	0.91	14.79	26.92	20.05	38.12	14.06
	AVERAGE = (TOTAL NET INCOME / SH FUNDS)%	**24.89**	**35.28**	**30.97**	**27.88**	**25.06**	**19.11**	**17.03**	**19.56**	**26.59**	**(6.56)**
	Foreign Commercial Banks										
1	Bank of India	49.19	39.52	271.43	31.41	20.42	36.48	31.17	30.41	30.55	8.14
2	Barclays Bank of Kenya	91.26	95.82	70.34	63.59	57.16	56.22	43.96	45.46	47.09	25.53
3	Citibank	130.74	113.77	40.93	27.88	40.91	33.40	26.55	30.81	19.18	28.47
4	Credit Agricole Indosuez (Formerly Banque Indosuez)	89.07	98.04	51.49	(30.80)	50.18	37.82	26.78	30.70	5.26	5.98
5	First American	64.56	74.59	57.35	52.88	49.44	43.68	30.01	26.69	26.38	15.98
6	Habib A.G. Zurich	96.80	95.12	78.70	35.90	41.57	54.84	34.91	36.46	33.14	21.87
7	Stanbic Bank-Formerly Grindlays Bank	50.00	14.73	16.01	11.15	19.24	(3.18)	4.56	(13.87)	(19.92)	5.52
8	Standard Chartered Bank	36.86	72.34	82.79	63.46	45.09	64.21	56.05	54.75	58.79	56.41
	AVERAGE = (TOTAL NET INCOME / SH FUNDS)%	**73.32**	**84.34**	**66.44**	**53.08**	**48.43**	**50.89**	**41.80**	**42.33**	**40.61**	**31.25**

V. ADVANCES/DEPOSITS RATIO

	Local Commercial Banks & NBFIs	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
1	Bank of Baroda	0.64	0.58	0.62	0.51	0.62	0.53	0.53	0.47	0.42	0.33
2	Chase Bank - Formerly United Bank Ltd	0.96	0.57	0.45	0.71	0.66	1.01	0.61	0.80	0.81	0.98
3	City Finance Bank	0.75	0.57	0.73	0.77	0.79	0.34	1.35	37.06	18.78	8.62
4	Commercial Bank of Africa	0.51	0.61	0.68	0.54	0.62	0.46	0.49	0.46	0.35	0.36
5	Consolidated Bank	0.78	1.03	0.93	1.08	0.87	6.93	3.60	1.89	0.92	0.57
6	Co-operative Bank of Kenya	1.02	0.63	0.84	0.79	0.93	0.96	1.01	1.06	1.24	0.86
7	Delphis Bank	0.80	0.47	0.71	0.75	0.72	1.09	0.90	0.92	1.29	4.10
8	Devna Finance	1.86	-	0.27	0.56	0.58	0.33	0.92	0.92	2.00	2.89
9	Diamond Trust	0.77	0.77	0.78	0.76	0.91	0.75	0.61	0.51	0.59	0.59
10	Dubai Bank (formerly Mashreq Bank)	0.75	0.57	0.64	0.73	0.61	0.47	1.16	1.01	0.80	1.11
11	Euro Bank	-	-	0.32	0.90	0.90	1.16	1.41	1.33	2.02	2.08
12	Giro Commercial Bank	0.44	0.33	0.44	0.49	0.41	0.76	0.80	0.71	0.75	0.74
13	Habib Bank Ltd	0.65	0.43	0.46	0.39	0.41	0.42	0.45	0.40	0.36	0.29
14	HFCK	0.47	0.90	0.85	0.86	0.98	0.90	1.01	1.03	1.19	0.85
15	Kenya Commercial Bank	0.63	0.49	0.66	0.63	0.75	1.00	0.99	0.97	0.91	0.65
16	Middle East Bank	0.18	0.19	0.33	0.39	0.47	0.44	0.46	0.50	0.61	0.50
17	National Bank of Kenya	0.92	0.88	0.91	0.90	0.95	1.77	1.70	1.89	2.09	1.26
18	Prime Bank	0.15	0.40	0.91	1.58	1.71	0.94	0.90	0.71	0.70	0.70
19	Prime Capital & Credit	0.61	0.56	0.69	0.56	0.49	0.67	0.67	0.78	0.78	0.63
20	Trans-National Bank	0.75	0.87	0.66	0.72	1.18	1.20	1.45	1.30	1.57	1.15
	AVERAGE = (TOTAL ADVANCES/ TOTAL DEPOSITS)	**0.69**	**0.59**	**0.71**	**0.70**	**0.80**	**1.03**	**1.03**	**1.04**	**1.06**	**0.75**

	Foreign Commercial Banks	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
1	Bank of India	0.69	0.55	0.35	0.54	0.56	0.50	0.53	0.33	0.32	0.28
2	Barclays Bank of Kenya	0.57	0.53	0.69	0.71	0.64	0.59	0.73	0.84	0.85	0.73
3	Citibank	0.41	0.47	0.82	0.64	0.53	0.52	0.50	0.54	0.56	0.51
4	Credit Agricole Indosuez (Formerly Banque Indosuez)	0.69	0.67	0.57	0.81	0.78	1.00	0.95	0.74	0.69	0.67
5	First American	0.45	0.50	0.83	0.77	0.77	0.87	0.86	0.87	0.78	0.66
6	Habib A.G. Zurich	0.37	0.29	0.43	0.53	0.30	0.27	0.30	0.28	0.26	0.22
7	Stanbic Bank-Formerly Grindlays Bank	0.46	0.56	0.73	0.82	0.83	0.95	0.91	0.74	0.64	0.46
8	Standard Chartered Bank	0.60	0.55	0.69	0.69	0.71	0.62	0.55	0.46	0.34	0.32
	AVERAGE = (TOTAL ADVANCES/ TOTAL DEPOSITS)	**0.56**	**0.53**	**0.69**	**0.70**	**0.66**	**0.62**	**0.66**	**0.65**	**0.61**	**0.54**

