



Safer, Stronger, Together

Annual Report and Financial Statements For Deposit Insurance Fund For The Financial Year Ending June 30, 2023

Prepared in accordance with the Accrual Basis
of Accounting Method under the
International Financial Reporting
Standards (IFRS)





KEY MILESTONES DURING THE 2018-2023 STRATEGIC PLAN PERIOD



Risk Management



KDIC conducted a comprehensive and implementation of its risk assessment framework (CAMEL) resulting in the successful implementation of a new Differential Premium System (DPS) for risk assessment, this was significant progress in the implementation of its early detection and intervention framework which involved the offsite surveillance on 53 member institutions as a proactive stance in monitoring and intervening where necessary.



Strategic Objective

To enhance early detection and timely intervention of risk exposure.



Implementation of its risk assessment framework (CAMEL)

1



Early detection and intervention framework

2



53 Number of member institutions that had offsite surveillance

3



VISION

A reliable, effective
Deposit Insurer and
Resolution Authority.



MISSION

To protect depositors and enhance
public confidence in the financial
system by promoting sound risk
management and timely resolution.



CORE VALUES

Customer Focus
Integrity
Professional
Fairness
Innovation
Team Work

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ACRONYMS AND GLOSSARY OF TERMS

IFRS	International Financial Reporting Standards	FDIC	Federal Deposit Insurance Corporation
KDIC	Kenya Deposit Insurance Corporation	WHO	World Health Organization
IADI	International Association of Deposit Insurers	KES	Kenya Shilling
CBK	Central Bank of Kenya	ERM	Enterprise Risk Management
QMS	Quality Management System	BCP	Business Continuity Plan
ERM	Enterprise Risk Management	BCM	Business Continuity Management
SP	Strategic Plan	PICFIT	Professionalism, Integrity, Customer Focus, Fairness, Innovativeness, and Teamwork
IR	In Receivership	QMS	Quality Management System
IL	In Liquidation	SCV	Single Customer View
EDW	Electronic Data Warehouse	ATM	Automated Teller Machine
EDW-BI	Electronic Data Warehouse and Business Intelligence	CSR	Corporate Social Responsibility
EDRMS	Electronic Data and Records management System	ISO	International Standard Organization
KDI	Kenya Deposit Insurance	PFM Act	Public Finance Management Act
DIF	Deposit Insurance Fund	EACC	Ethics and Anti-Corruption Commission
DPS	Differential Premium System	CAJ	Commission on Administration of Justice
CAMEL	Capital Adequacy, Asset Quality, management, Earnings and Liquidity	ICT	Information, Communication Technology

KEY ENTITY INFORMATION

Deposit Insurance Systems, is designed to protect small-scale depositors who are less able to monitor and evaluate the strength of a bank against the incentives for greater risk taking by banks. To facilitate the objectives of depositor protection, the DIS establishes a Deposit insurance Fund. In that context, Kenya Deposit Insurance Corporation (KDIC), the successor of Deposit Protection Fund Board (DPFB), established in 1989, established the Deposit Insurance Fund (DIF) in line with Kenya Deposit Insurance Act (KDI Act). The membership of the Fund comprises of all institution licensed by the Central Bank to carry out deposit taking business from the date it is granted the licence.

The management of the Fund is vested in KDIC and is administered by the Board. KDI Act provides that the sources of monies to the Fund to include:

- (a) Monies that existed in the Deposit Protection Fund established under the Banking Act at the commencement of KDI Act
- (b) monies contributed to the Fund by institutions (commercial banks and Microfinance Banks) and any interest or penalties levied in

respect of such contributions;

- (c) monies borrowed from the Central Bank of Kenya in compliance with section 21 of KDI Act or from any other person;
- (d) Appropriation from Parliament under exigent circumstances
- (e) Investment income in line with section 22 of KDI Act;
- (f) monies received as subventions, grants or donations to the Fund; and
- (g) All other monies or assets which may in any manner become lawfully payable to, received by or vested in the Corporation relating to any matter incidental to its powers, duties and functions

The Fund is to be used to:

- (a) Pay the protected depositors of the failed banks in line with the sect coverage limit;
- (b) Repay any loans borrowed from Central bank of Kenya or any other person made under section 21; and
- (c) Pay expenses or disbursements in whole or any part of on account of other expenses incurred or to be incurred by the Corporation in the resolution process. As a receiver or liquidator.

DIRECTORS

The Directors who served during the year ending 30th June 2023 were as follows;

1. Ms. Carol Musyoka
Chairperson (Term ended 20th January, 2023)
2. Mrs. Hannah W, Muriithi, EBS
Chairperson (Appointed 20th January 2023)
3. Hon. Amb. Ukur Yatani, EGH
Cabinet Secretary, The National Treasury & Planning (Term ended 27th September 2022)
4. Prof. Njuguna Ndung'u CBS
Cabinet Secretary, National Treasury & Economic Planning (Appointed 22nd September 2022)
5. Mr. John Njera
Alternate to Cabinet Secretary, The National Treasury & Planning
6. Hon. Paul Kariuki
Attorney General (Term ended November 2022)
7. Hon. Justin B. N. Muturi E.G.H
Attorney General (Appointed November 2022)
8. Mr. Mohamed Deiss Adow
Alternate to Attorney General
9. Dr. Patrick Njoroge
Governor, Central Bank of Kenya (Term ended June 2023)
10. Dr. Kamau Thugge
EBS, MBS, CBS Governor, Central Bank of Kenya (Appointed 19th June 2023)

11. Mr. Gerald Nyaoma
12. Dr. Habil Olaka
13. Mr. John Benson Maina
14. Ms. Anne Agimba
15. Mr. Robert Murimi
16. Mr. Raphael Karbuali Kosen
17. Ms. Melissa Ng'ania
18. Ms. Anne Rimbaine Lengerded
19. Mr. James Agembe Akali
20. Mr. Joseph Kipkemoi Ngetich
21. Mr. Mohamud A. Mohamud
22. Mrs. Hellen Chepkwony

Alternate to CBK Governor (Term ended June 2023)
Director, (C.E.O Kenya Bankers Association)
Director (Term ended 20th January 2023)
Director (Term ended 20th January 2023)
Director (Term ended 20th January 2023)
Director (Term ended 20th January 2023)
Director (Appointed 20th January 2023)
Director (Appointed 20th January 2023)
Director (Appointed 20th January 2023)
Director (Appointed 20th January 2023)
Chief Executive Officer (Ex-officio) (Term ended 9th February 2023)
Chief Executive Officer (Ex-officio) (Appointed in acting capacity on 29th December 2022/substantive appointment on 23rd April 2023)

Corporation Secretary

Mrs. Eunice Kitche - Odour
P.O. Box 45983-00100
Nairobi

Registered Office and Corporate Headquarters:

Kenya Deposit Insurance Corporation
23rd Floor UAP Old Mutual Towers, Upper Hill
P.O. Box 45983 – 00100
Nairobi, Kenya

Corporate Contacts:

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E-mail: customercare@kdic.go.ke
Website: www.kdic.go.ke

Corporate Banker:

Central Bank of Kenya
Central Bank of Kenya Building
Haile Selassie Avenue
P.O. Box 60000 – 00200
Nairobi, Kenya

Independent Auditors:

Auditor General
The Office of the Auditor General
Anniversary Towers, University Way
P.O. Box 30084 – 00100
Nairobi, Kenya

Principal Legal Advisers:

The Attorney General
State Law Office
Harambee Avenue
P.O. Box 40112 – 00200
Nairobi, Kenya



KEY MILESTONES DURING THE 2018-2023 STRATEGIC PLAN PERIOD



Deposit Insurance



KDIC has achieved year on year growth in premium income and investment income, with cumulative premiums collections of Kes.29.7 billion and investment income accumulating to 74.7 Billion within the previous strategic period.

This period also marked the successful implementation of the Electronic Data Warehouse (EDW) for effective and efficient information sharing and data analytics with member institutions; There has also been the review of the coverage limit from Kes. 100,000 to Kes. 500,000; and a fund balance of Kes. 187 billion at end of term.



Strategic Objectives

- To increase the ratio of fund to total deposit from 2.7% in 2018 to 3.4% by 2023.
- To increase the value of deposits covered from 8.75% in 2018 to 16% by 2023
- To ensure payment of protected deposits within 30 days



Kes.29.7B

One year growth in both areas, with cumulative premiums collections

1



Kes.74.7B

Investment income realized in year

2



**Kes.100,000
to
Kes.500,000**

Review of the coverage limit

3



Kes.187B

Fund balance at end of term

4

THE BOARD OF DIRECTORS



Mrs. Hannah W. Muriithi, EBS
Chairperson

Mrs. Hannah Waitherero Muriithi, EBS is an astute and proactive legal mind with a profound background in law, management, and strategic leadership. She possesses a remarkable track record in various positions of responsibility, showcasing her exceptional abilities in governance, legal auditing, and managing Boards of Directors both in the private and public sectors.

As an ardent believer in good governance and accountability, Mrs. Muriithi's impeccable integrity sets her apart. Her dedication to ethical practices led her to become an accredited Governance and Legal Auditor, ensuring the highest standards of transparency and compliance in organizational processes.

Mrs. Muriithi's legal prowess particularly in emerging areas of law is unmatched. Her expertise in Commercial and Research Law has been instrumental in guiding organizations through complex legal challenges and facilitating strategic decision-making processes.

Her leadership acumen extends beyond the legal domain, as she is also proficient in strategic leadership

at both executive and management levels. She possesses a keen eye for efficiency and effectiveness, enabling successful implementation of strategic plans.

Having experienced diverse environments in both the public and private sectors, Mrs. Muriithi is well-grounded acquiring in-depth understanding of government systems, objectives, and policies. Her persuasive negotiation skills and dynamic leadership make her an exceptional team player with a fast-learning curve, adapting swiftly to changing circumstances.

She is revered for her outstanding leadership skills, ensuring that deliverables are of exceptional quality and always on time. She has proven her talent as a change manager, successfully orchestrating organizational restructuring efforts that align with the organization's goals. This dedication and commitment to duty has seen Mrs. Muriithi bestowed with positions of responsibility. She was the Founder Chairperson of the Board of Kenya National Highways Authority (KeNHA), where she spearheaded the operationalization of the organization from inception to

become one of the revered parastatals in the Country. Further, she served as the Chairperson of the National Hospital Insurance Fund (NHIF) and the Agriculture, Fisheries, and Food Authority (AFFA).

Mrs. Muriithi's invaluable contributions and accomplishments have garnered recognition, thus receiving the prestigious Presidential Award of 'Order of the Elder of the Burning Spear' (EBS), for her role in the successful implementation of the upgraded Nairobi-Thika (A2) Superhighway.

Mrs. Muriithi is an active member of the Law Society of Kenya and the Institute of Certified Public Secretaries of Kenya, where she contributes her expertise to the legal and corporate governance communities.

She holds a Master's degree in Business Administration from Moi University, a Bachelor of Law (LLB. Hons.) from the University of Nairobi, and a Diploma in Law, Kenya School of Law. She is also a Certified Public Secretary of Kenya, an Accredited Governance and Legal Auditor, and serves as a Commissioner for Oaths and Notary Public.



Prof. Njuguna Ndung'u,
Cabinet Secretary, National
Treasury & Economic Planning

Prof. Njuguna Ndung'u is the Cabinet Secretary, National Treasury & Economic Planning. He was appointed Cabinet Secretary by President William Samoei Ruto on September 27, 2022. Prior to the current appointment, Prof. Ndung'u was serving as the Executive Director of the African Economic Research Consortium (AERC), a Pan African premier capacity building network of researchers, trainers, students, universities, policy makers and international resource persons. He is an associate professor of economics at the University of Nairobi, Kenya

and the immediate former Governor, Central Bank of Kenya.

Prof. Ndung'u has been a member of the Global Advisory Council of the World Economic Forum, Visiting Fellow of Practice at Blavatnik School of Government, Oxford University, Director of Training at AERC, Program specialist at IDRC and Team Leader in Macro-modelling at the Kenya Institute for Public Policy Research and Analysis. He holds a PhD in economics from University of Gothenburg, Sweden. He is a Member of Brookings Africa Growth Initiative, Member of the Advisory Committee of the

Alliance for Financial Inclusion, that coordinates financial inclusion policies in Africa, Asia and Latin America, and Senior Advisor for the UNCDF-based Better Than Cash Alliance.



**Dr. Kamau Thugge EBS, MBS,
CBS**
Governor, Central Bank of Kenya

Dr. Kamau Thugge C.B.S., is the tenth Governor of the Central Bank of Kenya (CBK), and has been in office since June 19, 2023.

Dr. Thugge joined CBK after a long and distinguished career in the international and Kenyan public service. He worked in the International Monetary Fund (IMF) in both policymaking and non-policymaking departments. These include the Policy Review and Development Department and the Trade Policy Division. In these roles, Dr. Thugge helped to design the Highly Indebted Poor Countries Initiative (HIPC) as well as other policy initiatives. He

also worked on various Article IV missions. Dr. Thugge also served as Mission Chief to Botswana and Lesotho in the wake of the Global Financial Crisis.

Dr. Thugge has held various senior roles in Kenya, including as the Head of the Fiscal and Monetary Affairs Department at the National Treasury, as Economic Secretary and as Senior Economic Advisor. Dr. Thugge also served as Principal Secretary at the National Treasury, and lately as Senior Advisor to the President and Head of Fiscal and Budget Affairs. Dr. Thugge helped to design and implement various laws including the Public Finance Management

Act, the Commission on Revenue Allocation Act, the Independent Officers (Appointment) Act, the Public Procurement and Disposal of Assets Act, and many more. In these roles, he also served on various boards including that of the Central Bank of Kenya, the Monetary Policy Advisory Committee (and later the Monetary Policy Committee), the Kenya Revenue Authority and the Capital Markets Authority.

The Governor holds a Bachelor's Degree from the Colorado College, and Master's and PhD Degrees in Economics from Johns Hopkins University in the United States.



Hon. Justin B. N. Muturi E.G.H
The Attorney General

Hon. Justin B. N. Muturi E.G.H is the Attorney General of the Republic of Kenya and has been in office since November 2022.

Hon. Muturi joined the Office of the Attorney General with a distinguished career in public service and held several prominent leadership positions regionally and in Kenya. He is the immediate former Speaker of the National Assembly and Chair, Parliamentary Service Commission (PSC) for the period 2013-2022. During his tenure, he championed reforms in the administration of resources and efficiency of Committees of the House. He also issued key rulings and guidelines to the National Assembly to ensure full implementation of the constitutional mandate of the House.

Hon. Muturi worked as the Chairperson of the Centre for Multi-Party Democracy during the period 2011 – 2013 and his role was instrumental in initiating reforms for the management of political parties in Kenya in the quest for promoting democracy.

Hon. Muturi was a member of the National Assembly, Siakago Constituency, Embu County for the period 1999 – 2007 and played an instrumental role in the Constitutional review process culminating in the adoption of the 2010 among other key achievements in the Parliament.

Hon. Muturi served in the Judiciary for fifteen (15) years before retiring as Principal Magistrate at the Nairobi Law Courts. While holding this position, he

served as the Chairperson of the Kenya Judges and Magistrates Association.

Hon. Muturi has made significant contributions regionally where he held various leadership positions including the President of the Board of the African Parliamentarians Network Against Corruption (2018), and Chairperson of the Executive Committee of the Commonwealth Parliamentary Association (Africa Region) (2018).

Mr. Muturi holds a Bachelor of Law (LLB. Hons.) from the University of Nairobi, and a Postgraduate Diploma in Law, Kenya School of Law.



Mr. James Agembe Akali,
Director

Mr. James Akali is a distinguished Senior Finance and Operations expert with over 15 years of valuable expertise in the public and private sectors, including NGOs and projects funded by reputable organizations such as USAID, PEPFAR, Global Fund, and World Bank. He has a demonstrable track record of implementing industry best practices in accounting, finance, operations, and administration.

Currently serving as the Finance and Administration Director at OGRA Foundation, Mr. Akali oversees various operational teams, including finance, grants, human resources, administration, procurement, logistics,

security, and information technology.

Mr. Akali is highly skilled in financial planning and budget management, contributing significantly to organizational goals. He is well-versed in implementation of financial policies and establishment of internal controls to ensure the proper utilization of resources as well as transparency.

Throughout his career, Mr. Akali has managed USAID-funded contracts, demonstrating comprehensive knowledge of USAID regulations and compliance. He possesses strong problem-solving abilities and adapts quickly to changing circumstances, providing innovative solutions to

complex issues. His ability to establish strong relationships with stakeholders enhances his effectiveness as a leader.

He is a member of Chartered Institute of Public Accountants of Kenya (ICPAK) and currently pursuing a PhD. (Finance) and ACCA Certification. Mr. Akali who is currently pursuing his Ph.D in Finance, holds an MBA in Business Administration – (Finance) from Maseno University, a Bachelor's degree in Business Administration (BBA-Finance) from Maseno University, a Diploma in Business Management as well as a Certificate in Project Management from Metropolitan School of Business and Management, United Kingdom.



Ms. Melissa Ng'ania
Director

Ms. Melissa Ng'ania is an outstanding legal professional with excellent personal competencies and an impressive career spanning over 10 years.

She has been actively involved in various legal firms and boards, contributing her legal expertise to matters of public interest. Ms. Ng'ania is deeply devoted to community service and has served as the legal advisor to All Saints' Cathedral Nairobi since 2019, offering valuable guidance on legal matters impacting the Church.

Ms. Ng'ania is also a dedicated trainer with the Red Cross Society, where she provides pro bono

legal training on the rights of key populations and persons living with HIV and AIDS. As such, she has been involved in mentorship programs through the Law Society of Kenya, actively contributing to the development of young lawyers.

As a member of the Environment and Land Court Bar Bench under the Law Society of Kenya, Ms. Ng'ania played a vital role in providing recommendations and guidelines on court proceedings during the Covid-19 pandemic. She is currently serving as the Managing Partner at Ng'ania and Company Advocates, a private legal practice based in Nairobi, Kenya.

