

“my 15min chat with a bank CEO”

Isaac Awuondo, CEO – Commercial Bank of Africa

Joined by Habil Olaka, KBA CEO and Chris Kirubi

Chat Summary

Thursday, 26th July 2012

Topic: Investments

Time: 2:00pm – 3:00pm



If you had the opportunity to chat with a Bank CEO, what would you talk about?

Contents

1. *Options for Entrepreneurs*
2. *Importance of Savings*
3. *Investment Tips*
4. *Options for Contract Workers, Newly Salaried and Young Professionals*
5. *Investments and Bank Disclosures*
6. *Other Discussion Areas*
7. *General Comments*
8. *Unanswered Questions*

Options for Entrepreneurs

obbah: I want to know what is the time frame one should give himself in working before going entrepreneurial

IAwuondo: Obbah thanks for getting us started...to answer your question this depends very much on the specific opportunity you have... from my experience one needs to ensure that they have built capacity to be able to manage an investment...and so whats important in starting a business? it is that you have the right idea that you document it clearly that you develop very clear plans for it; have a clear understanding on what could go right or wrong and ensure you have the capital to succeed...that was a very good question, thanks

Kenya Bankers Association

“My 15 Min Chat with a Bank CEO”

26 July 2012 Chat Log: Investments with Isaac Awuondo

Options for Entrepreneurs (Continued)

boniega: how can i invest wiself with the gross salary of only 45000 shillings?

IAwuondo: Boniega I think my belief is that anyone can make an investment regardless of the amount of money that they have... what is important is to have a goal...to ensure that you are investing for a very defined and specific purpose...once you have established that goal then remain persistent until you have achieved it

IAwuondo: on a more general basis, you approach your investment target from either an amount perspective or a period perspective...in each instance you must define the quantum for the money you want to set aside and how quickly you want to achieve your target...in a majority of cases if you remain focused on meeting your target, it actually becomes very easy to invest because whatever you have set aside for investment purposes becomes money you should not touch...

shiques: some time back we had the pyramid schemes and it went burst. are there avenues in our country that can run on the same structure that the pyramid schemes had but are more secure? as you had seen a good number of people had put money in them hoping for comebacks...

IAwuondo: I'm assuming that your question is based on somebody who has some surplus cash which they want to make sure is working for them on a continuous basis...if you dont have surplus cash, then you would pull from your daily income and apportion some towards investment...it is obviously possible to borrow for purposes of investment...however...when borrowing to invest you must always ensure that the return you are getting from your investment is higher than the interest you are paying on the loan

shiques: Thank you for your advise...duly noted.

Kenya Bankers Association

“My 15 Min Chat with a Bank CEO”

26 July 2012 Chat Log: Investments with Isaac Awuondo

(Continued)

Importance of Saving

shiques: what would you advise to someone who doesn't have a constant salary and wants to save ?

[Similar question submitted by CapitalFM on behalf of Vivi on Facebook]

IAwuondo: ...on that note let's talk about the importance of savings...for me savings is a means to wealth creation...because if you take a typical situation where you have an income, let's take the case of an individual who earns ksh45K...over and above meeting their day to day needs they perhaps should aim to ensure that at worst at least 10 percent of that income is set aside either on a defined target or to deal with any unexpected occurrences...so the point is that savings is important...no matter how small the amount is....ordinarily our aim is to ensure that we are able to manage either our capacity to increase wealth or manage unexpected situations out of our savings

mattmutungi: what percentage from your monthly salary should you put aside for savings and what amount for investment?

IAwuondo: Matt thanks very much...in my experience, and I can use myself as an example, when I started working I always aimed to ensure that I put at least 10pct of my salary into savings...my first pay check was ksh4,500 per month...so as you can see...from my experience you start small, and a combination of experience, hard work, always gives you the ability to save towards your target...good luck and all the best with your savings journey

CKirubi: Save, save, save then invest! Very true Mr. Awuondo

IAwuondo: CKirubi thanks for joining me!

mattmutungi: thank you...shall do just that

Jakano: CKirubi, (assuming you are one Chris Kirubi), is that what you did?

CKirubi: yes... I would save every penny I got. Then I was able to assist my siblings (investing in my own family first) then I began looking at where else I can put my money.

Kenya Bankers Association

“My 15 Min Chat with a Bank CEO”

26 July 2012 Chat Log: Investments with Isaac Awuondo

(Continued)

Investment Tips

lorna: what are the best investment tools for young professionals just starting their careers

mattmutungi: great question lorna, would like to know that too..

IAwuondo: lorna thanks for your question...the best investment tools for young professionals...if you are starting your career the most easily accessible investment is bank deposits...mainly because of the low threshold required...but today you can also buy treasury bills...you could also come together with your colleagues to set up an investment club but ensure you have the right kind of controls
... while on that...lets talk about investment clubs...i think they are a very good way for like minded people to pull their resources together towards specific goals...i myself have so far been involved in at least 5 investment clubs

Joellsaya: the investment club idea is good

lorna: i think investment clubs is more like it because lets face fixed deposits returns are quite minimal and fluctuates a lot

Joellsaya: I think the hardest thing to do in this world of investing is the best place to invest your money? also is the first obstacle in determining whatbusiness to start. Can you advice me on how to tackle this?

