



CENTRAL BANK OF KENYA

**SURVEY ON BANK CHARGES
AND LENDING RATES**

DECEMBER 2007



INTRODUCTION

The main objectives of the Survey on Bank Charges and Lending rates are:

- To effectively communicate and provide customers with information on various bank charges and lending rates so that they can make informed banking choices
- To provide consistent pricing information to the customer through periodic reports
- To encourage customers to utilize this information
- To encourage competition on the basis of price (or value) among commercial banks

BARRIERS TO ACCESS

The survey of consumers identified some of the barriers to access that the regular publication of this leaflet hope to address. Low cost transparency and complicated price structures coupled with an environment in which demand exceeds supply and products rather than the market drive the industry has left the Kenyan consumer largely unaware of price differences among banks. The CBK Survey gathered information from all banks to allow consumers to make more informed choices. The study identified the following as the barriers that affect the customers in accessing banking services:

- Mistrust and low level of awareness by the consumer
- Lack of clear information from banks to customers
- Inadequate disclosure of full range of costs
- Perceived high bank charges
- Lack of transparency in costs
- Limited Branch networks
- A product driven approach as opposed to market driven

CHANGES IN MARKET

The first survey results were for 30th March 2007. In the nine months to this current data as at 31st December 2007 there have been an number of important changes in the banking sector.

- A significant increase in the branch networks of Barclays Bank, Equity Bank and Kenya Commercial Bank
- There have been a number of reductions in the interest rates charges for loans
- Charges for savings accounts have been prohibited through an amendment to the Banking Act that became operational in May 2007. In this regard the updated survey does not cover savings products
- A drop in the average cost of operating a current account
- A drop in the average loan interest rates
- More banks offering 50,000/- loans
- The introduction of transactional accounts
- Family Finance has converted from a building society to a bank

SURVEY METHODOLOGY

The survey has two parts

- 1 Annual calculation of average user patterns
- 2 Quarterly publication of bank charges and lending rates

The first survey results were for 30th March 2007. This is when the average user patterns were first calculated.

1. Average Usage

A survey of 900 bank customers in Nairobi, Mombasa and Kisumu was conducted to establish the average usage patterns for savings, current accounts and the average loan size and duration. The “average usage” pattern has been used to compute the average cost for a customer using these products.

The average for the following cost elements were determined from the survey:-

- Number of cash withdrawals past four weeks
- Number of ATM withdrawals past four weeks
- Total ledger entries in the past 4 weeks
- Statements and balances
- Cheque & bankers cheques issuance
- Retrieval of cheques and bounced cheques
- Card issuance
- Standing order set up and processing
- Transfers (EFT, interbank etc.)
- Bills payment
- Other elements

These were multiplied by the cost of doing each transaction included in the returns to CBK.

2. Bank charges and lending rates

41 commercial banks make regular returns on interest rates, fees and charges to the Central Bank. This data submitted by the banks is used to calculate the tables published in this survey. The average usage patterns (as described above) are used to calculate the average monthly cost of current accounts and savings accounts.

DISCLAIMER

Consumers should never use any of the services mentioned solely on the basis of this information. The rankings have been calculated for an average consumer depending on an individual's personal usage patterns and actual costs may vary from customer to customer based on actual usage.

HOW TO CHOOSE A BANK ACCOUNT

Different banks offer different types of accounts and focus on different types of clients. You should try to shop around to make sure you get the best value for money. Before opening an account you may want to visit different bank branches and talk to the staff. Some of the questions that you may want to answer are listed below.

- **What is your intention of opening the account?** Is it to conduct your day to day transactions and you do not require a cheque book? -In this case a transactions account would be suitable; Is it to conduct your day to day transactions and a cheque book is required? - in this case, a current account would be suitable; Is it to accumulate funds to be used at a future date to pay for an asset or service or as an investment? - In this case, a savings account would be suitable.
- **Access** - How will you access your money? At the local branch, at other branches? Is the branch open when you need to access your money? Can you take money out at a 24hr ATM?
- **Account features** – What services can you access with your account? For example; ATM card, cheque book, counter services, money transfer, monthly statements? Are there any restrictions such as number of withdrawals you can make?
- **Service** - Are the staff friendly and helpful? Do you know someone who already has an account with the bank who can tell you about the service they have experienced?
- **Charges** – What are the charges? Are there monthly charges or charges per transaction?

