



PRIME NEWS

INSIDE

COVERING REAL
ESTATE PROJECTS

PRIVATE SECTOR
LENDING SLOW DOWN

CORPORATE SOCIAL
RESPONSIBILITIES

INNOVATION BECKONS IN A TIME OF INTEREST RATE CAPS



Prime Bank

PUTTING YOU FIRST



Prime Bank

P U T T I N G Y O U F I R S T

The **FUTURE** Starts **TODAY** With Our Visa Golf Card



Supporting the



**KENYA
GOLF
UNION**

&



www.primebank.co.ke

I am pleased to present to you the 25th issue of *Prime News Magazine* and the first of 2017. In line with our tradition, this magazine is aimed at sharing our achievements, challenges and thoughts with our valued customers and partners. As always, we are encouraged by your feedback on the previous issues.



In this issue, we look at the major developments that shaped the year at Prime Bank and how we have made strides in growing the business while also focusing on events that bring us together as a family. 2016 was an eventful year. We had a fair share of events especially in the financial sector.

To begin with, we witnessed the closure of some banks. The sluggish economic environment then saw non-performing loans in the industry hit a 10-year high.

The Banking (Amendment) Act 2016 which caps the maximum interest rate chargeable by banks at no more than 4% above the Central Bank Rate was perhaps the biggest news that hit the headlines in the banking sector. Despite the above challenges, we continued with our journey of growth.

We set up the Quality Assurance Department to monitor and maintain high levels of service standards across all our customer contact points to ensure customer satisfaction and maintain the Bank's brand affinity and credibility.

We also continued with our expansion program bringing the number of ATMS to 15 countrywide. In the course of the year, we raised Tier II Capital of KShs 1 billion (\$10 million).

On performance, I am happy to note that we did well

based on the numbers as of 30th September 2016.

It is worthy of mention that we did not lose ground on any of the important business segments: Deposits and advances. Please go through the article on our performance in this issue. This year is an important one for Prime Bank as we celebrate 25 years of service to our customers. Going into 2017, which is an election year, we expect politics to dominate the scene. However, at Prime Bank, we will continue to focus on our strengths while harnessing the areas of opportunity we identify.

In the last few years, we have seen tremendous growth in the customer base. To cater for this segment, we have embarked on expanding our network with the opening of two more branches and moving some of our branches to bigger and spacious premises. This is intended to improve banking convenience to our customers.

We will also be launching our newly revamped website to provide a fresh look and easy access to information for our customers to discover exactly how the Bank can partner with them to address their very specific banking needs.

Our hope is that this newsletter will serve as a platform for you to understand us better; we can share views to ensure, as a Bank, we understand you and forge a partnership that will be mutually beneficial.

On that note, enjoy this edition, give us your feedback and enjoy your walk through the Prime Bank world. 

Bharat Jani
Managing Director

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FINANCIAL PERFORMANCE SEPT 2016

BANK RECORDS
STEADY GROWTH

By Victor Mukele

Primé Bank has announced its third quarter results with a total interest income of KShs 5.8 Billion up from KShs 4.9 Billion recorded same period last year. The Bank recorded profit before tax for the 9 months period to 30th September 2016 of KShs 1.789 Billion, compared to the KShs 2.007 Billion posted same period last year.

The deposit base increased to KShs 51.2 Billion during the period under review from KShs 50.4 Billion in September 2015, while the loan book declined from KShs 42.1 Billion in September 2015 to KShs 40.7 Billion in September 2016. Commenting on the results, Managing Director Mr. Bharat Jani said despite the flat growth in profit before tax, the Bank continued to register steady growth in all key financial performance indicators.

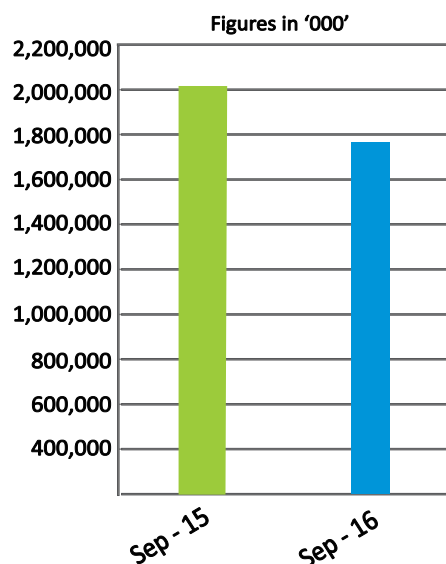
The Bank maintained a liquidity ratio of 39 percent against the regulatory requirement of 20 percent and remains a regular lender in the market. The Bank's core capital grew from KShs 7.08 Billion in September 2015 to KShs 8.53 Billion in September 2016. "Going forward, we are optimistic about our growth and remain resilient to the market dynamics," he said.

"Our branch expansion program remains on course to ensure that we offer our customers with more points of access to services as plans are ongoing to open one more branch at UAP Towers within the capital," added Mr. Jani.

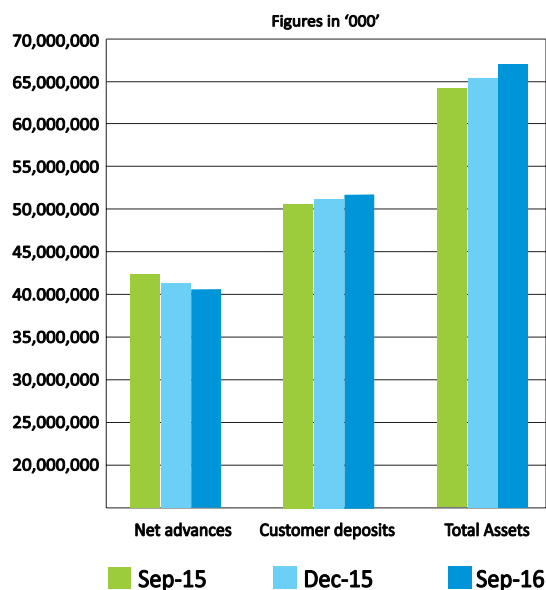
RISE IN
INTEREST
INCOMEINCREASE
IN
DEPOSIT
BASE

PERFORMANCE

PROFIT BEFORE TAX



ASSETS/LIABILITIES



EIB TRAINING

CAPACITY
BUILDING
WITH EIB

By Victor Mukele

In 2013, Prime Bank partnered with European Investment Bank (EIB) to finance SME sector. Since then, EIB has been continuously providing technical assistance to the Bank's staff by offering training on various financial aspects.

