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Best Commercial Bank
Kenya
Guardian Bank Limited

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BANKING AWARDS

2019

CERTIFICATE OF EXCELLENCE

International Banker

Is honoured to present the

Best Commercial Bank Kenya

to

Guardian Bank Limited

*In recognition of demonstrating outstanding performance and
exceptional commitment in becoming the best commercial
bank of the year Kenya*

31st May 2019

DATE

Simon Brown
Simon Brown
Editor-In-Chief



» BANKING LEADERS *Guardian Bank Limited*



WRITTEN BY

Hetul Chandaria, *Executive Director,*
Guardian Bank Limited

Banking in Developing Markets

*Mr. Hetul Chandaria, Executive
Director, Guardian Bank Limited*

DR. M.M. CHANDARIA AND HIS LATE son, Dinesh Maganlal Chandaria, opened the doors of their finance company to the public in Kenya in January 1992. Challenges in accessing finance and even opening a simple bank account experienced by the astute entrepreneur when he ventured into business impelled Dr. M.M. Chandaria to take on the challenge and follow his dream by converting the finance company into a full-fledged commercial bank.

This dream was achieved when his business empire was established, as he believed that people deserved a better banking experience.

Twenty-three years down the line, I am seated in the same position that he held, trying to better the banking experience of each and every one of our clients. Although banking has come a long way, there are still significant challenges that banks face in developing markets. Using my experience with Guardian Bank, I share how a bank can weather the storms of the industry and achieve success amidst various challenges, while delivering the best customer-service experience to its clients in an accountable and responsible manner.

The strategic policy adopted by Guardian Bank revolves around three pillars: good governance—with strong adherence to know-your-customer (KYC) and anti-money-laundering/countering-financing-of-terrorism (AML/CFT) policies; personalized, efficient services delivered by a loyal and dedicated workforce; and integration of practices that support sustainable development.

Good governance is not just a survival tool but also the key to sustainable success for any company with a social commitment. Despite several market shocks over the years that have seen many institutions collapse, Kenya still has one of the most dynamic and vibrant banking sectors on the continent. The most resilient lenders have weathered these storms by maintaining high moral, financial and legal integrity in management. The stable financiers in Kenya have continued to grow and consistently post good results, even in years when the



industry and economy at large were struggling from unforeseen shocks.

Knowing your customer is critical to the banking industry, and we pride ourselves in knowing each and every customer personally. We have a robust system of vetting potential clients before on-boarding them. Having a loyal and dedicated workforce over the years has created that resilient staff on which a company's success depends. They are able to ensure personalized customer service, seamless client experience and transactions that are of good intention. To us, a client is not just a number but an individual who has aspirations and dreams of which we as a bank endeavor to financially empower to achievement.

Besides conducting business in an ethical manner, we go the extra mile to care about the society in which we operate by implementing policies that consider both the community and the environment around us.

Taking care of the environment and community has always been a fundamental principle that our founders, Dr. M. M. Chandaria and Dinesh Maganlal Chandaria, valued and is prevalent in all of our sister firms, which form the Dinesh Maganlal Chandaria (DMC) Group of Companies—engaged in paper manufacturing, petroleum, banking and real estate.

Organizations today have to take into account their social, economic and environmental impacts and consider human rights to foster sustainable development, as they play a key role in the betterment of society.

The future of banking will be a revolution of the past. The scope and speed of evolution in regulation, customer expectation and technology—coupled with the emergence of new competitors—will change banking as we know it, providing both opportunities and challenges for financial institutions.

Developing markets have a way of compelling banks to be more innovative in how they conduct their business. As the banking ecosystem expands beyond traditional banking services, new products will be developed; however, some of the major challenges in our market are visible in matters related to correspondent banking, technology and regulation, all of which can be overcome by implementing strong corporate governance in every aspect of business operations.

International banking relationships

According to Accuity—the global financial-crime compliance, payments and know-your-customer (KYC) solutions provider—between 2009 and 2018, corre-



Dr. M.M Chandaria and family at one of the Bank's tree planting activities

spendent-banking relationships decreased globally by 25 percent. Following the global financial crisis of 2008, regulators imposed requirements for greater transparency, established higher liquidity thresholds for banks as well as stepped up enforcement actions on institutions that violated anti-money laundering (AML) regulations.

Banks have faced challenges finding or retaining global correspondent banks, as de-risking by international banks in Europe and the United States has hit developing-market regions. International banks have terminated correspondent-banking relationships where they have felt the threat of doing business in the high-risk geographic area outweighed the value of their services to clients.

With AML penalties clocking as high as

US\$26 billion over the past 10 years, conducting correspondent banking in high-risk geographical areas has become impractical. Lack or loss of such services has increased international transaction costs while decreasing transaction efficiency for local banks, which have to use more than one intermediary to settle transactions.

Complying with the high standards of AML/CFT regulation through the acquisition of advanced automated systems that use artificial intelligence to enhance the security of banking systems promotes trust with both correspondent institutions and customers. Strong KYC policies coupled with seamless on-boarding processes for clients help an institution rise above these challenges, lead to cost reductions in the long-run and promote potential business growth.

