

KENYA

Africa's Rising Star

Ambitious East Africa Republic Sets Regional Benchmark for FDI

Political and fiscal stability drive development

Robust economic growth offers the ideal platform for FDI as Kenya pursues a range of strategic goals.

One of Africa's strongest and most consistent economic performers in recent years, Kenya's fiscal policies have won acclaim from global financial giants like the International Monetary Fund (IMF), and the World Bank.

Political, structural and fiscal reforms have energised the economy and attracted billions of pounds of foreign direct investment (FDI) that, in turn, have helped raise living standards and boosted incomes in the ambitious East African republic.

The pro-business government's development goals in its Vision 2030 blueprint has recently been supported by a "Big Four" Agenda. The latter is a comprehensive strategic development plan aimed at firing economic growth via a core focus on a quartet of key aspects. They are: more manufacturing; universal health coverage; improved food and nutrition security; the construction of at least 500,000 affordable homes by 2022.

The UK and Kenya enjoy excellent diplomatic and bi-



Jeremy Awori
Managing Director
Barclays Bank Kenya/ABSA

lateral trade relations worth several billion pounds a year. Indeed, the UK is Kenya's largest and most important trade ally, and a leading source of FDI with many British firms operating in the country of 50 million people.

As a former British colony, Kenya is well placed to take advantage of the UK's departure from the EU, as ex-PM Theresa May noted during her 2018 visit to Nairobi to meet Kenyan President Uhuru Kenyatta.



Darshan Chandaria
Group CEO
Chandaria Industries

"As Britain prepares to leave the EU we are committed to a smooth transition that ensures continuity in our trading relationship with Kenya, ensuring Kenya retains its duty free quota free access to the UK market," May confirmed.

President Kenyatta firmly welcomed such a prospect, adding Kenya is open for business across its growing economic sectors for all countries, and not just the UK.

"We are not going out there with a begging bowl. No! We

are saying that Kenya is an attractive investment destination for foreign companies to come, and get a very good dividend while creating jobs, and helping us further our development agenda," he said.

"Brexit is not going to dent our ability to further strengthen and deepen trade and investment between our two countries [...] I don't see Brexit as meaning anything detrimental to trade ties we already have."

Senior Kenyan government officials are upbeat about the next chapter in the pair's long relationship as they look to build on well-established trade channels and boost healthy investment flows from the UK to East Africa.

Financial services shine

One of the key goals of Kenya's Vision 2030 plan is the creation of a vibrant and competitive financial sector driving high levels of savings and financing the country's investment need.

The banking and financial services sector is an important source of revenue and an efficient conduit for national socioeconomic development and supports local and foreign companies and entrepreneurs across the entire economic sphere.

Senior executives from leading financial institutions like the National Bank of Kenya (NBK), and government officials from across the region this August headed to Nairobi for the Kenya Financial Services Conference & Expo 2019.

With a significant presence in the retail, investment, and commercial banking sectors,

in the areas where we have competitive advantages such as diaspora, collections and public sector.

"NBK doesn't see FinTech companies or innovative companies within the sector as competitors, but as partners. We disrupt the environment ourselves, but are also open for partnerships with companies or people willing to bring

"We don't see FinTech firms as competitors, but as partners. We are open for partnerships with innovative companies or people."

Peter Mulwa Kioko, CFO, National Bank of Kenya

NBK has a reputation for leading by example when it comes to technology. In addition, NBK currently provides banking solutions to over 95% of all government ministries, agencies and parastatals.

"We were the first bank [in Kenya] to introduce debit cards and computers, and continue to provide innovative solutions for our clients in payment services, mobile, and money transfers," says NBK CFO, Peter Kioko.

"We also continue to pioneer innovations in the banking industry, especially

any kind of innovative solutions that improve customer experience or create value.

"Our goal when embracing and exploring these opportunities is to provide a service and an experience for our customers at a price within their level. For example, the agricultural sector accounts for around 24% of GDP, but encounters real challenges when applying the traditional banking model.

"We are trying to provide sustainable solutions to this sector and certain sectors given their limitations."

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Banks and financial services give solid spine for growth

Managing the strong flow of goods, services, and FDI in a fast and efficient manner is a task Kenya's banks and financial institutions perform on a daily basis.