In July, EIB conducted training on Customized Sales Initiatives. This was followed by training on Credit Risk Management, Environmental and Social Risk Management and Product Development.



Staff training on Customized Sales
4th - 6th July 2016
Prime Bank Training Centre.



Training on Environmental and Social Risk Management held on 5th September 2016.



Staff training on Product Development by the European Investment Bank held on 5th to 7th October 2016.



Staff training on Credit Risk Management by European Investment Bank held on 1st to 3rd August 2016 at Prime Bank Training Centre.

STAFF PROVIDENT FUND



Prime Bank Staff Provident Fund Posts Impressive Growth

By Victor Mukele

P rime Bank Staff Provident Fund registered a 23% growth in its assets for the period ended 31 December 2015. During its 11th Annual General Meeting held on 2nd July 2016 at the Bank's Training Centre, the Fund announced that its asset base had grown to KShs 531 Million from KShs 408 Million posted same period in 2014.

Addressing members of the Fund, the Chairman Mr. Jagannathan attributed the growth to increased numbers in membership.

Mr. Jagannathan noted that the growth of the scheme has been tremendous, since its inception in the year 2005. During the 11 years the scheme had been


in operation, the assets had grown from a little less than KShs 10m to more than half a billion – KShs 531m.

The chairman reminded the members that the main purpose of the scheme was to accumulate a lump-sum amount that would help members to plan for their post retirement life. He urged the members to think twice before withdrawing the benefits while moving from one employer to another and to plan carefully on how the benefits will be used. He advised them to retain the benefits until retirement.

The Chairman also encouraged the members to consider a higher contribution in the form of voluntary contribution as a way of growing their savings. This, he said, would ensure that the lump

sum amount received at retirement is substantial enough for sustenance or meaningful investment.

Finally, the Chairman insisted on the members to ensure that they had registered their nominated beneficiaries and to update the nominations as and when necessary, to enable the Trustees pay the benefits to the rightful beneficiaries in the event of an eventuality.

Among those who attended the meeting included Trustees — Ms. Neekita Solanki, Ms. Josephine Macharia, Mr. Charles Maloba, and invited guests Mr. Suseendran, General Manager Kenindia Assurance (representing the fund manager) and Mr. Mathaara of Mathaara and Associates Audit Firm. 

PRIME BANK STAFF PROVIDENT FUND: BY THE NUMBERS

KSHS531M

DURING THE 11 YEARS THE SCHEME HAD BEEN IN OPERATION THE ASSETS HAD GROWN FROM A LITTLE LESS THAN KSHS10M TO MORE THAN HALF A BILLION – KSHS531M.

23%

PRIME BANK STAFF PROVIDENT FUND REGISTERED A 23% GROWTH IN ITS ASSETS FOR THE PERIOD ENDED 31 DECEMBER 2015.



Prime Bank staff with junior golfers who received the awards.

Left: Cheque presentation.

2016 Junior Golf Foundation Annual Gala

The Junior Golf Foundation Annual Gala was held in December at the Royal Nairobi Golf Club.

Agil Is Hag and Ashley Awuor emerged the top Junior Golf Foundation (JGF) players of year 2016 after garnering 73 and 83.3 points respectively from 10 of their best rounds in the past 12 months.

During the event, Prime Bank presented a cheque of KShs 894,000 as proceeds of the partnership with




**AGIL AND ASHLEY
GARNERED 73 AND 83.3
POINTS RESPECTIVELY
FROM 10 OF THEIR BEST
ROUNDS IN THE PAST 12
MONTHS**

JGF and KGU through the Prime Visa Golf Card.

Prime Bank partnered with Kenya Golf Union, Junior Golf Foundation, and Visa to launch the first ever golf card in Kenya – the Prime Visa Golf Card.

This unique concept of a core-branded Visa golf card is geared towards developing talent and making golf courses accessible to the youth.

This golf credit card has a twin effect in that it is specifically designed to enable golfers enjoy a wide range of benefits on and off the course at the same time making funds available for JGF.

For each golfer who signs up for the card, Prime Bank donates KShs 2,000 to JGF. 



Covering Real Estate Projects



By Satish Khiroya,
Prime Merchant
Insurance Agency Ltd

The most important stage in successful project management is how to manage the identified risks, and among the various forms of risk management, there is insurance, which we highlight in this edition.

In real estate development, most of the risks manifest during the construction stage. Defective design for instance may not be clearly seen on the drawing until the time the structure is put up by the contractor and it collapses.

Contractors All Risks Policy cover comprehensive and adequate protec-

tion against loss or damage in respect of the contract works, construction plant and equipment and/or construction machinery as well as against third-party claims in respect of property damage or bodily injury arising in connection with the execution of a project.

Contractors All Risks Policy- as the name suggests is an “all risks” cover. This means that almost all sudden and unforeseen physical loss or damage occurring during the period of insurance to the property insured is indemnifiable, except those stated as excluded. All one needs is to read through the exclusions section of the policy-if it’s not excluded, then it’s covered.

In the standard policies, the main

exclusions are as follows, but not limited to:

- War or warlike operations, civil commotion
- Cessation of work
- Nuclear reaction, nuclear radiation and radio-active contamination
- Willful acts or willful negligence
- Consequential loss of any kind or description whatsoever (penalties, losses due to delay, loss of contract)
- Faults or defects for which a third party is responsible either by law or contract
- Gradual developing events

In some cases, due to lack of enough space at the construction site where the site could be within a central business district or in areas where risks of flooding or theft are high, the contractor stores materials offsite and transports to site only material to be used for a short period of time.

The policy can be extended to include coverage for storage of construction material that is off site, instead of having to buy a separate fire policy. The coverage for transit of the material from the offsite storage to the construction site coverage can also be given under the policy.

This is to illustrate the flexibility of this coverage that includes many other extensions to the policy; to make it convenient and cover all the risks the contractor is exposed to in a single package.

The owners’ and lenders’ interests may have their risks such as delay in completion of project covered under an Advance Loss of Profits policy also known as Delay in Start Up cover that is also a section under the Contractors All Risks insurance.




