THE RELATIONSHIP BETWEEN SIZE AND PROFITABILITY OF KENYAN BANKS: A CASE OF COMMERCIAL BANKS IN KENYA

BY

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A research project submitted in partial fulfillment of the requirements for the degree of Master of Business Administration, School of Business, University of Nairobi

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DECLARATION

I declare that this research project is my original work and has not been presented for a degree in any other University.

Signed..Mmtundiyi..................... Date..20/11/2008..................

This research project had been submitted for examination with my approval as the University supervisor.

Signed.................................. Date..25/11/08..................

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DEDICATION

I dedicate this project to Fr. William Walsh and Fr. Martin McGrath of Kitale Catholic Diocese. May they continue to inspire others to excel in academic field.

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ABSTRACT

The study was carried out to establish the relationship between size and profitability of Kenyan commercial banks between the year 1998 and 2007. The main objective of the study was to determine whether or not there exists a relationship between profitability of banks and their various size variables.

Various independent variables were identified and they include: technology, branch network, human resources, liquidity, shareholders funds, customer deposits, bank loans, total assets and advances to customers as very essential in determining the profitability of a commercial bank. Profit margin ratio was therefore considered as the dependent variable in this study.

The study employed Linear Multiple Regression to find out whether an independent variable predicts changes in a given dependent variable. The population of interest in this study consisted 42 commercial banks registered and licensed under the Banking Act Chapter 488 of the Laws of Kenya and were in existence since 31st December 1997. The period of study was from 1998 to 2007.

Secondary data was obtained from the published financial statements and management accounts of 35 commercial banks. This was a response rate of 83% and was considered adequate.

The findings indicated that some variables such as number of ATMs, number of employees, net liquid assets, shareholders' funds, customers' deposits and bank loans have a positive relationship with profitability whereas number of branches, total assets and number of customer accounts have a negative relationship to profitability. The study recommended that banks should emphasize on positive variables to maximize profits. Some research gaps were also identified such as the need to find out reasons for negative relationship among some factors and measures to be employed to uplift weak positive relationship among other factors to enhance profitability.

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CHAPTER ONE: INTRODUCTION

1.1 Background

A profitable banking sector is better able to withstand negative shocks and contribute to the stability of the financial system. The banking sector exploits the principle of economies of scale by way of mitigating the cost of information processing, and collection of the same. Subsequently, uncertainty is reduced and efficiency in allocation of financial resources is realized. In ideal economies, banks are expected to act as quality controllers through directing of capital into successful projects. The effect is realization of better returns and increased growth output. Buchs and Mathisen (2005) found that the size of a bank has a serious constraint on market entry thus preventing smaller banks from exploiting profits from new markets. This is consistent with Bossone and Lee (2002) who also found that profitability of Ghanaian banks is skewed towards larger banks, but also indicates that small banks have a definite disadvantage in the system. This is consistent with Goddard, et.al (2004) who found out that as banks became larger in relative terms, their growth performance tend to improve further.

A commercial bank is an institution that accepts deposits that the depositor has a legal right to withdraw on demand and engages in the business of commercial loans (Sinkey, 1992). Miller, et.al (1993) defined a commercial bank as a depository institution that is relatively unrestricted in its ability to make commercial loans and that is legally permitted to issue checking accounts. Thygerson (1995) asserts that commercial banks perform the role of servicing and portfolio risk management. Stiglitz (1993) identified five roles of financial institutions: they act as intermediaries between savers and borrowers; they relieve the savers the risk of lending, they therefore encourage savers to lend without bearing the associated risk; they provide facilities such as savings deposits which act as savers investment. They therefore provide investment

opportunities for savers while at the same time mobilizing capital for ultimate investment; they play the role of liquidity adjustment in the financial market by taking surplus liquidity and providing it when needed; they provide savers with experts in financial management to manage their future funds. Such experts are usually unaffordable by individual savers.

As financial intermediaries, banks play a crucial role in the operation of most economies. This includes the business of receiving money on current or deposit account, paying and collecting cheques drawn by or paid in by customers, and the making of advances to customers. Levine (1997) shows that the efficiency of financial intermediation can affect economic growth. This is because institutions and individuals borrow from banks and engage in economic activities which have a direct impact on Gross Domestic Product.

Banks form part of the financial system which is heavily regulated sector. The financial markets are regulated to increase the information available to investors, to ensure soundness of the financial system, and to improve control of monetary policy (Mishkin 2006).

Banks are unique in such a way that their financial characteristics largely reflect government –imposed operating restrictions and peculiar features of the specific market served. Three unique characteristics stand out and each presents special problems and risks to the bank manager. Scott (2005) asserts that because of their function is primarily financial, most banks own few fixed assets and thus exhibit low operating leverage. In addition most bank liabilities are payable on demand or carry short term maturities so depositors can negotiate deposit rates as market interest rates change. As result, interest expense changes coincidentally with short run changes in market interest rates creating significant asset allocation and pricing problems. Finally banks operate with less equity capital than non financial companies, which increase financial leverage and volatility of earnings.

A bank can increase its size in terms of branch network, technology, Asset base, Human resources, capital base and customer deposits to serve its customers appropriately. A bank can expand customers' deposits in terms of demand deposit, savings deposits and time deposits to strengthen its financial base, increase its earnings and ultimately market share (Goacher, 1990). Demirguc-Kunt and Huizinga (1999) assert that these deposits lower bank profitability because high deposits entail high branching and other expenses. The increase in size is aimed at gaining from economies of scale. Economies of scale exist when a given proportionate increase in inputs results in a larger than proportionate increase in outputs. Economies of scale exists when two or more products can be produced together at a lower average cost than if they had been produced together at a lower average cost than if they had been produced separately.

Banks are profit maximizers and therefore should minimize their cost through economies of scale .Brown and O'Connor (1995) sites problems with measuring economies of scale in financial institutions. To solve this puzzle, two schools of thoughts were developed. The first school of thought known as the Production approach views financial intermediaries as producers of services associated with individual loan and deposit accounts. These services are produced using capital and labor, while output is proxied by the number of accounts serviced. In this context, deposit accounts are seen as an output and interest paid is excluded from total costs. The second theory contends that financial intermediaries are producers of services that are related directly to their role as intermediaries in the financial markets. In other words, they are viewed as collecting deposits and purchasing funds to be transformed into loans and other earning assets. As such, provision of deposit services is a payment in kind for use of funds which are used to make loans. Thus deposits are viewed as an input and interest paid is included in the total costs.

Taxes play a major role in determining the magnitude of profitability of banks. Dermirguc-Kunt (1999) found that foreign banks pay somewhat lower taxes than domestic banks .This may be due to the differences in the tax rules governing domestic and foreign banks, as well as the ability of foreign banks to shift profit internationally to minimize their tax bill. It was also found that large banks in terms of assets tend to have lower margins and profits and smaller overheads. They also pay relatively low direct taxes and have lower loan loss provisioning.

The Kenya banking system is diverse since independence. As per the Central Bank of Kenya, Bank supervision annual report (2006), at the end of December 2006, the banking sector comprised of 45 institutions, 41 of which were commercial banks, 2 mortgage finance companies, one non-bank financial institution and one building society. The locally owned institutions dominate the industry, that is they are 34 in number while only 11 out of 45 institutions are foreign owned .Despite their number being high their total assets account for only 48.2% of the sectors total assets.

The international ownership of banks has a significant impact on bank spreads and profitability. Foreign banks, specifically, realize higher interest margins and higher profitability than domestic banks in developing countries. This finding may reflect the fact that in developing countries a foreign bank's technological edge is relatively strong, apparently strong enough to overcome any informational disadvantage in lending or raising funds locally. Foreign banks, however, are shown to be less profitable in industrial countries, where they may not have a technological edge.

1.2 Statement of the problem

Hall and Weiss (1967) reported that size did tend to be associated with higher profit rates among the Fortunes companies for the years 1956 thorough 1962. Stekler (1963) and Osborn (1970) however reported the opposite results.
Warapatr et al. (1986) examined economies of scale and organization efficiency in banking sector and found that large banks demonstrate high performance due to economies of scale. Reid (1993, 1995) in his study found evidence of a negative relationship between firm size and performance. He concluded that there are diminishing returns to increasing the size of the firm, hence a negative relationship between size and its performance.

Favero and Papi (1995) did a cross section analysis of 174 Italian banks in 1991 to measure the technical and the scale efficiencies of the Italian banking industry. According to the results, efficiency was best explained by productivity specialization by bank size and to a lesser extent by location. Ochung (1999) reported that after tax profits are positively correlated with various deposit categories.

Bossone and Lee (2002) however found that profitability of Ghanaian Banks is skewed towards large banks and that there is correlation between bank size and profitability. This is supported by Goddard et al. (2004) who found out that as banks become larger, their performance tend to improve.

Kaen and Baumann (2003) found that profitability bears no relation to size measured by the number of employees. They also found that firms of a given size as measured by sales and assets, the fewer the employees, the more profitable the firm.

Schure et al. (2004) did a research to estimate the productivity of European banking sector for the period 1993-1997. Their results indicated that large

commercial banks were more productive on average than smaller banks; this is because of the advantage of economies of scale.

Athanasoglou et al. (2005) in their research on Bank specific determinants of bank profitability found that the estimated effect of size does not provide evidence on economies of scale in banking. This is because small-sized banks usually try to grow faster, even at the expense of their profitability. Further more, newly established banks are not particularly profitable (if at all profitable) in their first years of operation, as they place greater emphasis on increasing their market share, rather than on improving profitability.

Due to these controversies and lack of such research in Kenya, it becomes imperative to study the relationship between bank size and profitability in Kenya. The study therefore seeks to investigate the relationship between various size variables and profitability of banks quoted on the Nairobi Stock Exchange.

1.3 Objectives of the study

The following objective will be met in this study:
To determine whether or not there is a relationship between the profitability of banks and their various size variables.

1.4 Importance of the study

a) Commercial Banks

The findings would be a source of long term strategic planning by these banks. The management would be able to know at what point in time in terms of profitability should they expand or contract the sizes of their banks in order to remain going concerns.

b) The Government

The banking sector is the highly regulated sector in the economy and therefore the government would utilize the findings to protect depositors as well as shareholders.

c) Academia and Researchers

The findings will add to the existing body of knowledge in area of business finance and banking.

CHAPTER TWO: LITERATURE REVIEW

2.1 Size Variables affecting Bank Profitability in Kenya

2.2 Introduction

Evidence of a negative relationship between size and profitability was found by Cubbin and Leech (1986) Gerald (1989). Reid (1993, 1995) confirmed this for a sample of small business start- ups within a simultaneous framework. This evidence suggested that there are diminishing returns to increasing the size of the firm and that a negative relationship is expected between firm size and performance.

Berndt (2005) indicates that a trade off between firm size and performance do exist in small firms. Size has a significant negative influence on performance and performance has a significant negative influence on size. Explanation to this could be reduction in labor productivity. The increased costs associated with hiring more employees, with rising effort being expended in recruiting and training new staff. Thus the small firm sacrifices increase in profit to grow.

Reid (1993) concurs with the work of Berndt. As small firm reduces in size, performance increases due to increased efficiencies. This can be explained as increased labor productivity caused by the substitution of labor for capital and a leaner cost base. A firm operating in an industry which is subject to technical change experiences a significant positive effect on firm size (Richardson, 1964). Therefore in response to technical change in the industry the firm grows in size; more staff is required to technical changes, that is, the firm may require increasing the human capital of the firm.

The traditional role of banks has been that of lending and saving funds in order to generate income. In history, banks advanced funds to allow businesses to purchase inventory, and collect those funds back with interest when goods were

sold. For centuries, the banking industry only dealt with businesses, not consumers. Commercial lending today is a very intense activity, with bank carefully analyzing the financial condition of its business clients to determine the level of risk in each loan transaction.