IAwuondo: Joellsaya...i think your decision should be based on your objective...

@bideru: What prompted u to start investing? Wen did u start investing?

IAwuondo: bideru thank you for your question what prompted to invest...for me it was really a case of building myself and ensuring that i met my target of investing in my first home within the first 10 years of working

Kenya Bankers Association

“My 15 Min Chat with a Bank CEO”

26 July 2012 Chat Log: Investments with Isaac Awuondo

Investment Tips (Continued)

tabuley: Some tips on multiplying investment.

IAwuondo: tabuley...thanks...im not sure what you mean by multiplying investment...in my view when you invest you get a return...and that return will most likely be only a fraction of the amount of money you have investment...in most cases

mm: how do you strike the balance between returns and capital preservation given the short-term nature of banking traditional banking business

IAwuondo: mm thank you ...in banking...your capital is always safe and to strike a balance from a return point of view is to always ensure that you discuss and agree the rate you should expect when you place deposits with banks

CeoChat: A question came in via email regarding options for investing in bonds and shares

IAwuondo: ... about investing in bonds and shares...and where to get advise...the first point of advise is there are broking houses which ordinarily handle the sale of shares and bonds...however increasingly insurance companies and banks are also setting up capacity to be able to offer advise..in my experience the newspapers and magazines do carry a lot of information on investing

shilako: Awuondo when ur monthly salary becomes ur security what happens when one is sacked from the said employment?

IAwuondo: Shilako, thanks, i appreciate that people might lose jobs or their financial situation can change, and as banks we take these factors into account and for you it is important that you protect your credit history by ensuring that you take on commitments that you can service

Kenya Bankers Association

“My 15 Min Chat with a Bank CEO”

26 July 2012 Chat Log: Investments with Isaac Awuondo

(Continued)

Options for Contract Workers, Newly Salaried and Young Professionals

Joellsaya: One thing I came to learn of late is that savings matter a lot. But my question is, if I am earning a net pay of 65k and my job is not permanent that is it is a one year renewable contract, can I qualify let's say for a mortgage?

IAwuondo: Joellsaya thank you for your comment...I note your circumstance regarding being on a one year contract and seeking to take on a mortgage...a mortgage is a long term commitment and it is important to make such a commitment when you are in a stable job or have stable income....the fact you have to take into account is whether at the end of the contract you have a reasonable chance of continuing and what most banks will look at is how frequently your contract is renewed...in circumstances where your contract has been renewed severally, and perhaps you've demonstrated capacity to save it is very likely that a bank would consider your mortgage favorably...thanks it is a very good question

PITSKATZ: most banks ask for loan security which in my view young professionals do not have

IAwuondo: Pitskatz...thanks...about banks asking for security, I can confirm that most banks today offer unsecured lending which is tied to individual salaries...thus in this instance your monthly salary becomes your security

Jakano: Awuondo, why tie someone to 6 months bank statement for newly salaried people who have signed contracts with new organizations?? he needs to use the time optimally to repay, thus application for a facility in the 1st or 2nd month of employment (esp young people)

IAwuondo: Jakano...thanks...increasingly our approach in respect of newly salaried people is to look at their contracts and the salary as the basis for lending to them..the need to wait for 6 months as you state would therefore not arise

Kenya Bankers Association

“My 15 Min Chat with a Bank CEO”

26 July 2012 Chat Log: Investments with Isaac Awuondo

Options for Contract, Newly Salaried, Young Professionals (Continued)

PITSKATZ: so age is a determining factor in lending by banks based on ones salary?

IAwuondo: I saw a question about where age comes into play when seeking credit from a bank...as long as you are not a minor and you have a regular income age should not restrict you from being able to borrow...on the other hand when you are nearing retirement banks would like to know your alternative source of income

Investments and Bank Disclosures

mbvgva: Kenyan banks keep fighting honesty-in-lending measures like introducing APR use, which would help in comparing loans. Can we ever expect to see disclosure regulations for investment products that help compare fees, returns?

IAwuondo: Mbvga thanks for your question...when my banking colleague Richard Etemesi hosted his session he noted that banks were a few months away from realising the APR disclosure...in so far as investments are concerned my view is that transparency is of benefit to everybody and in the not tooo distant future we should expect organisations which sell investment products should discolose the full cost

Other Discussion Areas

monariezra: Internet banking is a relatively new concept in Kenya and from my observations it is being with some level of skepticism, what are some of the meuseres being taken to safeguard bank customers for web frauds especially in safeguarding passwords? Is it possible for cyber criminals to gain access to bank account passwords to accounts like in the case of LinkedIn and Sony??