THE CONTRACTORS ALL-RISK INSURANCE IS DESIGNED FOR THE WHOLE PROJECT AND PARTIES INVOLVED

When it comes to large investment projects, the risk management by insurance will not end with issuing the policy document. At present there is an increasing importance of risk engineering — a process where insurance risk engineers undertake surveys at regular intervals during the life of a construction project.

The primary purpose of the process is the prevention of losses by examining the performance and progress of the construction works, identifying key areas of risk, providing recommendations, analyzing losses and sharing lessons learnt with the parties involved in the project.

This is achieved through regular visits to site and the discussions of recommendations with the contractor/developer.

This is a service that assists the stakeholders by having ‘separate eyes’ review the risk management of the project with a view to eliminating any risks that can unduly affect the delivery of the project on time.

To conclude, the Contractors All Risk insurance is a concept designed for whole projects and for all the parties involved, covering all risks and full reinstatement. The policy will be valid for the duration of a project and provides cover to employee’s negligence and is adaptable to the needs of the parties. 



NEW DIRECTOR



Mr. Mohamed has over 25 years experience in structuring and arranging finance for projects.

PROMINENT FINANCIAL ADVISOR JOINS PRIME BANK BOARD

Prime Bank appoints Mr. Farid Mohamed as a Director of the Board

A financial advisor to the private sector, Mr. Mohamed has over 25 years experience in structuring and arranging finance for projects covering infrastructure, industrial, energy and finance among others spread across Europe, South East Asia, Latin America, East and Southern Africa.

He has previously acted as an advisor to development finance institutions including the World Bank, IFC, DEG and KfW and currently advises public and private companies in Eastern Africa on the development of corporate business plans and arrangement of project and structured financing for new projects and for privatization of infrastructure.

Mr. Mohamed holds a Master of Science (Msc.) and Master of Business Administration (MBA).

Mr. Mohamed replaces Mr. Virendra Ponda who retired from the Board in January 2016. 

PRIVATE SECTOR LENDING SLOWDOWN FEARS AS IMPACT OF RATE CAPPING LAW SINKS IN



By Zeus Media Research Team

The impact of the rate capping legislation that imposes limits on bank lending and deposit rates remains wholly unclear but some analysts fear it has resulted in a slowdown in private sector lending.

The Banking (Amendment) Act 2016, which came into force on Sep-

tember 14, sets the maximum lending rate at four percentage points above the Central Bank Rate (CBR).

The law signed by President Uhuru Kenyatta amid opposition by banks also sets the minimum returns payable by banks on customer deposits at 70 per cent of the CBR.

The CBR is currently set at 10 per cent, meaning that banks are barred

from charging interest on loans above 14 per cent.

The Central Bank governor Dr. Patrick Njoroge, had publicly opposed the bill saying it would discourage banks from lending.

According to analysts the fuller implication in the form of commercial banks ceasing to give credit to the private sector is emerging.

“The Apex Bank has had a full in-tray through 2016. The interest rate law [which the CBK to their credit argued against] was a further curveball. I think it is increasingly clear that there has been a stampede into Government of Kenya considered ‘risk free’ on the balance sheet paper. This has been singularly helpful for the Government, but it has come at a cost, particularly to the SME sector which has been crowded out,” says Rich Management CEO Aly Khan Satchu.

CBK however has recently noted it is too early to determine the impact of the interest rate cap on bank lending and deposits on monetary policy and overall economy.

“While the non-bank private sector remains optimistic for higher growth, in 2016 banks were cautious as they continue to monitor the potential impact of the capping of interest rates,” said the CBK monetary policy committee (MPC) in a statement after its last meeting in November.

It held the base lending rate at 10 per cent in its November meeting despite a slightly weaker shilling and higher inflation.

The pressure on the shilling has been mounting and hit a fifteen month low in January 2016 with the financial services regulator intervening.

But while banks are keen on whom



WHILE THE NON-BANK PRIVATE SECTOR REMAINS OPTIMISTIC FOR HIGHER GROWTH, IN 2016 BANKS WERE CAUTIOUS AS THEY CONTINUE TO MONITOR THE POTENTIAL IMPACT OF THE CAPPING OF INTEREST RATES



Fate of rate capping law tied to borrower sentiment




World Bank Group's headquarters in Washington D.C.

they lend to, statistics show they overcame a tough operating environment to record a 6.4 per cent growth in profits before tax in the 10 months to October, even as the industry remains clouded by gloom that has seen some lenders cut jobs to protect their margins.

This means their profitability has not been impacted.

Data from the Central Bank of Kenya shows that the banking industry recorded KShs 130.3 billion in profits for the period to October compared to KShs 122.4 billion in a similar period last year.

The improved performance came despite fears that reduced public confidence in the sector that followed collapse of three lenders in the last 12 months, the coming into force of a law capping interest rates and a general slowdown of the economy — as reflected in the piling up of bad loans — would affect the lenders' profitability.

In October, the first full month after the law capping interest rates came into force, bank profits rose by KShs 9.3 billion, higher than the KShs 8.2 billion recorded in the same month of the previous year. The October profits were, however, the lowest recorded in a month this year, signalling a possible slowdown in the servicing of loans. 


The rate capping law may be up for amendment in future but only if there is consensus it has addressed concerns of high cost of credit.

Indications that it would in future be amended became clear when Treasury Secretary Henry Rotich speaking immediately after the bill was assented insisted that the Government is still keen on a liberalised regime in the economy despite the price caps.

"The signing of the Bill should not be seen to be an indication that we are reneging on our policy of liberalization and a free market and that is why we are keen to continue addressing the underlying causes of why interest rates were high. Now with these caps we will continue to address the underlying causes so that once we achieve perfection in

the market the rates now can be well priced in a liberalized regime," he said.

A study by the World Bank in 2014 found that half the countries in sub-Saharan Africa have interest-rate ceilings of one sort or another, including the bigger economies like Nigeria and South Africa. In signing the Bill into the law, President Kenyatta said that Kenyans had been disappointed and frustrated "with the lack of sensitivity by the financial sector, particularly banks."

He added that the frustrations suffered by ordinary citizens were tied to the high cost of credit and low returns on savings. Any move not to assent to the Bill would have been "politically" expensive for the Kenyatta administration. 