A part from asset and liability management, in more competitive environment, banks become aggressive to seek profits by engaging in off-balance sheet activities (Mishkin, 2006). Off- balance sheet activities involve trading financial instruments and generating income from fees and loan sales, activities that affect bank profits but do not appear on the balance sheets. Mishkin (2006) identifies two off- balance -sheet activities. First is loan sale. This is also known as a secondary loan participation and it involves a contract that sells all or part of the cash stream from a specific loan and thereby removes the loan from the banks balance sheet. Thus loans are sold for an amount which is slightly higher than the amount of the original loan. Second is the fee income which involves generation of income from fees that banks receive for providing specialized services to their customers, such as making foreign exchange trades on a customer's behalf, servicing a mortgage and guaranteeing debt securities.

2.3 Technology

The banking sector has embraced changes occurring in Information Technology with most banks having already achieved branchless banking as a result of the adoption of communications options. According to the Central Bank Annual Supervision Report (2003), the increased utilization of modern information and communication technology has for example led to several banks acquiring ATMs as part of their branchless development strategy measures. The Central Bank notes that the advancement in Information and Communication Technology (ICT) in the banking industry has enhanced efficiency and improved customer service. This is reflected particularly in the increased use of ATM cards resulting from broadening of ATM network, including additional ATM machines and a wider

network of merchants that accept payment through credit/debit cards. A significant progress has also been seen in the introduction of E-banking and SMS-Banking software by a number of institutions.

In Kenya the Central Bank of Kenya has relied on the number of ATMs a bank has to demonstrate technological progress. This is because ATM provides various services and therefore measure of technology is based on its numerical strength in the institutions.

According to the report, the total number of ATMs in the industry as at 31st December 2003 was 230 compared with 166 as at end of December 2001. The number has since increased with the implementation of Kenswitch, a shared ATM network comprising a consortium of eighteen small and medium sized banks, which went live in December 2002. Automated Teller Machine (ATM) has led to decongestion of banking halls and reduction of incidences of long queues in the banking hall. ICT Based financial services have made a significant contribution in lowering cost of offering financial services.

All banking services, like electronic payments, loans, deposits, or securities heavily rely on information and telecommunication technology. As a result of complex operations of banking industry, speeding up the pace of offering services to clients is paramount this can be achieved through the use of ICT.

Several banks have also entered into the Internet Banking and established websites. Internet banking however is still at its infancy and more in terms of utilization is expected in this sector. Additionally in May 2004, VISA estimated that the use of VISA cards had increased by 43% in Kenya the previous year, which translated to US$ 452 Million growth. They noted that in 2003, the number of VISA and VISA Electron cards issued by Visa member banks in Kenya rose to over 557,000. According to the Bank Supervision report (2003), this progress has however been accompanied with increased need for connectivity which can

match the need for these operational requirements. There is therefore the need for well-formulated ICT strategies and communications policies to enable banks have a responsive infrastructure given the changing internal and external threats and opportunities facing these institutions.

The capacity of technology adopted and the availability of expertise to use and maintain the technology is the force behind better performance in banking industry. Technology extends to the product innovation capability (Market intelligence, 2003). Thomson and Strickland (1995) and Frei et al. (1995) argue that a bank's performance is strongly influenced by the predisposition of management do not only develop innovative solutions for the future, but also to create the milieu for their successful implementation.

According to Mullins (2002), well designed and implemented computer based communication networks spreading across functions enables employees to gain greater awareness of the organization and other employees, changes in the nature of jobs and work practices and also empower employees. This assertion is supported by the observed behavior of tellers taking charge and being full responsible for various transactions in the front offices of banks.

Technology in banking is a key resource in terms of magnitude and importance (Doorley & Paquette 1991). The investment in advanced technology is aimed at integration of front and back office systems into a seamless service delivery process therefore bringing quality and convenience to the customer. The application of computer systems will provide flexibility and on-line capabilities to better serve customers and increase the capacity of customer service employees. Technology in the banking sector including the use of automated teller machines and over the counter services have created such conveniences that give competitive edge as to make every bank strive to the e-way in all or most of their activities (Market Intelligence,2003). Customers choose a bank because of the convenience. However Thakor (1999) and Olazabal (2000) found

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lack of proportionality between increases in the scale of IT utilization and the increase in banks profitability.

The search for techno savvy and competence in banking industry has been spurred by dynamism in the financial environment and therefore the need for financial innovation. Financial innovation is the act of creating and then popularizing new financial instruments as well new financial technologies, institutions and markets (Tufano, 2002). Mishkin & Eakins (2006) sites drastic changes in the economic environment that leads to financial innovation as inflation and upswing of interest rates. Rapid expansion of computer technologies and financial regulations has adverse effects on the normal operations of a bank and may lower its profitability (Mishkin, 2006).

Technology has a significant impact on profitability of foreign banks operating in developing countries (Dermirguc and Kunt, 1999). This finding may reflect the fact that in developing countries a foreign bank's technological edge is relatively strong, apparently strong enough to overcome any informational disadvantage in lending or raising funds locally. The finding also indicates that foreign banks are less profitable in industrial countries, where they may not have a technological edge.

Tufano (2002) asserts that technological shocks stimulate innovation.Shocks to technology are thought to provide a "supply-side" explanation for the timing of some innovations. Hannan and McDowell (1984, 1987) emphasizes that adoption of financial innovations has focused on the introduction of automated teller machine which has simplified more specifically the withdrawal and deposit of funds functions.

Radecki, et al. (1996) assert that IT developments affect operations of banking organizations in at least four distinct ways: First, IT enables banks to start new depository services like ATMs, call centres, and internet banking which give more

opportunities to achieve economies of scale, and fewer diseconomies, rather than the same depository services provided through the traditional branching networks. Second, Technological progress causes innovations in producing new banking services that are subject to greater scale economies or fewer diseconomies than existing technologies, Third, Advances in IT allow large banks to control investment risks more efficiently than small banks. Well equipped credit risk departments of large banks are able to make riskier, but with highly expected return on investments. Fourth, Managerial diseconomies of scale has been reduced by IT .It has improved monitoring and control within large banks, thus managers of large banks monitor the behavior of staff, reducing agency costs and problems. Berger (2003) also argues that technological progress facilitates increases in bank size. These findings are consistent with Eyadat et al. (2005) who conclusively found that advances in the information and telecommunication technology are the base for invention of new services and improvements of existing ones. They categorized the products into internet banking, electronic payments, investment securities, and information exchanges. They cited new offers as a source of significant incomes for banks and convenience for their customers. It was also found that with commitment to technology banks can manage to reduce operating costs and hence enhance their profitability. Another advantage of advancements in IT is improvement in revenue efficiencies. Efficient information and technological devices allow banks to facilitate mergers and acquisitions, extend their office network and broaden range of products (Eyadat et al., 2005)

Beccalli (2006) investigated whether investment in information technology influences performance of banks. Using a sample of 737 European banks over the period 1995-2000 he analyzed whether IT investment is reflected in improved performance. They found little relationship between total IT investment and improved bank profitability.

2.4 Branch Network

Branch network is a key measure of financial institutional scale (Beverly, 2005). A direct focus on branches is important in understanding the evolution of banking activities. A branch, banking centre or financial centre is a retail location where a bank of financial institution offers a wide array of face services to its customers. Section 2 of the Banking (Amendment) Act, 2006 varied the definition of the term "branch", which was expanded to include places of business outside Kenya (Central Bank of Kenya Annual Supervision Report, 2006). Most banking institutions have embarked on branch expansion programs in response to improved economic performance to tap emerging business potential, especially from Small and Medium size enterprises (SMEs). The measure of branch network is based on the number of branches spread all over the geographical region.

Orlow, et al. (1996) argues that bricks-and- mortar branches are a comparatively expensive means of delivering financial services, most specifically, deposit based services. Thus the creation of extensive branch networks could impose a significant cost structure on banks. This can lead to reduced profitability if economies of scale in the operation of branch networks or revenue generating activities are not enhanced.

Technological innovation has enhanced the operations of banking industry through development of alternative distribution channels like ATMs. So many customers can therefore be reached and therefore creating convenience to them. Hirtle (2005) argues that large branch networks offer the convenience of many possible points of contact with the institution and, potentially, the ability to avoid ATM surcharges and other usage fees by staying within the bank's own network.

Extensive expansion of branch network is also aimed at tapping unexploited opportunities. Different customers have different needs and therefore the need to customize services, products and branches.

The internet boom has encouraged banks to offer customers electronic access to their accounts and to conduct transactions remotely, with no physical offices hence reducing the cost of the conventional branches hence boasting profit. However the Central Bank of Kenya Annual Supervision Report, 2006 indicates that overall the banking sector had 575 branches up from 534 in 2005. This was attributed to improved economic performance to tap emerging potential.

The increase could also be attributed to conversion of Equity into a full fledged bank in 2004.

The increase in number of branches has implications for both bank customers and banks themselves. Consumers in third world countries, Kenya inclusive; rely on brick and mortar branches to access the financial services. Banks gain because deposit collection is widespread and this discourages people from banking their money in houses. However some banks impose additional cost when one transacts in a branch which is not his/her account branch. Thus branch dependent customers face additional costs.

Large branch network offer the convenience of many possible points of contact with the institution and potentially the ability to avoid ATM surcharges and other usage fees by staying within the bank's own network. Dick (2003) shows that depositors value geographic reach and local branch density when selecting a depository institution.

Orlow, et al. (1996) argues that the growth in the number of bank branches and the consolidation of branches within very large branch networks has implications for cost structure, business focus and profitability. Branches with full service impose significant costs that banks must cover through the revenues generated by these networks. There is a belief that continued expansion of branch networks effectively generates retail banking revenues despite associated costs and

development of alternative distribution channels such as online banking and ATMs.

Thus banks over branch in the sense that individual branches are smaller than would be justified on grounds of cost efficiency. While large branch networks may be inefficient from the perspectives of minimizing costs, they may be effective at generating revenue and provide convenience to customers (Berger et al., 1997).

Hirtle (2005) examined the impact of network size on bank branch performance. The result indicated that there is no systematic relationship between branch network size and overall institutional profitability, implying that mid-sized branch networks may be at a competitive disadvantage with especially relative to the very largest branch networks. However Zardkoohi and Kolari (1994) in their research in Finland found that branch-level efficiency increase with the number of branches in a network. Their finding conflicts with Hensel (2003) who finds that large European banks less likely realize additional cost efficiency from expanding their branch network than smaller institution.

2.5 Human Resources

All services are delivered by human resources. A robust human resource management which involve best practices in compensation, hiring and selection, staffing, training and development, performance management as well as employee involvement and empowerment is critical for the success of an organization's service delivery strategy. A robust human resource management contributes to the performance of the firm in two ways: skills and competence and good practices that drive desirable behavior and attitude of employees. Generally, firms with practices which build competence and reinforce role behavior consistent with customer demands are likely to be successful. Consistency across practices is as important as individual employee practices (Frei, et al. 1995).

Employees need not only to be held accountable for certain activities, but also for the necessary control over, and authority to discharge that responsibility (Mullins, 2002) .Getting it right internally with employee empowerment is crucial as it is the employee who delivers the services to the customer. If the customer has a bad experience with the employee, all external effort in marketing is lost. Durkin and Bennet (1996) argue that high levels of internalized commitment are essential for the successful implementation.

Keltner (1995) in a study on relationship Banking and competitive advantage found that a strategy of relationship banking coupled with cultivation of highly skilled and trained employees was a statistical significant factor explaining why German banks outperformed U.S.A banks in the 1980s. Frei, Harker and Hunter (2000) found that X-efficiency, or how well management aligns technology, human resources, and other assets to produce a given level of output plays an important role in the banking industry.

Kaen and Bauman (2003) found that for firms of a given size as measured by sales and assets, the fewer the employees, the more profitable the firm, and for firms of a given size as measured by the number of employees, the fewer the assets, and higher the sales, the more profitable the firm. This implies that employees in large organizations earn more wages than employees in small organizations.

According to the Central Bank Annual Supervision report (2006), employment on the banking sector rose by 23.7%. The report attributes this due to the expansion of the institutions' branch network and expanded business volumes. The human resource factor is measured by the number of employees in the institution as per the Central Bank of Kenya.