As a committed legal professional, Melissa is an active member of the Law Society of Kenya, LSK Court of Appeal Bar Bench and LSK Practice Standard & Ethics committee. Additionally, she holds a membership with the Chartered Institute of Arbitrators and is a certified mediator trained by the Mediation Training Institute.

She is currently pursuing a Doctor of Philosophy (PhD) in Law at the University of Nairobi. Ms. Ng'ania holds a Master of Laws (LLM) with specialty in Law, Governance and Democracy from the University of Nairobi, a Bachelor of Laws (LLB) from Makerere University and a Post-Graduate Diploma from the Kenya School of Law.



Ms. Anne Rimbaine Lengerded
Director

Anne Lengerded is an accomplished professional with a bias in policy development and analysis as well as supplies chain management.

Her impressive educational background, complemented by her professional qualifications, has been the driving force behind her exceptional career in her area of expertise. With her unwavering dedication to knowledge and growth, Ms. Lengerded continues to make immense contributions

to various organizations and committees, leaving a lasting impact on Kenya's vital sectors.

Ms. Lengerded is a member of the esteemed Chartered Institute of Purchasing Supplies (CIPS) and the Kenya Institute of Supplies Management (KISM), a clear testament to her commitment to staying abreast of industry best practices and continuous professional development.

She holds a Master's degree in Public Policy and Analysis from Jomo Kenyatta University of Agriculture and Technology and a Bachelor of Arts degree in Commerce from Kenyatta university among her other academic qualifications.



Mr. Joseph K. Ng'etich
Director

Mr. Joseph Ng'etich is a dedicated and accomplished professional, with a passion for People Management and Human Resource (HR) Development. With a remarkable career spanning over two decades, Mr. Ng'etich has honed his expertise in various disciplines, including Performance Management, Leadership, Talent Development, Strategy, Planning, Business Growth, Change Management, and Procurement. His dedication to excellence is evident in his pursuit of higher education and continuous professional development.

Currently engaged with Third-Eye Consulting Ltd as a Human Resource Management consultant, his invaluable insights and strategic thinking have contributed significantly to organizations seeking to optimize their HR practices and talent management. Mr. Ng'etich's expertise has thus led to documented successful resolution of complex HR challenges in the institutions he has worked with.

Throughout his career, Mr. Ng'etich has achieved several notable accomplishments, showcasing his leadership skills

and problem-solving abilities. Specifically, Mr. Ng'etich played a pivotal role in developing the Risk Management Framework for the State Department of Social Services under the Ministry of Labour in 2021. He also served as a facilitator in Governance training for Kajiado county government and the County Assembly of Wajir in 2019 and 2020 respectively, contributing to the capacity building and talent development within these organizations.

With strong interpersonal skills and a team-oriented approach, he is adept at getting the best out of available resources and fostering a motivated work environment. His attention to detail and strong communication skills enables him to execute projects with precision and effectiveness.

Away from his consultancy work, Mr. Ng'etich holds various memberships in professional associations. These include the Institute of Human Resource Management (IHRM), the Kenya Institute of Management (KIM), and the Institute of Directors. He currently chairs the Kapsabet Nandi Water and Sewerage Company (KENAWASCO) making a positive impact on governance

and administration.

Mr Ng'etich boasts of an impressive academic background and is pursuing a Doctorate degree in Leadership and Organizational Development at United States International University-Africa (USIU-A).

Prior to this, he achieved a double concentration -Master of Business Administration degree in Strategic Management and Human Resources Management from United States International University (USIU). He also holds a Bachelor's degree in Business Administration from the esteemed University of Eastern Africa Baraton and a Higher Diploma in Human Resource Management from the prestigious Institute of Human Resource Management (IHRM).



Dr. Habil Okunda Olaka
Director (Chief Executive
Officer of the Kenya Bankers
Association)

Dr. Olaka was appointed as Chief Executive Officer of the Kenya Bankers Association (KBA) in October 2010. He is responsible for the strategic direction of the Association, covering industry advocacy, development, and sustainability. Previously he was the Director of Operations of the East African Development Bank (EADB) based in Kampala after serving as the Resident Manager in Kenya. He earlier served the Bank as the Head of Risk Management and as the Chief Internal Auditor.

Before joining the Bank, Dr. Olaka had been with Banque Indosuez (now Bank of Africa) as the Internal Auditor. He started his career at the

PricewaterhouseCoopers, Nairobi in the Audit and Business Advisory Services Division. He sits on a number of boards representing the KBA. These are Kenya Deposit Insurance Corporation (KDIC), Higher Education Loans Board (HELB), National Research Fund (NRF), Federation of Kenya Employers (FKE), and the Anti-Money Laundering Advisory Board (AMLAB) as alternate to KBA Chairman. He is the National President of the Federation of Kenya Employers and the Chairman of the board of the Centre for Corporate Governance (CCG). He also sits on the board of the National Housing Corporation (NHC).

Dr. Olaka holds a Doctor of

Business Administration from USIU-Africa, a First-Class Honours BSc degree in Electrical Engineering from the University of Nairobi, and an MBA in Finance from the Manchester Business School in the UK. His DBA dissertation was on the influence of strategic leadership on the implementation of strategy in the commercial banks in Kenya.

He is a member of the Institute of the Certified Public Accountants of Kenya (ICPAK). He is an alumnus of the Strathmore School of Accountancy, a Certified Executive Coach and has a good command of the French language.



Eunice Kitche-Oduor
Board Secretary & Director
Legal Services

Eunice Kitche-Oduor (Mrs) is a legal practitioner currently working with KDIC as the Corporation's Secretary and head of legal. She has practiced law for over 18 years, thus gaining hands-on experience and exposure in legal practice, leadership and management.

She has actively practiced litigation and conveyancing over the years. Before joining KDIC, Mrs. Oduor worked for 14 years as company secretary and head of legal in

various state corporations. She has served in various capacities within government, boards and CEOs and in the process, accumulated a unique appreciation of government thinking and direction in the boards of State Corporations.

Eunice holds a Bachelor of laws degree (LLB), from the University of Nairobi, a diploma in law from the Kenya School of Law and a Masters of Business Administration

in Strategic Management from Maseno University. She is also an advocate of the High Court of Kenya, a Certified Public Secretary CPS (K) and a member of Institute of Certified Secretaries in Kenya (ICS) in good standing.



Mrs. Hellen Chepkwony
Chief Executive Officer

Mrs. Hellen Chepchumba Chepkwony is an astute professional with a demonstrable progressive track record in strategic leadership and management, spanning over twenty years. She is a distinguished economist and risk management professional with extensive exposure in both the public and private sectors.

Mrs. Chepkwony's illustrious career has seen the University of Nairobi alumna gain tacit knowledge, which has been instrumental in the creation and management of highly productive teams.

She has thus achieved remarkable successes in her transformative agenda, striking a balance between cost reduction, efficiency and high productivity through the savvy implementation of process improvements.

As a passionate, and service-oriented thought leader, Mrs. Chepkwony has proven ability to direct and enhance operations across dynamic environments, combining exceptional skills with a proactive work ethic and commitment to achieve organizational success.

Mrs. Chepkwony has been instrumental in sector engagements, taking a lead role in the formulation of requisite financial policies through extensive research, immensely contributing to the entrenchment of Kenya's economic blue-print and engagement in regional trade, fostering financial stability and more fundamentally, the overall economic agenda of the country.

Specific highlights include her contribution to the Financial Sector Assessment Program with the International Monetary Fund, formulation of key frameworks that saw among others, KDIC's transition into a fully-fledged State Corporation and deposit insurer, resolution of problem banks as well as the upward review of the Corporation's coverage limit of Ksh. 500,000.

Having begun her career at the then Ministry of Finance, now The National Treasury and Economic Planning, Mrs. Chepkwony has served in various capacities including her latest posting at the Central Bank of Kenya, prior to her appointment as KDIC's acting Chief Executive Officer.

She holds M.A and B.A degrees in Economics, both from the University of Nairobi and is a member of the Institute of Risk Management.



KEY MILESTONES DURING THE 2018-2023 STRATEGIC PLAN PERIOD



Prompt Resolution



KDIC introduced a mobile application that enables debtors of institutions in liquidation to conveniently pay their debts. The application works through e-citizen by use of short messaging systems (SMS) to communicate with depositors seamlessly, enhancing the overall debt recovery process. KDIC implemented use of Alternative Dispute Resolution (ADR) methods, which has led to increased recoveries from 18% in 2018 to 45.3% in 2023.



Strategic Objectives

- To ensure a decision is made on the most appropriate resolution option within 60 days by 2023 for non-systematic institutions
- To ensure effective and efficient receivership/liquidations
- To increase the debt recovery rate from 20% in 2018 to 30% by 2023



e-citizen

Enables debtors of institutions in liquidation to conveniently pay their debts

1



Use of (SMS) to communicate with depositors seamlessly

2



18% to 45.3%
Implementation of alternative dispute resolution increased recoveries

3

SENIOR MANAGEMENT



Mrs. Hellen Chepkwony
Chief Executive Officer

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She holds M.A and B.A degrees in Economics, both from the University of Nairobi and is a member of the Institute of Risk Management.



Paul Manga
Director, Risk & Examination

Mr. Paul Manga heads the Directorate of Risk and Examination. He has 15 years of experience in the banking sector having worked with both local and international institutions. As a finance and risk professional, Mr. Manga has worked for seven years in the departments of Finance & Accounts, Treasury Operations and Market Risk functions at the Standard Chartered Bank, during which he made significant contribution to the institution's overall growth. In addition, Mr. Manga was a Senior Market Risk Analyst and Regional Business Manager (EA) at the Kenya Commercial Bank – Group Treasury, for a period of 8 years

He holds a BSc degree in Agriculture Engineering; MBA (Finance Option); Post Graduate Diploma in Business Management; Certified Investment and Finance Analyst- CIFA (K); ACI Dealing and ACI Operation for Treasury. He is a member of the Institute of Certified Investment and Finance Analyst (ICIFA)



David Irungu
Director, Resolutions

Mr. David Irungu heads the Directorate of Resolutions. He oversees the resolution process of the 18 institutions in liquidation and 1 bank in receivership.

Mr Irungu has a wealth of experience in strategy formulation and implementation, fundraising for debt and equity, business growth and development, sales and relationship management, Compliance and risk management, budgeting, financial planning and performance monitoring. He is the former Chief Executive Officer at KEY Micro Finance Bank Ltd. He also served as the Senior Business Growth & Development Manager- Supreme Banking at the Equity Bank (K) Limited – Operations Division. Mr. Irungu holds a Master of Science degree in Finance and Investments from Kenya Methodist University (KEMU), a Bachelor of Commerce (finance option) from the University of Nairobi and is a Certified Public accountant C.P.A (K) and PRINCE II practitioner.



Robert Mbarani Ingasira;
Director, Corporate Services

Mr. Robert Mbarani heads the Directorate of Corporate Services. With a career spanning over 20 years, Mr Mbarani has gained immense experience in Finance, Accounting, Human Resource and project management, having worked with various organizations in the Public Sector.

As the head of Corporate Services function, Mr. Mbarani offers strategic leadership to the Finance, Human Resource, Communications and Information Technology divisions of the Corporation. He holds an MBA in Finance from Moi University and a Bachelor of Arts (Mathematics and Economics) from the University of Nairobi.

In addition, Mr. Mbarani holds a higher Diploma in Human Resource Management. He is a member of the Institute of Human Resource Management (IHRM) as well as Institute of Certified Accountants of Kenya (ICPAK).

Mr. Mbarani has successfully attended various management courses on Corporate Governance, Risk Management and Strategic Management.



Eunice Kitche-Oduor
Board Secretary & Director
Legal Services

Eunice Kitche-Oduor (Mrs) is a legal practitioner currently working with KDIC as the Corporation's Secretary and head of legal. She has practiced law for over 18 years, thus gaining hands-on experience and exposure in legal practice, leadership and management.

She has actively practiced litigation and conveyancing for four years. Before joining KDIC, Mrs. Oduor worked for 14 years as company secretary and head of legal in various state corporations. She has served in various capacities within government, boards and CEOs and in the process, accumulated a unique appreciation of government thinking and direction in the boards of State Corporations.

Eunice holds a Bachelor of laws degree (LLB), from the University of Nairobi, a diploma in law from the Kenya School of Law and a Masters of Business Administration in Strategic Management from Maseno University. She is also an advocate of the High Court of Kenya, a Certified Public Secretary CPS (K) and a member of Institute of Certified Secretaries in Kenya (ICS) in good standing.



Mary Kiragu
Director, Internal Audit

Mary Kiragu is a credible and a distinguished Professional with over 15 years of experience in Internal Auditing, Compliance and Risk Management drawn from both public and private sector organizations.

As an Audit and a Risk Professional, Mary has been instrumental in establishing Risk Management Functions in various organizations and implementing risk-based audits that has strengthened internal controls to distinguished levels.

As the Head of Internal Audit at KDIC, Mary provides independent and objective assurance to the Board and Management on the effectiveness of internal controls, governance and risk management processes. Additionally, Mary provides advisory services at KDIC, geared towards to adding value and improving risk management and control processes implemented.

Mary holds an MBA in Finance from Daystar University and a Bachelor of Education degree

(Accounting and Economics) from the University of Nairobi. She is Certified Public Accountant, Certified Information Systems Auditor and a Certified Risk Analyst.

She is a member of the Institute of Certified Public Accountants of Kenya (ICPAK), Institute of Internal Auditors (IIA) and Information Systems Audit and Control Association (ISACA).



REPORT OF THE
CHAIRPERSON

As we look back at the 2018 to 2023 Strategic Plan cycle, we are proud to report that we have achieved many of the ambitious goals we set for the organization. This strategic plan served as a roadmap for growth, innovation, and impact.

Dear Stakeholders,
I am pleased to present to you the Annual Report of the Kenya Deposit Insurance Corporation's (KDIC) Deposit Insurance Fund, on behalf of the Board of Directors and management.

The Corporation made significant milestones in the financial year despite heightened global uncertainties, volatile financial markets, weaker growth outlook, persistent inflationary pressures, geopolitical tensions, and lingering effects of the COVID-19 pandemic.

Globally, the economic outlook was clouded by a number of risks, with disruptions in the global supply chain caused by war in Ukraine further contributing to inflation and slower growth. During the year in review, inflation rates hit multi-decade highs in many countries, and Central Banks across the globe raised interest rates in an effort to slow it down. This led to slower economic growth, as higher interest rates made it more expensive for businesses to borrow money and invest.

In Kenya, the economic growth rate, remained in line with

country's long-term growth trajectory. This was on the backdrop of difficult global financial conditions, shocks to the price of fuel and food, and a historic drought that had an impact on the economy, particularly in the second half of 2022. As of June 2023, Kenya's overall inflation rate remained at 7.9%. This was an increase compared to the previous year, primarily due to the aforementioned factors.

The recent turmoil in the financial markets has sparked debates about the function of deposit insurance and the suitability of deposit coverage levels. The failures of Silicon Valley Bank and Signature Bank in March 2023 particularly exposed how banks globally are vulnerable to quick and widespread deposit withdrawals. This is exacerbated by the adoption of digital transaction systems and the highly concentrated depositor structures across the globe, with Kenya being no different.

In order to promote public confidence in the banking system, the Corporation strengthened its offsite surveillance system

in accordance with our strategic focus. Additionally, the Corporation established programs for crisis preparedness, contingency planning and increased stakeholder consultations and collaboration in order to work together to protect depositor interests.

As we look back at the 2018 to 2023 Strategic Plan cycle, we are proud to report that we have achieved many of the ambitious goals we set for the organization which extend to the Deposit Insurance Fund. This strategic plan served as a roadmap for growth, innovation, and impact.

While we celebrate our successes, we also acknowledge the challenges we faced along the way. The strategic plan cycle was not without its obstacles, vulnerabilities in the global economic systems exacerbated by the COVID-19 pandemic resulted in slowed growth. However, these challenges have taught us resilience, adaptability, and the importance of agility in an ever-evolving world.

As we conclude this strategic plan cycle, we are eager to embark on

Further I wish to extend my warmest appreciation to the outgoing and founding CEO of KDIC, Mr. Mohamud A. Mohamud who has been an exemplary leader, steering the ship through both calm waters and storms. His vision, leadership, and tireless dedication have been central to the achievements over the years.

the next phase of our journey. Our commitment to excellence remains unwavering, and we are in the process of shaping a new strategic plan that will guide us through the coming years.

The Board of Directors was reconstituted during the period under review, in the third quarter of the financial year 2022–2023, which resulted in the appointment of five (5) independent board members. This facilitated the Corporation's activities geared toward achieving its mandate. During the year, Board of Directors were engaged in various capacity building initiatives, key among them being induction and training on business continuity planning and enterprise risk management. Additionally, the Board approved various policies that aligned towards achievement of the strategic goals.

I wish to appreciate the exiting Board members who have been the guiding force behind strategic decision-making, providing invaluable insights, governance, and wisdom throughout their tenure. Their tireless efforts in setting the direction for the organization, ensuring

compliance, and fostering a culture of transparency have been instrumental to the Corporation's successes.

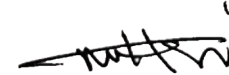
Further I wish to extend my warmest appreciation to the outgoing and founding CEO of KDIC, Mr. Mohamud A. Mohamud who has been an exemplary leader, steering the ship through both calm waters and storms. His vision, leadership, and tireless dedication have been central to the achievements over the years. Under his guidance, we were able to achieve significant milestones i.e., increased deposit cover limit, risk-based premium assessment for member institutions and even global recognition as the best deposit insurance in 2016.

In closing, I extend my heartfelt gratitude to the Board, management, staff and all stakeholders who have been instrumental in our journey so far. Your unwavering support and dedication have been the driving force behind our achievements.

As we turn the page to a new strategic plan cycle, we do so with optimism, determination, and a steadfast commitment to

delivering value and making a positive impact.

Safer. Stronger. Together.



Mrs. Hannah W. Muriithi, EBS
Chairperson of the Board of Directors



KEY MILESTONES DURING THE 2018-2023 STRATEGIC PLAN PERIOD



Stakeholder Engagement



KDIC conducted targeted public awareness campaigns to inform and educate the public about its role and functions in the deposit insurance system which increased the public awareness index from 9% in 2018 to 14% in 2023.