INDUSTRY NEWS

CUSTOMER APPRECIATION

WESTLANDS AND PARKLANDS BRANCH COCKTAIL

Prime Bank Westlands and Parklands Branches on 6th May 2016 hosted a cocktail and dinner for their customers at the Golden Tulip Hotel, Westlands. The event brought together over 200 bank's customers from the two branches who also had the opportunity to network and interact with Prime Bank staff. In attendance were Executive Director Mr. Amar Kantaria, Managing Director Mr. Bharat Jani, and other members of the management team.



TOP: Ms. Pallvi Gudka, Chief Manager Parklands Branch interacting with clients.



TOP: Mr. Amar Kantaria (second left) interacting with clients.

LEFT: Mr. Jani addressing the gathering.

RIGHT: Mr. Vicky Jotangia, Senior Manager Westlands welcoming clients to the cocktail.




Mr. Jani welcoming clients to the cocktail.



Dinner during the event.

CUSTOMERS COCKTAIL AND DINNER

Prime Bank hosted Kisumu Branch clients for a cocktail and dinner on 3rd June 2016 at the Acacia premier Hotel, Kisumu. The clients were treated to a sumptuous dinner and had an opportunity to relax and network with the management and staff of the Bank. 



Dinner during the event.



Head of Card Centre Ms. Jacky Oyuga welcoming clients.

Managing Director
Mr. Bharat
Jani (right) with
Regional Manager
Mr. Suresh
Sheth (middle)
welcoming a client
to the dinner and
cocktail.

Understanding Swaps



By B.V. Rajkumar,
Head of Treasury

In our last issue, we explored derivatives and the types in existence that can be used for hedging. We took an in-depth look at the common variants of derivatives contracts. In this issue we explore swaps with a broader look at the types in the market.

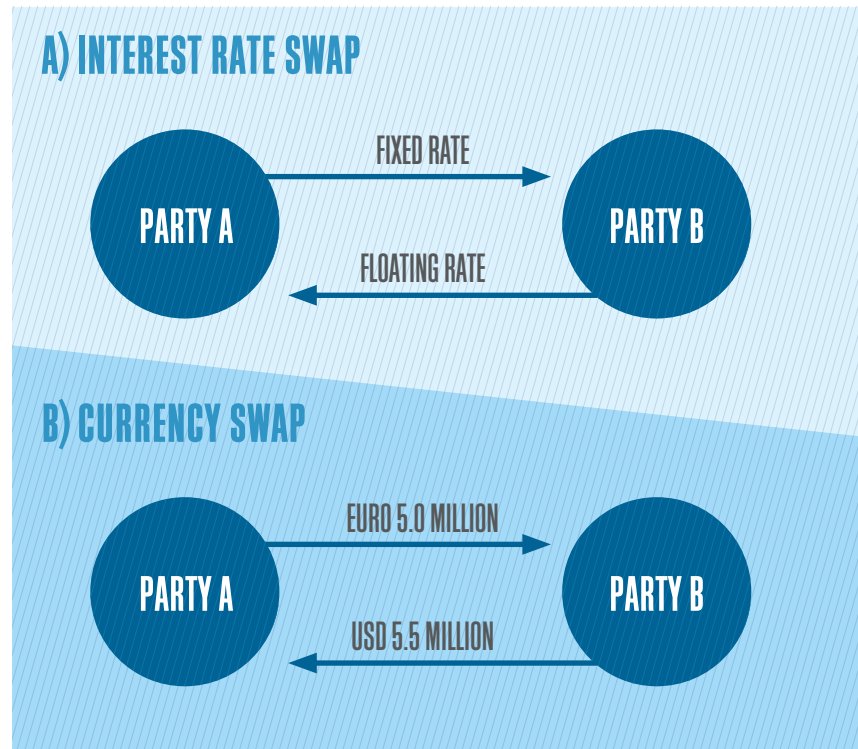
1) Swaps

A swap is an agreement between two parties to exchange sequences of cash flows for a set period of time. Usually, when the contract is initiated, at least one of these series of cash flows is determined by a random or uncertain variable, such as an interest rate, foreign exchange rate, equity price or commodity price. Swaps are customized contracts that are traded in the OTC market between private parties.

The two most common and basic type of swaps are;

a) Interest Rate Swap (IRS)

In an Interest Rate Swap (IRS), Party A agrees to pay Party B a predetermined, fixed rate of interest on a notional principal on specific dates for a specified period of time. Concurrently, Party B agrees to make payments based on a floating interest rate (normally in reference to benchmark interest rate) to Party A on that same notional principal on the same specified dates for the same specified time period. In a plain vanilla swap, the two cash flows are paid in the same currency. Interest swaps are customized contracts, interest payments may



A SWAP IS AN AGREEMENT BETWEEN TWO PARTIES TO EXCHANGE SEQUENCES OF CASH FLOWS FOR A SET PERIOD OF TIME

be made annually, quarterly, monthly, or at any other interval determined by the parties.

For example, a corporate paying a floating rate of interest on their loan liability and do not wish to carry the market risk on adverse movement in the interest rate, convert their interest rate liability to fixed rate through this swap. A corporate carrying market determined interest rates can cause tremendous difficulties to their cash flows, hence the

corporate could use a fixed-pay swap (pay a fixed rate and receive a floating rate) to convert its floating-rate liability into fixed-rate liability, which would match up well with its assets earning fixed-rate or vice-versa.

b) Currency Swap

Currency Swap involves exchanging principal in one currency for principal on a similar loan in another currency. The parties to a currency swap will exchange principal amounts at the beginning and end of the swap. The two specified principal amounts are set so as to be approximately equal to one another, given the exchange rate at the time the swap is initiated.

For example, a corporate - a U.S. firm, and corporate - a European firm, enter into a three-year currency swap for USD

5.0 million. Let's assume the exchange rate at the time is Euro is 1.10 per US dollar. First, the firms will exchange principals. So, European corporate pays Euro 5.0 million, and US corporate pays 5.5 million US dollar. This satisfies each company's need for funds denominated in another currency.

2) Credit

A Credit derivative is a financial instrument that transfers credit risk related to an underlying entity or a portfolio of underlying entities from one party to another without transferring the underlying(s). The underlying(s) may or may not be owned by either party in the transaction.