Technological innovation

Technological innovation has been fueling development in our markets, and new technologies are transforming banking as we know it. Bank operations are being recast through digitalization. Revenue growth has become more challenging with the strategy of cutting costs having run its course. Banks and other financial institutions are playing catch up from a technology perspective at a time when consumer expectations are increasing exponentially. Failing to respond could lead to the demise of less agile organizations.

The industry now has new competition in the form of telecommunication companies that are providing financial services to the general public. In the case of Kenya, telecommunication company Safaricom developed a money-transfer system and mobile wallet called M-Pesa, which has eaten into the banking industry's market share while also revolutionizing the customer experience. Long gone are the days of queuing in banking halls to transact. Banks can overcome this only by adopting the latest technologies and giving their clients mobile apps that are efficient and reliable and linked to their bank accounts. Such services are expected to give customers better experiences, moving customers to easier and more convenient ways of banking—away from the traditional banking halls. To quote Bill Gates: "Banking is necessary; banks are not."

While innovation and new technologies disrupt the market, they also open multiple opportunities for financial-service providers to reinvent themselves and thrive. Continuous upgrading of systems to stay relevant and provide better service and experience to both customers and employees is important, as is integrating with other financial-service providers to increase the range of products available for clients. From mobile applications to internet banking, a bank can only look forward towards going branchless and paperless. An institution can create its own niche by striking a balance between digital engagement and physical or personal engagement with its customers to give them the best of both worlds.



“ Our bank is an exceptional bank with great customer service. When we needed financial assistance to expand our hospital, we went directly to Guardian Bank. Securing financing helped us renovate and expand our hospital, and provide care to 10,000 additional patients. We have been banking with them for many years. We highly recommend our bank to other businesses looking to partner with a friendly, efficient and local bank that understands the needs of Kenyan businesses. Whether it's receiving a warm welcome when we stop by the branch or providing the financing that we needed, working with Guardian Bank continues to be a great experience.”

Simon Karo, CEO,
Melchizedek Hospital

“ Broadway Group of Companies has shared a long and fruitful relationship with Guardian Bank spanning over 25 years. The relationship has not only been professional but has also grown on a personal level with both sets of Directors and their families sharing close friendships. The family-owned Group, now managed by the second and third generations, has appreciated the openness and strong service delivery of Guardian Bank. The award attributed to the Bank is testament of this. The Group views the Bank as a relatively small yet stable bank, and one which is an important business partner. We are proud of our association with Guardian Bank and look forward to continue closely working with the Bank over many generations.”

Bejul Shah, Bimal Shah & Hiten Shah Directors, Broadway Group of Companies

“ We are proud to be associated with Guardian Bank since our inception in 1997. Guardian Bank has been more than just a Bank for our company. They are our financial partner. The agility with which they make decisions and their personalized service have been the backbone of their success. We have also felt the bank to be cautious and very selective on the business they take, thereby ensuring that they maintain prudence as a banking institution. This has given us the comfort of a stable bank. The bank continues to support our needs as we have expanded over the years, and I can unreservedly say that our partnership shall thrive for many years to come.”

Rajan Shah, Director,
Capwell Industries

Regulation

Regulation is part and parcel of today's economies. Similar to developed markets, central banks in developing markets formulate monetary policies to promote financial stability and safeguard markets against shocks. Respective governments also implement fiscal policies in an effort to bolster local economies. Whereas stricter regulation and supervision increase the industry's stability, there are other dimensions of regulation and supervision that affect banks, depending on their policies and structures.

Some policies implemented in good faith to spur economic growth are sometimes detrimental to the growth of the economy. In Kenya, banking services were significantly affected when interest rates were

capped and deposit rates floored in 2016, following the signing into law of the Banking Amendment Bill 2015.

As our strategy to be competitive in the market has always been to offer rates affordable to all, the interest-rate cap had no significant impact on the bank. Rather than waiting for the regulator to implement policies that would safeguard the client and market as a whole, an institution should be disciplined in its practices, which comes back to following sustainable-development practices.

On the other hand, adhering to regulatory requirements, more particularly liquidity and capital adequacy, is crucial for medium-sized banks. The importance of liquidity management and maintaining adequate

capital cannot be overstated since the size of the bank exposes it to higher liquidity risk compared to the bigger players in the market. In a market like ours, it is prudent to hold a good amount of capital reserves to help cushion the bank from unforeseen shocks.