2.6 Liquidity and profitability

Among the primary missions of Central Bank is to foster the liquidity, solvency and proper functioning of a stable market-based financial system (Central Bank of Kenya Annual Supervision Report 2006). The Banking Act emphasizes on this mission to promote and maintain price stability and an efficient payments system. Liquidity is the availability of funds or assurance of the availability of funds to honor a bank's cash flow commitment including the off-balance sheet cash flow item as they fall due (The Bank of Mauritius ,1988) .According to the Central Bank of Kenya (2007), liquid assets comprise of notes and coins (local and foreign), balances with central bank of Kenya, balances with domestic commercial banks, balances with banks abroad, balances with financial institutions, balances with mortgage finance companies, balances with building societies, treasury bills, treasury bonds, certificate of deposits or government bearer bonds, foreign currency and bearer certificates of deposit. This definition is also a measure of liquidity.

Molyneux and Thornton (1992) found a weak inverse relationship between profitability and bank liquidity. On contrary Bourke's (1989) results had indicated a significant positive relationship between profitability and bank liquidity .One likely reason for the conflicting findings may be difference in elasticity of demand for loans in the two samples. Guru et al.(1999), in their research concluded that commercial banks should not over commit in loans , since the liquidity variables as proxied by the loans to deposit ratio , was generally found to have a negative impact on bank profitability. Pandey (2005) proposes risk-return trade off of liquidity versus profitability where banks can use conservative policy by investing in lower return and risk investments or an aggressive policy of higher return and risk investments. Wahiu (1999) observed one of the two most important requirements of liquidity is profitability and second is receipt of cash to be more than what is to be paid out. Dernburge (1985) observed that in managing their portfolios, the commercial banks have two main aims that may conflict; maintenance of stock of liquid assets in case their cash is under

pressure and they wish to earn high rate of return on their assets in order to maximize profits. He noted that high-risk borrowers and long term investments tend to earn banks higher returns. On the contrary, low risk and short term investors will earn firms low returns. However, such high return assets were also noted to be illiquid. Therefore in pursuit of profits, banks would wish to hold as small proportion of assets as possible in the liquid form. At the same, financial prudence would require that banks hold adequate cash and other liquid assets to meet their obligations as they fall due. The banks are therefore faced with a conflict choice between short term and long term securities. High rate of return is associated with high liquidity.

Therefore when managing a financial institution, the institution should be able to meet in full all its obligations as they fall due. By enabling banks to meet their financial obligations promptly, Bernstein and Wild (2000) argue that, this instills a sense of confidence in the customers which goes further into building customers loyalty and satisfaction. On the contrary a poor liquidity status could lead to inability of banks to meet their financial obligations. In the event of such situations, bank customers loose confidence and may engage in a run on the bank. This eventually can lead to bank failures since poor liquidity situation would further result to, inability to take advantage of favorable discount and other opportunities, lower profitability, delay in collection of interest and principal payments for creditors, and damage to customer relationships.

The bank is under a general contractual duty to its customers to pay on demand all debts to the extent of funds in a depositor's account. The bank should therefore be prudent in its operations; it should exercise careful and practical judgment with regard to, objectives of the bank, all risks to which the bank is exposed, the amount and nature of the bank (Central Bank of Kenya Regulations 2001).

According to Central Bank's Annual Supervisory Report, 2006, liquidity is measured by the ratio of net assets to total deposits, including short term liabilities and reflects an institution's ability to meet its maturing obligations as they fall due. The report shows that high liquidity is associated with sector's preference for liquid assets notably risk free government securities.

2.7 Shareholders Funds and Profitability

Section 7(1) of the Banking Act states that a license shall not be granted to an institution unless the institution meets the minimum capital requirements specified in the second schedule of the said Act. Shareholders funds include paid up capital, share premium, revaluation reserve, retained earnings, statutory loan loss reserve, proposed dividend and capital grants (Central Bank of Kenya Prudential Guidelines, 2006).

Capital requirements combat moral hazard when the regulator has a strong screening reputation, and they otherwise substitute for screening ability (Morrison and White, 2005). Moral hazards are the root cause of bank runs and therefore the appropriate way to combat this is to make the bank profitable. Access to core deposit insulates a bank's cost of funds from exogenous shocks. In turn, the bank can insulate its borrowers against exogenous credit shocks as part of a multi period implicit relationship (Berlin and Mester, 1999).

Bernanke and Lowns (1991) found that limited bank capital in relation to loan demand contributed to restrictive bank lending in US during recession period of 1990. Diamond and Rajan (2000) on their study on "a theory of Bank Capital "; found that banks create liquidity because deposits are fragile and prone to runs. This is because uncertainty makes deposits excessively fragile, creating a role for outside bank capital. They also found that an abrupt transition to higher capital requirements can lead to a bank run because maturing deposits may exceed what the bank can pledge. Greater bank capital reduces the probability of financial distress but also reduces liquidity creation. The quantity of capital

influences the amount that banks can induce borrowers to pay. Optimal bank capital structure trades off effects on liquidity creation, costs of bank distress, and the ability to force borrower repayment. Thus capital requirements have subtle effects on the flow of credit and even making the bank riskier.

Dermirguc-Kunt (1999), in their research on bank profitability found a positive relationship between capitalization and profitability and a negative relationship between reserves and profitability. Margarida and Mendes (2000) found that well capitalized banks face lower expected bankruptcy costs and thus lower funding costs and higher interest margins on assets. They also found that stiffer minimum capital adequacy ratios are associated with stronger revenue generation. The health of banks is cushioned by high capital-asset ratios (Guru and Shanmugan, 1999).

2.8 Customer Deposit and Profitability

Customer Deposits is an item on the liability side of the balance sheet and include all funds received from public bodies, parastatals, private enterprises, individuals and other non-profit making institutions, both resident and non-resident in Kenya. It also includes current account balances, fixed/call deposits, and savings account balances. Margins on letters of credit or any other deposit by whatever name both in local and foreign currencies whether matured or not (Central Bank of Kenya Prudential Guidelines). A total of these in any given year is a measure of customer deposits.

Deposit taking involves issuing claims that are riskless and demandable, that is, claims that can be redeemed for a fixed value at any time (Rajan and Kashyap, 1999). An incidental effect of demandable nature of deposits is to keep bank management honest (Rajan and Myers, 1998).

Customer deposits were 79% of the total liabilities and shareholders funds (Central Bank of Kenya Annual Supervision Report, 2006). This shows that they

constitute a significant proportion of the total liabilities of banks. Ochung's (1999) findings that after tax profits are positively correlated with various deposit categories. However he shows that correlation coefficients vary greatly from one institution to another .This is due to differences regarding the sizes of these institutions. Ndung'u (2003) who carried out a study on the determinants of profitability of quoted commercial banks in Kenya and found out that profitability if commercial banks are highly influenced by sound asset and liability management.

Categories of customer deposits

Customer deposits can be classified as under:

Time Deposit –These are the largest sources of funds for banks and these funds cannot be transferred to another party since they are legally due as of a maturity date. They are meant for larger investors and interest rate is usually higher, but a deposit cannot be withdrawn until its specified maturity (Jaffee, 1989).

Demand Deposit- These are non-interest bearing transaction deposits that have no maturity and must be paid by banks when a negotiable instruments, generally in the form of a cheque or an electronic impulse, is presented (Hempel et al., 1994).

Lin (1937) argues that they are of identical nature because they are bank liabilities in the sense that, by accepting a deposit a bank is liable to pay sooner or later. This is crucial since the solvency of a bank depends upon its ability to pay demand and time deposits.

The Deposit Protection Fund under section 37(1) of the Banking Act insures depositors against any loss occasioned by banks mismanagement.

2.9 Bank Loans and Advances to Customers.

These are term loans, overdrafts, bills discounted and hire purchase. The balance should be reported net of provisions and interest in suspense. These

also include commercial paper and corporate bonds, with fixed or determined payment and maturities (Central Bank of Kenya Prudential Guidelines, 2006).

Loan component have a significant effect on quoted banks profits. According to Njihia (2005), this is due to the fact that quoted banks are affected by the external factors in the same way and none has the advantage over the others to earn higher profits.

Loan constitutes over 50% of the bank's assets. Proper management of bank assets is therefore crucial. Loan has various impacts on profitability of banking institutions. If banks do not get enough deposit, capital adequacy level can be adversely affected and hence extension of loans to customers may not be done. There is also the risk of defaulting and this makes banks to verify and monitor borrowers to determine whether they are credit worth so that asymmetrical information is reduced. This is aimed at reducing no-performing loans.

Interest earning assets (loans) are behind banks' dismal profitability (Demiurge-Kunt, 1999). This is contrary to Guru and Shanmugan (1999) findings. They found that loan as a component of assets contributes immensely on the profitability of banks. This is in consistent with Margarida and Mendes (2000) who found that loan to asset ratio has a positive relationship with interest margins and profitability. Devaajargal (2000) examined relationship between performing loans and profitability and found the correlation to be negative and statistically significant. The research indicated that loans outstanding were one of the factors determining bank profitability hence a call to banks to issue loans.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 The Population

The population of interest in this study consisted 35 out of 42 commercial banks registered and licensed under the Banking Act Chapter 488 of the Laws of Kenya and were in existence since 31st December 1997. This population represents 82% of the entire banking industry. The period of study was from 1998 to 2007.

3.2 Data Sample

All the banks that were in existence by 31st December 1997 were included in this study. It therefore emerged that only 35 banks were in existence and operating without any statutory and operational hitch during this duration hence the reason why they were all included in the study.

3.3 Data Collection

Secondary data was obtained from the published financial statements and management accounts of individual commercial banks using data collection form shown in the next page.

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
No. of Branches										
No. of ATMs										
No. of Employees										
Net Liquid Assets										
Shareholders Funds										
Customer's Deposits										
Bank Loan										
Total Bank Assets										
Profit Margin										
No. of Customer Accounts										

3.4 Data Analysis Methodology

Linear Multiple Regression

This was used to find out whether various independent variables influence changes in profitability.

A typical linear regression model in the form of:

$$Y=a+b_1x_1+b_2x_2+b_3x_3+b_4x_4+b_5x_5+b_6x_6+b_7x_7+b_8x_8$$

Where **Y**=Profit margin

B=the slope/gradient represents the degree in which the profit margin changed as the bank size changed at time *t*.

X_i =Size variables (No of ATMs, No. of branches, No of employees, Loan Portfolio, Customer Deposits, Bank loans, shareholders funds, net liquid assets where i=1,2.........8).

a=the intercept of the regression equation which represents the profit Before tax at t_0

Assumption

The revenue from interlinked ATMs part of it is earned by bank offering the service and the same applies to the cost.

HYPOTHESIS

Ho: There is no significant relationship between bank size and profitability.

H_A: There is significant relationship between the bank size and profitability.

The objective was achieved by determining the coefficient of correlation **(r)** and coefficient of determination **(r^2)** for all individual banks. t test was computed to determine the significance of the predictor variables. A coefficient of the predictor variable was significant if it would have a value greater or equal to 2.58 at 95% significant level.

CHAPTER FOUR: DATA ANALYSIS, FINDINGS AND DISCUSSIONS

4.1 Introduction

This chapter covers data analysis and findings of the research. The data is summarized and presented in the form tables. Secondary data was obtained from the financial statements and management accounts of individual commercial banks. The collected data has been analyzed and interpreted in line with the aim of the study which includes: to determine whether or not there is a relationship between the profitability of banks and their various size variables. Of the 42 banks in the population, information was drawn from 35 banks giving a response rate of 83 per cent, which was considered satisfactory for subsequent analysis. Analysis was done using a multiple regression analysis due a multiple number of independent variables involved in the study.

a) All requisite variables entered

b) Dependent variable: profit margin ratio

Table 1: Model Summary

Model	R	R Square	Adjusted R square	Std error of estimate
1	.424	.180	-.116	1.41

Predictors: (Constant), Number of customer accounts, Shareholders funds, Number of employees, Number of ATMs, Net liquid assets, Bank loans , Customer deposits, Number of branches, Total assets

Dependent Variable: Profit margin

Table 2: Regression analysis matrix

Variable	Un standardized coefficients		Standardized coefficients
Model	B	Std Error	Beta
(Constant)	2.217	.589	
Number of branches	-1.076	.858	-2.086
Number of ATMs	.596	.593	1.041
Number of employees	.356	.488	0.730
Net liquid assets	.366	.481	0.565
Shareholders funds	.429	1.141	0.364
Customer deposits	.263	.902	-0.507
Bank loans	.916	.799	1.487
Total assets	-.930	1.558	-1.198
Number of customer accounts	-2.980	.221	-0.061

Dependent Variable: Profit margin

4.2 Technology

The study sought to establish what relationship exists between technology and profitability. The research findings indicated that there a positive relationship between technology and profitability. This is contrary to Mishkin (2006) who asserts that rapid expansion of computer technologies may lower bank's profitability. However the results are consistent with Beccalli (2006) who found a positive relationship between profitability and IT investment.