With the Kenyan government committed to promoting free enterprise and efficient capital flows, the pro-business climate means many sectors are flourishing, while the seeds of success for next-generation industries are also being planted.

Exciting state-of-the-art FinTech technologies like Blockchain are set to revolutionise the way billions of people handle financial transactions, Kenya's government and the banking sector are working hard to tap into the fast-growing industry.

In mid-July, Nairobi held the inaugural Afro-Asia Fintech Festival, dubbed 'FinTech in the Savannah', which was co-hosted by the Central Bank of Kenya (CBK) and the Monetary Authority of Singapore (MAS).

Attended by about 5,000 delegates, the two-day event provided a high-profile platform for connections, collaborations and exchange of ideas between Africa and Asia in areas such as FinTech and innovation.

Banking on the go grows

With a tech-savvy and young population combined with an entrepreneurial spirit, Kenya is the ideal market for innovative technology such as that offered by award-winning financial services giant Barclays Bank.

This point is underlined



James Mwangi
CEO & Managing Director
Equity Group Holdings

by the incredible success of Barclays' mobile phone app Timiza, which allows people to instantly access banking services from mobile devices.

"Timiza has seen a significant growth within the short period of its existence, going from zero to two million customers in just 120 days," reveals a proud Jeremy Awori, Managing Director of Barclays Bank Kenya/ABSA.

"There are many other products in the market, but people trust us and reliability and cyber security are crucial these days. Mobile banking is making a huge difference and this is now a key driver in the expansion and success of the financial services industry.

"The Internet is accessed largely from mobile devices in Africa, which means people can access their bank 24 hours a day, 365 days a year,

and so make payments, buy insurance or get loans anytime and anywhere."

Barclays Africa Group Limited is at present undergoing a continent wide rebranding to ABSA Group Limited. According to Awori, the change of name comes at an exciting time for the financial services titan and Kenya.

"We see it as an opportunity and a chance to build a new brand and have more flexibility," he explains. "Our intention is to get closer to the customers, as sometimes belonging to a big international brand has its limitations. Our relevance in certain products and areas was less because they were not aligned with Barclays strategies.

"With the rebranding we will have the ability to be more relevant and adapt to the local needs. Innovation, speed to market, relevance and inclusivity is what we are most excited about with this new brand."

Equity equals excellence

With a large number of local, regional and international banks battling for business, Kenya's financial services industry is highly competitive.

A true titan whose outstanding reputation precedes it, Equity Bank boasts 13 million customers across six countries, including Kenya, and has experienced exponential growth, expanding ten-fold every five years.



Kingfisher Nest Hotel Apartments in Westlands, Nairobi

www.kingfishernest.com

"The biggest driver of this exponential growth is innovation, an area in which Equity is a global leader," states James Mwangi, CEO and Managing Director of Equity Group Holdings. "In terms of financial inclusion, it is also ranked the most inclusive bank on earth and rated the 11th best bank in the world in terms of return on equity and assets. Furthermore, it is ranked by the World Economic Forum (WEF) as the 16th most sustainable company on earth.

"The second biggest driver is our business model. Equity has developed a high volume-low margin business model that makes financial services affordable.

"We have been very creative in product and channel development, as they speak to the needs of people. Our products are the solution to the financial challenges of the community; with the direction and growth of the product being completely market-led.

"The solidness of the bank, the predictability, and more

importantly the reward in terms of return on asset and return on equity make the bank unique."

Finding perfect partners

The dynamic industry executive highlights how macroeconomic stability has been crucial to Kenya's ambitious development goals.

The help of key foreign partners like the UK is also an important factor, Mwangi believes, adding the partnership is now stronger than ever.

He also underlines how Kenya's strong economic performance has seen its "currency the least volatile on the continent, inflation has been within target and we have managed to sustain an annual 5.5% GDP growth rate, and jumped from 132nd place to 61st position in the prestigious annual Ease of Doing Business index.

"There were three things that held the Kenya-UK relationship back in the past," he continues. "One was issues with governance, which was

a huge concern. The second problem was the International Criminal Court (ICC) case and the third was corruption. However, the country has dealt with those challenges which shows we are on track.

"Kenya and the UK now have a healthy relationship both from a trade and culture perspective. More importantly, we have a strong education exchange program. A significant portion of Kenyans study in London schools; which gives us a unique relationship at a personal level.