VI. DEBT RATIO

	Local Commercial Banks & NBFIs	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
1	Bank of Baroda	0.91	0.90	0.88	1.17	0.87	0.90	0.89	0.89	0.90	0.92
2	Chase Bank - Formerly United Bank Ltd	0.89	0.67	0.49	0.65	0.75	0.71	0.71	0.60	0.65	0.68
3	City Finance Bank	0.91	0.90	0.90	0.93	0.96	2.29	1.96	0.52	0.51	0.51
4	Commercial Bank of Africa	0.88	0.86	0.87	0.87	0.87	0.89	0.87	0.87	0.88	0.90
5	Consolidated Bank	0.38	0.47	0.60	0.60	0.56	0.66	0.63	0.67	0.75	0.77
6	Co-operative Bank of Kenya	0.69	0.75	0.65	0.69	0.82	0.86	0.87	0.95	0.93	0.91
7	Delphis Bank	0.89	0.91	0.89	0.90	0.91	0.89	0.87	0.98	1.38	0.63
8	Devna Finance	0.35	0.08	0.20	0.32	0.21	0.17	0.19	0.19	0.21	0.21
9	Diamond Trust	0.85	0.88	0.88	0.87	0.90	0.83	0.81	0.76	0.77	0.82
10	Dubai Bank (formerly Mashreq Bank)	0.84	0.85	0.84	0.83	0.69	0.67	0.44	0.56	0.64	0.59
11	Euro Bank	0.00	0.00	0.86	0.83	0.88	0.90	0.95	0.93	0.98	0.99
12	Giro Commercial Bank	0.75	0.89	0.93	0.93	0.92	0.91	0.91	0.91	0.91	0.90
13	Habib Bank Ltd	0.76	0.99	0.88	0.73	0.90	0.89	0.90	0.90	0.89	0.88
14	HFCK	0.35	0.88	0.83	0.85	0.86	0.89	0.89	0.90	0.91	0.90
15	Kenya Commercial Bank	0.92	0.92	0.89	0.88	0.87	0.87	0.88	0.89	0.87	0.91
16	Middle East Bank	0.94	0.94	0.84	0.89	0.86	0.85	0.85	0.83	0.82	0.82
17	National Bank of Kenya	0.90	0.83	0.84	0.87	0.89	0.83	0.92	0.91	0.90	0.92
18	Prime Bank	0.92	0.97	0.89	0.89	0.87	0.85	0.83	0.85	0.85	0.86
19	Prime Capital & Credit	0.92	0.92	0.91	0.91	0.89	0.83	0.84	0.84	0.80	0.79
20	Trans-National Bank	0.78	0.69	0.62	0.71	0.68	0.67	0.70	0.68	0.57	0.47
	AVERAGE = (TOTAL LIABILITIES / TOTAL ASSETS)	**0.85**	**0.88**	**0.85**	**0.85**	**0.86**	**0.87**	**0.88**	**0.89**	**0.88**	**0.89**

	Foreign Commercial Banks	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
1	Bank of India	0.85	0.84	0.98	0.82	0.82	0.86	0.84	0.87	0.88	0.84
2	Barclays Bank of Kenya	0.94	0.92	0.90	0.89	0.89	0.88	0.87	0.85	0.85	0.88
3	Citibank	0.88	0.90	0.86	0.87	0.88	0.86	0.87	0.90	0.86	0.87
4	Credit Agricole Indosuez (Formerly Banque Indosuez)	0.93	0.94	0.92	0.93	0.92	0.91	0.87	0.89	0.88	0.84
5	First American	0.90	0.88	0.90	0.88	0.86	0.84	0.83	0.82	0.82	0.80
6	Habib A.G. Zurich	0.87	0.94	0.92	0.91	0.92	0.91	0.91	0.91	0.90	0.90
7	Stanbic Bank-Formerly Grindlays Bank	0.92	0.88	0.88	0.86	0.86	0.85	0.86	0.87	0.89	0.92
8	Standard Chartered Bank	0.93	0.93	0.92	0.91	0.90	0.89	0.88	0.87	0.89	0.91
	AVERAGE = (TOTAL LIABILITIES / TOTAL ASSETS)	**0.93**	**0.92**	**0.91**	**0.89**	**0.89**	**0.88**	**0.87**	**0.87**	**0.86**	**0.89**

VII. DEBT/EQUITY RATIO

	Local Commercial Banks & NBFIs	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
1	Bank of Baroda	9.95	8.80	7.02	-6.91	6.49	8.54	8.18	8.09	8.99	11.01
2	Chase Bank - Formerly United Bank Ltd	7.95	2.04	0.95	1.87	2.99	2.43	2.47	1.48	1.87	2.16
3	City Finance Bank	10.09	9.40	9.05	12.85	22.51	-1.77	-2.05	1.06	1.05	1.06
4	Commercial Bank of Africa	7.62	6.20	6.91	6.96	6.83	7.75	6.60	6.69	7.57	8.76
5	Consolidated Bank	0.60	0.89	1.51	1.51	1.25	1.94	1.68	2.07	2.96	3.34
6	Co-operative Bank of Kenya	2.27	3.06	1.88	2.23	4.55	5.94	6.85	18.48	13.63	10.11
7	Delphis Bank	8.50	9.93	7.92	8.63	10.04	8.05	6.42	48.63	-3.64	1.68
8	Devna Finance	0.54	0.08	0.24	0.46	0.27	0.21	0.23	0.24	0.26	0.27
9	Diamond Trust	5.68	7.24	7.11	6.46	9.02	4.98	4.27	3.10	3.42	4.63
10	Dubai Bank (formerly Mashreq Bank)	5.34	5.83	5.14	4.74	2.22	2.06	0.79	1.27	1.76	1.46
11	Euro Bank	0.00	0.00	6.34	4.98	7.00	9.42	18.79	12.58	45.29	84.11
12	Giro Commercial Bank	3.00	8.49	12.45	13.91	11.82	10.62	9.92	10.39	9.98	9.33
13	Habib Bank Ltd	3.15	182.44	7.08	2.68	9.45	8.51	9.27	9.27	8.18	7.23
14	HFCK	0.55	7.62	4.99	5.71	5.91	7.99	8.01	8.69	9.75	9.22
15	Kenya Commercial Bank	11.05	12.30	8.01	7.38	6.46	6.63	7.51	8.11	6.78	10.34
16	Middle East Bank	15.12	15.87	5.22	8.03	6.13	5.68	5.73	4.82	4.69	4.46
17	National Bank of Kenya	8.94	5.01	5.10	6.66	7.72	5.00	10.86	10.21	8.79	12.16
18	Prime Bank	11.33	37.68	8.44	7.73	6.97	5.59	4.92	5.63	5.63	5.93
19	Prime Capital & Credit	12.22	11.02	9.61	10.20	8.16	5.05	5.38	5.06	4.02	3.81
20	Trans-National Bank	3.60	2.19	1.66	2.41	2.17	2.06	2.30	2.12	1.30	0.90
	AVERAGE = (TOTAL LIABILITIES / TOTAL SH FUNDS)	**5.47**	**7.49**	**5.51**	**5.85**	**6.35**	**6.47**	**7.44**	**7.83**	**7.32**	**7.96**

	Foreign Commercial Banks	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
1	Bank of India	5.50	5.14	42.98	4.66	4.58	6.31	5.36	6.92	7.17	5.06
2	Barclays Bank of Kenya	14.98	11.28	9.19	8.24	7.82	7.61	6.93	5.80	5.46	7.60
3	Citibank	7.53	8.78	5.90	6.67	7.03	6.18	6.84	8.69	5.90	6.42
4	Credit Agricole Indosuez (Formerly Banque Indosuez)	13.02	16.10	12.08	12.81	12.19	9.82	6.64	7.89	7.01	5.20
5	First American	8.54	7.50	8.96	7.22	6.39	5.45	4.87	4.42	4.58	3.95
6	Habib A.G. Zurich	6.79	14.61	12.24	10.33	11.90	9.95	10.34	9.74	8.95	9.13
7	Stanbic Bank-Formerly Grindlays Bank	11.97	7.40	7.05	6.09	6.28	5.78	6.03	6.49	7.92	11.78
8	Standard Chartered Bank	12.37	13.17	11.78	10.08	9.14	8.48	7.54	6.95	8.39	9.83
	AVERAGE = (TOTAL LIABILITIES / TOTAL SH FUNDS)	**12.38**	**11.03**	**9.56**	**8.35**	**7.90**	**7.51**	**6.94**	**6.52**	**6.38**	**7.73**