Strategic Objectives

- To increase public awareness levels from 9% in 2018 to 40% by 2023.
- To strengthen complaints handling and consumer protection.
- To embrace best practices.



**9% to
14%**

Increased the
public awareness
index

1



REPORT OF THE CHIEF EXECUTIVE OFFICER

Kes. 6.1tr to 7.1tr

During the year, the sector saw an increase in total assets from Kes. 6.1 trillion in June 2022 to Kes. 7.1 trillion in June 2023.

29% to 27%

The mix of assets changed with investments in government securities declining from 29% in June 2022 to 27% in June 2023 of total assets.

Kes. 3.2tr to 3.6tr

Loans and advances increased slightly from Kes. 3.2 trillion in June 2022 to Kes. 3.6 trillion in June 2023.

Kes. 4.6tr to 5.2tr

The deposit liability increased from Kes. 4.6 trillion in June 2022 to Kes. 5.2 trillion in the year under review.

It is with pleasure that I present the Kenya Deposit Insurance Corporation's Deposit Insurance Fund Annual Report and Financial Statement for the period ended June 2023. The report highlights the performance of the Fund and the impact of the activities implemented in the period under review, towards promoting sustainable development.

Operating environment

The country's financial sector has remained sound and stable in the period under review, due to sufficient capital and liquidity buffers, coordinated policy reforms and measures, and robust regulatory oversight.

The banking sector remained sound and stable despite several challenges, and most notably the persistent rise in inflation globally and across the region driven by various factors both in the internal and external environments. During the year, the sector saw an increase in total assets from Kes. 6.1 trillion in June 2022 to Kes.

7.1 trillion in June 2023. The mix of assets changed with investments in government securities declining from 29% in June 2022 to 27% in June 2023 of total assets. Consequently, loans and advances increased slightly from Kes. 3.2 trillion in June 2022 to Kes. 3.6 trillion in June 2023. the deposit liability increased from Kes. 4.6 trillion in June 2022 to Kes. 5.2 trillion in the year under review. The growth reflected the banking industry's efforts in mobilizing additional deposits to enhance the liquidity position.

Strategic wins

The year under review marked the retirement of the Corporation's 2018 – 2023 Strategic Plan whose implementation formed the foundation that steered the Corporation towards the vision of becoming a premier deposit insurance scheme.

On the Deposit Insurance focus area, the Corporation maintained a deposit insurance coverage limit of Kes. 500,000. Subsequently, insured deposits increased from

Kes. 744 billion in June 2022 to Kes. 788 billion in June 2023.

In the period under review, the Corporation collected premium assessment income of Kes. 7.3 billion which was an increase from Kes. 6.8 billion in the previous year. The premium assessment was based on the risk-based premium model which classifies member institutions into five premium categories based on the CAMEL rating. Additionally, the Corporation earned investment income of Kes. 20 billion during the year, an increase of Kes. 3.9 billion from the previous year. The increase was mainly due to growth in the investment portfolio as a result of increased premium revenue. This therefore resulted to growth of the fund from Kes. 160 billion in June 2022 to Kes. 187 billion in June 2023.

Secondly, on risk management pillar, the Corporation enhanced its early detection efforts through risk profiling of member institutions. The surveillance is in line with the mandate of providing incentives for sound

**REPORT OF THE
CHIEF EXECUTIVE OFFICER**

Kes. 3.2tr to 3.6tr

Consequently, loans and advances increased slightly from Kes. 3.2 trillion in June 2022 to Kes. 3.6 trillion in June 2023.

Kes. 4.6tr to 5.2tr

the deposit liability increased from Kes. 4.6 trillion in June 2022 to Kes. 5.2 trillion in the year under review.

Kes. 500,000

On the Deposit Insurance focus area, the Corporation maintained a deposit insurance coverage limit of Kes. 500,000.

**Kes. 744bn
to 788bn**

Subsequently, insured deposits increased from Kes. 744 billion in June 2022 to Kes. 788 billion in June 2023.

On Stakeholder engagement, and in order to promote public confidence in the financial sector, the Corporation recognizes the need for partnership and collaboration with stakeholders.

risk management to member institutions. The Corporation continued to implement the CAMEL rating framework for member institutions. Additionally, there was enhanced information sharing with member institutions. During the period, the Corporation embarked on stakeholder engagements for the review of the risk based premium model and CAMEL rating model.

On Stakeholder engagement, and in order to promote public confidence in the financial sector, the Corporation recognizes the need for partnership and collaboration with stakeholders. Additionally, we value feedback from our stakeholders and engage expressively with them. During the year under review, the corporation hosted various stakeholder engagements that formed the basis for present and future successes.

As I welcome you to study this report, I wish to express sincere gratitude to the Corporation's Board, management and staff for their commitment and

dedication that are well evident in the outlined achievements. Additionally, I appreciate all stakeholders, specifically member institutions, who continue to play a critical role towards the achievement of the strategic goals. The subsequent sections of this report highlight the performance of the Corporation in the financial year ended June 2023.



Hellen Chepkwony
Chief Executive Officer



KEY MILESTONES DURING THE 2018-2023 STRATEGIC PLAN PERIOD



Organizational Capacity



During the strategic period, the Corporation deployed a culture change program aimed at achieving our desire to build a sustainability culture amongst our employees; KDIC maintained a staff retention rate of 96.6% with a diversity mix of 67% male and 33% female employees. The Corporation continued to entrench a performance management system to assist in the realization of objectives and align all sections to the achievement of the strategic plan.



Strategic Objectives

- To review the legal and regulatory framework
- To enhance talent management
- To entrench a robust organizational culture
- To enhance operational efficiency
- To promote good corporate governance practices



Maintained a staff retention rate of
96.6%

1



Staff diversity mix
33%

2



Staff diversity mix
67%

3












Entrenchment of performance to align all sections to the achievement of the strategic plan.

4

GOVERNMENT PERFORMANCE CONTRACT

The Government uses performance contracting as its key commitment for results management in its endeavor to improve service delivery in the public service. The Corporation's Board of Directors signed a performance contract with the Government through the Ministry of National

Treasury and Planning for the financial year 2022/2023. The following highlight a summary of the Corporation's Performance Contract achievements;

Financial Stewardship	Service Delivery	Core Mandate
 Absorption of allocated fund The Corporation absorbed 71% of the allocated funds	 Implementation of Citizen's Service Delivery Charter <ul style="list-style-type: none"> The Corporation implemented 100% of Charter 	 Deposit Insurance Fund The deposit insurance fund grew to Kshs. 187 billion, exceeding the Kshs. 173 billion performance target
 Pending bill <ul style="list-style-type: none"> There were no pending bills for the period 	 Business Process Re-engineering <ul style="list-style-type: none"> Implemented 98% 	
	 Resolution of public complaints <ul style="list-style-type: none"> Implemented 98% 	
Financial Stewardship	Service Delivery	Core Mandate
 Dividend Payment <ul style="list-style-type: none"> The Corporation made dividend payment to depositors of 3 Institutions in liquidation 	 Document Resolution experience <ul style="list-style-type: none"> The Corporation documented resolution experiences for 4 institutions out of a performance target of 2 institutions. 	 Loans Recovery <ul style="list-style-type: none"> The Corporation recovered loans of Kshs. 1,004M from borrowers of failed institution. This was against a target of Kshs. 155M.

Core Mandate



Revenue Collection

- All the revenue earned of Kshs. 288 was collected against a target of Ksh. 228.

Core Mandate



Document Resolution

- The Corporation document resolution experiences for 4 institutions out of a performance target of 2 institutions.

Core Mandate



Stakeholder Engagement

- KDIC held 9 sensitization sessions with its member institutions to enhance risk minimization.
- The Corporation also held 3 sensitization session towards strengthening asset tracing, preservation and realization.

Presidential Directives



Tree Planting

- Towards the Implementation of Presidential Directives, KDIC planted 15,000 trees.

Access to Government Procurement Opportunities (AGPO)



Procurement from Special Groups

- The Corporation procured goods and services worth Kshs. 21M from special groups being women, youth and persons with disabilities.

Asset Management



Asset Management

- The Corporation maintained asset register for fixed asset.
- Corporation established assets due for disposal and is in the process of initiating disposal.

STATEMENT OF PERFORMANCE AGAINST PREDETERMINED OBJECTIVES

The Corporation's performance objectives are defined in its Strategic Plan (2018 - 2023). Further, as a government agency, KDIC signs annual Performance Contract with the parent ministry, The National Treasury and Economic Planning.

The Strategy currently being implemented has five thematic areas namely; Risk Management, Deposit insurance, Prompt Resolution, Stakeholder management and Organizational capacity. These remained key focus areas during the year under review.

Strategic Pillars and Themes

Strategic Objectives

- To increase the fund coverage from 2.7% of total deposits in 2017 to 3.4% by 2023
- To increase the proportion of deposits covered from 8.75% in 2017 to 16% by 2023
- To reduce payment period of protected deposits from 14 day in 2018 to 7 days by 2023



Deposit Insurance



Prompt Resolution

Strategic Objectives

- To increase public awareness levels from 9% in 2028 to 34% by 2023
- To strengthen complaints handling
- To embrace best practices



Stakeholder Management



Organizational Capacity

Strategic Objectives

- To enhance early detection and timely intervention of risk exposure



Risk Management

Strategic Objectives

- To ensure a decision is made on the most appropriate resolution option within 60 days for non-systemic institutions
- To ensure effective and efficient receivership/liquidations
- To increase the debt recovery rate from 20% in 2028 to 30% by 2023

Strategic Objectives

- To have a supportive legal and regulatory framework
- To enhance talent management
- To entrench a robust organizational culture
- To enhance operational efficiency
- To promote good corporate governance practices

The Corporation's Strategic Plan is broken down to annual work plans that define the initiatives for the plan's coverage period. During the implementation of the strategic plan through the annual work plans, the Corporation further defines its Performance Contract for a year of operation and this contract is signed by the Corporation and The National Treasury and Planning. Throughout the corporate performance

management process that starts with strategic planning to performance contracting, the Corporation incorporates the requirements of various government directives issued from time to time.

The highlights of the Corporation's Performance Contracting status are highlighted below.

Achievement of strategic objectives

Strategic Pillar	Objective	KPI	Activities	Achievements
Risk Management	Enhance early detection and timely intervention of risk exposure	Implement an early detection and intervention framework	Review and implement a risk assessment framework (CAMEL)	Implemented
			Implement early detection and intervention framework	Conducted offsite surveillance on 53 member institutions. We also conducted capacity building on Crisis Preparedness and Contingency Planning and prompt resolution.
			Stakeholder engagement on sound risk management	The Corporation conducted 4 stakeholder engagement sessions covering all our member institutions during the year.

Strategic Pillar	Objective	KPI	Activities	Achievements
Deposit Insurance	Achieve a coverage ratio of 23.25% by 2023	Increase in coverage ratio	Collect the deposit insurance premium (Kes.7.2B).	The Corporation assessed and collected Kes. 7.4B.
			Prudent investment of Funds - Income (Kes.15.3B)	The Corporation's prudently invested monies from the fund to maximize return while managing liquidity. This led to a revenue of Kes.20.4B against a target of Kes.15.3B.
Stakeholder Management	Increase public awareness levels from 9% in 2018 to 40% in 2023	Increase public awareness index	Conduct a targeted public awareness campaign	The Corporation conducted a public awareness campaign in collaboration with print, electronic and digital media aimed at sensitizing the public on KDIC mandate as well as enhancing confidence on safe-banking
			Develop and disseminate IEC Material	The Corporation distributed IEC material to members of the public during the year. These were KDIC branded merchandise to encourage the public to take up formal banking.

Strategic Pillar	Objective	KPI	Activities	Achievements
Prompt Resolution	Increase the debt recovery rate from 20% in 2018 to 30% by 2023	Debt recovery growth rate	Recover loans of Kes. 150M.	The Corporation was able to recover debts from failed banking institutions of Kes. 503M.
			Implement convenient loan repayment options	The Corporation implemented and is currently running mobile application that has enabled debtors of institutions in liquidation to conveniently pay their debts through e-citizen.
			Increase the number of loan repayment methods	
Organizational capacity	Enhance absorption rate (Allocated funds)	Budget utilization	Implementation of approved establishment	The Corporation's staff compliment is at 37% of its approved staff establishment.
			Develop and disseminate IEC Material	The Corporation distributed IEC material to members of the public during the year. These were KDIC branded merchandise to encourage the public to take up formal banking.

CORPORATE GOVERNANCE STATEMENT

The Corporation has incorporated a corporate governance framework which defines its systems, processes and policy structure that enhances its efficiency and accountability in decision making on issues that affects its mandate, operations and key stakeholders. This framework ensures that the Corporation employs ethical decision-making processes in relation to the Board, Management, staff and key stakeholders of the Corporation.

The Corporation upholds the principles of governance for sound governance enshrined in the Constitution 2010. The Board applies good governance

practices in compliance with the, Mwongozo Code, which is the Code of Governance for State Corporations, the Kenya Deposit Insurance Act, No. 10 of 2012 and the State Corporations Act No. 11 of 1986, Public Finance Management Act No. 18 of 2012, international best practices amongst other laws key in the administration of State Corporations.

The Board adheres to the governance principles incorporated in the Board Charter. The Board members are committed in upholding high standards of ethical and moral behaviour, action in best interest

of the Corporation, recognition of the legitimate interests of all stakeholders and good corporate citizenship.

The Board has developed the necessary policies, processes, systems and procedures that continue to guide operations of the Corporation. The Board undertakes periodic reviews of the policies and its governance practices to take into account statutory developments, best practices in corporate governance and the prevailing practices to achieve the mandate of the Corporation.

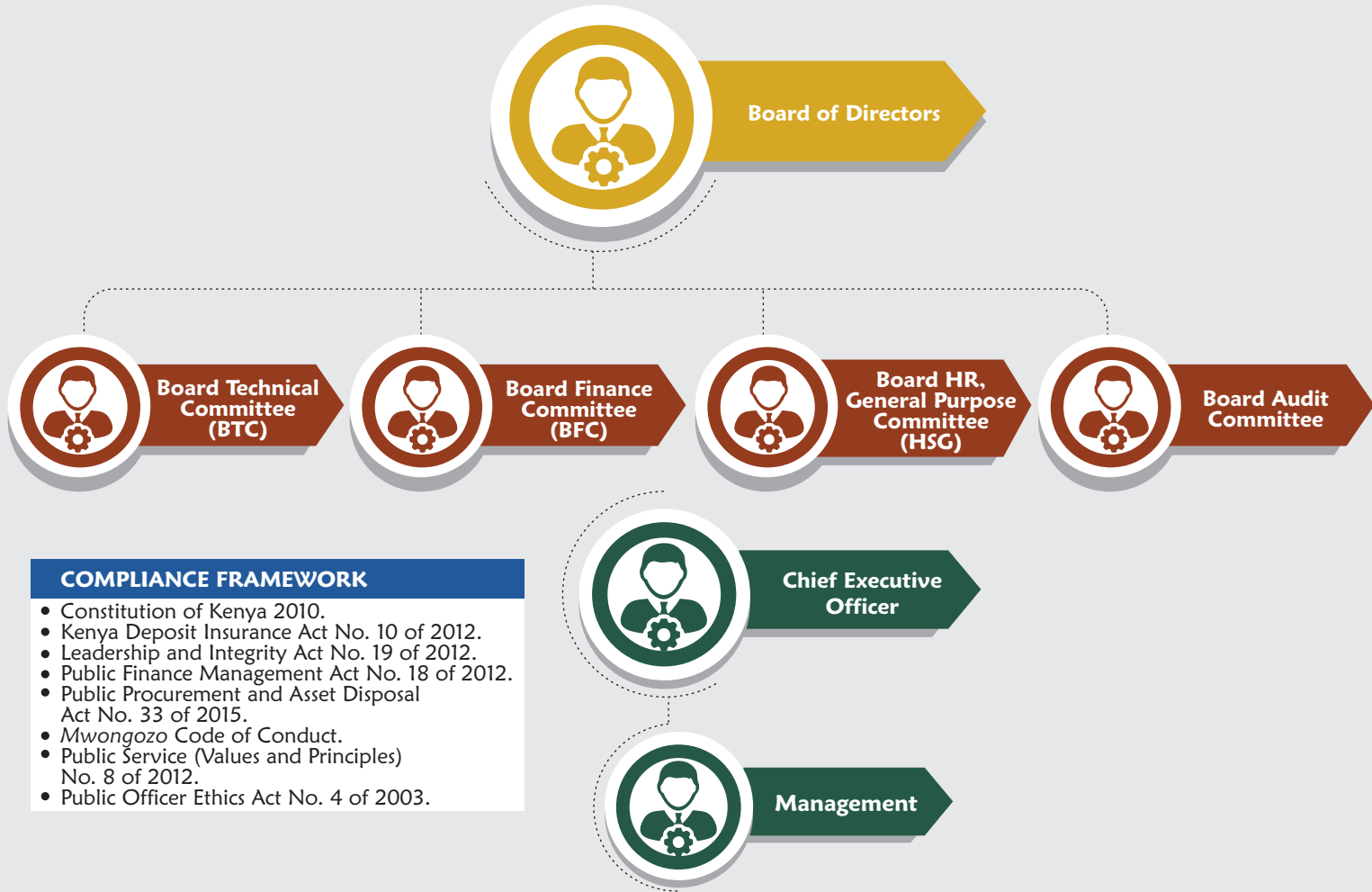
The Corporation is committed in

ensuring that the Board is trained on specific governance related courses to empower them with high standards and practices in corporate governance. The Corporation conducts induction for every new member of the Board. The Board steers the implementation of the Governance Audit findings as par the Mwongozo Code.

Governance Structure and Framework

According to the Corporation's Charter and the requirements set forth under the Mwongozo Code, the Corporation has adopted the following governance structure: -

Governance Structure



Composition of the Board of Directors

The Board comprises of ten members including the Chairperson and the Chief Executive Officer who sits as an ex-officio member. The Members of the Board are drawn from diverse professional backgrounds of which five are independent members. The non-executive Directors are expected to have a clear understanding of the strategy of the Corporation as well as knowledge of deposit insurance. During the year under review, the Board had 5 independent members including the Board Chairperson.