CURRENT ACCOUNT COSTS

Features of a current account:

- Immediate access to funds through variety of channels including cheque book and counter transaction.
- Frequently offers an ATM and/or debit card.
- May or may not offer interest.
- Generally charges fees for transactions.
- Aims to provide a day-to-day account for both retail and corporate markets offering a means to conveniently undertake transactions.

In the next survey a distinction will be made between current accounts and transactional accounts.

The features of a transaction account are:

- similar in most respects to current account
- especially suited to the lower income market
- simple, low cost means to handle daily transactions
- a cheque book is not required or appropriate.
- generally charges fees for transactions.

Given the average usage patterns described previously the following table lists the cost of operating a current account as at 31st December, 2007. This list only indicates average costs and minimum balances. The list does not explain the individual benefits of the various accounts listed. Please see the back page for the full list of banks ranked by the size of their branch and ATMs presence.

Bank	Monthly Cost	Change from March	Opening Balance	Minimum Balance
Credit Bank Limited	392	0	5,000	5,000
Equatorial Commercial Bank Ltd	429	-12	0	0
Southern Credit Banking Corp. Ltd	498	-364	5,000	5,000
City Finance Bank Ltd	518	57	10,000	10,000
Equity Bank	651	300	0	300
Giro Commercial Bank Ltd	657	-143	5,000	1,000
Development Bank of Kenya Ltd	654	-12	10,000	0
Paramount-Universal Bank Ltd	661	0	10,000	0
Bank of Africa Kenya Ltd	676	-142	5,000	0
Habib AG Zurich	693	-453	10,000	0
Habib Bank Limited	701	-575	20,000	20,000
Chase Bank Limited	762	-248	0	10,000
K-Rep Bank Ltd	772	-242	2,000	0
Trans-National Bank Limited	774	-591	10,000	0
Middle East Bank of Kenya Ltd	798	-21	10,000	10,000
African Banking Corporation Ltd	845	-19	10,000	5,000
National Industrial Credit Bank Ltd	848	-175	20,000	0
Bank of Baroda	888	-80	5,000	5,000
Citibank, N.A	911	-541	0	0
Family Bank	916	N/A	2,000	0
Barclays Bank of Kenya Ltd	937	-100	0	0
Investment and Mortgages Bank Ltd	947	-4566	10,000	10,000
Consolidated Bank of Kenya Ltd	949	20	2,500	2,500
Dubai Bank Limited	969	-143	20,000	0
Bank of India	981	20	25,000	25,000
Guardian Bank Limited	1,004	344	25,000	25,000
Co-operative Bank of Kenya Ltd	1,038	-586	5,000	0
CFC Bank Limited	1,066	-176	10,000	10,000
Victoria Commercial Bank Ltd	1,104	0	50,000	50,000
Diamond Trust Bank Kenya Ltd	1,158	319	10,000	0
Fina Bank Limited	1,173	-369	2,000	0
Prime Bank Limited	1,221	32	20,000	0
EABS Bank Limited	1,229	-160	1,000	1,000
Standard Chartered Bank Ltd	1,306	-663	2,000	0
Stanbic Bank Kenya Limited	1,365	29	5,000	0
Kenya Commercial Bank Ltd	1,377	-348	0	0
Fidelity Commercial Bank Ltd	1,425	12	25,000	25,000
Imperial Bank Limited	1,477	0	0	0
National Bank of Kenya Ltd	1,534	-374	5,000	0
Commercial Bank of Africa Ltd	1,649	-172	20,000	5,000
Oriental Commercial Bank	1,686	622	1,000	0

THINGS TO CONSIDER WHEN APPLYING FOR A LOAN

A bank loan is a set amount of money which the bank has agreed to lend you for a set period of time. Payments and interest rates are agreed at the time of the loan. Different banks offer different types of loans. Speaking with bank branch staff should help you to work out the loan best suited to your needs. You will be asked to complete a loan application. It is very important to complete any loan application forms accurately and truthfully to make sure that you can afford to pay the loan that you are applying for and to ensure that the bank gives you the right type of loan. Before taking out a loan you should ask the bank branch staff enough questions to make sure you understand the terms and conditions of the loan.