IX. ASSET UTILIZATION

	Local Commercial Banks & NBFIs	1993 %	1994 %	1995 %	1996 %	1997 %	1998 %	1999 %	2000 %	2001 %	2002 %
1	Bank of Baroda	10.21	22.50	11.36	18.78	26.26	18.10	14.82	13.18	12.12	11.06
2	Chase Bank - Formerly United Bank Ltd	22.34	34.76	16.44	8.50	18.39	29.18	14.61	16.10	13.48	13.67
3	City Finance Bank	40.00	18.44	19.39	20.31	23.01	82.00	7.82	5.59	7.76	9.21
4	Commercial Bank of Africa	26.21	29.07	19.10	21.04	22.13	19.38	17.35	14.37	11.69	8.02
5	Consolidated Bank	2.39	5.00	5.89	22.73	18.17	16.89	12.76	10.64	11.84	26.12
6	Co-operative Bank of Kenya	21.00	17.04	14.37	15.43	18.93	22.02	16.95	16.06	14.28	14.01
7	Delphis Bank	32.35	27.62	30.55	22.43	19.55	29.48	17.87	14.02	22.05	3.56
8	Devna Finance	5.00	3.77	6.56	6.85	10.67	7.25	6.98	7.14	4.65	3.75
9	Diamond Trust	38.53	34.11	30.73	20.83	24.92	24.47	16.23	17.30	11.21	10.32
10	Dubai Bank (formerly Mashreq Bank)	25.60	18.90	21.18	20.03	25.00	25.64	12.78	6.13	11.83	13.05
11	Euro Bank	0.00	0.00	11.90	44.62	28.09	29.40	23.13	23.24	20.98	19.80
12	Giro Commercial Bank	1025.00	10.27	14.96	19.69	21.93	25.46	17.04	15.12	14.15	12.88
13	Habib Bank Ltd	26.09	24.05	31.94	20.63	20.51	19.80	13.62	15.87	14.30	12.28
14	HFCK	28.37	26.39	21.83	26.79	26.56	22.07	18.78	19.49	16.70	16.45
15	Kenya Commercial Bank	23.40	18.91	21.28	23.32	23.29	22.65	19.11	17.69	17.94	15.00
16	Middle East Bank	17.07	16.61	16.13	16.34	17.27	18.41	10.58	10.52	10.23	9.21
17	National Bank of Kenya	21.83	21.00	20.30	23.86	20.92	22.01	16.37	13.22	14.27	18.01
18	Prime Bank	29.05	21.41	14.26	24.63	22.23	24.77	17.40	14.21	14.54	13.87
19	Prime Capital & Credit	14.27	12.23	13.37	13.85	20.88	24.19	14.06	12.89	12.21	11.58
20	Trans-National Bank	16.30	27.91	22.41	25.43	29.18	26.81	28.82	24.32	31.80	21.34
	AVERAGE = (TOTAL INCOME / TOTAL ASSETS)%	**23.68**	**20.72**	**20.59**	**22.11**	**22.31**	**22.65**	**17.65**	**16.16**	**15.48**	**14.26**

	Foreign Commercial Banks	1993 %	1994 %	1995 %	1996 %	1997 %	1998 %	1999 %	2000 %	2001 %	2002 %
1	Bank of India	29.75	25.74	18.30	19.31	19.58	20.91	17.05	15.39	13.29	9.70
2	Barclays Bank of Kenya	18.52	19.00	18.53	20.43	20.08	19.98	18.04	18.51	17.27	14.99
3	Citibank	35.61	24.21	22.82	12.75	20.72	17.66	12.36	10.41	8.90	9.51
4	Credit Agricole Indosuez (Formerly Banque Indosuez)	23.39	18.64	17.79	21.78	21.04	19.18	14.10	13.83	11.51	10.74
5	First American	17.90	22.88	16.02	23.83	22.79	23.05	15.58	16.21	13.63	8.93
6	Habib A.G. Zurich	27.10	20.00	23.78	20.19	18.91	19.91	11.67	13.54	12.18	9.98
7	Stanbic Bank-Formerly Grindlays Bank	14.28	14.53	14.51	25.58	16.14	18.18	12.76	11.32	11.14	8.85
8	Standard Chartered Bank	21.04	22.84	20.94	21.14	21.64	20.86	15.72	15.17	14.44	12.58
	AVERAGE = (TOTAL INCOME / TOTAL ASSETS)%	**20.55**	**20.64**	**19.29**	**20.29**	**20.45**	**20.06**	**16.20**	**15.75**	**14.44**	**12.73**

APPENDIX B

I. TOTAL INCOME

	Local Commercial Banks & NBFIs	1993 Kshs. Millions	1994 Kshs. Millions	1995 Kshs. Millions	1996 Kshs. Millions	1997 Kshs. Millions	1998 Kshs. Millions	1999 Kshs. Millions	2000 Kshs. Millions	2001 Kshs. Millions	2002 Kshs. Millions
1	Bank of Baroda	209	624	319	374	588	530	457	436	464	553
2	Chase Bank - Formerly United Bank Ltd	44	57	24	21	80	131	109	133	131	158
3	City Finance Bank	568	328	419	647	817	729	78	45	62	75
4	Commercial Bank of Africa	1,026	1,241	1,073	1,657	2,055	2,341	2,060	1,837	1,900	1,316
5	Consolidated Bank	51	97	115	451	333	358	290	266	376	707
6	Co-operative Bank of Kenya	1,066	1,491	1,668	2,475	3,730	4,736	4,089	3,733	3,369	4,056
7	Delphis Bank	504	661	994	793	971	1,259	784	508	396	80
8	Devna Finance	1	2	4	5	8	5	6	6	4	3
9	Diamond Trust	2,104	2,496	2,518	1,871	1,623	1,617	973	892	620	638
10	Dubai Bank (formerly Mashreq Bank)	86	93	104	138	182	150	46	35	97	98
11	Euro Bank	-	-	69	232	191	239	238	341	301	455
12	Giro Commercial Bank	41	76	175	320	942	988	638	615	583	528
13	Habib Bank Ltd	486	397	619	541	450	510	393	427	416	376
14	HFCK	1,268	1,477	1,558	2,350	2,671	2,833	2,441	2,535	1,976	1,712
15	Kenya Commercial Bank	9,011	11,459	12,320	15,914	17,032	17,903	14,384	12,973	11,695	8,964
16	Middle East Bank	344	482	507	561	685	755	452	436	417	361
17	National Bank of Kenya	2,800	3,688	3,706	5,832	6,072	6,031	4,111	3,165	3,431	4,543
18	Prime Bank	215	207	206	447	459	485	372	391	460	522
19	Prime Capital & Credit	166	169	200	329	457	401	286	283	260	281
20	Trans-National Bank	337	377	403	553	508	466	396	333	505	432
	TOTAL	**20,327**	**25,422**	**27,001**	**35,511**	**39,854**	**42,467**	**32,603**	**29,390**	**27,463**	**25,858**
	Foreign Commercial Banks										
1	Bank of India	597	460	338	456	519	599	435	389	416	455
2	Barclays Bank of Kenya	7,281	8,138	8,567	10,764	12,159	14,061	12,499	13,028	12,716	12,878
3	Citibank	1,640	1,893	1,666	1,239	2,196	2,040	1,827	2,315	2,467	2,869
4	Credit Agricole Indosuez (Formerly Banque Indosuez)	600	650	705	752	791	801	652	793	667	501
5	First American	405	597	662	1,056	1,196	1,270	899	912	871	525
6	Habib A.G. Zurich	264	256	340	357	405	473	364	419	428	379
7	Stanbic Bank-Formerly Grindlays Bank	615	514	627	1,041	1,051	1,201	884	807	738	717
8	Standard Chartered Bank	4,915	5,896	5,689	6,506	7,078	7,915	6,927	7,462	7,869	7,757
	TOTAL	**16,317**	**18,404**	**18,594**	**22,171**	**25,395**	**28,360**	**24,487**	**26,125**	**26,172**	**26,081**
	GRAND TOTAL	**36,644**	**43,826**	**45,595**	**57,682**	**65,249**	**70,827**	**57,090**	**55,515**	**53,635**	**51,939**