The common types of credit derivatives are Credit Default Swaps (CDS), Credit Default Index Swaps (CDS index), Collateralized Debt Obligations (CDO), Total Return Swaps (TRS), Credit Linked Notes (CLN), Asset Swaps, Credit Default Swap Options, Credit Default Index Swaps Options and Credit Spread Forwards/Options.

A buyer would pay a premium to the Seller of the option to confer the 'Right'. In brief, if the option holder has the right to buy, it is a call option and if the option holder has the right to sell, it is a put option.

A Call Option would normally be exercised only when the strike price is below the market value of the underlying asset at that time, while a Put Option would normally be exercised only when the strike price is above the market value. When an option is exercised, the cost to the buyer of the asset acquired is the strike price plus the premium, if any. When the option expiration date passes without the option being exercised, then the option expires and the buyer would forfeit the premium to the seller.

19TH BRANCH NOW OPEN

At Two Rivers

And what's more, we are open on weekends!

2017
19 Branches

2005
10 Branches

2000
6 Branches

1992
1 Branch

Prime Bank
25th Anniversary

Prime Bank
Two Rivers 2nd Floor, Limuru Road
Tel: (020) 244 4500 / 501
Cell: 0798 499 352
Email: tworivers@primebank.co.ke

Prime Bank
PUTTING YOU FIRST

customer@primebank.co.ke | www.primebank.co.ke



Managing Operational Risk



By Juddy Maiyo,
Risk Manager

A long history of incidents, ranging from rogue trading to IT breakdowns to misselling of products and services, testifies to the dangers that lie beyond the intentional financial risk-taking inherent to the financial services business model.

The definition of operational risk is the risk of loss resulting from inadequate or failed internal processes, people, and systems, or from external events, but is better viewed as the risk arising from the execution of an in-

stitution's business functions. Operational risk exists in every organization, regardless of size or complexity from the largest institutions to regional and community banks.

For much of the past decade, the industry had focused on measuring operational risk losses for capital allocation purposes, but in recent years has increased the focus on managing operational risk.

Banks and financial institutions are undergoing a sea of change and they currently face an environment marked by growing consolidation, rising customer expectations, increasing regulatory requirements, proliferating

financial engineering, uprisings technological innovation and mounting competition. This has increased the probability of failure or mistakes from the operations point of view – resulting in increased focus on managing operational risks.

Operational risk losses have often led to the downfall of financial institutions, with more than 100 reported losses exceeding US\$100 million in the recent years. The regulatory bodies are demanding a far greater level of insight and awareness by the banks about the risks they manage, and the effectiveness of the controls they have in place to reduce or mitigate these risks. This has led to an increased emphasis on the importance of having a sound operational risk management (ORM) practice in place making ORM one of the most complex and fastest growing risk disciplines in financial in-

stitutions. There is no ‘one-size-fits-all’ approach to ORM – as every enterprise follows a framework that is specific to its own internal operating environment. Ultimately, the Operational risk framework should not merely be Basel-compliant; it should also provide the bank with mechanisms for improving overall risk culture and behavior towards operational risk management. Understanding the risks should lead to better decision making and reflect in the performance. A robust operational risk management framework is made up of the following core components:

Governance: It is the process by which the Board of Directors defines key objectives for the bank and oversees progress towards achieving those objectives. It defines overall operational risk culture in an organization, and sets the tone as to how a bank implements and executes its operational risk management strategy.

A successfully executed risk strategy often results in risk being firmly embedded in the vision, strategies, tools, and tactics of the organization. Governance sets the precedence for Strategy, Structure and Execution.

Appetite and Policy: An ideal risk management process ensures that organizational behavior is driven by its risk appetite. Adopting an operational risk strategy aligned to risk appetite, leads to informed business and investment decisions.

Clear Definition & Communication of Policy: An organization’s top management must identify, assess, decide, implement, audit and supervise their strategic risks. There should be a strategic policy at the board level to focus on managing risk at all levels and conscious efforts should be made to ensure that these policies are com-

municated at all levels and across the entire value chain.

Periodic Evaluations Based on Internal & External Changes: An ideal risk management process puts improvement of risk performance on a competitive level with other important mission concerns – periodically evaluating the ORM performance goals in the light of internal and external factors. Depending upon the criticality of internal operating environment and key external factors, organization must review the strategic policies inside out.

Structure: When designing the operational risk management structure, the bank’s overall risk scenario should serve as a guideline.

This includes initiatives like laying down a hierarchical structure that leverages current risk processes and centralized aggregation of operational risk information collected via various self assessments across the organization, further it provides useful insight for the desired hierarchical structure.

The implementation of these concepts allows risk to be handled consistently throughout the organization.

Execution: Once operational risk management structure has been established by an organization, adequate procedures should be designed and implemented to ensure execution of and compliance with these policies at business line level. The first step includes identification and assessment of operational risk inherent in day-to-day processes of the bank. After assessment of


inherent risk, target tolerance limit of risk should be established. This is commonly accomplished by calculating the probability/ likelihood of materialization of risk, by considering the drivers or causes of the risk together with the assessment of its impact.

The results of the risk assessment and quantification process enables management to compare the risks with its operational risk strategy and policies, identify those risk exposures that are unacceptable to the institution or are outside the institution’s risk appetite, and select and prioritize appropriate mechanisms for mitigation.

Finally, appropriate risk mitigation and internal controls procedures are established by the business units such that residual risk is mitigated to the acceptable level.

Regular reviews must be carried out, to analyze the control environment and test the effectiveness of implemented controls, thereby ensuring business operations are conducted within acceptable risk limits.

Further, it is essential that the top management ensures consistent monitoring and controlling of operational risk, and that risk information is received by the appropriate people, on a timely basis, in a form and format that will aid in the monitoring and control.

Operational risk matrices or “Key Risk Indicators” (KRIs) are established to ensure timely warning is received prior to the occurrence of an event. Key to effective KRIs lies in setting threshold at the acceptable level of risk. Execution and implementation of Operational Risk framework is key to setting up effective Operational Risk environment ensuring that business is conducted within appropriate risk tolerance limit. 