In facilitating sustainability, the Board, through the SCAC conducts regular review the skills, knowledge, experience and diversity represented on the Board, against the skills and experience needed to deliver the strategy of the Corporation and continues to make efforts on diversifying the skill set.

The Corporation's Board membership structure is set under the Kenya Deposit Insurance Act No. 10 of 2012 including the qualifications and skill set of the Board Members. The membership is represented as follows;

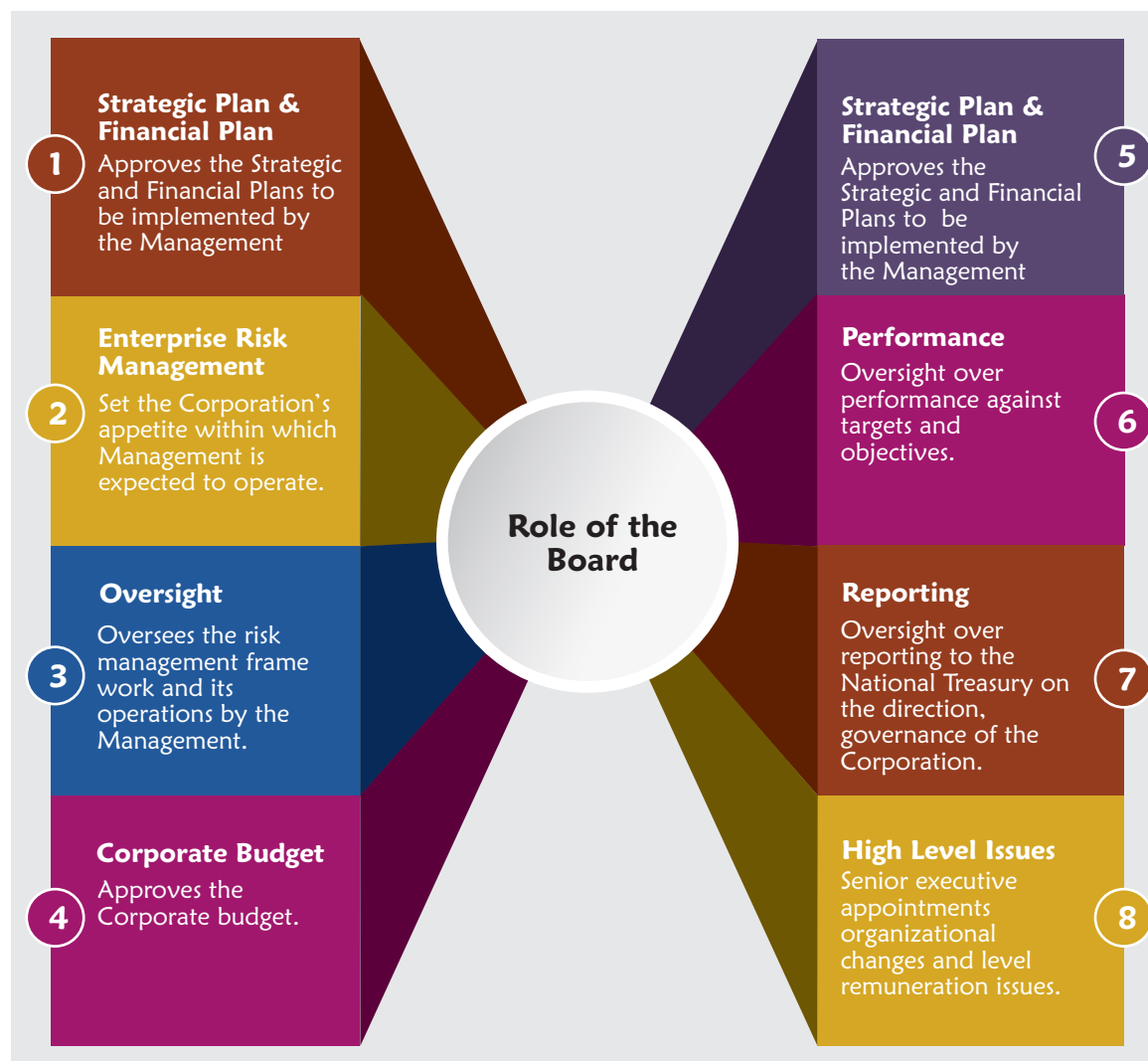


The Board composition is driven by the following principles: -

- The Composition complies with the Constitution of Kenya and applicable legislation.
- The Board must comprise of a majority of independent directors.
- The Board should consist of directors with a broad range of skills, experience and expertise from a diverse range of background with at least one member with expertise in financial management and accounting.
- The members of the Board can act independently.
- The Chairperson of the Board must be an independent director.

Role of the Board

The Board Charter approved and periodically reviewed ensures that the Board undertakes its mandate within the parameters of the law because it clearly defines the roles and responsibilities of the members as summarized below;

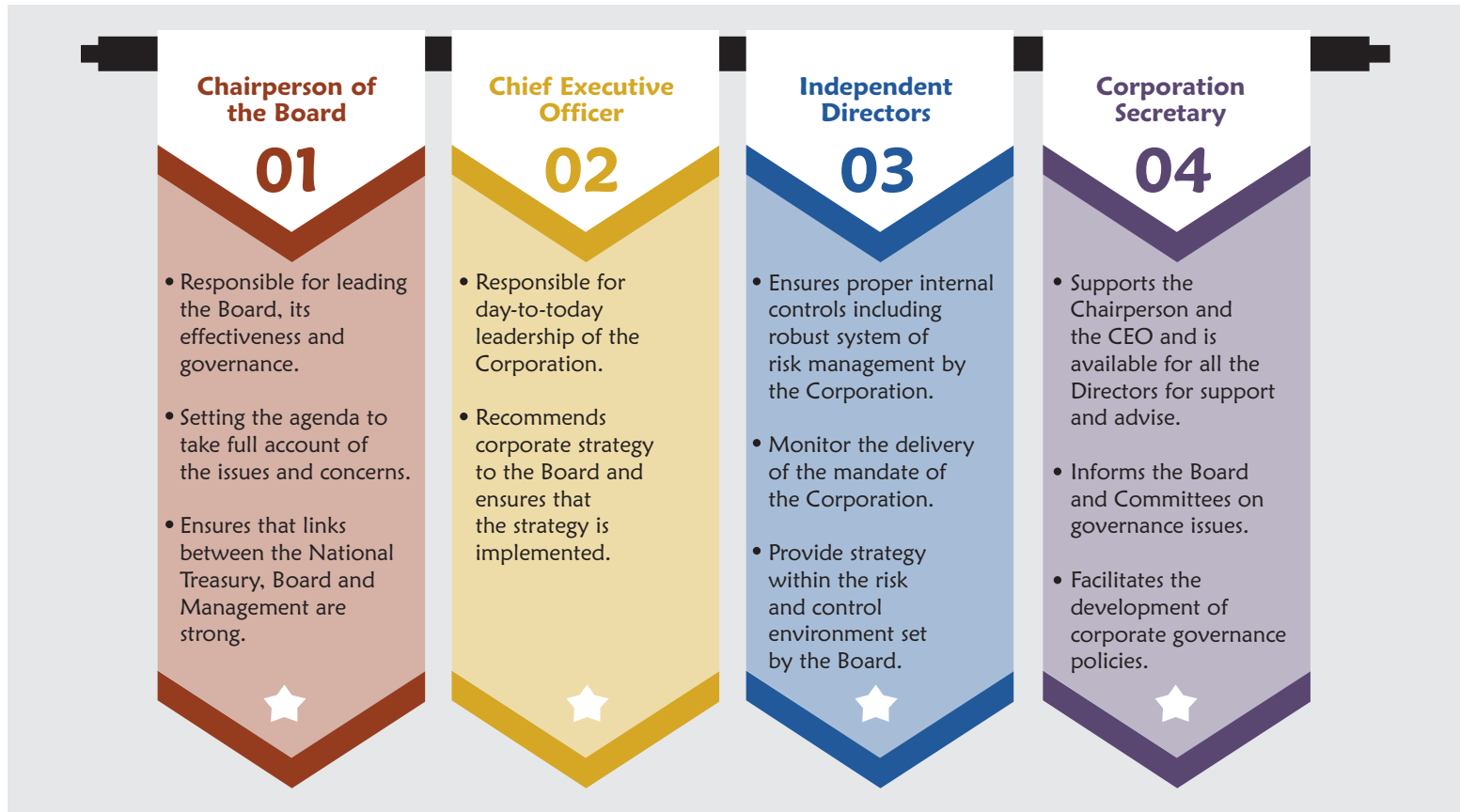


Separation of Roles and Responsibilities

The roles of the Chairperson, Independent Director, Chief Executive Officer and the Corporation Secretary are distinct from each other and

ensures that no single person dominates in decision-making but rather their roles complement it each other in steering the Corporation in achieving its statutory mandate.

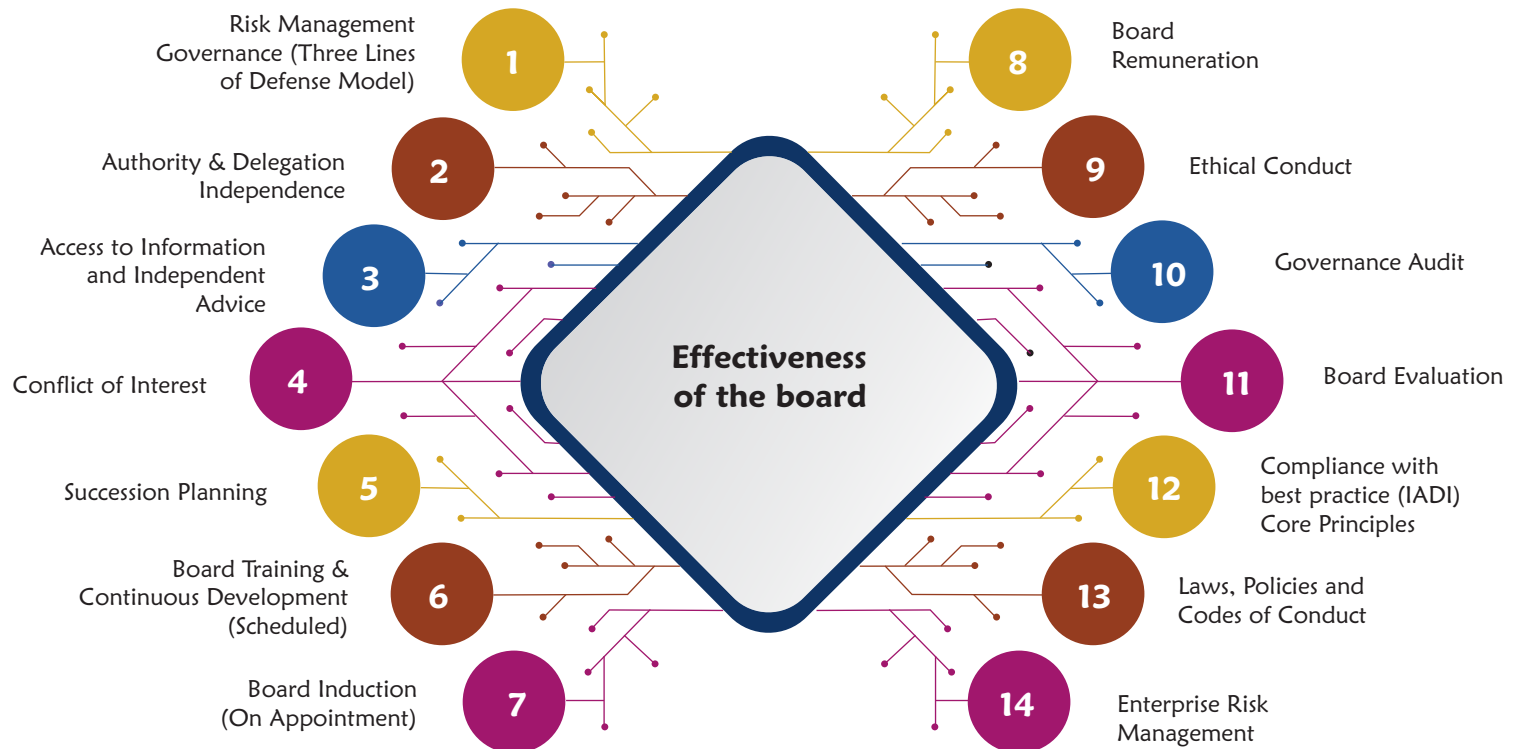
Figure 5: Roles and Responsibilities



Effectiveness of the Board

The effectiveness of the Board is defined by the corporate governance tools set in the Board Charter and the Mwongozo Code of Governance.

The governance parameters defining the Corporation's Board effectiveness are summarized below;



Authority and Delegation

The Board Charter sets out the authority and matters reserved for determination and approval by the Board and those to be performed by the Committees and the Management. These include decisions concerning strategy and long-term objectives of the Corporation, financial planning and financial budgets, significant contracts and various statutory and regulatory approvals.

Matters related to the approval of the remuneration policy, resource management, risk management framework and risk appetite are also Board reserve matters. To assist it in discharging these responsibilities, the Board has established Board Committees to give detailed consideration to key issues.

Independence of the Board

The Kenya Deposit Insurance Act No. 10 of 2012 requires that the Corporation should have at least five independent Board members appointed by the Cabinet Secretary based on their professional experience

in banking, finance, insurance, commerce, law, accountancy or economics. Accordingly, the Board members are considered to be independent when they are separated from the Management, and are not conflicted to the extent of interfering with the management of the affairs of the Corporation, or any other members capacity to act independently on issues that are in the best interest of the Corporation.

Access to Information and Independent Advice

The Board is entitled to seek any information it requires from any employee or from any other source. Procedures are in place, through the Board Chairperson and the Corporation Secretary, enabling the Directors to have access, at reasonable times, to all relevant corporate information and to Senior Management, to assist them in the discharge of their duties and responsibilities and to enable them to take informed decisions.

The Directors in discharging their mandate, are also entitled to obtain independent legal,

accounting or other professional advice at the Corporation's expense. The Board may conduct or direct any investigation to fulfil its responsibilities and can retain, at the Corporation's expense, any legal, accounting or other services that it considers necessary from time to time to fulfil its duties. Directors are expected to strictly adhere to the provisions of the statute applicable to the use and confidentiality of information.

Conflict of Interest

The Board of Directors of the Corporation must avoid any situation which might give rise to a conflict between their personal interest and that of the Corporation. The Directors are each responsible to notify the Chairman and the Corporation Secretary of any actual or potential conflict of interest situations as soon as they arise.

All members of the Board are required to register any areas of conflict of interest on first appointment to the Board and subsequently at the commencement of every Board meeting. The Corporation maintains a conflict-of-interest register that is regularly reviewed by the Board.

Any Director with a material personal interest in any matter being considered during any Board or Committee meeting will not vote on the matter or be present when the matter is being discussed and considered. During the year 2022/2023, except for the directorship held by the Cabinet Secretary, National Treasury, the Attorney General and the Governor Central Bank of Kenya, CEO, Kenya Banker's Association all other Directors of the Corporation were considered independent. No incidences of material conflict of interest were identified for any of the independent Directors.

Board Succession Planning

The Board considers the succession planning of the Corporation as a key governance parameter. The appointment of independent Directors is undertaken by the Cabinet Secretary (National Treasury) in line with the KDI Act and other applicable laws. In making the appointment, the Cabinet Secretary considers skills, knowledge and experience of the applicants.

The key terms and conditions of a Director's appointment are documented in a letter of appointment. The KDI Act stipulates that independent Board Members are expected to serve a term of three years, renewable once. To ensure that there is continuity, the appointments of the Board Members is conducted in a manner which ensures that the terms of the independent Board Members do not end at the same time. The Corporation promptly notifies the Cabinet Secretary of any vacancy in the Board.

The Corporation trained the Board Members on business continuity planning which includes succession planning to ensure that the Members are appraised on current trends to support the Corporation. The Corporation is keen on implementing staggered recruitment and termination of the independent Board members to ensure continuity of the business of the Corporation.

Board Induction and Training

All newly appointed Board members participate in an induction program. The induction

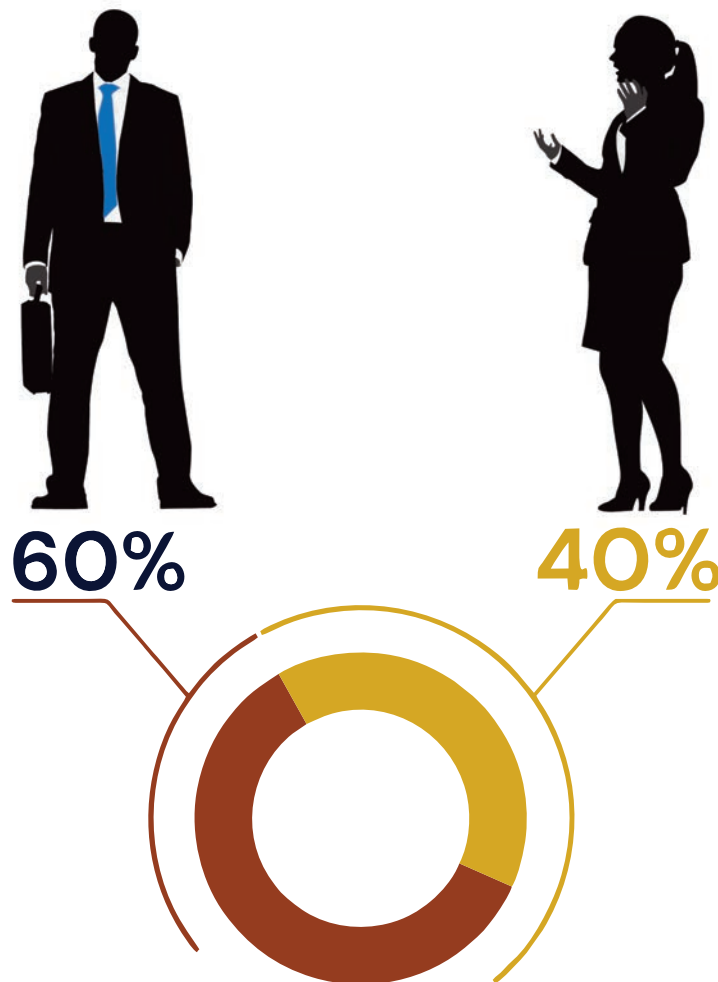
program includes a series of meetings with other Directors, the Chief Executive Officer and the Senior Management to enable new Directors familiarise themselves with the business of the Corporation.