II. TOTAL EXPENDITURE

	Local Commercial Banks & NBFIs	1993 Kshs. Millions	1994 Kshs. Millions	1995 Kshs. Millions	1996 Kshs. Millions	1997 Kshs. Millions	1998 Kshs. Millions	1999 Kshs. Millions	2000 Kshs. Millions	2001 Kshs. Millions	2002 Kshs. Millions
1	Bank of Baroda	161	495	249	308	581	453	408	388	401	512
2	Chase Bank - Formerly United Bank Ltd	41	89	48	40	123	112	93	102	100	110
3	City Finance Bank	541	299	389	621	896	2,030	1,168	54	41	60
4	Commercial Bank of Africa	737	774	724	1,184	1,487	1,737	1,247	1,305	1,402	382
5	Consolidated Bank	85	112	108	410	323	295	278	312	369	630
6	Co-operative Bank of Kenya	1007	1,376	1,441	2,216	3,252	3,989	3,698	4,125	3,325	3,952
7	Delphis Bank	433	586	948	828	922	1,156	693	658	470	333
8	Devna Finance	3	3	3	4	7	5	4	4	3	6
9	Diamond Trust	1807	2,097	2,116	1,999	2,133	1,409	769	668	579	535
10	Dubai Bank (formerly Mashreq Bank)	46	60	87	100	159	121	68	34	86	125
11	Euro Bank	0	0	64	214	246	221	212	247	252	519
12	Giro Commercial Bank	42	71	147	281	814	892	533	538	514	495
13	Habib Bank Ltd	290	261	332	410	333	349	292	334	333	266
14	HFCK	1039	1,198	1,272	1,943	2,188	2,261	1,911	2,198	2,044	1,618
15	Kenya Commercial Bank	6977	8,632	8,536	11,869	12,953	14,485	11,509	10,160	8,161	12,254
16	Middle East Bank	269	380	262	398	573	545	522	521	[illegible]	[illegible]
17	National Bank of Kenya	2649	3,259	3,073	4,928	5,423	6,444	4,841	3,099	2,567	4,153
18	Prime Bank	198	182	175	389	410	426	316	327	364	451
19	Prime Capital & Credit	151	146	168	298	433	359	230	243	205	200
20	Trans-National Bank	548	301	616	532	503	382	284	245	242	282
	TOTAL	17,024	20,321	20,758	28,972	33,759	37,671	28,876	25,362	21,792	27,184

	Foreign Commercial Banks	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
1	Bank of India	445	345	224	325	422	456	310	292	299	392
2	Barclays Bank of Kenya	5035	4,795	5,375	7,139	8,232	9,468	8,658	8,326	7,348	10,328
3	Citibank	934	984	1,233	886	1,656	1,503	1,326	1,608	1,697	1,711
4	Credit Agricole Indosuez (Formerly Banque Indosuez)	437	450	549	829	648	655	490	595	629	456
5	First American	252	368	424	771	845	897	604	635	569	335
6	Habib A.G. Zurich	143	178	255	301	336	354	268	314	311	297
7	Stanbic Bank-Formerly Grindlays Bank	449	452	541	977	879	1,232	839	939	886	682
8	Standard Chartered Bank	4271	4,578	3,928	4,743	5,624	5,344	4,035	4,076	4,459	4,546
	TOTAL	11,966	12,150	12,529	15,971	18,642	19,909	16,530	16,785	16,198	18,747
	GRAND TOTAL	28,990	32,471	33,287	44,943	52,401	57,580	45,406	42,147	37,990	45,931

III. NET INCOME/PROFIT BEFORE TAX

	Local Commercial Banks & NBFIs	1993 Kshs. Millions	1994 Kshs. Millions	1995 Kshs. Millions	1996 Kshs. Millions	1997 Kshs. Millions	1998 Kshs. Millions	1999 Kshs. Millions	2000 Kshs. Millions	2001 Kshs. Millions	2002 Kshs. Millions
1	Bank of Baroda	48	129	70	66	7	77	49	48	63	41
2	Chase Bank - Formerly United Bank Ltd	3	(32)	(24)	(19)	(43)	19	16	31	31	48
3	City Finance Bank	27	29	30	26	(79)	(1,301)	(1,090)	(9)	21	15
4	Commercial Bank of Africa	289	467	349	473	568	604	813	532	498	934
5	Consolidated Bank	(34)	(15)	7	41	10	63	12	(46)	7	77
6	Co-operative Bank of Kenya	59	115	227	259	478	747	391	(392)	44	104
7	Delphis Bank	71	75	46	(35)	49	103	91	(150)	(74)	(253)
8	Devna Finance	(2)	(1)	1	1	1	0	2	2	1	(3)
9	Diamond Trust	297	399	402	(128)	(510)	208	204	224	41	103
10	Dubai Bank (formerly Mashreq Bank)	40	33	17	38	23	29	(22)	1	11	(27)
11	Euro Bank	0	0	5	18	(55)	18	26	94	49	(64)
12	Giro Commercial Bank	(1)	5	28	39	128	96	105	77	69	33
13	Habib Bank Ltd	196	136	287	131	117	161	101	93	83	110
14	HFCK	229	279	286	407	483	572	530	337	(68)	94
15	Kenya Commercial Bank	2,034	2,827	3,784	4,045	4,079	3,418	2,875	2,813	3,534	(3,290)
16	Middle East Bank	75	102	245	163	112	210	130	115	83	60
17	National Bank of Kenya	151	429	633	904	649	(413)	(730)	66	864	390
18	Prime Bank	17	25	31	58	49	59	56	64	96	71
19	Prime Capital & Credit	15	23	32	31	24	42	56	40	55	81
20	Trans-National Bank	(211)	76	(213)	21	5	84	112	88	263	150
	TOTAL	3,303	5,101	6,243	6,539	6,095	4,796	3,727	4,028	5,671	(1,326)
	Foreign Commercial Banks										
1	Bank of India	152	115	114	131	97	143	125	97	117	63
2	Barclays Bank of Kenya	2,246	3,343	3,192	3,625	3,927	4,593	3,841	4,702	5,368	2,550
3	Citibank	706	909	433	353	540	537	501	707	770	1,158
4	Credit Agricole Indosuez (Formerly Banque Indosuez)	163	200	156	(77)	143	146	162	198	38	45
5	First American	153	229	238	285	351	373	295	277	302	190
6	Habib A.G. Zurich	121	78	85	56	69	119	96	105	117	82
7	Stanbic Bank-Formerly Grindlays Bank	166	62	86	64	172	(31)	45	(132)	(148)	35
8	Standard Chartered Bank	644	1,318	1,761	1,763	1,454	2,571	2,892	3,386	3,410	3,211
	TOTAL	4,351	6,254	6,065	6,200	6,753	8,451	7,957	9,340	9,974	7,334
	GRAND TOTAL	7,654	11,355	12,308	12,739	12,848	13,247	11,684	13,368	15,645	6,008