The interest rate of the loan is only one part of the cost of the loan. You should ask for a complete list of charges. These may include commitment / facility fees, processing fees, early repayment fees, negotiation fees, valuation fee, insurance, appraisal fee, legal fee. The calculation of interest can also have an impact on the amount you must repay on a loan. A calculation using a reducing balance will cost you less than a constant balance, this becomes more important the longer your loan period. These other fees charged by a bank can significantly change the total cost of a loan for a consumer. In future survey's we hope to have more complete information from banks to allow a fair and full comparison of the total cost of loans between banks.

LOAN COSTS

Not all banks offered loan products of the amounts and durations of Shs. 50,000 for 24 months and Shs. 500,000 for 36 months covered by the survey. All data as at 31st December 2007. The change column in the below tables refers to the change in interest rate charge from Mar to Dec 2007. For example if a bank was charging an interest rate of 18% in March and dropped its interest rate to 15% in December the change column would show a figure of -3.00%

Loan for 50,000/= paid monthly over two years

Bank	Change	Interest rate	Total Loan + i	Other Fees
Stanbic Bank Kenya Limited	+7.64	20.75%	57,813	3,200
Dubai Bank Limited	N/A	20.00%	60,417	3,500
Habib AG Zurich	+5.62	19.00%	59,896	17,700
Chase Bank Limited	+5.37	19.00%	59,896	49,500
African Banking Corporation Ltd	N/A	18.00%	59,375	20,600
EABS Bank Limited	No change	18.00%	59,375	2,717
Southern Credit Banking Corp. Ltd	No change	18.00%	59,375	18,500
Bank of Africa Kenya Ltd	No change	17.00%	58,854	1,000
National Industrial Credit Bank Ltd	N/A	17.00%	58,854	1,000
Barclays Bank of Kenya Ltd	+1.00	17.00%	65,911	11,875
Guardian Bank Limited	+0.50	16.50%	58,594	19,500
K-Rep Bank Ltd	-0.50	16.00%	58,333	1,000
Diamond Trust Bank Kenya Ltd	N/A	16.00%	58,333	3,625
Bank of India	+2.28	15.50%	58,073	1,500
Equatorial Commercial Bank Ltd	+2.82	15.00%	57,813	1,500
Kenya Commercial Bank Ltd	-3.11	15.00%	57,813	2,870
Trans-National Bank Limited	+1.09	15.00%	57,813	5,000

Bank	Change	Interest rate	Total Loan + i	Other Fees
Giro Commercial Bank Ltd	+0.74	15.00%	57,813	500
Paramount-Universal Bank Ltd	-1.00	15.00%	57,813	3,200
Family Bank	N/A	15.00%	57,813	2,720
Prime Bank Limited	-2.00	15.00%	57,813	600
Equity Bank	-3.00	15.00%	57,813	2,150
Habib Bank Limited	No change	14.00%	57,292	3,625
Consolidated Bank of Kenya Ltd	-1.50	14.00%	57,292	1,000
Savings & Loans	N/A	14.00%	57,292	1,000
Investment and Mortgages Bank Ltd	N/A	14.00%	57,292	500
Victoria Commercial Bank Ltd	+0.50	13.50%	57,031	10,250
Co-operative Bank of Kenya Ltd	-5.50	13.50%	57,031	5,000