The Chairperson regularly reviews the professional development needs of each Director. The program of continuing education ensures that the Board is kept up to date with developments in deposit insurance both locally and globally. It includes sessions with State Corporations Advisory Committee in the areas of general corporate governance and also in Corporation's core mandate.

The Board during the Financial Year 2022/2023 undertook education sessions touching on deposit insurance, risk management and corporate governance.

Gender Diversity

The Board upholds gender diversity enshrined under the Constitution 2010 which requires that the Corporation implement the two-third gender rule. The Board gender parity is represented as follows;



Governance Audit and Compliance Audit

The Mwongozo Code of Governance mandates the Board in State Corporations to undertake annual governance audit.

The Corporation, under the guidance of the Board has established implementation tools for the findings of governance audit and has since established a mechanism to address the gaps identified. The Corporation undertakes an annual self-assessment of its level of

compliance with the Mwongozo Code of Governance. The results are reviewed and corrective action is taken.

The Corporation is implementing the recommendations of the legal compliance audit to ensure compliance with all applicable laws and identify any new gaps that may pose a risk to the operations of the Corporation.

Board Evaluation

The Board has in place a procedure for assessment of its

performance and that of the Board Committees, individual Directors and the Corporation Secretary annually not only as a measure of their performance, but also to comply with the Mwongozo Code of Governance.

The State Corporations Advisory Committee (SCAC) evaluated the Board's performance and documented areas of improvement for implementation in the Financial Year 2023/2024.

Board Committees

The Board, in order to undertake

its mandate effectively and efficiently, has four committees, which exercises delegated authority to facilitate the Board in achieving its functions. The membership of the Committees is drawn from the range of skills across the Board and shared responsibilities.

For technical committees such as the Board Audit Committee, the Board ensures that at least one member has a background in accounting or expertise in finance and is a member of good standing with the Institute of Certified Public Accountants of Kenya.

Membership And Functions Of The Board Committees

Committee	Members of The Committee	Terms of Reference
THE BOARD TECHNICAL COMMITTEE (BTC)	<ul style="list-style-type: none"> i. Ms. Anne Agimba (Chairperson) (Term Ended 20th January 2023) ii. Mr. James Akali (Chairperson) (Appointed 20th January 2023) iii. Dr. Habil Olaka (C.E.O Kenya Bankers Association) iv. Mr. Mohamed Adow (Alternate to the Attorney General) v. Governor CBK vi. Mr. Mohamud Ahmed Mohamud – C.E.O (Term Ended 9th February 2023) vii. Mrs. Hellen Chepkwony – C.E.O (Appointed 23rd April 2023) viii. Ms. Melissa Ngania (Appointed 20th January 2023) 	<p>The Committee supports the Board in meeting the key mandate of the Corporation under the Kenya Deposit Insurance Corporation. The responsibilities of the Committee are summarized below;</p> <ul style="list-style-type: none"> i. The Committee make recommendation to the Board on the following core mandate of the Corporation; <ul style="list-style-type: none"> • Resolution. • Risk & Examination. ii. The Committee receives management reports/status updates on inspection, and management recommendations on prompt corrective actions for member institutions and provide their input before presentation to the Board.

Committee	Members of The Committee	Terms of Reference
		<ul style="list-style-type: none"> iii. The Committee considers and reviews reports from the receiver manager on the receivership process of institutions under - receivership before presentation to the Board. iv. The Committee reviews the status reports of Institutions in receivership and in liquidation prepared by the Management before recommending them to the full Board for relevant action.
FINANCE COMMITTEE (BFC)	<ul style="list-style-type: none"> i. Dr. Habil Olaka (Chairperson) ii. Mr. Mohamed Adow (Alternate to the Attorney General) iii. Mr. John Njera (Alternate to the CS, National Treasury and Economic Planning) iv. Mr. Mohamud Ahmed Mohamud – C.E.O (Term Ended 9th February 2023) v. Mrs. Hellen Chepkwony – C.E.O (Appointed 23rd April 2023) vi. Mr. Robert Murimi (Term Ended 20th January 2023) vii. Mr. Joseph K. Ngetich (Appointed 20th January 2023) 	<p>The Committee plays an oversight role on the finance and procurement in the Corporation and reports to the Board. Key responsibilities of the Committee are summarised below;</p> <ul style="list-style-type: none"> i. The Committee considers and make recommendation on policies documents relating to the following for Board approval: - <ul style="list-style-type: none"> • Finance • Procurement ii. The Committee reviews and make recommendation to the Board on the following reports: - <ul style="list-style-type: none"> • Budgets and procurement plans. • Annual accounts and thereafter submit to the Office of the Auditor General (OAG). The Committee has a duty to ensure that the accounts with supporting documentation are submitted to the OAG within three (3) months after the end of the financial year. • Quarterly financial and Performance Contract reports. iii. The Committee ensures compliance with Kenya Deposit Insurance Corporation Act, State Corporations Act, Financial Management Act 2012, Public Procurement and Asset Disposal Act 2015, Public Audit Act and other related legislation.

Committee	Members of The Committee	Terms of Reference
		<ul style="list-style-type: none"> iv. The Committee participates in the drafting, negotiation, vetting and evaluation of the Corporations Performance Contract. v. The Committee monitors and evaluates the GOK/ KDIC Annual Performance Contract.
BOARD HR, STRATEGY & GENERAL-PURPOSE COMMITTEE (BHSGPC)	<ul style="list-style-type: none"> i. Ms. Anne Agimba – Chairperson (Term Ended 20th January 2023) ii. Joseph K, Ngetich – Chairperson (Appointed 20th January 2023) iii. Mr. Mohamed Adow (Alternate to the Attorney General) iv. Mr. John Njera (Alternate to the CS, National Treasury and Economic Planning) v. Mr. John B. Maina (Term Ended 20th June 2023) vi. Mr. Mohamud Ahmed Mohamud – C.E.O (Term Ended 9th February 2023) vii. Mrs. Hellen Chepkwony -C.E.O (Appointed 23rd April 2023) viii. Raphael Karbuali Kosen (Term Ended 20th January 2023) ix. Ms. Anne Lengerded (Appointed 20th January 2023) 	<p>Human resource</p> <ul style="list-style-type: none"> i. The Committee ensures compliance with employment laws. ii. The Committee receives and considers Management reports on staff matters such as disciplinary cases, staff exits, recruitments, promotion, job evaluation, training, career progression salary reviews and other related matters. iii. The Committee reviews the monitoring and evaluation plan and tool for the effective implementation of the plans and continuous improvement of the corporation's performance management system. iv. The Committee ensures compliance with the various National workplace policies such as Gender & Equality, Persons with Disability, Alcohol and drug abuse, HIV/AIDS, and National Cohesion and Integration etc. <p>Strategy</p> <ul style="list-style-type: none"> v. The Committee guides the Board on the Corporation's strategic direction including the short, medium and long term plans of the corporation. vi. The Committee guide's the Management and Board on the development of and periodic review of the Strategic plan.

Committee	Members of The Committee	Terms of Reference
BOARD AUDIT COMMITTEE (BAC)	i. Ms. Anne Lengerded (Appointed 20th January 2023)	The Committee provides oversight on the Corporation's risk management, governance and internal controls in accordance with the approved Board Audit Committee Charter. The Committee undertakes the following key activities;
	ii. Mr. John Njera (Alternate to the CS, National Treasury and Economic Planning)	
	iii. Governor CBK	
	iv. Ms. Anne Agimba (Term Ended 20th January 2023)	
	v. Mr. Mohamed Adow (Alternate to the Attorney General)	i. Risk management and internal controls. ii. Financial reporting and disclosure matters. iii. External auditor oversight responsibilities. iv. Internal audit oversight responsibilities.
	vi. Mr. John B. Maina (Term Ended 20th January 2023)	The Committee comprises of six (6) members with diverse skills and expertise in public policy, economics and finance. Two members of the Committee are Advocates with considerable legal skills. The other four members have considerable skills in public policy development, finance, economic and administration of public bodies.
	vii. Mr. Raphael Karbuali Kosen (Term Ended 20th January 2023)	
	viii. Ms. Melissa N'gania (Appointed 20th January 2023)	
	ix. Mr. James Akali (Appointed 20th January 2023)	

Meetings of the Board and the Committees of the Board

The Board has in place an Annual Work Plan and Almanac that sets out the Board activities in every financial year. The Board meets at least once every quarter, and additionally, when necessary. The Annual Work Plan and Almanac are prepared at the beginning of the financial year and the Board papers and agenda are circulated in advance of each meeting.

During the year ending 30th June, 2023, the Board held a total of eleven meetings and various Committee sittings. The increase in the number of the meetings was necessitated by the transition in the office of the Chief Executive Officer and appointment of new Board members. The meetings undertaken by the Board and its Committees in compliance with the requirements of Mwongozo Code are shown in the table below:-

Board Director	Board Meetings	Board Technical Committee (Btc)	Board Finance Committee (Bfc)	Board Hr, Strategy & General-Purpose Committee (Bhsgpc)	Board Audit Committee (Bac)
Ms. Carol Musyoka (Chairperson) (Term Ended 20th January, 2023)	6	N/A	N/A	N/A	N/A
Mrs. Hannah W. Muriithi, EBS (Chairperson) (Appointed 20th January 2023)	4	N/A	N/A	N/A	N/A
Mr. John Njera Alternate to the CS, National Treasury and Economic Planning	10	N/A	7	3	4
Mr. Mohamed Adow Alternate to the Attorney General	11	4	8	7	1
Dr. Patrick Njoroge Governor CBK (Term Ended June 2023)	5	N/A	N/A	N/A	N/A
Dr. Habil Olaka CEO Kenya Bankers Association	10	3	5	N/A	N/A
Ms. Anne Agimba (Term Ended 20th January 2023)	6	1	N/A	4	3
Mr. John B. Maina (Term Ended 20th January 2023)	5	N/A	N/A	3	3
Mr. Robert Murimi (Term Ended 20th January 2023)	1	1	2	N/A	N/A

Board Director	Board Meetings	Board Technical Committee (Btc)	Board Finance Committee (Bfc)	Board Hr, Strategy & General-Purpose Committee (Bhsgpc)	Board Audit Committee (Bac)
Mr. Raphael Karbuali Kosen (Term Ended 20th January 2023)	5	N/A	N/A	1	2
Mr. Gerald Nyaoma (Alternate To CBK Governor) (Term Ended June 2023)	2	1	N/A	N/A	3
Ms. Melissa Ng'ania (Appointed 20th January 2023)	5	2	N/A	N/A	1
Ms. Anne Rimbaine Lengerded (Appointed 20th January 2023)	5	N/A	N/A	4	2
Mr. James Agembe Akali (Appointed 20th January 2023)	5	2	N/A	N/A	2
Mr. Joseph Kipkemoi Ngetich (Appointed 20th January 2023)	6	N/A	4	4	N/A
Mr. Mohamud A. Mohamud C.E.O (Term Ended 9th February 2023)	3	1	3	4	N/A
Mrs. Hellen Chepkwony C.E.O (Appointed In Acting Capacity On 29th December 2023/Substantive Appointment On 23rd April 2023)	3	2	5	5	N/A

* N/A - not a member of the committee.

Risk Management Framework

The Corporation, being a key player in the financial sector, is faced with a myriad of challenges in its operations and the effective management of risk is a fundamental enabler of its Strategic Plan. The strategy employed for the management of risks is aimed at ensuring protection of depositors of member institutions and enabling sustained performance.

The Corporation is committed to having risk management policies, processes and practices that support a high standard of governance. This enables management to undertake prudent risk-taking activities. The Board oversees the risk management strategy and framework taking into account the risk appetite, requirements of the Kenya Deposit Insurance Act No. 10 of 2012 and strategic and mandate of the Corporation.

The Corporation has adopted a 'three lines of defense' model for risk management. The overarching principle of the model is that the risk management capability must

be embedded within the business to be effective. The Corporation undertakes continuous training and awareness on the enterprise management framework as a safeguard for risk management.

The framework act as the foundation for effective risk management across KDIC. The Risk Management Framework covers all systems, structures, policies, processes and people that identify, measure, evaluate, monitor, report and control or mitigate both internal and external sources of material risk. The Risk Management Framework is regularly reviewed in light of emerging risks arising from the changing business environment, better practice approaches and regulatory expectations.

Policies and Standard Operation Procedures

The Corporation has in place policies that capture not only our legal obligations, but also the reasonable expectations of the stakeholders, including customers. These policies apply to all employees and Directors of KDIC, and anyone working on the Corporation's behalf, including

contractors and consultants. The Corporation adopts zero tolerance to all forms of corruption, bribery and unethical business practices.

Ethical Conduct

The Corporation's Code of Ethical Conduct adopts the ethical standards under the Constitution and applicable standards for public officers. It covers a range of areas including personal conduct, integrity, honesty, transparency, accountability, fairness and prevention of corruption. It emphasizes the importance of making the right decisions and behaving in a manner that builds respect and trust in the organization. The Code sets out clear behavioral requirements and consequences where these are not met. The Corporation has in place a number of policies and practices to promote a culture of compliance, honesty and ethical behavior.

Board Remuneration

The remuneration of the Board is guided by SCAC and the applicable laws. The Chairperson is paid a monthly honorarium as stipulated in the letter of

appointment. Board members are paid a sitting allowance that is based on the number of meetings attended. The Board members are reimbursed any expenses incurred in line of duty including mileage.

Membership to Professional Bodies

The Corporation's Board of Directors are members of diverse professional associations. The Corporation ensures that its directors are equipped with sufficient knowledge by undertaking relevant training on their development and certified courses from relevant professional bodies recognized in Kenya.

Compliance with IADI Core Principles for Effective Deposit Insurance Systems

The International Association of Deposit Insurers is the umbrella body that promotes guidance and international cooperation on deposit insurance, globally. KDIC is one of the inaugural members of the association which was founded in 2002, and has a current membership of 86 deposit

















insurers. The IADI Core principles (16 in number) for effective deposit insurers are developed for adoption by jurisdictions considering the adoption or reform of their deposit insurance systems.

The Corporation continuously aligns its operations and legal framework to the guidance of these principles, and was voted the best deposit

insurer in the world, in 2016.

The Corporation is compliant with a number of the IADI Core Principles of Deposit Insurance. The Corporation has thirteen (13) core principles that are fully compliant, two (2) principles that are partially compliant and one (1) principle that is not applicable in undertaking its core mandate.

Core Principles for Effective Deposit Insurance Systems

Public policy objectives		Cross-border issues		Sources and uses of funds		Early detection and timely intervention	
Mandate and powers		Deposit insurer's role in contingency planning and crisis management		Public awareness		Failure resolution	
Governance		Membership		Legal protection		Reimbursing depositors	
Relationships with other safety net		Coverage		Dealing with parties at fault in a bank failure		Recoveries	

MANAGEMENT DISCUSSION AND ANALYSIS

Prompt Resolution Of Failed Banks And Microfinance Banks

As the sole resolution authority in the country, Kenya Deposit Insurance Corporation (KDIC), continues to carry out its mandate of taking over problem banks, liquidating and subsequently winding them up as guided by the KDI Act 2012.

Resolution Process

KDIC has been designated as the sole and exclusive receiver of any financial institution that has been placed under receivership by the Central Bank of Kenya. KDIC looks into ways to resolve the bank, but if that doesn't work, it advises CBK to liquidate the remaining institution. Should liquidation, however, prove to be economically unviable, KDIC will request an order from the High Court to wind up the institution in accordance with KDI Act 2012.

KDIC works to ensure that the resolution process is carried out in an effective and efficient manner as it carries out this mandate. The diagram below illustrates the resolution process of a financial institution;

Table 1: Number of Institutions under statutory management, liquidation and wound up.



Figure i: The resolution process



1. Receivership

KDIC's mission to preserve the stability and integrity of the Kenyan banking system includes the receivership process as a crucial component. It makes sure that depositors' money is protected and that failing institutions are resolved in an orderly fashion with the least possible disruption to the larger financial system. To protect the interests of depositors and the general public, the

KDIC has established procedures and guidelines for carrying out receiverships in line with the KDI Act.

2. Liquidation

Bank liquidation refers to the process through which a bank or financial institution is closed down and its assets and liabilities are effectively managed, often due to insolvency or other severe financial distress. The primary

goal of bank liquidation is to protect the interests of depositors, creditors, and the stability of the financial system. Liquidation is last option in the resolution process where the depositors are promptly paid their insured deposits. Subsequently, the depositors are paid dividend pay-outs from funds realised from loan repayments and realization of assets. During the financial year, one of the large depositors of Imperial Bank Limited (IL) filed several

suits challenging the liquidation process. However, this was successfully contested by the Corporation hence paving way for the payment of protected deposits.