IV. TOTAL ASSETS

	Local Commercial Banks & NBFIs	1993 Kshs. Millions	1994 Kshs. Millions	1995 Kshs. Millions	1996 Kshs. Millions	1997 Kshs. Millions	1998 Kshs. Millions	1999 Kshs. Millions	2000 Kshs. Millions	2001 Kshs. Millions	2002 Kshs. Millions
1	Bank of Baroda	2,048	2,773	2,808	1,992	2,239	2,928	3,083	3,309	3,827	4,998
2	Chase Bank - Formerly United Bank Ltd	197	164	146	247	435	449	746	826	972	1,156
3	City Finance Bank	1,420	1,779	2,161	3,186	3,550	889	998	805	799	814
4	Commercial Bank of Africa	3,915	4,269	5,618	7,877	9,284	12,081	11,872	12,783	16,251	16,418
5	Consolidated Bank	2,135	1,940	1,953	1,984	1,833	2,120	2,272	2,501	3,176	2,707
6	Co-operative Bank of Kenya	5,077	8,750	11,611	16,043	19,705	21,504	24,118	23,239	23,600	28,957
7	Delphis Bank	1,558	2,393	3,254	3,536	4,967	4,271	4,387	3,623	1,796	2,245
8	Devna Finance	20	53	61	73	75	69	86	84	86	80
9	Diamond Trust	5,460	7,318	8,194	8,983	6,513	6,609	5,996	5,155	5,530	6,183
10	Dubai Bank (formerly Mashreq Bank)	336	492	491	689	728	585	360	571	820	751
11	Euro Bank	-	-	580	520	680	813	1,029	1,467	1,435	2,298
12	Giro Commercial Bank	4	740	1,170	1,625	4,295	3,880	3,745	4,068	4,119	4,100
13	Habib Bank Ltd	1,863	1,651	1,938	2,622	2,194	2,576	2,885	2,691	2,910	3,063
14	HFCK	4,469	5,597	7,138	8,771	10,056	12,839	12,995	13,005	11,829	10,408
15	Kenya Commercial Bank	38,512	60,608	57,889	68,239	73,122	79,033	75,260	73,328	65,206	59,755
16	Middle East Bank	2,015	2,901	3,143	3,433	3,967	4,100	4,271	4,143	4,075	3,918
17	National Bank of Kenya	12,825	17,566	18,257	24,447	29,027	27,396	25,114	23,940	24,043	25,231
18	Prime Bank	740	967	1,445	1,815	2,065	1,958	2,138	2,752	3,163	3,763
19	Prime Capital & Credit	1,163	1,382	1,496	2,375	2,189	1,658	2,034	2,195	2,129	2,426
20	Trans-National Bank	2,067	1,351	1,798	2,175	1,741	1,738	1,374	1,369	1,588	2,024
	TOTAL	**85,824**	**122,694**	**131,151**	**160,632**	**178,665**	**187,496**	**184,763**	**181,854**	**177,354**	**181,295**

	Foreign Commercial Banks	1993 Kshs. Millions	1994 Kshs. Millions	1995 Kshs. Millions	1996 Kshs. Millions	1997 Kshs. Millions	1998 Kshs. Millions	1999 Kshs. Millions	2000 Kshs. Millions	2001 Kshs. Millions	2002 Kshs. Millions
1	Bank of India	2,007	1,787	1,847	2,361	2,650	2,864	2,551	2,528	3,131	4,692
2	Barclays Bank of Kenya	39,322	42,834	46,235	52,693	60,563	70,362	69,292	70,377	73,647	85,914
3	Citibank	4,605	7,818	7,301	9,716	10,596	11,551	14,786	22,243	27,710	30,161
4	Credit Agricole Indosuez (Formerly Banque Indosuez)	2,565	3,488	3,964	3,452	3,759	4,176	4,624	5,732	5,794	4,665
5	First American	2,262	2,609	4,132	4,431	5,247	5,509	5,771	5,627	6,389	5,882
6	Habib A.G. Zurich	974	1,280	1,430	1,768	2,142	2,376	3,118	3,094	3,514	3,796
7	Stanbic Bank-Formerly Grindlays Bank	4,307	3,537	4,321	4,070	6,510	6,606	6,930	7,129	6,624	8,104
8	Standard Chartered Bank	23,359	25,820	27,173	30,771	32,708	37,942	44,056	49,188	54,480	61,650
	TOTAL	**79,401**	**89,173**	**96,403**	**109,262**	**124,175**	**141,386**	**151,128**	**165,918**	**181,289**	**204,866**
	GRAND TOTAL	**165,225**	**211,867**	**227,554**	**269,894**	**302,840**	**328,882**	**335,891**	**347,772**	**358,643**	**386,161**