**GOVERNANCE SETS
THE PRECEDENCE FOR
STRATEGY, STRUCTURE
AND EXECUTION**

FEATURE

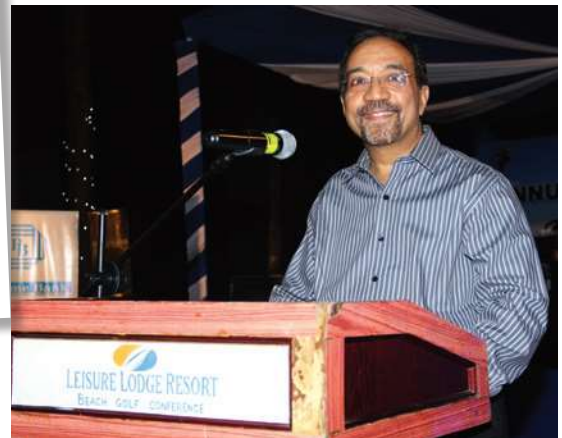
ANNUAL RETREAT

Bank Hosts 14th Annual Retreat

Prime Bank associates and customers were treated to an unforgettable weekend at the Leisure Lodge Resort in Ukunda, Kwale County during the 14th Annual Retreat. The retreat brought together over 250 clients from across the 18 branches countrywide. The occasion also accorded an opportunity for the Bank's associates, customers and staff to interact in a less formal setting at the hospitable five-star resort.

Highlights of the retreat included 'Karamu Ya Waswahili', Beach Party, and keynote address by Managing Director Mr. Bharat Jani. 





FEATURE DIWALI



Diwali Celebrations

Prime Bank marked the 2016 Diwali Celebrations with prayers and exchanges of goodwill.

Led by Chairman Dr. Rasik Kantaria, the management and staff of the Bank joined the celebrations by lighting a lamp at the Riverside Branch to mark the festival of lights.

Chairman Dr. Rasik Kantaria with head office staff led by Managing Director Mr. Bharat Jani during the lighting of a lamp at Riverside Drive Branch to mark the festival of lights.



Westlands Branch team at their branch during the festival.



Chairman Dr. Rasik Kantaria (centre) being welcomed by Assistant General Manager, Riverside Drive Branch Mr. Surender Bhatia (right). Looking on is Managing Director Mr. Bharat Jani.



Dr. Kantaria lighting the lamp at the Riverside Drive Branch.



Westlands Branch Senior Manager Mr. Vicky Jotangia lighting the lamp to mark the festival of lights at the branch.

Beware of Red Flags of Cheque Fraud

Cheque fraud refers to a category of criminal acts that involve making unlawful use of cheques in order to illegally acquire or obtain funds that do not exist within the account balance or account holder's legal ownership.



By Thomas
Somba, Manager
Security

TIPS ON HOW TO DETECT CHEQUE FRAUD

1. Insisting that cheques be signed in front of the desk.
2. Examine all cheques for signs of counterfeiting, such as a glossy, wax-line appearance and any lack of details and sharpness.
3. Look for signs of alterations or erasures, especially in the signature or numerical, or payee and written amounts.
4. Verify that the texture of the cheque appears smooth; a rough document might signal erasures.
5. Be cautious of information that is typed or stamped.
6. Know that the magnetic ink used for routing codes should appear non reflective and dull.
7. Look for faded colour paper, which can indicate that the cheque has been chemically bleached.
8. Know that black lettering might have a slightly greenish cast when examined under a magnifying glass.
9. Know that a light coloured or delicate background might fade out when copied or scanned.
10. Look for the absence of any design

in the background of the cheque paper.

11. Look for absence of a bank logo and the printing of the bank name in regular lettering. i.e sometimes the font type and size of the letters/ figures appearing on the cheque might vary. This is besides the other security features which might not be visible to the naked eye.

TIPS TO AVOID CHEQUE FRAUD

1. If you accept a cheque as payment for something you are selling, know who you are dealing with and whenever possible, make sure that the cheque has cleared and that the amount has been received before you release the item to the buyer.
2. Receive payment by electronic means particularly if you do not know the buyer.
3. Make sure any cheques that you write or accept from others are properly dated and completed.
4. Do not accept cheques showing any signs of alteration.
5. Do not accept a cheque made out to another individual and then signed over to you.
6. If you are selling something, do not accept a cheque for an amount greater than the purchase price.

This could expose you to a scam known as overpayment.

In order to safeguard your cheques from being used fraudulently:

1. Keep your cheques/chequebook in a secure location.
2. Review monthly bank statements or regularly check your transactions through online or mobile banking. If you see transactions you did not carry out, notify your bank immediately.
3. Shred any unused cheque/cheque book, if you close your account.
4. Consider electronic payments, direct deposit of payments, pre-authorized payment for bills.
5. Ensure that any blank spaces on the cheque are crossed through i.e after the payee name and after the amount in words.
6. Always use indelible ink so that writing cannot be easily erased or altered.
7. Ensure that when sending a cheque for depositing; always include all the details at the rear of the cheque. i.e account number, name of the bank and name of account holder.
8. Confirm that the chequebook is intact, when collecting a new chequebook from the bank - no missing leaf.
9. Always make sure that your bank has your up-to-date contact details, so that they can contact you immediately when required.
10. Never pre- sign a blank cheque.

In our next issue we shall deal with consumer fraud.

FOOTNOTE

We are committed to helping you protect yourself against fraud. 



PRIME BANK STAFF SHARE CHRISTMAS WITH NYUMBANI CHILDREN'S HOME

By Victor Mukele

It was a day of fun for young ones at the Nyumbani Children's Home in Nairobi when staff from Prime Bank paid them a visit during the festive season.


The staff interacted and shared special moments with the children through various activities including singing and dancing and sharing a meal in a true reflection of the Bank's spirit of caring for the communities in which we operate in.

The staff, led by Managing Director Mr. Bharat Jani, shared the Christmas cake and served lunch to the children to celebrate the festive season.

Founded in 1992, Nyumbani Chil-

dren's Home offers life-changing comprehensive medical, nutritional, dental, life-skills, psychological, academic and spiritual care.

Mr. Jani expressed the Bank's appreciation to Nyumbani Children's

Home, adding; "We are happy to be here with you here today and on behalf of Prime Bank, we pledge to continuously support you in ensuring that these children are well taken care of." 



RONDWE JALARAM GIRLS SECONDARY SCHOOL VISIT



By Victor Mukele


P rime Bank through its Chairman Dr. Rasik Kantaria has been instrumental in implementing a project that culminated in the building and opening of Leisure Lodge Rondwe Jalaram Girls Secondary school in Kwale County. The school provides an avenue for girls to get education who would otherwise be married off at a very young age. Prime Bank contributes to the day to day running of the school.