There are currently eighteen (18) institutions in liquidation, and the following milestones were achieved during the year in review:



**DECLARED
DIVIDENDS**

199m



**LOAN
RECOVERIES**

1,004m

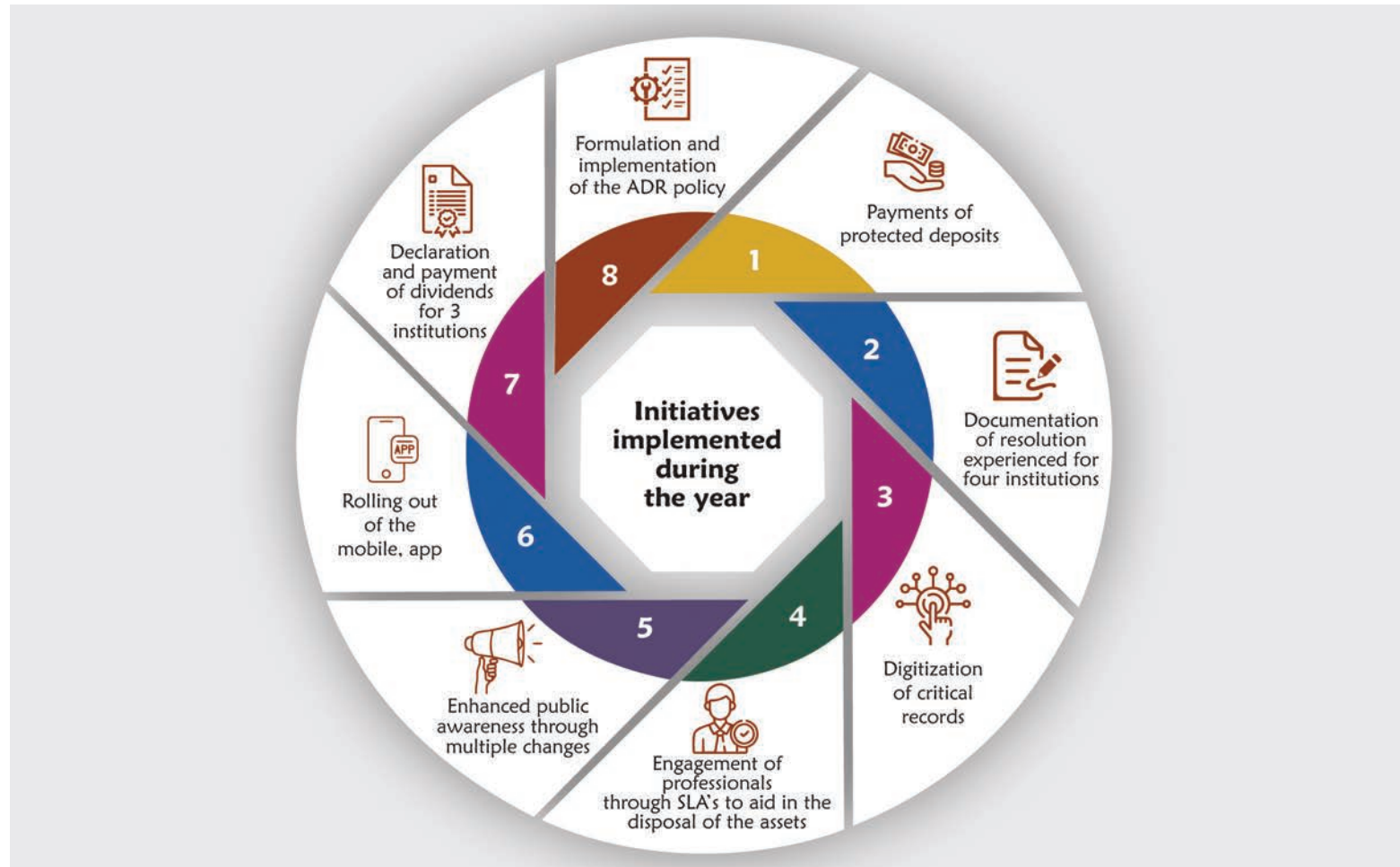


**PAYMENT OF
PROTECTED DEPOSITS**

677m

Initiatives implemented during the year

To ensure timely resolution of the institutions in liquidation, the Corporation implemented several initiatives as illustrated in the diagram below;



a. Payment of protected deposits

The Corporation, having been appointed as Liquidator of two financial institutions i.e., Chase Bank Ltd (IL) and Imperial Bank (IL), continued making payment of protected deposits in line with section 33 of the KDI Act, 2012. Depositors of Chase Bank Ltd (IL) and Charterhouse Bank (IL) became the first beneficiaries of the enhanced protected payment of Kes. 500,000 per depositor. By the end of the financial year 2022/2023, Kes. 635,741,420 had been paid out to claimants leading to full compensation of up to 177 depositors of Chase bank Ltd (IL). By partnering with SBM Bank, we were able to achieve a high claim rate by depositors 60.43% of the insured funds being paid out against an exposure of Kes.1.043 billion.

In spite of the legal challenges, Imperial Bank Ltd (IL) was also able to make protected payments of Kes.42.5 million as at 30th June 2023 and the process is still ongoing.

Payment of protected deposits instills confidence in the financial system, safeguards the savings of depositors and promotes economic stability by preventing bank runs and ensures that individuals and businesses can trust their banks. This encourages financial stability and general growth of the economy.

b. Digitization of Critical Records and Rolling Out of the Mobile App

In line with the Government's digitization program that aims to modernize public services,

enhance efficiency, and promote transparency by leveraging digital technologies, thereby driving economic growth and improving the overall quality of life for its citizens, KDIC was able to digitize most of its critical records. This will go a long way in ensuring timely and efficient service delivery to the public. Through digitization these records are easily accessed and restored in case of a disaster in line with the business continuity plan.

During the year, the rollout of the Mobile app saw positive feedback from customers who previously had to pay outstanding debts by physically visiting their banks or through the CBK branches. The mobile App has made it easier for customers to access their statements on a real time basis. It is envisaged that future payment of dividends and communication to customers will be via the

mobile app to increase the reach.

c. Formulation and Implementation of the ADR Policy

Alternative Dispute Resolution (ADR) is crucial as it provides a cost-effective and efficient means for resolving conflicts and disputes outside of traditional court litigation, fostering timely resolutions, reducing legal burdens, and promoting better relationships among parties involved. During the period in review, the Corporation formulated and implemented a robust ADR policy. This has resulted in amicably settling matters out of court hence resulting in enhanced debt recovery (up from Kes.984.2 million the previous financial year to Kes.1,004 million) in a cost-effective manner.

Status update for the 19 Institutions in Liquidation

1

Charterhouse Bank Limited (IL) was placed in liquidation in May 2021. However, payment of protected deposits was stopped by a court order that is still in force. As at liquidation, the institution held Kshs. 2.9 billion in deposits.

2

Imperial Bank Limited (IL) was placed in liquidation in December 2021. However, a depositor moved to court temporarily stopping the payment of protected deposits. The Corporation estimates a pay out of Kshs. 2 billion in protected deposits.

3

Daima Bank Limited (IL) was placed in liquidation in June 2005. As at liquidation, the institution held Kshs. 680 million in total deposits and Kshs. 802 million in total loans. The institution has recovered Kshs. 493 million of the loans and paid out Kshs. 306 million to depositors. The institution has declared the 6th dividend to depositors & creditors.

4

Dubai Bank Limited (IL) was placed in liquidation in August 2015. As at liquidation, the institution held Kshs. 4.4 billion in total loans and Kshs. 1.3 billion in total deposits. The institution has recovered Kshs. 308.4 million of the loans and paid out Kshs. 133.4 million to depositors and creditors. During the year, the institution declared and made dividend payouts to its depositors and creditors.

5

Chase Bank Limited (IL) was placed in receivership in April 2016 and subsequently placed in liquidation in April 2021. As at liquidation, the institution held Kshs. 24 billion in total loans of which Kshs. 1 billion has since been recovered. As at the date of this report a total of Kshs. 635.7M has been paid to depositors.

6

Ari Bank Corporation Limited (IL) was placed in liquidation in December 1997. Total loans as at liquidation were Kshs. 637 million of which Kshs. 147.6 million has been recovered by June 2023. Total deposits as at liquidation were Kshs. 295.4 million of which Kshs. 57.8 million had been paid by June 2023.

7

Prudential Bank Limited (IL) was placed in liquidation in May 2000. Total loans as at liquidation were Kshs. 1,257 million of which Kshs. 85.74 million has been recovered by June 2023. As at liquidation, the institution held Kshs. 598.4 million in total deposits. Of the amount, Kshs. 203.66 million has been paid to depositors and creditors as at June 2023.

8

Reliable Bank Limited (IL) was placed in liquidation in September 2000. As at liquidation, the institution held Kshs. 969 million in total deposits and Kshs. 775 million in total loans. As at June 2023, the institution had made loan recoveries totaling Kshs. 225 million and payout to depositors of Kshs. 192 million.

9

Post Credit Limited (iL) was placed under liquidation in May 1993. As at liquidation, the Bank had Ksh. 3.32 billion in deposits, and loan advances totaling to Ksh. 3.6 billion. As at June 2023 the bank had paid depositors 15 dividend payouts totaling Kshs. 1.5 billion. As at June 2023 the institution has been able to make loan recoveries of Kes. 2.02 billion.

10

Trade Bank Limited (IL) was placed in liquidation in August 1993. Deposits as at liquidation were Kshs. 1.67 billion of which Ksh. 754 million has been paid out to depositors and creditors. Total loans as at liquidation were Kshs. 3.95 billion and total recoveries as June 2023 amount to Kshs. 824 million. The institution has declared the 2nd dividend to depositors and creditors.

11

Middle Africa Finance Company Limited (IL) was placed in liquidation in August 1993. As at liquidation, the bank had Kshs. 860 million in deposits and loan advances totaling to Kshs. 1.22 billion. As at June 2023 the Bank had payments to depositors & creditors of Kshs 30 million. As at June 2023 the institution has been able to make loan recoveries of Kes. 78.4 million.

12

Pan-African Bank Limited (IL) was placed in liquidation in August 1994. As at liquidation, the bank had total loans of Kshs. 1.4 billion of which Kshs. 141.4 million had been recovered as at June 2023. Total deposits as at liquidation stood at Kshs. 2.922 million with payouts amounting to Kshs. 1.649 million.

13

Thabiti Finance Company Limited (IL) was placed in liquidation in December 1994. As at liquidation of Kshs 899 million. Loan recoveries as at June 2023 were Kshs. 128.4 million. The institution has declared the 3rd dividend to depositors and creditors.

14

Meridian Biao Bank Limited (IL) was in liquidation in April 1996. Total deposits as at liquidation were Kshs. 793 million against Kshs. 224 million in total loans. Payment to depositors as at June 2023 amount to Kshs. 377.45 million while loan recoveries were Kshs. 103 million.

15

Kenya Finance Bank Limited (IL) was placed in liquidation in October 1996. As at liquidation, the institution had Kshs. 2,329 million in total loans and Ksh. 1.951 million in total deposits of which Kshs. 525.4 has been paid. As at June 2023, the institution had made loan recoveries of Kshs. 537 million. During the year, the institution declared and made dividend payouts to its depositors and creditors.

3. Winding up

The resolution process ends with winding up, which implies that there will be no further recovery and that liquidation is thus finished. As of June 30, 2023, KDIC had successfully closed nine (9) institutions.

List of wound-up Institutions:

No.	Institution	Liquidation Date	Date Wound up
1	Allied Credit Ltd	20-Aug-93	06-Nov-07
2	International Finance Ltd	16-Apr-93	06-Nov-07
3	Trade Finance Ltd	18-Aug-93	23-Sep-08
4	Diners Finance Co. Ltd	20-Aug-93	07-Nov-08
5	Nairobi Finance Ltd	20-Aug-93	16-Aug-10
6	Inter-Africa Credit Finance Ltd	31-Jan-93	07-Sep-12
7	Central Finance Ltd	19-May-93	07-Sep-12
8	Heritage Bank Ltd	13-Sep-96	22-Nov-14
9	Fortune Finance Co. Ltd	14-Sep-00	15-Feb-19

Challenges faced in asset tracing and realization

Despite successes in the resolution process, the Corporation encountered a number of difficulties, including:

- **Legal Challenges:** Liquidations often involve legal challenges, including disputes with creditors, shareholders, or other parties. Resolving these disputes can be time-consuming and costly.
- **Asset Preservation:** Maintaining the condition of assets during the liquidation process is crucial to ensure they can be sold at their highest value. This may require ongoing maintenance and management. Inadequate documentation of borrowers' information
- **Employee Concerns:** Managing the transition and potential job losses for employees of the institution in liquidation is a sensitive and challenging aspect of the process.
- **Loans which were unsecured / uncollateralized**
- **Asset Recovery Delays:** Liquidations can take an extended period, and delays in asset realization can lead to diminishing values and increased costs. That Corporation kept using debt restructuring methods that took into account the debtor's financial situation and ability to repay their debts to the Institutions that were in the process of liquidation.

Despite this, the Corporation persisted in amicably engaging stakeholders and the judiciary in order to make sure that any outstanding problems were resolved in depositors' and creditors' best interests. As we continue to resolve these institutions, the Corporation encourages communication between the various stakeholders.

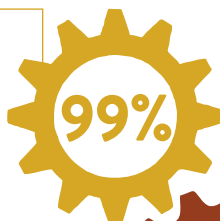
RISK AND EXAMINATION

Deposit Insurance and Fund Management

The Corporation manages the Deposit Insurance Fund whose membership is mandatory for all deposit-taking institutions licensed and regulated by the Central Bank of Kenya under the Banking Act and the Microfinance Act.

Accounts covered ratio

The total number of accounts increased marginally with 200,000 accounts closing at 72.2 million accounts in June 2023. fully covered accounts increased to 71.5 million.



Total deposit to fund ratio

The ratio used to track the target fund, closed at 3.59% in June 2023 an increase from 3.43% in June 2022. ratio assists in assessing the sufficiency of the fund to cover deposits.



Total Deposits

The deposit liability increased from Kes. 4.6 trillion in June 2022 to Kes. 5.2 billion in the year under review. The growth reflected the industry efforts in mobilizing more deposits in support of enhancing liquidity position.

Insured Deposits

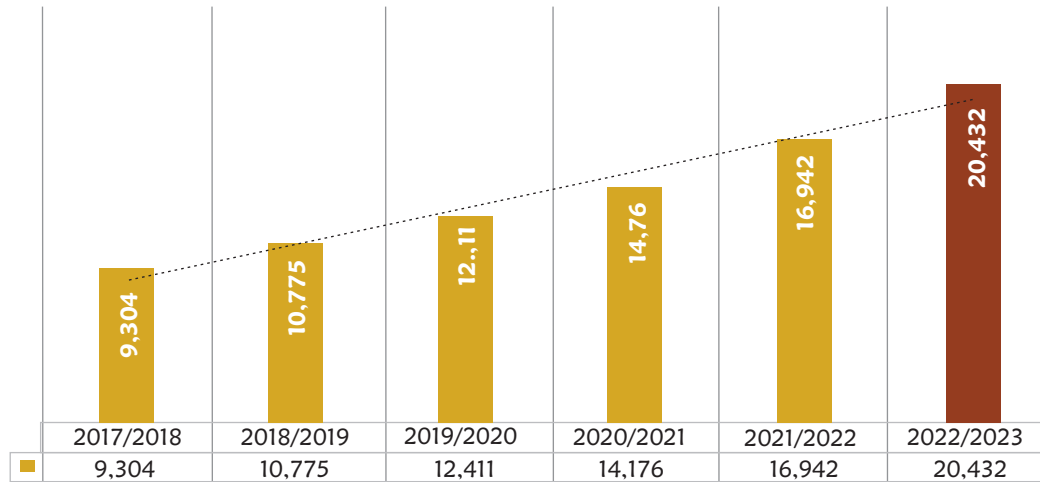
Increased deposits to Kes. 788 billion from Kes. 744 billion in June 2023. The small increase compared to the huge growth in total deposits is due to growth in large deposits.



Fund Balance

The fund balance increased from kes. 160 billion in June 2022 to Kes 187 billion in June 2023. The growth of the fund is attributed to increase in premium income from Kes. 6.8 billion in June 2022 to Kes. 7.35 billion in the period under review. Additionally, investment income grew from Kes. 16.8 billion in June 2023 to Kes. 20.4 billion. The Fund ensures availability of funds to reimburse deposits in the event of a member failure.

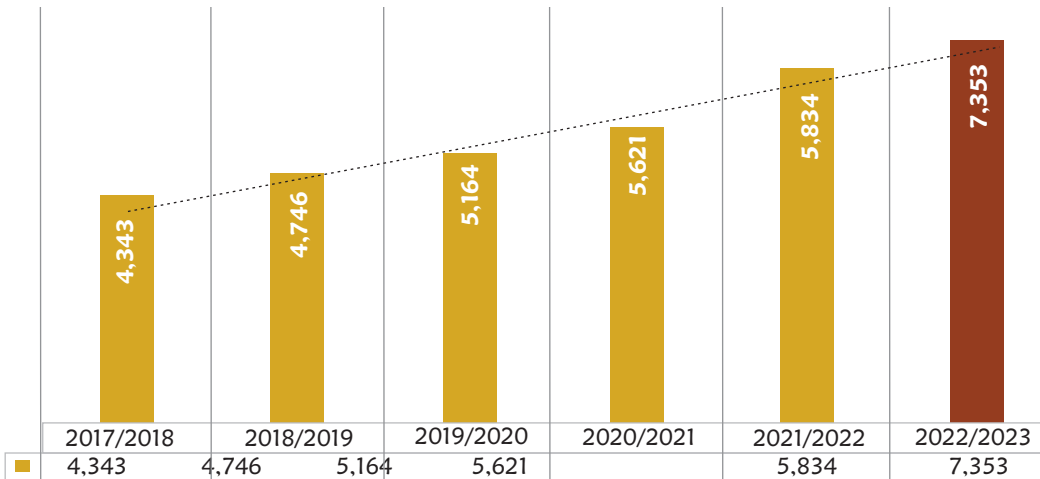
Trend of investment income (millions)



Investment income was Kes. 20 billion for the year, an increase of Kes. 3.9 billion from the previous fiscal year. The increase was mainly due to growth in the investment portfolio as a result of increased premium revenue.

In the period under review, assessment income was Kes 7.3 billion an increase from 7.8 in the period ended June 2022. Premium assessment was based on the risk based premium model which classifies member institutions into five premium categories based on CAMEL rating.

Trend of assessment income (millions)



Deposit Insurance Highlights

Membership

During the year under review, Deposit Insurance Scheme had fifty-three (53) member institutions classified in three categories as follows:

- 38 Commercial Banks.
- 14 Microfinance Banks and
- 1 Mortgage Finance Institution.

Crisis Management and Contingency planning

The Corporation conducted a crisis management and bank resolution simulation for staff. The exercise was aimed at enhancing preparedness in the event of a bank failure.

Relationships with other safety-net participants

The Corporation continued to participate in the joint financial regulations forums and other sector-wide collaborations aimed at ensuring financial stability.