V. TOTAL LIABILITIES

	Local Commercial Banks & NBFIs	1993 Kshs. Millions	1994 Kshs. Millions	1995 Kshs. Millions	1996 Kshs. Millions	1997 Kshs. Millions	1998 Kshs. Millions	1999 Kshs. Millions	2000 Kshs. Millions	2001 Kshs. Millions	2002 Kshs. Millions
1	Bank of Baroda	1,861	2,490	2,458	2,329	1,940	2,621	2,747	2,945	3,444	4,582
2	Chase Bank - Formerly United Bank Ltd	175	110	71	161	326	318	531	493	633	790
3	City Finance Bank	1,292	1,608	1,946	2,956	3,399	2,039	1,953	415	409	418
4	Commercial Bank of Africa	3,461	3,676	4,908	6,887	8,098	10,700	10,310	11,120	14,355	14,735
5	Consolidated Bank	804	913	1,176	1,192	1,019	1,399	1,424	1,687	2,374	2,083
6	Co-operative Bank of Kenya	3,526	6,596	7,573	11,073	16,155	18,405	21,047	22,046	21,987	26,351
7	Delphis Bank	1,394	2,174	2,889	3,169	4,517	3,799	3,796	3,550	2,477	1,408
8	Devna Finance	7	4	12	23	16	12	16	16	18	17
9	Diamond Trust	4,643	6,430	7,184	7,779	5,863	5,504	4,858	3,898	4,280	5,084
10	Dubai Bank (formerly Mashreq Bank)	283	420	411	569	502	394	159	319	523	446
11	Euro Bank	-	-	501	433	595	735	977	1,359	1,404	2,271
12	Giro Commercial Bank	3	662	1,083	1,516	3,960	3,546	3,402	3,711	3,744	3,703
13	Habib Bank Ltd	1,414	1,642	1,698	1,910	1,984	2,305	2,604	2,429	2,593	2,691
14	HFCK	1,577	4,948	5,947	7,463	8,600	11,411	11,553	11,663	10,729	9,390
15	Kenya Commercial Bank	35,315	56,052	51,465	60,099	63,316	68,677	66,419	65,280	56,826	54,487
16	Middle East Bank	1,890	2,729	2,638	3,053	3,411	3,486	3,636	3,431	3,359	3,201
17	National Bank of Kenya	11,535	14,643	15,264	21,256	25,699	22,828	22,997	21,804	21,586	23,314
18	Prime Bank	680	942	1,292	1,607	1,806	1,661	1,777	2,337	2,686	3,220
19	Prime Capital & Credit	1,075	1,267	1,355	2,163	1,950	1,384	1,715	1,833	1,705	1,922
20	Trans-National Bank	1,618	928	1,121	1,538	1,191	1,170	958	930	898	957
	TOTAL	72,553	108,234	110,992	137,176	154,347	162,394	162,879	161,266	156,030	161,070
	Foreign Commercial Banks										
1	Bank of India	1,698	1,496	1,805	1,944	2,175	2,472	2,150	2,209	2,748	3,918
2	Barclays Bank of Kenya	36,861	39,345	41,697	46,992	53,693	62,193	60,554	60,034	62,247	75,925
3	Citibank	4,065	7,019	6,243	8,450	9,276	9,943	12,899	19,948	23,696	26,094
4	Credit Agricole Indosuez (Formerly Banque Indosuez)	2,382	3,284	3,661	3,202	3,474	3,790	4,019	5,087	5,071	3,913
5	First American	2,025	2,302	3,717	3,892	4,537	4,655	4,788	4,589	5,244	4,693
6	Habib A.G. Zurich	849	1,198	1,322	1,612	1,976	2,159	2,843	2,806	3,161	3,423
7	Stanbic Bank-Formerly Grindlays Bank	3,975	3,116	3,784	3,496	5,616	5,631	5,944	6,177	5,881	7,470
8	Standard Chartered Bank	21,612	23,998	25,046	27,993	29,483	33,938	38,896	43,003	48,680	55,958
	TOTAL	73,467	81,758	87,275	97,581	110,230	124,781	132,093	143,853	156,728	181,394
	GRAND TOTAL	146,020	189,992	198,267	234,757	264,577	287,175	294,972	305,119	312,758	342,464

VI. SHAREHOLDERS FUNDS (NET ASSETS)

	Local Commercial Banks & NBFIs	1993 Kshs. Millions	1994 Kshs. Millions	1995 Kshs. Millions	1996 Kshs. Millions	1997 Kshs. Millions	1998 Kshs. Millions	1999 Kshs. Millions	2000 Kshs. Millions	2001 Kshs. Millions	2002 Kshs. Millions
1	Bank of Baroda	187	283	350	(337)	299	307	336	364	383	416
2	Chase Bank - Formerly United Bank Ltd	22	54	75	86	109	131	215	333	339	366
3	City Finance Bank	128	171	215	230	151	(1,150)	(955)	390	390	396
4	Commercial Bank of Africa	454	593	710	990	1,186	1,381	1,562	1,663	1,896	1,683
5	Consolidated Bank	1,331	1,027	777	792	814	721	848	814	802	624
6	Co-operative Bank of Kenya	1,551	2,154	4,038	4,970	3,550	3,099	3,071	1,193	1,613	2,606
7	Delphis Bank	164	219	365	367	450	472	591	73	(681)	837
8	Devna Finance	13	49	49	50	59	57	70	68	68	63
9	Diamond Trust	817	888	1,010	1,204	650	1,105	1,138	1,257	1,250	1,099
10	Dubai Bank (formerly Mashreq Bank)	53	72	80	120	226	191	201	252	297	305
11	Euro Bank	-	-	79	87	85	78	52	108	31	27
12	Giro Commercial Bank	1	78	87	109	335	334	343	357	375	397
13	Habib Bank Ltd	449	9	240	712	210	271	281	262	317	372
14	HFCK	2,892	649	1,191	1,308	1,456	1,428	1,442	1,342	1,100	1,018
15	Kenya Commercial Bank	3,197	4,556	6,424	8,140	9,806	10,356	8,841	8,048	8,380	5,268
16	Middle East Bank	125	172	505	380	556	614	635	712	716	717
17	National Bank of Kenya	1,290	2,923	2,993	3,191	3,328	4,568	2,117	2,136	2,457	1,917
18	Prime Bank	60	25	153	208	259	297	361	415	477	543
19	Prime Capital & Credit	88	115	141	212	239	274	319	362	424	504
20	Trans-National Bank	449	423	677	637	550	568	416	439	690	1,067
	TOTAL	**13,271**	**14,460**	**20,159**	**23,456**	**24,318**	**25,102**	**21,884**	**20,588**	**21,324**	**20,225**

	Foreign Commercial Banks	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
1	Bank of India	309	291	42	417	475	392	401	319	383	774
2	Barclays Bank of Kenya	2,461	3,489	4,538	5,701	6,870	8,169	8,738	10,343	11,400	9,989
3	Citibank	540	799	1,058	1,266	1,320	1,608	1,887	2,295	4,014	4,067
4	Credit Agricole Indosuez (Formerly Banque Indosuez)	*183*	*204*	*303*	*250*	*285*	*386*	*605*	*645*	*723*	*752*
5	First American	237	307	415	539	710	854	983	1,038	1,145	1,189
6	Habib A.G. Zurich	125	82	108	156	166	217	275	288	353	375
7	Stanbic Bank-Formerly Grindlays Bank	332	421	537	574	894	975	986	952	743	634
8	Standard Chartered Bank	1,747	1,822	2,127	2,778	3,225	4,004	5,160	6,185	5,800	5,692
	TOTAL	**5,934**	**7,415**	**9,128**	**11,681**	**13,945**	**16,605**	**19,035**	**22,065**	**24,561**	**23,472**
	GRAND TOTAL	***19,205***	***21,875***	***29,287***	***35,137***	**38,263**	**41,707**	**40,919**	**42,653**	**45,885**	**43,697**