Loan for 500,000/= paid monthly over three years

Bank	Change	Interest rate	Total Loan + i	Other Fees
Stanbic Bank Kenya Limited	+8.64	21.75%	667,656	21,000
Dubai Bank Limited	N/A	20.00%	654,167	35,000
Standard Chartered Bank Ltd	No change	18.00%	638,750	56,500
Chase Bank Limited	+4.37	18.00%	638,750	49,500
African Banking Corporation Ltd	+1.00	18.00%	638,750	26,000
EABS Bank Limited	No change	18.00%	638,750	2,717
Southern Credit Banking Corp. Ltd	No change	18.00%	638,750	18,500
Guardian Bank Limited	+1.50	17.50%	634,896	24,000
Bank of Africa Kenya Ltd	-1.00	17.00%	631,042	10,000
National Industrial Credit Bank Ltd	No change	17.00%	631,042	10,000
Habib AG Zurich	+2.62	16.00%	630,000	40,320
Habib Bank Limited	No change	16.00%	623,333	18,250
K-Rep Bank Ltd	N/A	16.00%	623,333	10,000
Diamond Trust Bank Kenya Ltd	-2.00	16.00%	623,333	8,125
Bank of India	+2.28	15.50%	619,479	15,000
Family Bank	N/A	15.00%	615,625	25,220
Fidelity Commercial Bank Ltd	No change	15.00%	615,625	10,000
Giro Commercial Bank Ltd	+0.74	15.00%	615,625	5,000
Kenya Commercial Bank Ltd	-3.11	15.00%	615,625	26,700
Equity Bank	-3.00	15.00%	615,625	35,000
Paramount-Universal Bank Ltd	-1.00	15.00%	615,625	8,600
Prime Bank Limited	-2.00	15.00%	638,750	6,000
Trans-National Bank Limited	+1.09	15.00%	615,625	5,000
Barclays Bank of Kenya Ltd	-2.00	14.00%	607,917	55,750
Investment and Mortgages Bank Ltd	N/A	14.00%	607,917	5,000
Consolidated Bank of Kenya Ltd	-1.50	14.00%	607,917	10,000
Savings & Loans	N/A	14.00%	607,917	10,000
Co-operative Bank of Kenya Ltd	-5.50	13.50%	604,063	27,500
Victoria Commercial Bank Ltd	+0.50	13.50%	604,063	12,500
Equatorial Commercial Bank Ltd	-4.18	8.00%	561,667	15,000

ACCESS AND BANK POINTS OF PRESENCE

Banks with larger branch and ATM network are able to offer their customers greater accessibility. In the nine months from March to December 2007, 114 new bank branches were opened and only three were closed. Three banks have contributed to a substantial number of the branches opened in the period.

	Bank	Branches	Change	ATMs	Kenswitch	Pesapoint
1	Kenya Commercial Bank Ltd.	135	20	142	Member	Member
2	Barclays Bank of Kenya Ltd.	107	45	193		
3	Equity Bank	81	32	232		
4	Co-operative Bank of Kenya Ltd.	54	5	117	Member	
5	National Bank of Kenya Ltd.	34	1	39	Member	Member
6	Standard Chartered Bank Kenya Ltd.	30	4	61		Member
7	Family Finance Bank	31	N/A	44		
8	K-Rep Bank Ltd.	26	4	25	Member	Member
9	Commercial Bank of Africa Ltd.	17	-1	10		Member
10	National Industrial Credit Bank Ltd.	15		17		Member
11	Diamond Trust Bank of Kenya Ltd.	13	5	13		Member
12	Consolidated Bank of Kenya Ltd.	12		10	Member	Member
13	Imperial Bank Ltd.	11	5	7		Member
14	Investments and Mortgages	10	1	3	Member	
15=	EABS	9				
15=	Prime Bank Ltd.	9			Member	Member
15=	Southern Credit Banking Corp. Ltd.	9				
15=	Stanbic Bank Kenya Ltd.	9	1	14	Member	
15=	Trans-National Bank Ltd.	9		9	Member	
20=	African Banking Corporation Ltd.	8				Member
20=	CFC Bank Ltd.	8		20		Member
22=	Bank of Baroda Kenya Ltd.	7			Member	Member
22=	FINA Bank Ltd.	7	1	8		Member
24=	Chase Bank Kenya Ltd.	6	1	1	Member	
24=	Giro Commercial Bank Ltd.	6				
26=	Bank of Africa Kenya Ltd.	5	1	1		Member
26=	Fidelity Commercial Bank Ltd.	5		1	Member	
26=	Guardian Bank Ltd.	5	-1			Member
29=	Bank of India Ltd.	4				Member
29=	Credit Bank Ltd.	4				
29=	Equatorial Commercial Bank Ltd.	4				Member
29=	Habib Bank A.G. Zurich	4				
29=	Habib Bank Ltd.	4			Member	
29=	Oriental Commercial Bank Ltd.	4				
29=	Paramount Universal Bank Ltd.	4				Member
36=	Citibank N.A.	3				
36=	Dubai Bank Ltd.	3	-1		Member	Member
38	Middle East Bank Kenya Ltd.	2		1		
39=	City Finance Bank Ltd.	1				
39=	Development Bank of Kenya Ltd.	1				
39=	Victoria Commercial Bank Ltd.	1				