Coverage Limit

During the year, the Corporation maintained a coverage limit of Kes. 500,000. The limit translates to Kes. 788 billion in insured deposits out of total Deposits of Kes. 5.3 trillion. The Corporation limit with an aim to promote public confidence in the financial sector.

Cross border Collaborations

During the year, the Corporation participated in the International Association of Deposit Insurers (IADI). The Corporation also participated in the African Regional Committee. The Corporation participated in the East African Community Monetary Affairs Committee.

Premium Assessment

During the year, the Corporation collected Kes. 7.35 billion as premium contribution. The Corporation embarked on the process of reviewing the risk based premium system with an aim to align it to emerging issues and industry practice.

Member Institutions Highlights

The banking sector saw an increase in total assets from Kes. 6.1 trillion in June 2022 to Kes. 7.1 trillion in June 2023. The mix of assets changed with investments in government securities declining with from 29% in June 2022 to 27% in June 2023 of total assets. Consequently, loans and advances increased slightly as a proportion of total assets. Despite the growth in overall assets, microfinance banks assets contracted from Kes. 71 billion in June 2022 to Kes. 68 billion.

During the year, the Corporation enhanced its early detection efforts through risk profiling of member institutions. The surveillance is in line with the mandate of providing incentive for sound risk management to member institutions. These efforts have taken significant partnership and collaboration with member institutions and financial safety net players. The impact of this is to ensure that the industry is stable and ensure adequate preparedness in the event of a distress hence guaranteeing resilience.



Our Strategic Wins

During the period under review, the Corporation also carried out various activities that facilitate the efficiency and provision of reliable deposit insurance. The activities were based on the desire to emulate best practice and capacity building with a view to promote financial stability.



REPORT OF THE DIRECTORS

The Directors of the Kenya Deposit Insurance Corporation submit their report together with the audited financial statements for the year ended 30th June 2023 which show the state of the Corporation's affairs.

Principal activities

The Corporation is established and administered under the Kenya Deposit Insurance Act, 2012. The Corporation commenced operations on 1 July 2016, with a transition period of two years, to 30th June 2018. The objectives of the Corporation are to provide deposit insurance scheme for depositors of member institutions, monitor the soundness of institutions through analysis, and undertake problem bank resolution through receivership, liquidation and winding up of collapsed bank institutions in accordance with the KDI Act, 2012.

Results

The financial results of the Corporation for the year ended 30th June 2023 are set out in the Statement of Profit or Loss and Other Comprehensive Income on page 1.

Directors

The members of the Board of Directors who served during the year were appointed as guided by Section 7 (1) of the Kenya Deposit Insurance Act, 2012. The Directors who served during the period are shown on page 4 of this report.

Auditors

The Auditor General is responsible for the statutory audit of the Corporation in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015 for the year/period ended 30th June 2023 in accordance to section 23 of the Public Audit Act, 2015 which empowers the Auditor General to appoint an auditor to audit on his behalf.

By Order of the Board.



Eunice Kitche - Oduor
27th September 2023
Corporation Secretary

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Section 81 of the Public Finance Management Act, 2012 and Section 19 of Kenya Deposit Insurance Act, 2012 require the Directors to prepare financial statements in respect of the Corporation, which give a true and fair view of the state of affairs of the Corporation at the end of the financial year/period and the operating results of the Corporation for that year/period.

The Directors are also required to ensure that the Corporation keeps proper accounting records which disclose with reasonable accuracy the financial position of the Corporation. The Directors are also responsible for safeguarding the assets of the Corporation.

The Directors are responsible for the preparation and presentation of the Corporation's financial statements, which give a true and fair view of the state of affairs of the Corporation for and as at the end of the financial year (period) ended on June 30, 2022. This responsibility includes:

- (i) Maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period;
- (ii) Maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Corporation;
- (iii) Designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud;
- (iv) Safeguarding the assets of the Corporation;
- (v) Selecting and applying appropriate accounting policies; and
- (vi) Making accounting estimates that are reasonable in the circumstances.

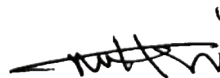
The Directors responsibility for the Corporation's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards (IFRS), and in the manner required by the PFM Act, 2012 and Section 19 of Kenya Deposit Insurance Act, 2012

The Directors are of the opinion that the Corporation's financial statements give a true and fair view of the state of Corporation's transactions during the financial year ended June 30, 2023, and of the Corporation's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the Corporation, which have been relied upon in the preparation of the Corporation's financial statements as well as the adequacy of the systems of internal financial control.

Having assessed the Corporation's ability to continue as a going concern, nothing has come to the attention of the Directors to indicate that the Corporation will not remain a going concern for at least the next twelve months from the date of this statement.

Approval of the financial statements

The Corporation's financial statements were approved by the Board on 27th September 2023 and signed on the Board's behalf by:



Mrs. Hannah W. Muriithi, EBS
Chairperson of the Board of Directors



Hellen Chepkwony
Chief Executive Officer

REPORT OF THE INDEPENDENT AUDITORS ON KENYA DEPOSIT INSURANCE CORPORATION

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Website: www.oagkenya.go.ke

REPUBLIC OF KENYA



HEADQUARTERS
Anniversary Towers
Monrovia Street
P.O. Box 30084-00100
NAIROBI

REPORT OF THE AUDITOR-GENERAL ON DEPOSIT INSURANCE FUND FOR THE YEAR ENDED 30 JUNE, 2023 - KENYA DEPOSIT INSURANCE CORPORATION

PREAMBLE

I draw your attention to the contents of my report which is in three parts:

- A. Report on the Financial Statements that considers whether the financial statements are fairly presented in accordance with the applicable financial reporting framework, accounting standards and the relevant laws and regulations that have a direct effect on the financial statements.
- B. Report on Lawfulness and Effectiveness in Use of Public Resources which considers compliance with applicable laws, regulations, policies, gazette notices, circulars, guidelines and manuals and whether public resources are applied in a prudent, efficient, economic, transparent and accountable manner to ensure Government achieves value for money and that such funds are applied for the intended purpose.
- C. Report on Effectiveness of Internal Controls, Risk Management and Governance which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, the risk management environment, and the internal controls developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

An unmodified opinion does not necessarily mean that an entity has complied with all relevant laws and regulations and that its internal controls, risk management and governance systems are properly designed and were working effectively in the financial year under review.

The three parts of the report are aimed at addressing the statutory roles and responsibilities of the Auditor-General as provided by Article 229 of the Constitution, the Public Finance Management Act, 2012 and the Public Audit Act, 2015. The three parts of the report, when read together constitute the report of the Auditor-General.

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying financial statements of Deposit Insurance Fund set out on pages 1 to 32, which comprise of the statement of financial position as at 30 June, 2023, statement of profit or loss and other comprehensive income, statement of changes in fund balance, statement of cash flows and the statement of comparison of

Report of the Auditor-General on Deposit Insurance Fund for the year ended 30 June, 2023 - Kenya Deposit Insurance Corporation

budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Deposit Insurance Fund as at 30 June, 2023, and of its financial performance and its cash flows for the year then ended, in accordance with the International Financial Reporting Standards and comply with the Public Finance Management Act, 2012 and the Kenya Deposit Insurance Act, 2021.

Basis for Opinion

The audit was conducted in accordance with the International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Deposit Insurance Fund Management in accordance with ISSAI 130 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Emphasis of Matter

Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects actual revenue of Kshs.27,787,125,000 against final budget of Kshs.22,484,928,000 resulting in excess revenue of Kshs.5,302,197,000 or 24% of the budget. Similarly, the statement reflects actual expenditure of Kshs.808,102,000 against a budget of Kshs.1,230,321,000 resulting to an under-expenditure of Kshs.422,219,000 or 34% of the budget.

The significant over collection of revenue and under expenditure could be a pointer to challenges in the budgeting process resulting in unrealistic budget estimate. There is need for Management to relook into the budgeting process to ensure a more realistic budget.

My opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in my professional judgement are of most significance in the audit of the financial statements. There were no key audit matters to report in the year under review.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, I confirm that, nothing has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Report of the Auditor-General on Deposit Insurance Fund for the year ended 30 June, 2023 - Kenya Deposit Insurance Corporation

Basis for Conclusion

The audit was conducted in accordance with ISSAI 4000. The standard requires that I comply with ethical requirements and plan to perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements are in compliance, in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, I confirm that, nothing has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

Basis for Conclusion

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal control, risk management and overall governance were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

Responsibilities of Management and the Board of Directors

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and for maintaining effective internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal control, risk management and overall governance.

In preparing the financial statements, Management is responsible for assessing the Fund's ability to continue to sustain its services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless Management is aware of the intention to terminate the Fund or to cease operations.

Management is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Section 47 of the Public Audit Act, 2015. In addition to the responsibility for the preparation and presentation of the financial statements described above, Management is also responsible for ensuring that the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities which govern them, and that public resources are applied in an effective way.

The Board of Directors is responsible for overseeing the Fund's financial reporting process, reviewing the effectiveness of how Management monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to overall

governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement and weakness when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

In addition to the audit of the financial statements, a compliance audit is planned and performed to express a conclusion about whether, in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them and that public resources are applied in an effective way, in accordance with the provisions of Article 229(6) of the Constitution and submit the audit report in compliance with Article 229(7) of the Constitution.

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and overall governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal control would not necessarily disclose all matters in the internal control that might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Because of its inherent limitations, internal control may not prevent or detect misstatements and instances of non-compliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.

As part of an audit conducted in accordance with ISSAIs, I exercise professional judgement and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Fund to cease to continue to sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Fund to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

I communicate with the Management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal controls that are identified during the audit.

I also provide Management with a statement that I have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence and where applicable, related safeguards.


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

04 March, 2024

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2023

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30TH JUNE 2023

	Note	2023 Kes '000	2022 Kes '000 Restated*
REVENUE			
Assessment income	6	7,353,545	6,834,393
Investment income	7	20,432,847	16,942,132
Other Income	8	733	1,390
		27,787,125	23,777,915
EXPENSES			
Transfer to KDIC expense	9	789,423	686,702
Deposit Pay-Offs	10	-	2,054,001
Finance Costs	11	111,401	50,497
		900,823	2,791,200
SURPLUS FOR THE YEAR BEFORE TAXATION		26,886,302	20,986,715
Taxation	4(e)	-	-
SURPLUS FOR THE YEAR AFTER TAXATION		26,886,302	20,986,715
Other comprehensive income		-	-
TOTAL COMPREHENSIVE INCOME		26,886,302	20,986,715

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2023

	Note	2023 Kes '000	2022 Kes '000
ASSETS			
Non-current assets			
Government securities	12	127,086,201	104,840,394
		127,086,201	104,840,394
Current assets			
Government securities Maturing between 91 days & 364 days	12	39,854,485	56,640,750
Government securities Maturing Within 90 Days	12	23,413,664	2,043,997
Cash and bank balances	13	99,593	82,077
		63,367,743	58,766,825
TOTAL ASSETS		190,453,944	163,607,219
FUND BALANCE AND LIABILITIES			
Fund balance		187,135,162	160,143,556
Current liabilities			
Payables and accruals	14	2,727,572	2,837,162
Payable to Staff Loan Fund	15	591,210	626,501
		3,318,782	3,463,663
Non- Current Liabilities	-	-	-
	-	-	-
TOTAL FUND BALANCE AND LIABILITIES	190,453,944		163,607,219

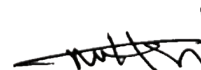
The financial statements were approved on 27th September 2023 and signed on its behalf by:



Chief Executive Officer
Hellen Chepkwony



Ag.Head of Finance
Nelson Nyongesa ICPAK M/NO: 3481



Chairperson of the Board of Directors
Mrs. Hannah W. Muriithi, EBS

STATEMENT OF CHANGES IN FUND BALANCE FOR THE YEAR ENDED 30 JUNE 2023

	2023 Fund balance Kes '000	2022 Fund balance Kes '000 Restated*	
As at 1st July	160,143,556		
Transfer of Accumulated Surplus from KDIC	105,304	139,156,841	®
Surplus for the year	26,886,302	20,986,715	®
As at 30 June	187,135,162	160,143,556	

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2023

	Note	2023 Kes '000	2022 Kes '000 Restated*	
CASH FLOWS FROM OPERATING ACTIVITIES				
Surplus for the year		26,886,302	20,986,715	®
<i>Adjustment for:</i>				
Interest Income	7	-20,432,847	-16,942,132	
Transfer to KDIC expense (non-cash)		789,423	686,702	®
Cash transfers to KDIC		-719,000	-800,000	
Changes in working capital; Payables and accruals	14,15	144,881	-3,463,663	
Net cash generated from operating activities		6,668,758	467,622	
CASH FLOWS FROM FINANCING ACTIVITIES		-	-	
Net cash generated from financing activities		-	-	
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of Government Securities	12	-93,782,611	-95,015,491	
Proceeds from Disposal of Government Securities	12	93,618,824	69,325,858	
Interest Received		14,882,211	12,322,408	
Net cash (used in)/generated from investment activities		14,718,425	-13,367,225	
Net (decrease)/increase in cash and cash equivalents		21,387,183	-12,899,603	
CASH AND CASH EQUIVALENTS AT 1 JULY 2022		2,126,075	15,025,677	
CASH AND CASH EQUIVALENTS AT 30 JUNE 2023	13	23,513,258	2,126,075	

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2023

		2022/2023 BUDGET Kes'000	ADJST Kes'000	FINAL BUDGET Kes'000	ACTUAL INCOME/ EXPENDITURE Kes'000	PERFORMANCE DIFFERENCE IN Kes'000	% UTILIZATION
NOTE	Revenue						
17(I)	Assessment Income	7,176,113	-	7,176,113	7,353,545	177,432	102.47%
17(II)	Investment Income	15,308,814	-	15,308,814	20,432,847	5,124,033	133.47%
17(III)	Other Income	-	-	-	733	733	100.00%
Total Revenues		22,484,928	-	22,484,928	27,787,125	5,302,198	
Expenditure							
17(IV)	Finance Cost	-	-	-	111,401	-111,401	0.00%
Sub-total					111,401	-111,401	
17(V)	Transfer to KDIC-Opex	1,199,821	-	1,199,821	789,423	410,398	65.80%
17(VI)	Transfer to KDIC -Capex	30,500	-	30,500	18,679	11,822	61.24%
Total expenditures		1,230,321	-	1,230,321	808,102	422,220	
Net Surplus		21,254,606		21,254,606	26,886,302	5,724,417	

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Kenya Deposit Insurance Corporation is established by and derives its authority and accountability from Kenya Deposit Insurance (KDI) Act 2012. This is a wholly owned by the Government of Kenya and is domiciled in Kenya. The Corporation's principal activity is to provide deposit insurance scheme to customers of member institutions.

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

The financial statements are prepared on a going concern basis.

The financial statements have been prepared on a historical cost basis except for the measurement at re-valued amounts of certain items of property, plant and equipment, marketable securities and financial instruments at fair value, impaired assets at their estimated recoverable amounts and actuarially determined liabilities at their present value. The preparation of financial statements in conformity with International Financial Reporting Standards (IFRS) allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying the entity's accounting policies.

The financial statements have been prepared on accrual basis.

The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the Corporation rounded to the nearest thousand (Kes'000).

The financial statements have been prepared in accordance with the Public Finance Management Act, 2012, the Kenya Deposit Insurance Act, 2012, the State Corporation's Act (Cap.446) and International Financial Reporting Standards (IFRS). The accounting policies adopted have been consistently applied to all the years presented.

3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

(i) Relevant new standards and amendments to published standards effective for the year ended 30 June 2023

IAS 8- Accounting Policies, Errors, and Estimates

The amendment, applicable to annual periods beginning on or after 1 January 2023 introduces a definition of 'accounting estimates' and include other amendments to IAS 8 to help entities distinguish changes in accounting policies from changes in accounting estimates. The amendments are effective for annual reporting periods beginning on or after January 1, 2023.

IAS 1 — Amendments to IAS 1 titled Disclosure of Accounting Policies (issued in February 2021)

The amendments, applicable to annual periods beginning on or after 1st January 2023, require entities to disclose their material accounting policy information rather than their significant accounting policies. The amendments are effective for annual periods beginning on or after January 1, 2023.

(ii) Relevant New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2023

Amendments to IAS 1 titled Classification of Liabilities as Current or Non-current (issued in January 2020, amended in October 2022)

The amendments, applicable to annual periods beginning on or after 1st January 2024, clarify a criterion in IAS 1 for classifying a liability as non-current: the requirement for an entity to have the right to defer

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

settlement of the liability for at least 12 months after the reporting period. The amendments are effective for annual periods beginning on or after January 1, 2024.

Amendment to IFRS 16 titled Lease Liability in a Sale and Leaseback (issued in September 2022)

The amendment, applicable to annual periods beginning on or after 1st January 2024, requires a seller-lessee to subsequently measure lease liabilities arising from a leaseback in a way that it does not recognise any amount of the gain or loss. The amendments are effective for annual periods beginning on or after January 1, 2024.

Amendments to IAS 1 titled Non-current Liabilities with Covenants (issued in October 2022)

The amendments, applicable to annual periods beginning on or after 1st January 2024, improve the information an entity provides about liabilities arising from loan arrangements for which an entity's right to defer settlement of those liabilities for at least twelve months after the reporting period is subject to the entity complying with conditions specified in the loan arrangement.

The amendments are effective for annual periods beginning on or after January 1, 2024.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principle accounting policies adopted in the preparation of these financial statements are set out below:

(a) Revenue recognition

Assessed income comprises contributions levied to the contributory member institutions and is recognized in the period when they are

receivable. Such contributions are assessed based on an institution's total deposit liabilities during the period of 12 months prior to the date of levy notice and its risk profile and premium payable will be computed through a system known as Differential Premium System (DPS).

Interest income is recognized in the profit or loss for all interest earning instruments on an accrual basis using the effective interest method based on the actual purchase price. Interest income includes coupon earned and amortized discount and premium.

(b) Translation of foreign currencies

Transactions in foreign currencies during the year are converted into Kenya Shillings at the exchange rate ruling at the date of the transaction. Foreign currency monetary assets and liabilities are translated at the exchange rate ruling at the reporting date. Resulting exchange differences are recognized in profit or loss for the year.