VII. TOTAL DEPOSITS

	Local Commercial Banks & NBFIs	1993 Kshs. Millions	1994 Kshs. Millions	1995 Kshs. Millions	1996 Kshs. Millions	1997 Kshs. Millions	1998 Kshs. Millions	1999 Kshs. Millions	2000 Kshs. Millions	2001 Kshs. Millions	2002 Kshs. Millions
1	Bank of Baroda	1,738	1,928	1,845	2,180	1,834	2,476	2,635	2,833	3,332	4,415
2	Chase Bank - Formerly United Bank Ltd	118	86	55	154	314	292	516	487	592	687
3	City Finance Bank	1,180	1,530	1,870	2,775	3,255	1,884	1,836	17	32	52
4	Commercial Bank of Africa	3,108	3,214	4,005	6,448	7,475	10,289	9,951	10,797	13,946	13,908
5	Consolidated Bank	703	689	785	786	781	817	817	1,065	1,752	1,794
6	Co-operative Bank of Kenya	3,009	5,973	6,394	9,351	11,712	13,982	17,547	18,312	18,673	20,864
7	Delphis Bank	708	1,522	2,556	2,992	4,338	3,650	3,633	3,482	2,367	247
8	Devna Finance	7	3	11	18	12	9	12	13	13	9
9	Diamond Trust	3,994	5,655	6,738	7,327	4,961	4,799	4,525	3,672	3,889	4,564
10	Dubai Bank (formerly Mashreq Bank)	246	390	376	439	475	372	121	308	491	409
11	Euro Bank	-	-	495	400	563	697	858	1,284	1,148	1,780
12	Giro Commercial Bank	256	593	1,018	1,400	1,664	3,227	3,285	3,589	3,614	3,554
13	Habib Bank Ltd	1,142	1,447	1,479	1,748	1,833	2,168	2,477	2,355	2,495	2,597
14	HFCK	216	4,474	5,365	6,750	7,773	10,523	10,858	11,248	10,258	9,045
15	Kenya Commercial Bank	31,367	48,416	45,988	54,537	56,493	54,405	55,546	52,635	50,378	46,122
16	Middle East Bank	1,648	2,404	2,196	2,728	3,047	3,136	3,155	3,230	3,212	2,511
17	National Bank of Kenya	8,756	10,980	12,582	18,384	22,923	18,665	20,374	19,559	19,818	15,398
18	Prime Bank	568	728	794	605	642	1,428	1,524	2,220	2,499	2,769
19	Prime Capital & Credit	993	1,153	1,146	2,073	1,852	1,331	1,669	1,784	1,660	1,877
20	Trans-National Bank	1,419	826	985	1,321	1,008	1,085	861	840	753	787
	TOTAL	**61,176**	**92,011**	**96,683**	**122,416**	**132,955**	**135,235**	**142,200**	**139,730**	**140,922**	**133,389**

	Foreign Commercial Banks	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
1	Bank of India	1,357	1,115	1,422	1,707	1,862	2,234	1,963	2,158	2,667	3,774
2	Barclays Bank of Kenya	29,706	32,948	36,006	38,758	45,177	51,262	53,071	53,163	56,801	68,827
3	Citibank	2,550	5,682	4,072	7,858	8,897	9,813	12,612	18,869	22,262	21,893
4	Credit Agricole Indosuez (Formerly Banque Indosuez)	1,860	2,564	3,289	2,390	2,717	2,722	3,214	4,258	3,812	2,865
5	First American	1,795	1,875	2,735	3,678	4,283	4,486	4,660	4,509	5,146	4,523
6	Habib A.G. Zurich	764	1,097	1,132	1,428	1,774	2,015	2,562	2,623	2,999	3,144
7	Stanbic Bank-Formerly Grindlays Bank	3,870	2,933	3,491	3,332	4,901	5,120	5,777	5,868	5,672	6,135
8	Standard Chartered Bank	19,704	21,967	21,536	24,656	26,262	30,821	34,939	39,392	45,222	51,509
	TOTAL	**61,606**	**70,181**	**73,683**	**83,807**	**95,873**	**108,473**	**118,798**	**130,840**	**144,581**	**162,670**
	GRAND TOTAL	**122,782**	**162,192**	**170,366**	**206,223**	**228,828**	**243,708**	**260,998**	**270,570**	**285,503**	**296,059**

VIII. TOTAL LOANS & ADVANCES TO CUSTOMERS

	Local Commercial Banks & NBFIs	1993 Kshs. Millions	1994 Kshs. Millions	1995 Kshs. Millions	1996 Kshs. Millions	1997 Kshs. Millions	1998 Kshs. Millions	1999 Kshs. Millions	2000 Kshs. Millions	2001 Kshs. Millions	2002 Kshs. Millions
1	Bank of Baroda	1,113	1,120	1,142	1,103	1,132	1,300	1,391	1,342	1,411	1,469
2	Chase Bank - Formerly United Bank Ltd	113	49	25	110	207	294	315	390	477	676
3	City Finance Bank	883	878	1,368	2,147	2,571	645	2,471	630	601	448
4	Commercial Bank of Africa	1,574	1,971	2,731	3,501	4,662	4,701	4,899	5,017	4,926	5,018
5	Consolidated Bank	551	709	732	849	676	5,661	2,938	2,018	1,614	1,026
6	Co-operative Bank of Kenya	3,062	3,760	5,385	7,343	10,842	13,474	17,691	19,428	23,151	17,896
7	Delphis Bank	565	721	1,814	2,254	3,136	3,978	3,262	3,200	3,061	1,013
8	Devna Finance	13	-	3	10	7	3	11	12	26	26
9	Diamond Trust	3,070	4,333	5,258	5,587	4,491	3,617	2,763	1,877	2,289	2,696
10	Dubai Bank (formerly Mashreq Bank)	184	222	241	319	289	173	140	311	395	454
11	Euro Bank	-	-	159	360	504	809	1,209	1,703	2,323	3,701
12	Giro Commercial Bank	113	198	447	685	687	2,444	2,619	2,556	2,714	2,620
13	Habib Bank Ltd	739	618	680	673	748	909	1,107	931	893	744
14	HFCK	101	4,041	4,582	5,826	7,582	9,429	10,914	11,570	12,185	7,669
15	Kenya Commercial Bank	19,764	23,892	30,253	34,256	42,492	54,415	54,860	51,237	45,596	29,907
16	Middle East Bank	289	453	726	1,057	1,441	1,370	1,442	1,631	1,957	1,253
17	National Bank of Kenya	8,018	9,649	11,394	16,482	21,767	33,123	34,571	36,965	41,457	19,391
18	Prime Bank	88	288	726	957	1,100	1,340	1,379	1,586	1,743	1,927
19	Prime Capital & Credit	603	651	792	1,165	914	891	1,119	1,385	1,289	1,190
20	Trans-National Bank	1,071	718	655	955	1,186	1,301	1,251	1,088	1,179	904
	TOTAL	**41,914**	**54,271**	**69,113**	**85,639**	**106,434**	**139,877**	**146,352**	**144,877**	**149,287**	**100,028**
	Foreign Commercial Banks										
1	Bank of India	935	615	493	928	1,048	1,115	1,033	714	858	1,045
2	Barclays Bank of Kenya	16,798	17,470	24,732	27,472	29,139	30,023	38,607	44,519	48,186	50,165
3	Citibank	1,040	2,643	3,340	5,008	4,740	5,117	6,318	10,103	12,458	11,208
4	Credit Agricole Indosuez (Formerly Banque Indosuez)	1,279	1,717	1,872	1,938	2,114	2,733	3,045	3,132	2,639	1,930
5	First American	812	942	2,273	2,831	3,295	3,883	4,021	3,936	3,995	2,983
6	Habib A.G. Zurich	284	320	485	759	529	546	763	745	773	698
7	Stanbic Bank-Formerly Grindlays Bank	1,771	1,639	2,552	2,718	4,079	4,877	5,238	4,354	3,630	2,844
8	Standard Chartered Bank	11,777	12,017	14,833	17,034	18,685	19,004	19,138	17,975	15,600	16,660
	TOTAL	**34,696**	**37,363**	**50,580**	**58,688**	**63,629**	**67,298**	**78,163**	**85,478**	**88,139**	**87,533**
	GRAND TOTAL	**76,610**	**91,634**	**119,693**	**144,327**	**170,063**	**207,175**	**224,515**	**230,355**	**237,426**	**187,561**