To conclude, change is the only constant, and change in the banking industries of developing markets is imminent and necessary for the growth of the whole economy. Despite the challenges, banks will continue to expand to include the unbanked population. With such progress, the banks of developing countries may take the leap to develop ideas and technologies to overcome the challenges they face, and this could revolutionize banking worldwide. «

MIDDLE EAST AWARD WINNERS <<

>> BANKING CEO OF THE YEAR *Middle East*

Mr. Isam J. Al-Sager
National Bank of Kuwait (NBK)

>> BEST CUSTOMER SERVICE PROVIDER OF THE YEAR *Middle East*

Ahli United Bank (Bahrain)

BEST BANKING GROUP
KUWAIT
NBK Group

BEST INVESTMENT BANK OF THE YEAR
EGYPT
EFG-Hermes

BEST INVESTMENT BANK OF THE YEAR
QATAR
QNB Capital

BEST INVESTMENT BANK OF THE YEAR
UAE
First Abu Dhabi Bank

BEST COMMERCIAL BANK OF THE YEAR
BAHRAIN
Bank ABC

BEST COMMERCIAL BANK OF THE YEAR
EGYPT
National Bank of Egypt

BEST COMMERCIAL BANK OF THE YEAR
JORDAN
Jordan Islamic Bank

BEST COMMERCIAL BANK OF THE YEAR
OMAN
National Bank of Oman

BEST COMMERCIAL BANK OF THE YEAR
QATAR
Al Khalij Commercial Bank

BEST COMMERCIAL BANK OF THE YEAR
UAE
Emirates NBD

BEST PRIVATE BANK OF THE YEAR
OMAN
Bank Muscat

BEST PRIVATE BANK OF THE YEAR
UAE
First Abu Dhabi Bank

BEST INNOVATION IN RETAIL BANKING
BAHRAIN
Ahli United Bank

BEST INNOVATION IN RETAIL BANKING
EGYPT
National Bank of Egypt

BEST INNOVATION IN RETAIL BANKING
JORDAN
Arab Bank

BEST INNOVATION IN RETAIL BANKING
KSA
Alawwal bank

BEST INNOVATION IN RETAIL BANKING
KUWAIT
National Bank of Kuwait (NBK)

BEST INNOVATION IN RETAIL BANKING
LEBANON
AM Bank

BEST INNOVATION IN RETAIL BANKING
OMAN
BankDhofar

BEST INNOVATION IN RETAIL BANKING
UAE
Emirates NBD

BEST ISLAMIC BANK OF THE YEAR
JORDAN
Jordan Islamic Bank (JIB)

BEST ISLAMIC BANK OF THE YEAR
OMAN
BankDhofar

BEST ISLAMIC BANK OF THE YEAR
UAE
Dubai Islamic Bank

AFRICA AWARD WINNERS <<

>> BANKING CEO OF THE YEAR *Africa*

Mr. Ade Ayeyemi
Ecobank Transnational Incorporated (Togo)

>> BEST CUSTOMER SERVICE PROVIDER OF THE YEAR *Africa*

Nedbank (South Africa)

BEST BANKING GROUP
TOGO
Ecobank Transnational

BEST INVESTMENT BANK OF THE YEAR
NIGERIA
Chapel Hill Denham

BEST INVESTMENT BANK OF THE YEAR
SOUTH AFRICA
Rand Merchant Bank

BEST COMMERCIAL BANK OF THE YEAR
CAMEROON
Afriland First Bank

BEST COMMERCIAL BANK OF THE YEAR
DEMOCRATIC REPUBLIC OF THE CONGO
Sofibanque

BEST COMMERCIAL BANK OF THE YEAR
GHANA
Ecobank

BEST COMMERCIAL BANK OF THE YEAR
KENYA
Guardian Bank Limited

BEST COMMERCIAL BANK OF THE YEAR
LESOTHO
Standard Lesotho Bank

BEST COMMERCIAL BANK OF THE YEAR
MALI
BICIM - Groupe BNP Paribas

BEST COMMERCIAL BANK OF THE YEAR
SIERRA LEONE
Guaranty Trust Bank (SL) Limited

BEST COMMERCIAL BANK OF THE YEAR
UGANDA
Bank of Baroda

BEST COMMERCIAL BANK OF THE YEAR
ZAMBIA
Zanaco

BEST DEVELOPMENT BANK
NIGERIA
Bank of Industry

BEST INNOVATION IN RETAIL BANKING
ANGOLA
Banco Angolano de Investimentos (BAI)

BEST INNOVATION IN RETAIL BANKING
DEMOCRATIC REPUBLIC OF CONGO
Sofibanque

BEST INNOVATION IN RETAIL BANKING
ETHIOPIA
Commercial Bank of Ethiopia

BEST INNOVATION IN RETAIL BANKING
GHANA
GCB Bank

BEST INNOVATION IN RETAIL BANKING
MALI
BICIM - Groupe BNP Paribas

BEST INNOVATION IN RETAIL BANKING
MOZAMBIQUE
Moza Banco

BEST INNOVATION IN RETAIL BANKING
SIERRA LEONE
Guaranty Trust Bank (SL) Limited

BEST INNOVATION IN RETAIL BANKING
SOUTH AFRICA
Nedbank

BEST INNOVATION IN RETAIL BANKING
TANZANIA
CRDB Bank PLC

BEST INNOVATION IN RETAIL BANKING
TOGO
Ecobank