4.3 Branch Network

The study sought to establish relationship between branch network and profitability. The research findings indicated that there is a negative relationship

between branch network and profitability. This is because an increase in the number of branches has implications for both bank customers and banks themselves. Banks tend to spend more on staff costs and costs related to running of the branches. This eats into the profitability of the bank in most cases. Some branches may not be profitable as such and hence end up consuming what other branches have generated. The results are consistent with Orlow, et al. (1996) but contrary to Hirtle (2005) who found no systematic relationship between branch network size and overall institutional profitability.

4.4 Human Resources

The research findings indicated that there is a positive relationship between human resources and profitability. This is consistent with Frei (2000) and Keltener (1995).

4.5 Liquidity and profitability

The study found that there is positive relationship between profitability and bank liquidity. This is consistent with Bourke's (1989) but contrary to Molyneux and Thornton (1992).

4.6 Shareholders Funds and Profitability

The research findings indicated that there is a significant positive relationship between shareholder's funds and profitability. This is contrary to Dermirguc-Kunt (1999).

4.7 Customer Deposit and Profitability

The study findings indicated that profits have a weak positive correlation with customer's deposits. This is consistent with Ndung'u (2003) who carried out a study on the determinants of profitability of quoted commercial banks in Kenya and found out that profitability of commercial banks are highly influenced by sound asset and liability management.

4.8 Bank loans and profitability

The study sought to establish what relationship exists between bank loans and profitability. The findings indicated that profits have a strong positive relationship with bank loans. High-risk borrowers and long term investments tend to earn banks higher returns. On the contrary, low risk and short term investors will earn firms low returns. Interest earning assets (loans) are behind banks' dismal profitability (Demiurge-Kunt, 1999). This is contrary to Guru and Shanmugan (1999) findings. They found that loan as a component of assets contributes immensely on the profitability of banks.

CHAPTER FIVE: SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter summarizes the findings and makes conclusions based on the specific objective of this study i.e. to determine whether or not there is a relationship between the profitability of banks and their various size variables. It also includes the study recommendations for improvement, limitations of the study and further research.

5.2 Summary and conclusions

It was noted that profits have a strong positive relationship with bank loans. High-risk borrowers and long term investments tend to earn banks higher returns. Also from the study, it was indicated that an increase in the number of branches has implications for both bank customers and banks themselves. Banks tend to spend more on staff costs and costs related to running the branches.

It has also been found out that for firms of a given size as measured by sales and assets, the fewer the employees, the more profitable the firm, and for firms of a given size as measured by the number of employees, the fewer the assets, and higher the sales, the more profitable the firm. When the number of employees is large, the wage bill tends to be higher and therefore the adoption of technology is the ultimate solution to cutting down costs hence improving in profitability.

5.3 Recommendations

The bank's management should ensure that they have a high capital-asset base. This will improve and maintain the health of banks. Commercial banks should not over commit in loans, since the liquidity variables as proxied by the loans to deposit ratio, was generally found to have a negative impact on bank profitability.

There is need for the commercial banks increase the number of ATMs as well as ensuring that they are regularly serviced so that they can satisfy the market

demand. In addition, ATMs should be positioned strategically to meet the component of convenience for the customers. The application of computer systems will provide flexibility and on-line capabilities to better serve customers and increase the capacity of customer service employees.

The commercial banks should have a great focus to their employees in relation to their recruitment, training and development, remuneration and career progression. This sis because a robust human resource management contributes to the performance of the firm in two ways: skills and competence and good practices that drive desirable behavior and attitude of employees. Generally, firms with practices which build competence and reinforce role behavior consistent with customer demands are likely to be successful. Employees who are competent in their work will tend to attract more customers into the bank because no customer enjoys staying long before being attended.

Commercial banks should practice proper lending and management of their loan portfolios since this is an important source of profit to the banks. Recoveries on non-performing debts should also be emphasized to avoid large provisions from the generated profits.

5.4 Limitations of the Study

The banking industry is a very competitive environment and as such the bank management did not want to disclose their information for fear of competition. This made it difficult in collecting secondary data. On the same note, due to the insecurity risks involved in the banks, management was suspicious of any inquisitive personality especially on issues which are believed to be used by the competitors in extracting sensitive information.

5.4 Suggestions for further Research

The study was a survey of the banking industry in Kenya and I recommend that further studies be carried out to determine why there is a negative relationship between number of branches, total assets and number of

customers on one hand and profitability on the other. There is need to research further and find out what brings about this kind of relationship.

There is also need to conduct further research on what commercial banks can do in order to improve on weak relationship between some variables and profitability.

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APPENDICES

APPENDIX I

LIST OF COMMERCIAL BANKS AS AT 31/12/1997

1. African Banking Corporation
2. Bank of Africa
3. Bank of Baroda
4. Bank of India
5. Barclays
6. Cfc Bank
7. Chase Bank
8. Citi Bank
9. Commercial Bank of Africa
10. Consolidated Bank
11. Cooperative Bank
12. Credit Bank
13. Development Bank of Kenya
14. Diamond Trust Bank
15. Equatorial Commercial Bank
16. Fidelity Commercial Bank
17. Fina Bank
18. Giro Bank
19. Guardian Bank
20. Habib A.G.Zurich
21. Habib Bank
22. I & m Bank
23. Imperial Bank
24. Kenya Commercial Bank
25. Middle East Bank
26. National Bank of Kenya
27. NIC Bank
28. Oriental Bank
29. Paramount Universal Bank
30. Prime Bank
31. Southern Credit Bank
32. Stanbic Bank
33. Standard Chartered Bank
34. Trans-National Bank
35. Victoria commercial bank

AVERAGE INPUT VALUES FOR 35 COMMERCIAL BANKS

VARIABLES	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
Number of Branches	15.00	11.54	10.57	9.80	9.03	8.86	8.77	8.51	8.31	8.37
Number of ATMs	25.54	20.14	13.14	10.86	9.40	5.37	4.51	3.26	2.74	2.66
Number of Employees	575.40	399.71	377.77	361.54	343.09	328.06	287.17	295.00	306.80	318.60
Net Liquid Assets (Ksh in Millions)	8,569.43	7,183.74	6,039.40	5,431.71	5,398.23	5,526.23	4,274.06	3,617.66	3,365.31	456.94
Sharehoders Funds (Ksh.In Million)	3,194.23	2,695.60	2,272.57	1,877.37	1,741.00	1,524.83	1,592.94	1,479.09	1,473.26	1,482.03
Custome'rs Depost (Ksh. In Millions)	18,892.71	15,961.14	13,478.14	11,794.06	10,552.83	9,189.09	8,368.54	7,844.71	7,375.63	6,732.03
Bank Loan (Ksh. In Million)	13,992.23	12,472.34	11,009.54	9,007.54	7,233.80	6,684.80	6,809.66	7,021.86	7,376.66	6,896.06
Total Assets (Ksh. In Million)	25,237.23	20,444.60	17,288.86	15,548.54	13,337.77	12,093.43	11,158.54	10,777.20	10,341.54	10,038 46
Number of Customet Accounts	61,823.97	49,666.23	47,467.46	44,445.43	42,728.83	41,422.49	40,045.20	39,208.69	39,459.51	38,255.17
Profit Margin (Ratio)	26.33%	20.48%	18.54%	8.10%	19.01%	13.74%	8.33%	2.06%	10.18%	10.14%

APPENDIX II (B)

FINANCIAL AND NON FINANCIAL DATA ANALYSED

African Banking Corporation

	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
Number of Branches	08	7	7	7	6	5	3	3	3	3
Number of ATMs	-	-	-	-	-	-	-	-	-	-
Number of Employees	137	125	120	120	118	115	111	98	98	98
Net Liquid Assets (Ksh in Millions)	2,333.00	2,126.00	2,167.00	1,747.00	1,808.00	1,522.00	1,375.00	1,133.00	1,033.00	-
Sharehoders Funds (Ksh.In Million)	812.00	677.00	541.00	505.00	426.00	382.00	352.00	324.00	301.00	281.00
Custome'rs Depost (Ksh. In Millions)	5,084.00	4,081.00	4,289.00	3,463.00	3,230.00	2,909.00	2,400.00	2,358.00	2,345.00	2,154.00
Bank Loan (Ksh. In Million)	3,597.00	3,031.00	2,768.00	2,131.00	1,795.00	1,644.00	1,380.00	1,641.00	1,639.00	1,662.00
Total Assets (Ksh. In Million)	6,143.00	5,357.00	5,140.00	4,188.00	3,818.00	3,387.00	2,961.00	2,978.00	2,813.00	2,706.00
Number of Customet Accounts	9,053	6,123	6,182	5,932	5,832	6,183	5,933	5,833	6,184	5,934
Profit Margin (Ratio)	22.45%	20.93%	21.79%	26.62%	15.79%	11.37%	8.72%	7.44%	6.90%	4.43%

Bank of Africa

	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
Number of Branches	5	3	3	3	2	2	2	2	2	1
Number of ATMs	-	-	-	-	-	-	-	-	-	-
Number of Employees	87	89	65	64	45	48	46	47	38	40
Net Liquid Assets (Ksh in Millions)	2,143.00	2,326.00	2,159.00	1,712.00	1,366.00	2,000.00	2,767.00	1,457.00	1,391.00	-
Sharehoders Funds (Ksh.In Million)	1,263.00	978.00	676.00	649.00	740.00	752.00	723.00	645.00	605.00	386.00
Custome'rs Depost (Ksh. In Millions)	5,523.00	4,936.00	4,123.00	3,195.00	3,517.00	2,865.00	2,822.00	4,258.00	3,214.00	2,722.00

Bank Loan (Ksh. In Million)	4,579.00	3,774.00	3,003.00	3,057.00	3,281.00	1,930.00	2,319.00	2,855.00	3,045.00	2,733.00
Total Assets (Ksh. In Million)	7,657.00	6,488.00	5,373.00	4,942.00	4,797.00	4,665.00	5,771.00	5,732.00	4,624.00	4,176.00
Number of Customet Accounts	3,580.00	2,556.00	1,474.00	1,336.00	1,179.00	1,475.00	1,337.00	1,180.00	1,476.00	1,338.00
Profit Margin (Ratio)	19.90%	10.10%	1.56%	93.92%	25.45%	9.00%	9.43%	8.58%	23.77%	12.61%

Bank of Baroda

	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
Number of Branches	7	6	5	4	3	2	2	2	2	2
Number of ATMs	-	-	-	-	-	-	-	-	-	-
Number of Employees	123	105	98	68	51	38	39	35	35	35
Net Liquid Assets (Ksh in Millions)	7,263.00	7,091.00	5,428.00	5,409.00	5,586.00	3,381.00	2,461.00	2,072.00	1,854.00	-
Sharehoders Funds (Ksh.In Million)	1,532.00	1,263.00	1,069.00	969.00	3,001.00	415.00	383.00	364.00	336.00	307.00
Custome'rs Depost (Ksh. In Millions)	12,673.00	10,122.00	8,079.00	7,168.00	7,050.00	4,465.00	3,324.00	2,829.00	2,573.00	2,448.00
Bank Loan (Ksh. In Million)	7,131.00	4,554.00	3,747.00	2,797.00	1,886.00	1,533.00	1,261.00	1,342.00	1,693.00	1,567.00
Total Assets (Ksh. In Million)	14,709.00	11,773.00	9,265.00	8,335.00	7,998.00	4,998.00	3,827.00	3,309.00	3,083.00	2,928.00
Number of Customet Accounts	24,672.00	23,245.00	24,539.00	23,639.00	23,079.00	22,679.00	21,779.00	21,219.00	20,819.00	19,919.00
Profit Margin (Ratio)	33.27%	32.04%	27.93%	37.33%	21.57%	7.41%	11.21%	10.78%	9.63%	10.19%

