



REMARKS BY KENYA BANKERS ASSOCIATION CEO DR. HABIL OLAKA DURING THE LAUNCH OF THE ASSOCIATIONS' 2019-2023 STRATEGIC PLAN HELD AT SAROVA STANLEY HOTEL ON 21ST AUGUST, 2019.

- Hon. Gideon Ochanda Ogolla, Member of Parliament, Bondo Constituency and Chair of the Parliamentary Caucus on SDGs and Business
- Mrs. Anne Mutahi, SME Advisor to the Office of the President and Outgoing Chair of the Board of Standard Chartered Bank
- Mr. Muchai Kuniya, Vice Chair of the Kenya Association of Manufacturers
- KBA Governing Council Members Present
- KBA Member Banks CEOs and representatives
- Dr. Habil Olaka – KBA Chief Executive Officer
- Distinguished Guests
- KBA Secretariat Staff
- Members of the Media

Good Morning and Welcome,

I thank you all for taking time to be here this morning for the launch of the Kenya Bankers Association Strategic Plan for the period 2019 to 2023. This Plan comes at a time when the banking sector globally is experiencing renewed vigour, compared to the situation that prevailed ten years ago. We are pleased that the banking industry overall, and around the world, has continued to be responsive to both regulatory and technological disruptions. This has resulted in stronger, better run banking institutions.

In Kenya, the banking industry continues to grow in terms of inclusiveness and efficiency supported by legal, regulatory and supervisory reforms and industry development initiatives.

The sector's asset base grew from Ksh 3.95 trillion in June 2017 to Ksh 4.6 trillion in May 2019, with the liquidity ratio improving to 50.4 percent as at May 2019 from 44.7 percent in June 2017. The deposit base also expanded from Ksh 2.85 trillion in June 2017 to Ksh 3.4 trillion in May 2019.

In addition the sector, according to the State of the Banking Industry Report that was published by KBA last month, remains well capitalized with a capital adequacy ratio of 16.5 percent, which was above the minimum prudential requirement of 14.5 percent. At the end of September 2018, the Kenyan banking sector had an aggregate balance sheet of Ksh 4.41 trillion. The balance sheet growth was a result of a gross increase in sectoral lending that rose by 1.84 percent from Ksh 2,492.69 billion in June 2018 to Ksh 2,538.68 billion in September 2018.

These statistics show that the banking industry is stable and has remained on a growth trajectory in spite of regulatory and other market disturbances. The sector is poised for further growth, buoyed by tech-enabled efficient banking systems, and enhanced compliance to regulations.

However, there is growing concern about the depressed growth of credit to the private sector. While banks continue to support financial inclusion and complying with reforms in the supervisory and regulatory environment, the volume of Non-Performing Loans poses a sustainability challenge.

It is noteworthy that gross NPLs as a proportion of Gross Loans has scaled up from 5.6 percent in 2014 to 12 percent in 2018. To address this challenge, the industry continues to engage stakeholders in pursuit of a long-term solution for issues such as the high cost of credit and promoting access for SMEs.

In these efforts, we acknowledge that the introduction of interest rate caps is a major contributor to a strained macro-economic environment that has stifled private sector credit growth. KBA therefore has made a proposal, which we will be presenting to the Parliamentary Committee on Finance and National Planning.

We believe our proposal supports the National Treasury's 2019 Finance Bill recommendation to repeal the interest rate caps; and further provides the roadmap that will address the concerns raised by the National Assembly, while ensuring private sector credit continues to grow at the rates we saw prior to the interest rate controls.

We also are very pleased with National Treasury's efforts to establish a National Credit Guarantee Scheme. We have here today with us Mrs. Anne Mutahi who serves as the president's advisor on SME access to finance. We are honoured by your presence and look forward to supporting the government's efforts to establish the SME Credit Guarantee Scheme. We have seen such schemes play a critical role in countries around the world, including the United States, Malaysia and Chile. We are confident if we follow in their footsteps, we will surely see greater enterprise development and job creation from our MSME sector, supported by the financial institutions, including banks, SACCOs and Micro Finance Institutions.

Ladies and Gentlemen,

The other element that will continue to define the industry is technology. Technological innovations are creating unprecedented opportunities for financial industry service providers across the world. We are delighted that the banking industry in Kenya has taken a lead role in embracing technology both as a way of enhancing intermediation efficiency and growth, as well as, regulatory compliance.

We have also seen banks come together, to forge partnerships anchored on mobile telephony to improve the facilitation of payments; and extend credit facilities to customers. By now we should all have used the industry's PesaLink product and experienced how fast and easy it is to move money from one bank account to another, including after banking hours and during public holidays! PesaLink was designed for Kenya's 24/4 economy.

The Stawi product that was recently launched by five KBA member banks is another example of the potential the industry can tap when banks collaborate and design digital products with the customer in mind.

Ultimately, these developments will enhance vibrancy and progress towards further industry deepening.

The Association's Strategic Plan will seek to advocate for further industry growth on four fronts: access to financial Services and Industry Stability; enhanced member services; technology and innovation and boosting the Association's capacity. The Plan provides a detailed implementation matrix that will enable us to realise these aspirations.

I would like to conclude my remarks by thanking our Governing Council led by our Chairman Mr. Joshua Oigara, as well as, all our members for their continued support. It is our sincere hope that this Strategic Plan will strengthen our collaboration towards our collective vision of a vibrant and responsive banking industry.

I would like to thank our partners, including the Kenya Associating of Manufacturers and the Parliamentary SDG Caucus, represented here today by Mr. Kunyiha and Honourable Ochanda Ogolla. We recognise that the banking industry exists to serve other industry sectors and the banking public. We therefore commit to keep partnering with you towards building a more responsive banking industry.

Thank you.

[Take your seat...the MC will continue with the program and invite the Panel...you will be called back on stage for the launch]