In one of its flagship Corporate Social Responsibility (CSR) projects – Freedom for Girls, the Bank in partnership with Health Education Africa Resource Team (HEART) paid a visit

Jalaram Rondwe Girls School teaching staff, Prime Bank and HEART Staff pose for a photo with the beneficiaries of the FFG Project.



to the school and donated a full year's supply of sanitary towels, undergarments and health education to vulnerable girls in the school.

The objective of the project is to ensure vulnerable adolescent girls are provided with a year's supply of sanitary towels, undergarments, hygiene and HIV prevention education. 



Jalaram Rondwe Girls School teaching staff takes Prime Bank staff on tour in one of the laboratories built by the Bank.

Visa Golf Card Tournaments and Club Night Sponsorships

Last year, the Prime Visa Golf Card raised KShs 500,000 for the Junior Golf Foundation.

As an appreciation to golfers who have supported the project, Prime Bank embarked on sponsoring tournaments and club nights at Golf Clubs at the beginning of the year.

The Bank sponsored tournaments at Windsor Golf Club on 19th March and Nyanza Golf Club on 7th May.

The Bank also sponsored club nights at Sigona and Muthaiga Golf Clubs on 28th February and 2nd March respectively. This was followed by the Lady Captain's Prize sponsorship at the Nakuru Golf Club on 23rd May.



IN A MOVE TO POPULARIZE THE VISA GOLF CARD, THE BANK EMBARKED ON SPONSORING GOLF TOURNEYS IN GOLF CLUBS ACROSS THE COUNTRY



Mr. Devendra Patel receives his prize of the Prime Visa Golf Card pre-loaded with KShs 30,000 from Regional Manager Mr. Suresh Sheth (left) after emerging the overall winner of the tournament at the Nyanza Golf Club. Looking on are Nyanza Golf Club Captain (2015) Mr. Evans Manono and Head of Card Centre Mrs. Jackline Oyuga.



Director, Business Development Mr. Vijay Kantaria presents the Prime Visa Golf Card pre-loaded with KShs 30,000 to the overall winner of the Windsor tournament.

Prime Bank team receives a token of appreciation from Nakuru Golf Club Captain (2016) Mr. Karuri Kahutu



MINI MARATHON



Mr. Bharat Jani flagging off the marathon.

Prime Bank Sponsors Annual Parklands Sports Club Mini Marathon

P rime Bank sponsored the Parklands Sports Club Mini Marathon which was held on September 4th 2016. Ms. Trupti Dixit of Industrial Area Branch and Mr. George Kamau of IT department took home the 10 kilometre prize after emerging winners in the women and men categories respectively.

The event attracted over 400 elite runners, members of the club and the general athletics fraternity with over 50 members of Prime Bank staff participating in the 6, 10 and 15 kilometers races. The marathon was flagged off by Managing Director Mr. Bharat Jani.

General Manager
Mr. Jagannathan
presenting the prize
to the men winner
from Prime Bank Mr.
George Kamau.



Head of marketing
Mr. Michael Laxmi
presenting the prize
to ladies winner
from Prime Bank
Ms. Trupti Dixit.



Prime Bank staff after completing the marathon.

FEATURE

STAFF PARTY



PRIME BANK ANNUAL END YEAR PARTY 2016

The Bank held its annual Christmas Party at the Hospital Hill School ground on 17th December 2016.

Over 300 staff attended the party and those who had excelled in the year were awarded while those who were exemplary in their work were promoted. Managing Director Mr. Bharat Jani thanked the staff for their hard work and challenged them to do even more in 2017. To bid 2016 a good-bye, staff led by Mr. Jani, and GM Mr. Jaganathan sealed off the day with amazing dance moves to their favorite tunes. 🎵





ANNUAL PERFORMANCE



1

ANNUAL PERFORMANCE AWARDS

1. Best Branch 2016 Mombasa and Kenindia.
2. Best Department First Runner-up, IT Department.
3. Best Department 2016, Accounts Department.
4. Best Dressed Team.
5. Best Dancing Duo Pamela Achando and Anthony Maina.
- 6 & 7. Top winners of the raffle Mary Mongare and Julius Riitho.
8. Best Branch Runner Up Biashara and Kamkunji Branches.
9. Best Department Second Runner Up, Risk and Compliance.
10. Staff who completed 20years of service, from second left Ancient Mutua, Janet Onyango, and Tom Masira. Managing Director Mr. Bharat Jani and Deputy General Manager Dr. Swaraj Bose presented a token of appreciation to each one of them.
11. Staff who completed 10 years of service, from left Moses Mahia, Jennifer Mutua, Nafisa Mohamedali, Mary Wambui Ndegwa, Grace Kenda, Deepa Patel and Shabina Nasir. Assistant General Manager Mr. Venogupal Amaranathan presented a token of appreciation to them.



2



4



3



5



PRIME | UPDATES EVENTS CORNER



CAPITAL MARKETS OPEN DAY

The Capital Markets Authority held its Fourth Annual Capital Markets Open Day from May 12th to 14th 2016 at the Kenyatta International Conference Centre. Prime Bank's Custodial Team, Mr. Ashish Patel and Mr. Gideon Cheruiyot took part in the open day where they were able to interact with various capital markets intermediaries and stakeholders to promote a broader understanding of the capital markets.

BRIDGE TOURNAMENT

Prime Bank sponsored the 2016 edition of the Bridge Tournament which took place in October 2016 at the Visa Oshwal centre. In the photo, Head of Parklands Branch Ms. Pallvi Gudka with the winners of various categories of the tournament after presenting them with their prizes.