Bank of India

	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
Number of Branches	4	4	3	3	3	3	3	3	3	3
Number of ATMs	-	-	-	-	-	-	-	-	-	-
Number of Employees	69	69	57	56	58	51	55	57	56	58

Net Liquid Assets (Ksh in Millions)	6,558.00	5,193.00	4,667.00	4,094.00	4,099.00	2,270.00	2157	1,692.00	1,561.00	-
Sharehoders Funds (Ksh.In Million)	1,312.00	1,023.00	858.00	959.00	885.00	774.00	383.00	319.00	401.00	392.00
Custome'rs Depost (Ksh. In Millions)	8,608.00	7,146.00	5,614.00	4,789.00	4,755.00	3,774.00	2,602.00	1,990.00	1,933.00	2,221.00
Bank Loan (Ksh. In Million)	3,641.00	3,319.00	2,371.00	1,609.00	1,452.00	1,081.00	852.00	714.00	1,201.00	1,288.00
Total Assets (Ksh. In Million)	10,344.00	8,702.00	7,206.00	6,039.00	5,805.00	4,692.00	3,131.00	2,528.00	2,551.00	2,864.00
Number of Customet Accounts	9,536	8,917	7,809	7,294	6,926	7,810	7,295	6,927	7,811	7,296
Profit Margin (Ratio)	39.57%	32.10%	19.97%	29.15%	31.37%	13.85%	27.88%	24.16%	26.90%	16.19%

Barclays

	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
Number of Branches	95	43	37	35	33	45	49	53	54	55
Number of ATMs	193	98	72	60	52	40	45	39	35	41
Number of Employees	6,900	2,197	2,018	2,144	2,019	1,989	2,065	2,143	2,521	2,855
Net Liquid Assets (Ksh in Millions)	39,600.00	33,854.00	25,362.00	29,675.00	31,419.00	25,531.00	20405	20,620.00	23,974.00	-
Sharehoders Funds (Ksh.In Million)	14,862.00	14,862.00	13,177.00	12,295.00	11,022.00	9,989.00	11,400.00	10,343.00	8,738.00	8,169.00
Custome'rs Depost (Ksh. In Millions)	109,097.00	93,837.00	81,800.00	80,449.00	77,390.00	69,023.00	56,788.00	53,134.00	52,967.00	50,164.00
Bank Loan (Ksh. In Million)	107,953.00	78,411.00	69,619.00	67,750.00	60,038.00	53,335.00	47,615.00	44,519.00	39,999.00	31,110.00
Total Assets (Ksh. In Million)	157,656.00	117,722.00	104,522.00	110,083.00	96,914.00	85,914.00	73,647.00	70,377.00	69,292.00	70,362.00
Number of Customet Accounts	428,531	346,489	348,323	347,723	347,567	347,051	346,201	346,178	345,762	345,217
Profit Margin (Ratio)	33.53%	38.97%	35.57%	38.95%	32.28%	19.80%	33.56%	23.30%	26.89%	31.95%

CFC BANK

	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
Number of Branches	8.00	5	4.00	4.00	3.00	3.00	3.00	3.00	3.00	3.00
Number of ATMs	18.00	16.00	8.00	8.00	7.00	7.00	7.00	7.00	1.00	1.00
Number of Employees	212.00	98.00	88.00	87.00	87.00	57.00	55.00	54.00	67.00	51.00
Net Liquid Assets (Ksh in Millions)	13,799.00	14,041.00	13,727.00	11,356.00	6,066.00	3,510.00	3184	2,662.00	2,866.00	-
Sharehoders Funds (Ksh.In Million)	6,013.00	5,610.00	4,395.00	3,024.00	2,695.00	2,377.00	2,232.00	2,144.00	1,927.00	1,728.00
Custome'rs Depost (Ksh. In Millions)	20,098.00	17,928.00	14,794.00	12,673.00	9,868.00	6,703.00	5,556.00	5,004.00	3,125.00	2,365.00
Bank Loan (Ksh. In Million)	18,002.00	15,752.00	12,053.00	11,229.00	8,070.00	6,332.00	5,385.00	5,445.00	3,557.00	3,665.00
Total Assets (Ksh. In Million)	43,263.00	40,369.00	33,095.00	29,816.00	16,430.00	11,846.00	10,412.00	9,914.00	7,607.00	6,909.00
Number of Customet Accounts	12,389	10,752	9,087	8,088	7,238	6,602	6,090	6,005	5,155	4,305
Profit Margin (Ratio)	16.26%	17.73%	15.00%	22.62%	20.32%	11.54%	12.53%	19.47%	20.59%	23.08%

CHASE BANK

	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
Number of Branches	6.00	2	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Number of ATMs	-	-	-	-	-	-	-	-	-	-
Number of Employees	97.00	38.00	25.00	24.00	23.00	21.00	24.00	28.00	21.00	19.00
Net Liquid Assets (Ksh in Millions)	1,905.00	1,822.00	717.00	640.00	665.00	403.00	412	387.00	421.00	-
Sharehoders Funds (Ksh.In Million)	696.00	636.00	574.00	526.00	471.00	366.00	339.00	334.00	215.00	131.00
Custome'rs Depost (Ksh. In Millions)	4,276.00	3,235.00	1,663.00	1,229.00	1,031.00	687.00	574.00	481.00	516.00	290.00
Bank Loan (Ksh. In Million)	3,251.00	2,016.00	1,691.00	1,280.00	926.00	676.00	471.00	385.00	315.00	294.00

Total Assets (Ksh. In Million)	5,754.00	4,123.00	2,613.00	2,082.00	1,704.00	1,156.00	972.00	826.00	746.00	449.00
Number of Customet Accounts	3,323	2,263	1,231	1,131	881	931	1,081	1,081	1,051	1,054
Profit Margin (Ratio)	0.253900709	0.241304348	0.217391304	-0.425925926	0.320652174	0.297468354	0.220588235	0.195488722	0.073394495	0.061068702

CITI BANK

	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
Number of Branches	3	2	2	2	2	2	2	2	2	2
Number of ATMs	-	-	-	-	-	-	-	-	-	-
Number of Employees	89.00	81.00	79.00	76.00	71.00	69.00	75.00	77.00	78.00	72.00
Net Liquid Assets (Ksh in Millions)	16,282.00	11,711.00	18,810.00	14,158.00	17,666.00	16,745.00	13481	10,876.00	6,832.00	5,618.00
Sharehoders Funds (Ksh.In Million)	7,330.00	6,256.00	5,355.00	3,510.00	4,172.00	4,067.00	4,015.00	2,295.00	1,887.00	1,608.00
Custome'rs Depost (Ksh. In Millions)	29,605.00	25,331.00	22,697.00	19,513.00	19,982.00	21,893.00	20,805.00	16,926.00	11,936.00	8,016.00
Bank Loan (Ksh. In Million)	12,967.00	12,644.00	10,920.00	9,814.00	8,795.00	11,554.00	12,388.00	10,103.00	6,318.00	5,117.00
Total Assets (Ksh. In Million)	47,301.00	37,794.00	30,928.00	25,108.00	28,333.00	30,161.00	27,710.00	22,243.00	14,786.00	11,551.00
Number of Customet Accounts	2,927	2,659	4,336	4,302	4,208	4,112	3,908	3,999	38,012	37,017
Profit Margin (Ratio)	47.94%	43.83%	47.42%	18.75%	33.40%	39.75%	28.33%	26.74%	26.70%	23.96%

COMMERCIAL BANK OF AFRICA

	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
Number of Branches	17	12	12	8	5	5	5	3	3	3
Number of ATMs	34	23	23	15	12	-	-	-	-	-
Number of Employees	300	236	233	165	123	85	95	90	75	63
Net Liquid Assets (Ksh in Millions)	18,547.00	19,155.00	15,275.00	13,177.00	12,738.00	10,486.00	10,383.00	7,143.00	6,301.00	-

Sharehoders Funds (Ksh.In Million)	4,720.00	3,717.00	2,286.00	1,962.00	1,960.00	1,683.00	1,776.00	1,662.00	1,562.00	1,381.00
Custome'rs Depost (Ksh. In Millions)	34,845.00	32,517.00	25,088.00	17,619.00	15,098.00	13,908.00	13,494.00	10,200.00	9,284.00	8,575.00
Bank Loan (Ksh. In Million)	18,246.00	15,205.00	12,438.00	5,654.00	4,631.00	5,229.00	4,894.00	5,017.00	5,177.00	4,841.00
Total Assets (Ksh. In Million)	42,011.00	37,438.00	29,539.00	20,189.00	18,396.00	16,418.00	16,082.00	12,783.00	11,872.00	12,081.00
Number of Customet Accounts	23,657	23,136	18,967	17,467	16,167	15,267	14,067	12,967	11,957	10,977
Profit Margin (Ratio)	0.339812815	0.398398101	0.148790323	0.291333333	0.319639842	0.157718121	0.272198732	0.213391399	0.190291262	0.239641179

CONSOLIDATED BANK

	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
Number of Branches	12.00	11	10.00	9.00	7.00	8.00	8.00	8.00	8.00	10.00
Number of ATMs	25.00	15.00	10.00	10.00	10.00	4.00	4.00	4.00	4.00	5.00
Number of Employees	245.00	233.00	201.00	189.00	156.00	154.00	153.00	158.00	157.00	200.00
Net Liquid Assets (Ksh in Millions)	1,039.00	927.00	802.00	834.00	482.00	860.00	1,362.00	738.00	609.00	-
Sharehoders Funds (Ksh.In Million)	748.00	722.00	706.00	565.00	636.00	624.00	577.00	814.00	848.00	721.00
Custome'rs Depost (Ksh. In Millions)	2,851.00	2,463.00	1,950.00	1,968.00	1,617.00	1,944.00	1,752.00	1,065.00	817.00	817.00
Bank Loan (Ksh. In Million)	3,154.00	2,714.00	2,978.00	1,572.00	1,590.00	1,487.00	1,061.00	2,018.00	5,226.00	10,629.00
Total Assets (Ksh. In Million)	4,109.00	3,437.00	2,916.00	2,753.00	2,442.00	2,707.00	2,946.00	2,501.00	2,272.00	2,120.00
Number of Customet Accounts	25,078.00	19,684.00	14,972.00	12,672.00	10,354.00	8,341.00	7,041.00	5,641.00	4,141.00	2,641.00
Profit Margin (Ratio)	0.038575668	0.029795158	-0.026548673	-0.242587601	0.024144869	0.108910891	-0.03723404	-0.127819549	0.044827586	0.075418994

COOPERATIVE BANK

	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998

Number of Branches	54.00	37	33.00	31.00	32.00	29.00	31.00	28.00	29.00	30.00
Number of ATMs	135.00	124.00								
Number of Employees	1,154.00	743.00	667.00	658.00	648.00	632.00	728.00	667.00	587.00	587.00
Net Liquid Assets (Ksh in Millions)	17,465.00	21,966.00	14,659.00	7,058.00	4,043.00	34,639.00	7,887.00	5,414.00	5,731.00	5,808.00
Sharehoders Funds (Ksh.In Million)	6,855.00	5,219.00	4,067.00	3,394.00	2,136.00	2,324.00	1,614.00	1,476.00	3,071.00	3,096.00
Custome'rs Depost (Ksh. In Millions)	54,775.00	48,183.00	43,354.00	35,151.00	25,814.00	20,828.00	17,220.00	17,627.00	14,889.00	12,282.00
Bank Loan (Ksh. In Million)	45,300.00	43,895.00	44,548.00	33,024.00	23,250.00	22,596.00	19,424.00	19,566.00	17,691.00	15,377.00
Total Assets (Ksh. In Million)	65,709.00	58,038.00	51,830.00	46,434.00	32,394.00	28,675.00	23,600.00	23,588.00	24,078.00	21,518.00
Number of Customet Accounts	556,073.00	486,572.00	429,335.00	379,170.00	329,170.00	330,670.00	330,170.00	329,837.00	328,715.00	327,695.00
Profit Margin (Ratio)	25.00%	15.71%	10.50%	7.45%	4.70%	2.54%	-23.83%	-44.60%	-2.63%	2.10%