IX. CASH AND CASH EQUIVALENTS

	Local Commercial Banks & NBFIs	1993 Kshs. Millions	1994 Kshs. Millions	1995 Kshs. Millions	1996 Kshs. Millions	1997 Kshs. Millions	1998 Kshs. Millions	1999 Kshs. Millions	2000 Kshs. Millions	2001 Kshs. Millions	2002 Kshs. Millions
1	Bank of Baroda	699	1,276	764	857	1,008	1,742	1,854	2,072	2,461	3,302
2	Chase Bank - Formerly United Bank Ltd	71	6	26	117	189	136	421	387	412	402
3	City Finance Bank	435	737	661	906	831	107	188	151	134	214
4	Commercial Bank of Africa	2,091	1,918	2,424	3,797	3,960	6,825	6,301	7,143	10,388	5,018
5	Consolidated Bank	308	312	376	436	529	638	609	738	1,368	860
6	Co-operative Bank of Kenya	1,374	4,013	4,074	5,551	4,670	5,795	5,731	5,391	4,887	6,595
7	Delphis Bank	818	1,295	1,024	788	1,452	810	1,059	979	314	706
8	Devna Finance	-	19	20	25	27	31	34	24	14	9
9	Diamond Trust	1,630	2,125	2,248	2,489	572	2,427	2,861	3,073	2,947	3,103
10	Dubai Bank (formerly Mashreq Bank)	139	110	106	293	394	381	165	221	394	454
11	Euro Bank	-	-	383	146	176	135	105	168	125	2
12	Giro Commercial Bank	425	528	549	763	1,497	1,141	1,102	1,211	1,063	1,272
13	Habib Bank Ltd	881	1,196	1,072	1,407	1,322	1,670	1,816	1,890	2,134	2,248
14	HFCK	524	228	1,191	1,521	1,317	2,218	1,861	2,469	2,296	1,875
15	Kenya Commercial Bank	16,079	32,560	21,410	27,062	18,116	18,825	20,057	19,891	20,033	20,168
16	Middle East Bank	1,676	2,376	2,422	2,236	817	2,530	1,370	2,222	1,995	2,179
17	National Bank of Kenya	3,717	6,085	4,849	5,071	5,757	1,218	1,469	1,636	1,271	1,529
18	Prime Bank	644	643	588	691	1,887	571	682	1,125	1,279	1,927
19	Prime Capital & Credit	477	244	550	1,136	1,174	1,865	1,024	994	1,022	1,190
20	Trans-National Bank	679	479	713	769	294	299	326	274	394	522
	TOTAL	32,667	56,150	45,450	56,061	45,989	49,364	49,035	52,059	54,931	53,575
	Foreign Commercial Banks										
1	Bank of India	1,020	1,094	1,252	1,312	1,485	1,406	1,564	1,692	2,157	3,335
2	Barclays Bank of Kenya	11,748	16,883	12,247	15,653	16,252	27,185	23,944	20,620	20,405	25,531
3	Citibank	3,100	4,864	1,414	2,832	1,795	3,565	3,508	10,876	13,481	16,744
4	Credit Agricole Indosuez (Formerly Banque Indosuez)	589	492	1,275	1,192	2,074	1,367	1,391	1,457	2,789	2,000
5	First American	1,387	1,359	728	1,534	1,862	1,773	2,368	2,490	3,286	2,983
6	Habib A.G. Zurich	628	826	392	824	1,446	1,806	2,297	2,281	2,694	2,925
7	Stanbic Bank-Formerly Grindlays Bank	2,156	1,606	955	829	1,471	1,639	2,113	2,939	2,375	3,405
8	Standard Chartered Bank	4,883	8,276	6,050	7,387	9,321	14,937	18,082	21,366	31,763	34,344
	TOTAL	25,511	35,400	24,313	31,563	35,706	53,678	55,267	63,721	78,950	91,267
	GRAND TOTAL	58,178	91,550	69,763	87,624	81,695	103,042	104,302	115,780	133,881	144,842

APPENDIX C

I. POPULATION

COMMERCIAL BANKS AND NBFIs AS AT DECEMBER 2002	
	LOCAL COMMERCIAL BANKS
1	ABC Bank
2	Akiba Bank
3	Bank of Baroda
4	CFC Bank
5	Charterhouse Bank Ltd.
6	Chase Bank - Formerly United Bank Ltd
7	City Finance Bank
8	Commercial Bank of Africa
9	Consolidated Bank
10	Co-operative Bank of Kenya
11	Credit Bank
12	Daima Bank
13	Delphis Bank
14	Development Bank of Kenya
15	Diamond Trust
16	Dubai Bank (formerly Mashreq Bank)
17	Equatorial Commercial Bank
18	Euro Bank
19	Fidelity Commercial Bank
20	Fina Bank
21	Giro Commercial Bank
22	Guardian Bank
23	Habib Bank Ltd
24	I & M Bank (merged with Biashara Bank)
25	Imperial Bank
26	Industrial Development Bank
27	Kenya Commercial Bank
28	K-Rep Bank
29	Middle East Bank
30	National Bank of Kenya
31	NIC Bank
32	Paramount Universal Bank
33	Prime Bank
34	Southern Credit Bank (Merged with Bullion Bank)
35	Trans-National Bank
36	Victoria Commercial Bank

CONT. I	
	FOREIGN COMMERCIAL BANKS
1	Bank of India
2	Barclays Bank of Kenya
3	Citibank
4	Credit Agricole Indosuez(Formerly Banque Indosuez)
5	First American Bank
6	Habib A.G. Zurich Bank
7	Stanbic Bank-Formerly Grindlays Bank
8	Standard Chartered Bank
	NON-BANK FINANCIAL INSTITUTIONS
1	Devna Finance
2	Housing Finance Co. of Kenya (HFK)
3	Prime Capital & Credit
47	

Source: Directory of Commercial Banks & Financial Institutions (Publication by Bank Supervision Dept. CBK).

II. SAMPLE USED

	Local Commercial Banks & NBFIs
1	Bank of Baroda
2	Chase Bank - Formerly United Bank Ltd
3	City Finance Bank
4	Commercial Bank of Africa
5	Consolidated Bank
6	Co-operative Bank of Kenya
7	Delphis Bank
8	Devna Finance
9	Diamond Trust
10	Dubai Bank (formerly Mashreq Bank)
11	Euro Bank
12	Giro Commercial Bank
13	Habib Bank Ltd
14	HFCK
15	Kenya Commercial Bank
16	Middle East Bank
17	National Bank of Kenya
18	Prime Bank
19	Prime Capital & Credit
20	Trans-National Bank
	Foreign Commercial Banks
1	Bank of India
2	Barclays Bank of Kenya
3	Citibank
4	Credit Agricole Indosuez (Formerly Banque Indosuez)
5	First American
6	Habib A.G. Zurich
7	Stanbic Bank-Formerly Grindlays Bank
8	Standard Chartered Bank

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