IAwuondo: Monariezra...thanks...internet banking is secure...banks invest in systems which are aimed at protecting access to information...and this is done through clear security structures which only provide access based on password protection...my advise is to ensure keep your password to yourself as we've seen this is one of the areas where internet fraud originates...also where you access...its not advisable to use a cyber cafe for example

Kenya Bankers Association

“My 15 Min Chat with a Bank CEO”

26 July 2012 Chat Log: Investments with Isaac Awuondo

Other Discussion Areas (Continued)

pnjoroge: whats your take on the recent CIC listing?

IAwuondo: pnjoroge...i wouldn't comment specifically on CIC listing but generally in my view with most listings you must make sure that you are well informed about the companys fundamentals...

mm: as banks start offering investment banking services,what measures does the industry have in place to ensure mainstream banking business is not over exposed to the risks posed by investment banking

IAwuondo: mm...a good question about mainstream banks becoming investment banks, presently investment banking is regulated under the capital markets authority and there is sufficient inbuilt regulation to ensure that the activities are professional and transparent

CapitalFM: @john Anyona asked: how is the opportunity of agency banking? Will it turn out to be flooded as is the case with mobile money agents?

IAwuondo: @john anyona, thanks, agency banking has provided banks the opportunity to extend the reach and increase the number of customers utilising them at a lower cost...and i believe there is still opportunity in this area especially as we move towards county governments

monariezra: Almost all Kenyan banks have mortgage subsidiaries, the mortgage industry in Kenya is stable in Kenya so far...but like in other countries, real esate can turn into an investment baneshould banks expose their shareholders and customers to the investment risks in real estate especially in Kenya where land related crimes are rampant?

IAwuondo: monariezra, thanks, let me clarify, only two banks have mortgage subsidiaries, the mortgage lending by banks takes account of the normal risk parameters which ensures that shareholder value is preserved...and it is important to note that the government is doing a lot to reduce the risk of land fraud in our country
...meanwhile...in my view investing is important for all of us...and it is something that we must all take seriously, ensuring that you always set aside some money which can generate a return for you or meet unexpected situations

Kenya Bankers Association

“My 15 Min Chat with a Bank CEO”

26 July 2012 Chat Log: Investments with Isaac Awuondo

(Continued)

General Comments

PITSKATZ: great, appreciate big Mr. Awuondo... am learning alot from here

IAwuondo: Thanks Pitskatz for joining

murimi: Thank You Isaac, That was very enlightening.

IAwuondo: DJ CK...any further thoughts from you? seeing that you are one of the best investors in Kenya...and Africa!

CKirubi: Mr. Awuondo, actually no! It was a good discussion and I hope that everyone was answered. All I can add is that people should not be in a hurry to invest....That goes to the young people.

Machatria: Hold up CK did you say we should not be in a hurry to invest or we should not be in a hurry to reap, i think investments should start early, make the mistakes early, reap later
CKirubi: Machatria, save first then invest. You can't invest and expect good returns if you haven't saved up.

mattmutungi: so saving is the name of the game?

IAwuondo: Thanks CK, absolutely, i fully endorse that...we should not be in too much of a hurry for huge returns

CKirubi: The rest we can discuss on Twitter... Good work my friend.

IAwuondo: you can find us as Commercial Bank of Africa on FB...okay, this has been fantastic. thank you all...kwaherini

Cechoat: Thank you Isaac...We have been chatting about investments with Isaac Awuondo CBA CEO...Also online is Chris Kirubi...Thank you to Habil Olaka KBA CEO as well...Thanks for joining us this is @nurumugambi with KBA ...join us next week...We will be chatting about Islamic banking

Kenya Bankers Association

“My 15 Min Chat with a Bank CEO”

26 July 2012 Chat Log: Investments with Isaac Awuondo

(Continued)

Unanswered Questions

Unfortunately there were several questions that the CEOs did not get to answer due to time constraints. Therefore, the following questions will be addressed by the KBA via Online Posts, including Podcast response:

CapitalFM: Waitimu Anne: what is the best investment areas for Kenyans in Diaspora, real estate, bank savings, forex market

mattmutungi: What investment opportunities would you say are attractive at the moment for someone may be willing to invest around 100k a month

avosok: apart from saving in a bank, where would advice someone who earns 30,000 net to invest??

PITSKATZ: where can somebody earning a gross of 30k invest

Jakano: This is a platform for the bankers association, with this in mind, what does the association have in store for middle-level income earners? say those earning between 50 - 100k who may wish to construct rental premises as a saving/ investing avenue, focus continues to be on those with a net over 100k

Phionah: Say I have 30K, and need more money for capital of a business I want to put up, where can I get the said loan, at short notice?

Jakano: depends on what the investment club invests in and the knowledge of the members of good investment ventures advise young people, what are we not seeing?

CapitalFM: Waitimu Anne: what are the best investment areas for Kenyans in Diaspora, real estate, bank savings, forex market?

shiques: i would like to know other than our NSE are there any other avenues one can invest in that arent pyramid schemes or shylock run business that can help one grow?

murimi: As we Save and Invest, where do we introduce Entrepreneurship... to enable potential Investors have unlimited income as compared to salaried investors.