CREDIT BANK

	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
Number of Branches	4	4	3	2	2	2	2	2	2	2
Number of ATMs	-	-	-	-	-	-	-	-	-	-
Number of Employees	58	62	45	42	46	43	48	58	37	42
Net Liquid Assets (Ksh in Millions)	1,612.00	1,028.00	928.00	1,225.00	1,191.00	1,062.00	861.00	852.00	836.00	-
Sharehoders Funds (Ksh.In Million)	562.00	510.00	464.00	419.00	404.00	370.00	348.00	321.00	325.00	237.00
Custome'rs Depost (Ksh. In Millions)	2,657.00	1,960.00	2,033.00	2,131.00	1,606.00	1,210.00	1,090.00	1,308.00	1,229.00	1,222.00
Bank Loan (Ksh. In Million)	1,753.00	1,585.00	1,867.00	1,396.00	912.00	693.00	684.00	820.00	866.00	864.00
Total Assets (Ksh. In Million)	3,354.00	2,610.00	2,798.00	2,708.00	2,155.00	1,795.00	1,561.00	1,710.00	1,708.00	1,555.00

Number of Customet Accounts	3,729.00	3,220.00	3,091.00	2,991.00	2,841.00	2,611.00	2,273.00	2,293.00	2,035.00	1,857.00
Profit Margin (Ratio)	32.35%	26.47%	25.64%	18.80%	20.50%	14.03%	15.97%	8.67%	7.11%	11.62%

DEVELOPMENT BANK OF KENYA

	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
Number of Branches	1	1	1	1	1	1	1	1	1	1
Number of ATMs	0	0	0	0	0	0	0	0	0	0
Number of Employees	51	53	48	45	65	66	58	54	58	78
Net Liquid Assets (Ksh in Millions)	1,367.00	811.00	752.00	677.00	1,316.00	887.00	1,063.00	669.00	420.00	
Sharehoders Funds (Ksh.In Million)	1,149.00	1,073.00	1,056.00	974.00	1,021.00	1,112.00	1,243.00	1,291.00	2,725.00	2,701.00
Custome'rs Depost (Ksh. In Millions)	1,591.00	1,317.00	719.00	734.00	579.00	575.00	649.00	409.00	600.00	528.00
Bank Loan (Ksh. In Million)	2,573.00	1,802.00	1,380.00	826.00	1,171.00	1,836.00	2,195.00	3,158.00	3,914.00	3,174.00
Total Assets (Ksh. In Million)	4,678.00	3,270.00	2,718.00	2,219.00	2,536.00	2,610.00	3,147.00	3,635.00	3,771.00	3,593.00
Number of Customet Accounts	735.00	709.00	643.00	587.00	544.00	506.00	476.00	449.00	426.00	344.00
Profit Margin (Ratio)	31.45%	36.36%	60.22%	34.64%	27.91%	10.33%	20.72%	14.31%	21.97%	29.72%

DIAMOND TRUST BANK

	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
Number of Branches	13.00	5	5.00	5.00	4.00	4.00	4.00	4.00	4.00	4.00
Number of ATMs	30.00	20.00	15.00	12.00	12.00	11.00	10.00	5.00	5.00	4.00
Number of Employees	268.00	152.00	148.00	128.00	127.00	125.00	152.00	154.00	134.00	125.00
Net Liquid Assets (Ksh in Millions)	10,374.00	6,528.00	5,003.00	3,263.00	3,218.00	3,103.00	3,195.00	3,073.00	2,861.00	2,427.00
Sharehoders Funds (Ksh.In Million)	5,479.00	2,868.00	1,652.00	1,437.00	1,336.00	1,269.00	1,235.00	1,257.00	1,138.00	1,105.00

Custome'rs Depost (Ksh. In Millions)	29,103.00	16,726.00	13,279.00	8,832.00	6,528.00	4,564.00	3,889.00	3,672.00	4,528.00	5,137.00
Bank Loan (Ksh. In Million)	23,542.00	14,225.00	10,685.00	7,425.00	5,238.00	3,020.00	2,310.00	1,853.00	2,763.00	3,854.00
Total Assets (Ksh. In Million)	35,998.00	21,737.00	16,384.00	11,172.00	8,660.00	6,274.00	5,516.00	5,155.00	5,996.00	6,609.00
Number of Customet Accounts	29,589	20,578	15,452	11,330	10,218	9,330	8,905	8,650	8,294	8,236
Profit Margin (Ratio)	28.93%	28.86%	23.29%	25.91%	25.86%	17.47%	8.23%	22.32%	15.03%	12.35%

EQUATORIAL COMMERCIAL BANK

	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
Number of Branches	2.00	2.00	2.00	2.00	1.00	1.00	1.00	1.00	1.00	1.00
Number of ATMs	-	-	-	-	-	-	-	-	-	-
Number of Employees	85.00	82.00	81.00	79.00	65.00	55.00	48.00	50.00	48.00	48.00
Net Liquid Assets (Ksh in Millions)	1,994.00	1,433.00	1,744.00	1,033.00	1,414.00	1,393.00	1,270.00	1,100.00	854.00	-
Sharehoders Funds (Ksh.In Million)	4,879.00	3,962.00	3,671.00	2,873.00	2,941.00	2,498.00	2,283.00	2,217.00	1,961.00	2,092.00
Custome'rs Depost (Ksh. In Millions)	4,117.00	3,281.00	3,008.00	2,163.00	2,400.00	1,942.00	1,849.00	1,797.00	1,529.00	1,533.00
Bank Loan (Ksh. In Million)	2,360.00	2,492.00	1,904.00	1,823.00	1,537.00	1,104.00	1,002.00	1,344.00	1,454.00	1,191.00
Total Assets (Ksh. In Million)	4,879.00	3,962.00	3,671.00	2,873.00	2,941.00	2,498.00	2,283.00	2,217.00	1,961.00	2,092.00
Number of Customet Accounts	4,683	5,956	5,480	4,958	4,536	4,151	3,726	3,160	2,905	2,955
Profit Margin (Ratio)	16.40%	22.87%	31.41%	35.76%	32.11%	19.64%	8.23%	9.06%	5.63%	7.14%

FIDELITY COMMERCIAL BANK

	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
Number of Branches	3.00	3	3.00	3.00	2.00	2.00	2.00	2.00	2.00	2.00
Number of ATMs	-	-	-	-	-	-	-	-	-	-

Number of Employees	96.00	89.00	91.00	92.00	87.00	85.00	87.00	84.00	83.00	80.00
Net Liquid Assets (Ksh in Millions)	1,024.00	1,785.00	536.00	371.00	406.00	439.00	478.00	466.00	373.00	318.00
Sharehoders Funds (Ksh.In Million)	355.00	283.00	269.00	262.00	260.00	248.00	234.00	218.00	200.00	100.00
Custome'rs Depost (Ksh. In Millions)	2,749.00	1,977.00	1,384.00	1,266.00	961.00	897.00	881.00	1,042.00	764.00	625.00
Bank Loan (Ksh. In Million)	2,159.00	1,545.00	1,154.00	1,175.00	825.00	767.00	796.00	941.00	675.00	607.00
Total Assets (Ksh. In Million)	3,234.00	2,314.00	1,667.00	1,565.00	1,227.00	1,169.00	1,229.00	1,313.00	996.00	887.00
Number of Customet Accounts	3,348	2,710	1,628	1,400	603	804	801	755	1,200	895
Profit Margin (Ratio)	20.18%	8.44%	5.60%	0.60%	10.23%	11.34%	10.75%	0.89%	9.84%	6.82%

FINA BANK

	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
Number of Branches	7	5	8	7	5	7	4	3	3	3
Number of ATMs	15	10	12	11	8	7	3	3	3	3
Number of Employees	279	356	320	315	310	308	301	289	120	115
Net Liquid Assets (Ksh in Millions)	3,569.00	3,297.00	3,004.00	4,168.00	2,840.00	2,366.00	1,617.00	1,935.00	1,665.00	-
Sharehoders Funds (Ksh.In Million)	1,508.00	1,184.00	966.00	871.00	629.00	554.00	508.00	475.00	441.00	407.00
Custome'rs Depost (Ksh. In Millions)	9,213.00	7,947.00	6,856.00	6,942.00	5,104.00	4,565.00	4,037.00	4,064.00	3,803.00	3,674.00
Bank Loan (Ksh. In Million)	6,741.00	5,226.00	4,371.00	3,798.00	2,854.00	2,757.00	2,869.00	2,726.00	3,051.00	2,953.00
Total Assets (Ksh. In Million)	11,623.00	9,785.00	8,638.00	8,386.00	5,805.00	5,291.00	4,642.00	4,649.00	4,389.00	4,190.00
Number of Customet Accounts	14,446	9,557	5,467	4,826	4,623	4,312	4,215	3,918	3,988	3,745
Profit Margin (Ratio)	10.96%	13.74%	11.09%	-7.98%	15.80%	10.28%	7.53%	7.12%	6.75%	6.14%

GIRO BANK

	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
Number of Branches	6.00	6	5.00	4.00	4.00	2.00	2.00	1.00	1.00	1.00
Number of ATMs	3.00	2.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Number of Employees	240.00	238.00	235.00	168.00	165.00	89.00	75.00	56.00	48.00	48.00
Net Liquid Assets (Ksh in Millions)	2,294.00	1,912.00	1,456.00	1,490.00	1,255.00	1,272.00	1,060.00	1,211.00	1,102.00	-
Sharehoders Funds (Ksh.In Million)	528.00	495.00	452.00	431.00	420.00	397.00	375.00	357.00	343.00	334.00
Custome'rs Depost (Ksh. In Millions)	4,915.00	4,493.00	4,334.00	4,180.00	3,761.00	3,554.00	3,656.00	3,587.00	3,193.00	2,727.00
Bank Loan (Ksh. In Million)	3,295.00	3,181.00	3,534.00	3,274.00	2,981.00	2,785.00	2,925.00	2,714.00	2,716.00	2,833.00
Total Assets (Ksh. In Million)	5,611.00	5,098.00	4,926.00	4,744.00	4,254.00	4,100.00	4,116.00	4,068.00	3,745.00	3,880.00
Number of Customet Accounts	6,390	5,889	6,063	5,038	4,900	4,902	4,803	4,528	4,462	4,312
Profit Margin (Ratio)	6.17%	9.98%	-1.16%	3.26%	7.22%	6.29%	5.15%	3.25%	2.66%	3.24%

GUARDIAN BANK

	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
Number of Branches	6	5	4	3	2	1	1	1	1	1
Number of ATMs	-	-	-	-	-	-	-	-	-	-
Number of Employees	240	239	165	105	78	54	53	51	48	45
Net Liquid Assets (Ksh in Millions)	1,928.00	1,625.00	1,146.00	1,085.00	1,336.00	1,550.00	908.00	1,030.00	1,324.00	-
Sharehoders Funds (Ksh.In Million)	805.00	788.00	757.00	715.00	681.00	663.00	632.00	606.00	581.00	194.00
Custome'rs Depost (Ksh. In Millions)	4,544.00	3,995.00	3,453.00	3,176.00	3,246.00	3,211.00	2,888.00	3,306.00	3,281.00	1,719.00
Bank Loan (Ksh. In Million)	4,020.00	3,579.00	3,549.00	3,181.00	2,776.00	2,449.00	2,717.00	3,828.00	4,017.00	1,492.00

Total Assets (Ksh. In Million)	5,540.00	4,917.00	4,451.00	4,112.00	4,066.00	4,011.00	3,626.00	4,233.00	4,419.00	2,181.00
Number of Customet Accounts	7,680	6,586	6,551	6,531	6,504	5,912	5,902	5,813	5,749	5,600
Profit Margin (Ratio)	4.27%	48/564	11.69%	13.09%	12.50%	15.72%	11.72%	9.38%	6.38%	26/437