THINK BUSINESS AWARDS 2016

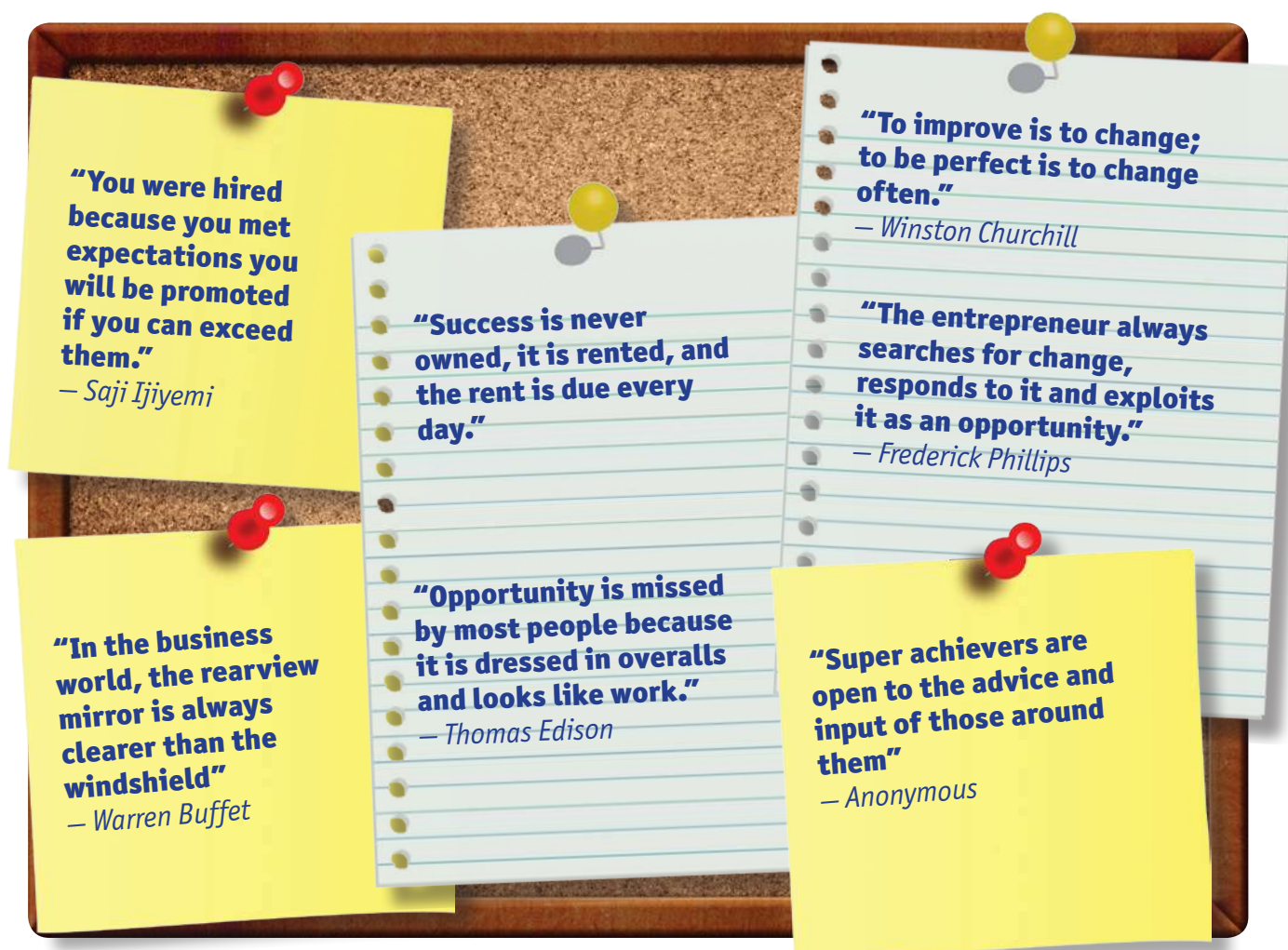
Prime Bank scooped the top prize to emerge winners in the Best Bank in Tier III category of Bank with the lowest charges in the 2016 Think Business Banking Awards.



GIANTS NAIROBI CHARITY GOLF TOURNAMENT

Prime Bank was part of sponsors who took part in a one day golf competition organized by the Giants Hearing Centre at the Sigona Golf Club on 31st July 2016.

NOTICEBOARD



Extended Business Hours

CAPITAL CENTRE

Weekdays: 9.00 a.m. – 4.30 p.m.
Saturday: 9.30 a.m. – 2.00 p.m.
Sunday: 10.30 a.m. – 1.00 p.m.
Telephone: +254 20 552 1901
Mobile: 0728 604 399/0733 600 530

KAMUKUNJI BRANCH

Weekdays: 9.00 a.m. – 5.00 p.m.
Saturday: 9.00 a.m. – 3.00 p.m.
Telephone: +254 20 806 8522/3
Mobile: 0729 110 891

PARKLANDS BRANCH

Weekdays: 9.30 a.m. – 7.00 p.m.
Saturday: 9.30 a.m. – 4.00 p.m.
Sunday: 10.30 a.m. – 2.00 p.m.

Telephone: +254 20 375 3791/374 9733
Mobile: 0724 253 287/0733 611 446

GARDEN CITY MALL BRANCH

Weekdays: 9.30 a.m. – 4.30 p.m.
Saturday: 9.30 a.m. – 2.00 p.m.
Sunday: 11.00 a.m. – 2.00 p.m.
Telephone: +254 20 4343526
+254 20 4343527
Mobile: 0702 997 590

TWO RIVERS BRANCH | NEW

Weekdays: 9.30 a.m. – 4.30 p.m.
Saturday: 9.30 a.m. – 2.00 p.m.
Sunday: 10.00 a.m. – 1.00 p.m.
Telephone: +254 20 244 4500/1
Mobile: 0798 499 352

NYALI, MOMBASA

Weekdays: 9.30 a.m. – 5.00 p.m.
Saturday: 10.30 a.m. – 3.00 p.m.
Sunday: 10.30 a.m. – 1.00 p.m.
Telephone: +254 41 470 678
+254 41 470 679
Mobile: 0789 393 815

ELDORET

Weekdays: 9.00 a.m. – 4.30 p.m.
Saturday: 9.30 a.m. – 2.00 p.m.
Sunday: 10.30 a.m. – 1.00 p.m.
Telephone: +254 53 203 2476
+254 53 203 2488
+254 53 203 2532
Mobile: 0703 791 988/0717



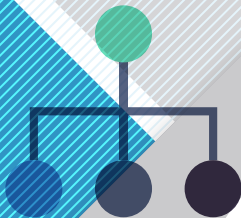
BANKING ON GROUP STRENGTH

Our Vision

To be the financial service provider of first choice.



16
ATMS



19
BRANCHES



5
COUNTRIES



Comments and feedback to:

Email: marketing@primebank.co.ke

Call: +254 20 420 3294/122/178



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