"Kenya plays a very significant role given its geographical location and size, so that gives Britain a very good partner for influencing African Policy and particularly promotion of trade.

"If you look at infrastructure, politics and bureaucracy, there is massive transformation taking place. It's a movement that the world needs to take note of, especially those who would like to invest. The timing could not have been better."



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P.O. Box 30621 GPO 00100, Ruaraka Road Thika road, Exit 6, Nairobi, Kenya
Tel: +254 722 225 999 / 733 872 828
Email: info@chandaria.com
sales@chandaria.com

Greater financial inclusion creates wealth of opportunities

As Kenyan income levels and living standards rise, so does the need for a wider range of financial products, with market participants striving to fill such gaps.

It is testament to the appeal, potential, strength and success of Kenya's banking and financial services sector that the range of providers offering services to commercial enterprises and individuals is so diverse.

While multi-nationals and powerful regional players have long-established operations, many smaller and more nimble providers are thriving as incomes rise and demand for financial products grows.

In June, the Kenya Bankers Association's (KBA) inaugural State of the Banking Industry (SBI) report showed the banking sector is steadily picking up momentum as it adjusts from market shocks of 2015-2016 and the Banking Amendment Act 2016 that introduced interest rate caps. "It's evident the banking industry is on a growth trajectory," KBA CEO, Habil Olaka, noted in the 24-page report's introduction.



Justus Mutiga
CEO, ICEA Lion Life Assurance

The report's authors are upbeat on the industry's prospects, noting: "Partnerships between banks and non-bank actors, notably financial technology [FinTech] firms and mobile network operators will likely continue to shape market power, competition and intermediation."

A leading private bank providing quality financial

services with a focus on client orientation, integrity, and professionalism, Victoria Commercial Bank enjoys an outstanding reputation for its strong portfolio of corporate and private banking services.

Its team of directors is committed to ensuring Victoria Commercial Bank continues to spur the economy by supporting the government and clients in any aspect of its operations and activities.

"We are very focused on a niche client group; we are very selective," states Yogesh Pattni, CEO of Victoria Commercial Bank. "We invite clients to join us only if we strongly believe we can add value to them, hence why we have one of the best asset books in the country."

"We are very connected with our clients, we are flexible and we try to help them in every possible way in order to improve their business. It's because of this that our

clients remain loyal to us."

Despite an impressive performance since its creation in 1987, Victoria Commercial Bank continues to target new opportunities through investment in the latest technologies and recruitment of highly-skilled workers.

Keen to go green

One notable aspect is the ambitious bank's goals are based on environmentally-friendly and ethical practices to help the planet and society.

"Over the coming years we will be consolidating in Nairobi and reaching out to other areas," Pattni adds.

"We are looking at stationing ourselves at every client's doorstep with our advanced technology and not with a physical branch presence. We are also working on completely going green, which requires a lot of innovation, and would like to partner with people who believe in these kinds of initiatives."

"We have also just set up an environmental and social department. Its function, among others, is talking to our clients about how we can make a greater social and environmental impact. It's a way for us to contribute and

add value to not only our customers, but to the country.

"It's not only about the bottom line, we have to have a positive impact on society and not just focus on profits."

One segment of Kenya's financial services sector yet to achieve its full potential is the insurance industry — although it is still the fourth most developed in Africa. Officials blame low levels of awareness for the weak up-

dated Growth and Innovation Centre (GIC)," says Justus Mutiga, CEO of ICEA Lion Life Assurance.

"GIC will be the catalyst to drive and deploy products; develop and mine data analytics and ensure that the customer accesses insurance and related financial services relevant to them."

"One challenge we are working to overcome is many people have not been



Clients join us only if we strongly believe we can add value to them, hence why we have one of the best asset books in Kenya."

Yogesh Pattni, CEO, Victoria Commercial Bank

take, but are working hard to overcome this through initiatives.

Part of ICEA Lion Group, one of the largest insurers and financial services companies in East Africa, ICEA Lion Life Assurance benefits from the experience, reach, and outstanding reputation of its parent.

"Innovation plays a big role in ICEA Lion's strategy; we are the first insurance company to start up a dedi-

educated on what insurance is; there is a general lack of knowledge on the matter. We took steps to tackle this issue, and negotiated with the government to have insurance included in the national curriculum so as children grow, they understand the role and significance of insurance."