HABIB A.G.ZURICH

	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
Number of Branches	4	4	3	3	2	1	1	1	1	1
Number of ATMs	-	-	-	-	-	-	-	-	-	-
Number of Employees	165	175	135	125	89	56	54	51	52	54
Net Liquid Assets (Ksh in Millions)	4,242.00	3,740.00	3,314.00	3,121.00	3,185.00	2,926.00	2,694.00	2,281.00	2,297.00	-
Sharehoders Funds (Ksh.In Million)	742.00	650.00	543.00	448.00	409.00	375.00	354.00	288.00	275.00	217.00
Custome'rs Depost (Ksh. In Millions)	5,012.00	4,347.00	4,026.00	3,788.00	3,397.00	3,144.00	2,957.00	2,601.00	2,434.00	1,585.00
Bank Loan (Ksh. In Million)	1,684.00	1,335.00	1,158.00	1,082.00	726.00	741.00	731.00	745.00	836.00	597.00
Total Assets (Ksh. In Million)	6,206.00	5,323.00	4,743.00	4,451.00	4,020.00	3,798.00	3,514.00	3,094.00	3,118.00	2,376.00
Number of Customet Accounts	3,000	7,452	7,538	7,388	7,217	7,133	7,033	6,900	4,600	3,812
Profit Margin (Ratio)	39.08%	35.71%	34.75%	21.37%	23.84%	20.76%	26.40%	25.30%	23.63%	25.16%

HABIB BANK

	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
Number of Branches	5.00	4	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00
Number of ATMs	-	-	-	-	-	-	-	-	-	-
Number of Employees	204.00	201.00	159.00	145.00	135.00	129.00	115.00	117.00	110.00	108.00
Net Liquid Assets (Ksh in Millions)	2,833.00	2,074.00	2,117.00	2,406.00	2,612.00	2,249.00	2,133.00	1,890.00	1,816.00	1,670.00

Sharehoders Funds (Ksh.In Million)	522.00	446.00	428.00	413.00	406.00	373.00	316.00	261.00	281.00	271.00
Custome'rs Depost (Ksh. In Millions)	2,730.00	2,433.00	2,344.00	2,767.00	2,908.00	2,597.00	2,438.00	2,298.00	2,353.00	2,168.00
Bank Loan (Ksh. In Million)	997.00	854.00	763.00	886.00	890.00	818.00	792.00	931.00	1,108.00	909.00
Total Assets (Ksh. In Million)	3,845.00	2,963.00	2,890.00	3,378.00	3,562.00	3,064.00	2,910.00	2,691.00	2,885.00	2,576.00
Number of Customet Accounts	5,553	5,575	5,927	4,612	4,401	4,015	4,613	4,402	4,016	4,614
Profit Margin (Ratio)	31.56%	2.24%	8.20%	35.80%	29.05%	29.26%	23.56%	18.50%	25.95%	25.49%

I & M BANK

	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
Number of Branches	9.00	9	8.00	7.00	6.00	3.00	3.00	3.00	3.00	3.00
Number of ATMs	-	-	-	-	-	-	-	-	-	-
Number of Employees	235.00	225.00	215.00	201.00	215.00	158.00	178.00	148.00	135.00	134.00
Net Liquid Assets (Ksh in Millions)	7,590.00	6,126.00	5,419.00	5,154.00	5,418.00	2,499.00	2,320.00	1,867.00	1,612.00	-
Sharehoders Funds (Ksh.In Million)	3,867.00	2,795.00	2,056.00	1,851.00	1,696.00	1,138.00	1,118.00	1,105.00	1,040.00	1,018.00
Custome'rs Depost (Ksh. In Millions)	23,626.00	18,220.00	14,799.00	11,635.00	10,142.00	5,364.00	5,203.00	4,761.00	4,152.00	2,888.00
Bank Loan (Ksh. In Million)	19,388.00	14,853.00	11,368.00	8,468.00	5,498.00	3,519.00	3,696.00	4,028.00	4,299.00	3,779.00
Total Assets (Ksh. In Million)	29,420.00	22,348.00	18,046.00	14,912.00	12,130.00	7,176.00	7,100.00	6,450.00	5,962.00	5,864.00
Number of Customet Accounts	22,053	18,265	15,885	14,407	12,219	10,931	9,131	7,381	5,081	3,828
Profit Margin (Ratio)	0.379027534	0.361529548	0.254290172	0.289494163	0.257918552	0.150344828	0.12915601	0.155477032	0.126823793	0.185185185

IMPERIAL BANK

	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998

Number of Branches	11	5	5	5	4	4	4	3	3	3
Number of ATMs	-	-	-	-	-	-	-	-	-	-
Number of Employees	273	178	166	167	165	162	155	144	160	112
Net Liquid Assets (Ksh in Millions)	3,427.00	3,048.00	2,777.00	1,575.00	1,776.00	1,395.00	1,090.00	891.00	818.00	-
Sharehoders Funds (Ksh.In Million)	1,580.00	1,443.00	1,122.00	927.00	792.00	652.00	560.00	458.00	380.00	314.00
Custome'rs Depost (Ksh. In Millions)	8,588.00	7,074.00	5,687.00	4,401.00	3,865.00	3,362.00	2,938.00	2,372.00	2,138.00	1,565.00
Bank Loan (Ksh. In Million)	7,335.00	5,708.00	4,501.00	4,089.00	3,171.00	2,860.00	2,601.00	2,170.00	2,046.00	1,788.00
Total Assets (Ksh. In Million)	11,723.00	9,496.00	7,773.00	5,814.00	4,921.00	4,181.00	3,645.00	3,014.00	2,661.00	2,584.00
Number of Customet Accounts	12,527	7,466	6,165	5,812	5,500	5,213	5,111	4,908	4,901	3,210
Profit Margin (Ratio)	23%	20%	20%	23%	27%	24%	21%	18%	18%	12%

KENYA COMMERCIAL BANK

	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
Number of Branches	125.00	119	115.00	110.00	108.00	107.00	101.00	101.00	95.00	96.00
Number of ATMs	254.00	245.00	180.00	152.00	138.00	50.00	45.00	30.00	29.00	20.00
Number of Employees	5,125.00	4,879.00	4,830.00	4,712.00	4,658.00	4,598.00	3,050.00	3,493.00	4,245.00	4,341.00
Net Liquid Assets (Ksh in Millions)	36,060.00	31,682.00	27,112.00	22,799.00	23,708.00	20,169.00	19,954.00	19,891.00	20,057.00	-
Sharehoders Funds (Ksh.In Million)	13,205.00	11,620.00	10,082.00	8,580.00	5,582.00	5,166.00	8,158.00	8,048.00	8,841.00	10,356.00
Custome'rs Depost (Ksh. In Millions)	94,392.00	77,193.00	64,217.00	55,894.00	50,613.00	46,122.00	46,842.00	48,814.00	48,539.00	46,594.00
Bank Loan (Ksh. In Million)	72,179.00	53,537.00	45,663.00	45,218.00	35,901.00	38,797.00	42,203.00	51,237.00	64,757.00	60,275.00
Total Assets (Ksh. In Million)	120,480.00	92,527.00	78,315.00	69,600.00	60,488.00	59,689.00	64,984.00	73,328.00	75,260.00	79,033.00

Number of Customet Accounts	487,667	344,264	401,502	399,264	388,255	375,245	365,888	357,233	348,285	328,152
Profit Margin (Ratio)	26.80%	24.54%	19.43%	12.78%	10.48%	-46.63%	1.62%	-5.90%	-15.57%	7.86%

MIDDLE EAST BANK

	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
Number of Branches	2.00	2	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
Number of ATMs	-	-	-	-	-	-	-	-	-	-
Number of Employees	78.00	65.00	58.00	62.00	61.00	61.00	63.00	64.00	78.00	78.00
Net Liquid Assets (Ksh in Millions)	857.00	898.00	1,404.00	1,680.00	1,373.00	2,180.00	2,000.00	2,222.00	1,370.00	-
Sharehoders Funds (Ksh.In Million)	879.00	842.00	794.00	734.00	741.00	717.00	715.00	712.00	635.00	614.00
Custome'rs Depost (Ksh. In Millions)	1,904.00	2,338.00	2,945.00	3,010.00	2,411.00	2,531.00	3,020.00	3,039.00	3,000.00	3,136.00
Bank Loan (Ksh. In Million)	1,955.00	2,089.00	1,735.00	1,701.00	1,512.00	1,316.00	1,528.00	1,631.00	1,610.00	1,459.00
Total Assets (Ksh. In Million)	3,097.00	3,401.00	4,051.00	3,983.00	3,455.00	3,918.00	4,075.00	4,143.00	4,271.00	4,100.00
Number of Customet Accounts	1,670	1,998	4,599	3,099	1,899	1,641	1,518	1,106	1,094	1,069
Profit Margin (Ratio)	25.27%	26.67%	27.00%	13.74%	21.35%	16.62%	19.18%	25.46%	24.34%	24.24%

NATIONAL BANK OF KENYA

	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
Number of Branches	25.00	23	20.00	19.00	18.00	17.00	17.00	16.00	13.00	12.00
Number of ATMs	45.00	40.00	38.00	35.00	20.00	20.00	5.00	4.00	3.00	3.00
Number of Employees	1,089.00	1,020.00	1,001.00	989.00	850.00	861.00	820.00	817.00	520.00	540.00
Net Liquid Assets (Ksh in Millions)	29,842.00	7,047.00	5,024.00	4,245.00	1,652.00	1,529.00	1,272.00	1,636.00	1,469.00	152.00
Sharehoders Funds (Ksh.In Million)	4,967.00	3,848.00	3,223.00	2,625.00	2,154.00	1,917.00	2,457.00	2,156.00	2,115.00	4,785.00

Custome'rs Depost (Ksh. In Millions)	34,722.00	29,517.00	25,326.00	23,721.00	20,800.00	15,398.00	17,402.00	15,780.00	17,530.00	17,754.00
Bank Loan (Ksh. In Million)	12,386.00	58,717.00	54,234.00	34,627.00	31,085.00	28,595.00	41,672.00	36,965.00	34,571.00	32,067.00
Total Assets (Ksh. In Million)	41,414.00	36,123.00	32,584.00	30,594.00	25,919.00	25,231.00	24,043.00	23,960.00	25,124.00	26,541.00
Number of Customet Accounts	233,026	153,546	117,544	97,544	118,544	100,532	75,486	76,786	71,986	69,420
Profit Margin (Ratio)	30%	15%	16%	16%	11%	39%	-9%	-51%	-82%	-51%

NIC BANK

	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
Number of Branches	7	5	4	3	3	3	3	2	2	2
Number of ATMs	25	20	18	17	16	12	8	5	4	4
Number of Employees	288	201	199	135	128	125	124	105	101	99
Net Liquid Assets (Ksh in Millions)	7,513.00	8,574.00	5,490.00	4,173.00	3,364.00	4,010.00	3,550.00	2,807.00	2,326.00	-
Sharehoders Funds (Ksh.In Million)	4,738.00	3,036.00	2,793.00	2,644.00	2,576.00	2,498.00	2,401.00	2,296.00	2,042.00	1,887.00
Custome'rs Depost (Ksh. In Millions)	24,806.00	21,978.00	16,575.00	12,504.00	7,951.00	6,493.00	5,600.00	4,703.00	4,681.00	5,095.00
Bank Loan (Ksh. In Million)	22,878.00	17,347.00	14,871.00	12,089.00	7,629.00	5,389.00	4,793.00	4,790.00	5,847.00	6,178.00
Total Assets (Ksh. In Million)	31,281.00	26,062.00	20,700.00	16,643.00	10,990.00	9,329.00	8,396.00	7,442.00	7,212.00	7,343.00
Number of Customet Accounts	21,455	18,373	15,324	12,648	10,456	9,645	8,978	7,788	7,705	7,648
Profit Margin (Ratio)	29.54%	23.39%	17.42%	27.41%	31.30%	30.41%	33.27%	35.29%	32.51%	22.83%

ORIENTAL BANK

	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
Number of Branches	4.00	4	3.00	2.00	1.00	1.00	1.00	1.00	1.00	1.00
Number of ATMs	-	-	-	-	-	-	-	-	-	-

Number of Employees	167.00	165.00	128.00	89.00	45.00	58.00	55.00	52.00	48.00	45.00
Net Liquid Assets (Ksh in Millions)	514.00	348.00	400.00	379.00	362.00	80+526+49	314.00	979.00	1,059.00	-
Sharehoders Funds (Ksh.In Million)	819.00	673.00	723.00	388.00	662.00	836.00	(221.00)	73.00	591.00	472.00
Custome'rs Depost (Ksh. In Millions)	823.00	733.00	537.00	638.00	483.00	247.00	1,982.00	3,312.00	3,617.00	3,271.00
Bank Loan (Ksh. In Million)	1,011.00	953.00	1,418.00	1,355.00	1,675.00	2,173.00	2,518.00	3,200.00	3,467.00	4,817.00
Total Assets (Ksh. In Million)	1,695.00	1,449.00	1,376.00	1,630.00	2,111.00	2,245.00	2,160.00	3,623.00	4,387.00	4,271.00
Number of Customet Accounts	4,929	4,944	4,774	4,562	4,352	4,158	3,978	3,729	3,532	3,305
Profit Margin (Ratio)	48.12%	-59.63%	-55.13%	-414.61%	-23.02%	-315.00%	-131.06%	-147.05%	4.59%	2.14%

PARAMOUNT UNIVERSAL BANK

	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
Number of Branches	3.00	3	3.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
Number of ATMs	-	-	-	-	-	-	-	-	-	-
Number of Employees	152.00	148.00	147.00	98.00	88.00	89.00	85.00	75.00	75.00	72.00
Net Liquid Assets (Ksh in Millions)	1,087.00	1,143.00	527.00	479.00	369.00	483.00	587.00	598.00	328.00	-
Sharehoders Funds (Ksh.In Million)	456.00	426.00	304.00	292.00	284.00	277.00	271.00	260.00	123.00	109.00
Custome'rs Depost (Ksh. In Millions)	1,875.00	1,745.00	1,163.00	1,012.00	902.00	964.00	1,032.00	1,155.00	614.00	461.00
Bank Loan (Ksh. In Million)	1,707.00	1,478.00	1,726.00	864.00	873.00	825.00	786.00	961.00	472.00	376.00
Total Assets (Ksh. In Million)	2,367.00	2,197.00	1,494.00	1,327.00	1,208.00	1,262.00	1,360.00	1,462.00	757.00	676.00
Number of Customet Accounts	7,107	6,183	3,974	3,708	2,978	2,856	2,854	2,712	2,612	2,545
Profit Margin (Ratio)	15.69%	12.35%	9.87%	8.76%	7.86%	5.88%	6.12%	10.18%	14.79%	0.61%

PRIME BANK

	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
Number of Branches	10	9	7	7	7	7	7	7	7	7
Number of ATMs	-	-	-	-	-	-	-	-	-	-
Number of Employees	210	208	206	189	177	165	142	135	138	125
Net Liquid Assets (Ksh in Millions)	5,538.00	4,044.00	2,988.00	2,639.00	2,698.00	1,394.00	1,279.00	1,125.00	682.00	-
Sharehoders Funds (Ksh.In Million)	1,926.00	1,318.00	722.00	670.00	604.00	543.00	476.00	415.00	361.00	297.00
Custome'rs Depost (Ksh. In Millions)	10,358.00	8,289.00	5,799.00	4,662.00	4,166.00	2,769.00	2,110.00	1,852.00	1,235.00	956.00
Bank Loan (Ksh. In Million)	6,602.00	5,164.00	3,591.00	2,783.00	2,223.00	2,033.00	1,618.00	1,586.00	1,466.00	1,388.00
Total Assets (Ksh. In Million)	13,862.00	10,452.00	7,154.00	5,703.00	5,226.00	3,763.00	3,163.00	2,752.00	2,138.00	1,958.00
Number of Customet Accounts	8,863	7,400	6,468	5,823	4,927	4,521	4,153	3,912	3,845	3,746
Profit Margin (Ratio)	24.67%	191/969	17.46%	19.77%	14.86%	13.63%	11.96%	12.02%	12.10%	6.19%

SOUTHERN CREDIT BANK

	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
Number of Branches	12	10	8	7	6	5	5	5	5	5
Number of ATMs	-	-	-	-	-	-	-	-	-	-
Number of Employees	256	224	212	189	146	137	135	124	118	115
Net Liquid Assets (Ksh in Millions)	2,047.00	1,708.00	1,752.00	1,385.00	1,003.00	678.00	491.00	161.00	-	-
Sharehoders Funds (Ksh.In Million)	560.00	551.00	519.00	486.00	463.00	433.00	1,101.00	204.00	272.00	173.00
Custome'rs Depost (Ksh. In Millions)	4,322.00	3,741.00	3,615.00	3,196.00	2,720.00	2,091.00	1,626.00	438.00	1,227.00	1,228.00
Bank Loan (Ksh. In Million)	2,668.00	2,943.00	2,439.00	2,163.00	1,968.00	1,668.00	1,559.00	1,114.00	1,213.00	1,224.00

Total Assets (Ksh. In Million)	5,306.00	4,598.00	4,221.00	3,822.00	3,264.00	2,645.00	2,892.00	777.00	1,583.00	1,560.00
Number of Customet Accounts	9,436	8,656	8,312	8,545	8,312	7,145	7,045	6,988	6,800	6,518
Profit Margin (Ratio)	0.05907781	0.051612903	0.054770318	0.12398374	0.099593496	0.03562341	-0.19417476	-0.625899281	0.024024024	0.011494253

STANIBIC BANK

	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
Number of Branches	8.00	8	6.00	7.00	5.00	4.00	4.00	4.00	4.00	4.00
Number of ATMs	25.00	21.00	19.00	16.00	15.00	10.00	8.00	7.00	2.00	2.00
Number of Employees	240.00	228.00	231.00	185.00	175.00	125.00	123.00	121.00	118.00	148.00
Net Liquid Assets (Ksh in Millions)	11,900.00	6,214.00	2,449.00	3,357.00	3,911.00	3,405.00	2,375.00	2,939.00	2,113.00	-
Sharehoders Funds (Ksh.In Million)	3,362.00	2,739.00	2,029.00	1,731.00	930.00	634.00	621.00	952.00	986.00	975.00
Custome'rs Depost (Ksh. In Millions)	22,692.00	19,760.00	12,016.00	8,085.00	8,353.00	6,135.00	5,526.00	5,836.00	5,559.00	5,026.00
Bank Loan (Ksh. In Million)	19,959.00	11,564.00	8,648.00	7,080.00	4,109.00	2,923.00	3,400.00	4,354.00	6,692.00	5,874.00
Total Assets (Ksh. In Million)	34,469.00	25,824.00	14,994.00	11,492.00	9,931.00	8,104.00	6,503.00	7,129.00	6,930.00	6,606.00
Number of Customet Accounts	31,906	30,365	25,152	20,458	18,456	16,458	14,785	12,456	12,895	11,458
Profit Margin (Ratio)	36.93%	38.25%	29.46%	16.42%	-21.66%	4.46%	-39.62%	-54.89%	34.88%	-32.14%

STANDARD CHARTERED BANK

	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
Number of Branches	30	28	26	24	21	18	19	16	15	14
Number of ATMs	80	60	55	33	27	21	18	5	5	5
Number of Employees	650	540	521	518	512	480	489	456	356	348
Net Liquid Assets (Ksh in Millions)	32,238.00	33,399.00	29,657.00	30,695.00	36,630.00	34,344.00	31,763.00	21,366.00	18,082.00	-

Sharehoders Funds (Ksh.In Million)	11,007.00	10,130.00	9,589.00	6,063.00	6,441.00	5,692.00	5,619.00	6,185.00	5,160.00	4,004.00
Custome'rs Depost (Ksh. In Millions)	73,841.00	64,879.00	59,683.00	56,585.00	53,773.00	51,509.00	45,059.00	39,311.00	34,919.00	30,799.00
Bank Loan (Ksh. In Million)	40,775.00	37,253.00	35,118.00	27,065.00	19,328.00	17,048.00	15,106.00	17,975.00	20,455.00	21,628.00
Total Assets (Ksh. In Million)	91,213.00	81,014.00	72,842.00	67,114.00	64,111.00	61,650.00	54,277.00	49,188.00	44,056.00	37,942.00
Number of Customet Accounts	131,618	125,020	118,858	112,896	110,748	108,235	106,896	96,845	95,478	90,458
Profit Margin (Ratio)	44.15%	40.03%	41.26%	40.03%	50.16%	40.82%	43.85%	42.51%	37.04%	28.95%

TRANS-NATIONAL BANK

	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
Number of Branches	8.00	7	7.00	6.00	7.00	5.00	5.00	5.00	5.00	5.00
Number of ATMs	12.00	11.00	9.00	10.00	11.00	5.00	4.00	4.00	4.00	4.00
Number of Employees	212.00	196.00	185.00	177.00	176.00	152.00	148.00	125.00	115.00	112.00
Net Liquid Assets (Ksh in Millions)	1,695.00	858.00	500.00	1,299.00	470.00	522.00	369.00	274.00	326.00	-
Sharehoders Funds (Ksh.In Million)	1,103.00	1,122.00	1,060.00	1,009.00	867.00	775.00	690.00	439.00	416.00	568.00
Custome'rs Depost (Ksh. In Millions)	1,800.00	1,264.00	901.00	1,196.00	523.00	787.00	715.00	790.00	811.00	1,064.00
Bank Loan (Ksh. In Million)	1,544.00	1,606.00	1,578.00	1,053.00	841.00	1,039.00	992.00	1,088.00	1,744.00	1,469.00
Total Assets (Ksh. In Million)	3,221.00	2,566	2,035	2,368.00	1,475.00	1,746.00	1,588.00	1,369.00	1,374.00	1,738.00
Number of Customet Accounts	11,053	8,507	6,141	6,041	7,657	6,142	6,042	6,807	6,143	6,043
Profit Margin (Ratio)	17.34%	11.98%	18.15%	43.20%	32.79%	31.85%	43.76%	6.61%	-38.38%	2.36%

VICTORIA COMMERCIAL BANK

	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998

Number of Branches	1.00	1	2.00	2	3.00	3	4.00	4	5.00	5
Number of ATMs	-	-	-	-	-	-	-	-	-	-
Number of Employees	65.00	52.00	45.00	48.00	46.00	42.00	47.00	48.00	60.00	61.00
Net Liquid Assets (Ksh in Millions)	1,451.00	1,897.00	2,107.00	1,552.00	1,493.00	1,561.00	1,075.00	1,161.00	1,423.00	-
Sharehoders Funds (Ksh.In Million)	657.00	581.00	562.00	507.00	492.00	479.00	465.00	454.00	441.00	441.00
Custome'rs Depost (Ksh. In Millions)	3,430.00	3,654.00	3,585.00	3,057.00	2,805.00	2,588.00	2,173.00	2,446.00	2,812.00	2,812.00
Bank Loan (Ksh. In Million)	2,396.00	2,181.00	1,943.00	1,926.00	1,746.00	1,416.00	1,795.00	2,001.00	2,283.00	2,283.00
Total Assets (Ksh. In Million)	4,131.00	4,284	4,212	3,620.00	3,336.00	3,102.00	2,760.00	3,021.00	3,527.00	3,527.00
Number of Customet Accounts	2,557	2,703	2,568	2,368	2,218	2,268	2,068	1,918	1,968	1,768
Profit Margin (Ratio)	34.55%	31.60%	31.88%	16.79%	11.03%	7.33%	5.65%	4.92%	4.19%	15.51%

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DATE...11/09/2008..........................

TO WHOM IT MAY CONCERN

The bearer of this letter ...MUSONDI AMOS ANTHONY............

Registration No: . .D61/7270/2006...

is a Master of Business Administration (MBA) student of the University of Nairobi.

He/she is required to submit as part of his/her coursework assessment a research project report on a management problem. We would like the students to do their projects on real problems affecting firms in Kenya. We would, therefore, appreciate if you assist him/her by allowing him/her to collect data in your organization for the research.

The results of the report will be used solely for academic purposes and a copy of the same will be availed to the interviewed organizations on request.

Thank you.

DR. W.N. IRAKI
CO-ORDINATOR, MBA PROGRAM

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