"I encourage people living in the UK, especially Kenyans, to bring their money back home, as Kenya is a great market for investment."

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Equity Bank Tanzania: | info@equitybank.co.tz
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Economic diversification facilitated by excellent natural and human resources

By concentrating economic activity on a range of industries and not a handful, Kenya is making major progress on the Big Four Agenda.

Core component of the government's show-case Big Four Agenda, Kenya's manufacturing sector is primed for rapid growth for the goal of doubling its share of GDP to 20% by 2022.

"Manufacturing is about believing Kenyans can be competitive and ambitious enough to make products that are as good as any others in the world," President Kenyatta said at the Big Four Agenda's launch in late 2017.

The diverse range of manufacturing activities targeted for expansion include textiles, apparel, cotton, leather, agro-processing, construction materials, oil, mining and gas, iron and steel, fish processing, and ICT.

Against the backdrop of billions of pounds of FDI, officials want to create around 800,000 new jobs. Planned enablers include new industrial parks/zones, better access to international markets, and

measures to boost the standards of goods and services. One of the largest privately-owned groups in the wider region, Chandaria Group has over 3,000 employees in six countries, including the UK, and operations that include manufacturing activities.

"Chandaria Industries is the largest recycler of paper waste for tissue manufacturing in Kenya, East & Central



Diversifying within the agricultural sector will play a big role in our future growth and development."

Ravi Patel
Director, Subati Group

Africa," says Darshan Chandaria, Group CEO and Director. "The company has saved over 22 million trees by recycling paper waste.

"We have all the ingredients for a successful branded consumer product manufacturing and distribution business, and are open to joint ventures that involve innovative, scalable consumer product businesses. We are passionate about green, sustainable and successful businesses."

Another highly successful Kenyan business with a growing focus on manufacturing, as well as its traditional area of expertise real estate, is Royal Group.

The brainchild behind the stunning landmark Kings Prism Tower development in Nairobi, the group is committed to being a catalyst of positive change in communities, societies and business sectors where it operates.

"Our manufacturing business was started to provide synergy to our real estate business," says Yusuf Has-sanali, Director of Royal Group. "Africa is the world's next big growth market and Kenya is the door to many of the opportunities the continent can offer; it's the future."

Agricultural fields bloom
Given its favourable climate and fertile soil, Kenya's agricultural sector has long played a vital role in its socioeconomic development, with more than 40% of the population employed in the sector, directly or indirectly.

Subati Flowers Ltd is an award-winning grower and exporter of over 100 varieties of spray and single head roses. The firm's farms are located in northern Kenya on the slopes of the Great Rift Valley, with roses grown in greenhouses spanning 85 hectares at an altitude of 2,200m above sea level.

Such ideal growing conditions generate exceptionally high quality T-Hybrid roses, with Subati Flowers now exporting more than 60 million stems a year to customers in over two dozen countries.

"Diversifying within the



Ravi Patel
Director, Subati Group



Yogesh Pattni
CEO, Victoria Bank

agricultural sector will play a big role in the growth and development of our company," reveals Ravi Patel, Director of Subati Group. "We are looking at venturing into new products such as fruits, which are fairly easy to grow and offer high returns.



We make the Kingfisher Nest a bubbly place by holding events and activities for guests."

Vishal Shah
MD, Sato Properties / Kingfisher Nest Apartments

"We see a lot of potential in berries, avocado, and pomegranate. These new super foods are heavily trending in international markets. We also want to set up a distribution centre in Europe so

we are closer to the market, enabling us to tailor our products to suit their needs."

Famous for its golden beaches, safaris, and big game, Kenya remains one of the world's most popular tourist destinations.

Before or after their memorable adventures, many travellers passing through Nairobi take the opportunity to relax at stunning luxury hotel Kingfisher Nest. Boasting one of the best rooftop pools in Kenya, its five-star amenities include comfortable rooms, upscale restaurant, and modern gym.

"We make the Kingfisher Nest Hotel Apartments a fun and bubbly place by organising events and activities, and creating an atmosphere where people can feel at home," says Vishal Shah, Managing Director of Sato Properties/Kingfisher Nest Apartments. The company also develops many residential real estate projects, and is a key supporter of the government's affordable housing program under the Big Four Agenda.

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