Non-monetary assets and liabilities denominated in foreign currency are recorded at the exchange rate ruling at the date of transaction.

(c) Provisions for payments to depositors

Provisions for payments to protected depositors are recognized in the financial statements in the period the contributory member institutions are placed under liquidation. Any payments that exceed the provisions made are taken into account in determining operating profit. Provisions that relate to unclaimed protected deposits are written back to income on expiry of the statutory notice period.

(d) Retirement Benefit Obligation

Employee entitlements are recognized when they accrue to employees. A provision is made for the estimated liability for such entitlements as a

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

result of services rendered by employees up to the reporting date. The Corporation's employees are eligible for retirement benefits under a defined contribution plan. The defined contribution plan is funded by the Corporation as the sponsor. The Corporation recognizes contributions to the fund in the profit and loss account in the year to which they relate. The Corporation also contributes to a statutory defined contribution Pension Scheme, the National Social Security Fund (NSSF). The Corporation's contributions are also charged to the profit or loss in the year to which they relate. The Corporation has no obligation once the contributions have been paid.

The Kenya Deposit Insurance Fund operations are supported by the employees of the Corporation thus all retirement benefit obligations are provided for by the Corporation.

(e) Taxation

The Kenya Deposit Insurance Corporation's income is not subject to corporation tax as it has been granted exemption by the statute (Section 72 of KDI Act). Therefore, no provision for current tax or deferred tax is made in the financial statements of the Fund.

(f) Rounding off Difference

The Kenya Deposit Insurance Fund in preparation of the financial statements has rounded off its figures to the nearest thousand.

(g) Financial assets and liabilities

(i) Recognition

Subsequently, held-to-maturity investments are measured at amortised cost.

(ii) Classification

The Deposit Insurance Fund classifies its financial assets in the held-to-maturity category. The Fund classifies its financial liabilities as measured

at amortised cost. Management determines the classification of its investments at initial recognition.

(iii) Held-to-maturity

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Fund's management has the positive intention and ability to hold to maturity. Were the Fund to sell other than an insignificant amount of held-to-maturity assets, the entire category would be tainted and reclassified as available for sale. These include investment in government securities.

(iv) Other financial liabilities

Other financial liabilities are measured at amortised cost. These include other payables which relates to provision of payment of protected deposits for Institutions in liquidation.

(v) Identification and measurement of impairment of financial assets

At each reporting date the Deposit Insurance Fund assesses whether there is objective evidence that financial assets not carried at fair value through profit or loss are impaired. Financial assets are impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset, and that the loss event has an impact on the carrying amount.

Impairment losses on assets carried at amortized cost are measured as the difference between the carrying amount of the financial assets and the present value of estimated cash flows discounted at the assets' original effective interest rate. Losses are recognized in profit or loss and reflected in an allowance account. Interest on the impaired asset continues to be recognized through the unwinding of the discount.

When a subsequent event causes the amount of impairment loss to decrease, the impairment loss is reversed through profit or loss.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

(vi) Derecognition

The Deposit Insurance Fund derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or when it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Corporation is recognized as a separate asset or liability.

The Fund derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire.

The Deposit Insurance Fund enters into transactions whereby it transfers assets recognized on its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets or a portion of them. If all or substantially all risks and rewards are retained, then the transferred assets are not derecognized from the statement of financial position.

(vii) Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount reported on the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted under IFRSs, or for gains and losses arising from a Corporation of similar transactions such as in the Corporation's trading activity.

(viii) Fair value of financial assets and liabilities

Fair value of financial assets and financial liabilities is the price that would be received to sell an asset or paid to transfer a liability respectively in an orderly transaction between market participants at the measurement date.

(h) Impairment for non-financial assets

The carrying amounts of the Fund's non-financial assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the assets' recoverable amount is estimated.

An impairment loss is recognized if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset that generates cash flows that largely are independent from other assets and Corporations. Impairment losses are recognized in profit or loss. Impairment losses recognized in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (Corporation of units) on a pro-rata basis.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

(i) Investment held for sale

Investment held for sale relates to investment in a subsidiary which is accounted for under IFRS 5 'Non-current assets held for sale and discontinued operations'. The investment is stated at the lower of its carrying amount and the fair value less costs to sell.

(j) Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents comprise bank balances and government securities maturing within 91 days from the date of issue.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

(k) Property ,Plant and equipment

The Deposit Insurance Fund doesn't own property, plant and equipment but transfers funds to the Corporation through approved annual budgets. Such Investment by the Corporation in Property, Plant and Equipment adopts reporting requirements of the International Financial Reporting Standard in the Recognition and measurement, subsequent costs and depreciation

(l) Intangible assets

The Deposit Insurance Fund doesn't own Intangible assets but transfers funds to the Corporation through approved annual budgets for acquisition. Such acquisitions by the Corporation in intangible assets adopts reporting requirements of the International Financial Reporting Standard in the Recognition and measurement, subsequent costs and depreciation

The Fund does not have any internally generated intangible assets.

(m) Related parties

In the normal course of business, the Fund has entered into transactions with related parties. The related party transactions are at arm's length.

(n) Subsequent events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2023

(o) Provisions

Provisions were raised and management determined an estimate based on the information available. Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date.

(p) Budget information

The budget for FY 2022-2023 was approved on 24th June 2022. However, the KDIC's budget was rationalized vide The National Treasury Circular Ref; E51/02/'H' (19) date 7th November 2022. Further, reinstatement of the budget was approved vide approval letter dated 11th May 2023.

Based on the approved budget, the Deposit Insurance Fund transfers funds to support operation of the Corporation. The Corporation' budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared at the beginning of the period on assumptions and projections for costs that have not been incurred. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts.

(q) Comparative figures

Where necessary comparative figures for the previous financial year have been amended or reconfigured to conform to the required changes in presentation.

(r) Subsequent events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2023.

5. RISK MANAGEMENT

Structure and reporting

The Board of Directors are responsible for the overall risk management approach and for approving the risk management policy and strategies. There are other organs that monitor the assessment and management of risks within the Fund including;

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

Board Audit Committee

The Audit Committee assists the Board in the fulfilment of its oversight responsibilities. The Committee guides and monitors the implementation of controls by the Fund.

Deposit Insurance and Risk Management Section

The Corporation has an established Deposit Insurance & Risk Management Section that receives off-site information on deposits from member institutions for analysis and works closely with Central Bank of Kenya to monitor the performance of the Banking industry.

Internal Audit and Risk Management Unit

Internal audit department provides objective assurance and insight on the effectiveness and efficiency of risk management, internal control and governance processes in the Fund. This is achieved by assessing the governance structures/practices in place, implementation of the Enterprise risk management framework and the level of compliance with the Kenya Deposit Insurance Act, documented policies and procedures and government guidelines issued from time to time.

Functionally, Internal Audit reports to the Board of Directors through the Board Audit Committee and administratively to the Chief Executive Officer. This dual reporting structure ensures that the independence and objectivity of the function is guaranteed.

The Fund conducts risk assessment on regular basis which informs the internal audit plan. The identification and management of risk is a continuous process linked to the achievement of the Corporation's objectives. Risk based audits are carried out by the Internal audit department and reports on internal control and risk forwarded to the Board of Directors through the Board Audit Committee.

To enhance efficiency in internal audit process, the Corporation rolled out the use of Team Mate to align all documentation and tracking of issues

on one platform in November 2020. The implementation supports the audits of the Deposit Insurance Fund.

(a) Credit risk

Credit risk is the risk of financial loss to the Corporation if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Fund's government securities and cash and bank balances. The Fund's exposure to credit risk is influenced mainly by the individual characteristics of each investment.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	2023 Shs'000	2022 Shs'000
Bank and cash balances	99,593	82,077
Government securities	190,354,351	163,525,142
	190,453,944	163,607,219

(b) Currency risk

The Fund operates wholly within Kenya and its assets and liabilities are reported in the local currency. It does not transact in foreign currencies.

(c) Market Risk

(i) Interest rate risk management

Interest rate risk is the risk that the value and cash flows of a financial instrument will fluctuate due to changes in market interest rates. Excess funds held by the Corporation are invested in Treasury bills and Treasury bonds.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

The following table sets out the carrying amount by maturity, of the Corporation's financial instruments that are exposed to interest rate risk:

	Effective Interest Rate Kes'000	Up to 1 year Kes'000	1 – 5 years Kes'000	6 – 10 years Kes'000	10 years Kes'000	Total
2023						
Investments held to maturity		65,096,210	38,704,362	60,281,543	26,272,236	190,354,351
Interest sensitivity gap at 30 June 2023	11.30%	65,096,210	38,704,362	60,281,543	26,272,236	190,354,351
2022						
Investments held to maturity		58,684,748	38,681,795	42,828,649	23,329,949	163,525,142
Interest sensitivity gap at 30 June 2022	11.30%	58,684,748	38,681,795	42,828,649	23,329,949	163,525,142

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

(ii) Interest rate risk management

The following table demonstrates the sensitivity to a reasonably possible change in the interest rates, with all other variables held constant, on the Corporation's surplus. The sensitivity computations assume that financial assets maintain a constant rate of return from one year to the next. The assumptions used in this sensitivity analysis have not changed from those applied during the last financial year.

	2023 Shs'000	2022 Shs'000
Effect on surplus for the year of a +5% change in interest rates	1,344,836	847,107
Effect on surplus for the year of a -5% change in interest rates	-1,344,836	-847,107

(d) Liquidity risk management

Liquidity risk is the risk that the Deposit Insurance Fund will encounter difficulty in meeting obligations from its financial liabilities. The Fund's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, without incurring unacceptable losses or risking damage to the Corporation's reputation. In the course of its operations, the Fund invests its capital in forms that vary in liquidity government securities that are readily convertible to cash. Simultaneously it carries current liabilities in form of provisions for protected deposits liabilities. The entity matches its

current assets to the current liabilities falling due to mitigate the risk of low liquidity.

The Fund's financial liabilities amount to Kes. 2,728 Mn (2022 - Kes. 2,837 million) and are all payable in the short term. This financial liability relates to provision for payment for protected deposits for Institutions in liquidation. The increase in financial liabilities has been occasioned by provision of amount payable to protected deposits for imperial bank.

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NOTES TO THE FINANCIAL STATEMENTS CONTINUED

(e) Fair Value

The fair value of financial assets and liabilities is the same as the carrying amounts as shown in the statement of financial position:

	Other financial liability Kes '000	Loans and receivables Kes '000	Held to maturity Kes '000	Total carrying value Kes '000	Fair value Kes '000
2023					
Financial assets					
Cash and bank balances	-	99,593	-	99,593	99,593
Government Securities	-	-	190,354,351	-	190,354,351
	-	99,593	190,354,351	99,593	190,453,944
Financial liabilities					
Payables and accruals	2,727,572	-	-	2,727,572	2,727,572
	2,727,572	-	-	2,727,572	2,727,572
2022					
Financial assets					
Cash and bank balances	-	82,077	-	82,077	82,077
Government Securities	-	-	163,525,142	-	163,525,142
	-	82,077	163,525,142	82,077	163,607,219
Financial liabilities					
Payables and accruals	2,837,162	-	-	2,837,162	2,837,162
	2,837,162	-	-	2,837,162	2,837,162

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

(d) Critical accounting estimates and assumptions

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including experience of future events that are believed to be reasonable under the circumstances.

(e) Critical judgements in applying the entity's accounting policies

In the process of applying the Corporation's accounting policies, management has made judgements in determining whether assets are impaired.

6. ASSESSMENT INCOME

Towards the mandate of Deposit Insurance, the Corporation charges a premium to insured member institutions. The assessed premium is calculated on differential premium system.

	2023 Kes'000	2022 Kes'000
Total average deposits of institutions assessed as contributors	5,211,597,252	4,169,726,200
- Contributions from Commercial Banks	7,261,740	6,672,122
-Contribution from Deposit Taking Microfinance	91,805	162,271
Total assessment income	7,353,545	6,834,393

The growth in premiums for the financial year ended 30th June 2023 is attributable to growth in deposits held by member financial institutions.

7. INVESTMENT INCOME

KDIC's manages the Deposit Insurance Fund and grows it through investment in government securities issued by the Central Bank of Kenya. Investment income earned from securities during the year is as follows;

	2023 Kes'000	2022 Kes'000
(i) Interest earned on treasury bills		
Discount on 91-day treasury bills	350,580	150,412
Discount on 182-day treasury bills	616,109	396,166
Discount on 364-day treasury bills	4,102,467	3,356,979
	5,069,157	3,903,557

(ii) Interest earned on treasury bonds

Interest on Treasury Bonds	15,246,824	12,936,737
Discount on purchase	116,867	101,838
Amortisation of premium	-111,401	-50,497
	15,363,691	13,038,575
Total investment income	20,432,847	16,942,132

8. OTHER INCOME

Member institutions are required to pay premiums within the stipulated timelines after receipt of premium notice. Any premiums received after such period, a penalty is levied for each day until payment is received.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

	2023 Kes'000	2022 Kes'000
Penalty charges on late contributions	323	592
Collections from wound up institutions	410	797
	733	1,389

Additionally, in other income are collections that were received of Kes.0.4M from wound up.

9. TRANSFER TO KDIC EXPENSES

Kenya Deposit Insurance Fund finances operational expenditure for the Corporation. The amounts drawn from the fund are guided by the approved annual budgetary allocations. The recurrent expenditure and capital expenditure funded is as follows;

	2023 KShs'000	2022 KShs'000
		Restated*
Transfer from DIF	789,423	686,702
Total	789,423	686,702

10. DEPOSIT PAY-OFF

Deposits Pay-Offs expense is the total protected deposits that payable to the depositors of failed banks. During the year under reporting there were no deposit payoffs declared. The Corporation however continued to make deposit pay-offs for previously recognized expenses.

	2023 Kes'000	2022 Kes'000
Chase Bank (In Liquidation)	-	-
Charter House Bank (In Liquidation)	-	-
Imperial Bank (In Liquidation)	-	2,054,001
Total	-	2,054,001

11. FINANCE COST

The finance cost arises from treasury bonds acquired at a premium. The premium is amortized over the tenure of the bond. The increase is due to the Fund's increased investments in bonds and higher bond premiums due to higher coupon rates.

	2023 Kes'000	2022 Kes'000
Treasury Bonds Premium amortization	111,401	50,497
	111,401	50,497

12. GOVERNMENT SECURITIES

The Corporation's investment in Government Securities is spread across short-term and long-term securities being treasury bills and treasury bonds respectively as follows:

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

	2023 Shs'000	2022 Shs'000
Government Securities (Treasury Bills & Bonds) Maturing within 90 days (Note 17)	23,413,664	2,043,997
Treasury bills maturing after 91 days from date of placement	33,332,150	50,394,410
Treasury bonds maturing within 1 year	6,522,335	6,246,341
Treasury bonds maturing after 1 year	127,086,201	104,840,394
	190,354,351	163,525,142
Comprising:		
Maturing within 1 year	63,268,150	58,684,748
Maturing after 1 year	127,086,201	104,840,394
	190,354,351	163,525,142

The investment is in line with our Investment Policy that requires that the investment portfolio mix for Government securities shall be balanced at 50% each between Treasury Bonds and Treasury Bills term securities with an allowable deviation of 20% on either side.

13. CASH AND CASH EQUIVALENTS

	2023 Kes'000	2022 Kes'000
Government Securities Maturing within 90 days	23,413,664	2,043,997
Cash and bank balance	99,593	82,077
	23,513,258	2,126,074
The Cash & Bank balance is made up of		
KDIC's Fund Corporation Investment Account	987	72,196
KDIC'S Fund Investment Account	98,607	9,881
	99,593	82,077

14. TRADE PAYABLES & ACCRUALS

	2023 Kes'000	2022 Kes'000
Chase Bank (In Liquidation)	413,443	480,687
charter House Bank (In Liquidation)	302,636	302,473
Imperial Bank (In Liquidation)	2,011,493	2,054,001
Total	2,727,572	2,837,162

The detailed protected deposits and payments to date is as follows:

Description	Date Placed in Liquidation	Value of Protected Deposits (Kes.)	Deposits Paid to date as at 30th June 2023(Kes.)	Balance as at 30th June 2023(Kes.)
Chase Bank (IL)	14th May 2021	1,043,750,852	630,307,602	413,443,250
Charter House Bank (IL)	7th May 2021	317,212,879	14,577,228	302,635,651
Imperial Bank (IL)	8th December 2021	2,054,000,000	42,506,899	2,011,493,101
Total		3,414,963,731	687,391,729	2,727,572,002

15. PAYABLE TO STAFF LOAN FUND

	2023 Kes'000	2022 Kes'000
Staff loans Fund Balance as at 1st July	751,905	748,368
Interest Received by KDIC	4,201	3,537
Staff loans advanced as at 30th June	-164,895	-125,403
Staff Loans Receivable as at 30th June	591,211	626,501

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

16. RELATED PARTY TRANSACTIONS

	2023 Shs'000	2022 Shs'000
Cash and balances held with Central Bank of Kenya	99,593	82,077
Investments in Government Securities through the Central Bank of Kenya	190,354,351	163,525,142
	190,453,944	163,607,219

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. Until 2014, the Deposit Insurance mandate of the Corporation was being performed by the Deposit Protection Fund, a department of the Central Bank of Kenya. Thus, all Cash and bank balances and investments held to maturity have been classified as related party transactions.

17. EXPLANATION OF PERFORMANCE ON THE STATEMENT OF BUDGET & ACTUAL COMPARISON

The total approved revenue budget for the year under review was Kes. 22,485 M being Kes. 7,176M for assessment income and Kes. 15,309 M for investment income. The utilization of the income has been appropriated to cater for approved Corporation's expenditure budget of Kes. 1,230M.

- I. The assessed contributions from member Institutions was Kes.7,354B against a budget of Kes.7,176B. This represents 100% achieved of the

revised premium income target for the year.

- II. Returns on investments in Government Securities were higher than the budget at Kes. 20,433 B as compared to a budget of Kes. 15,309B this represents a growth of Kes. 5,124 M or 33%. This was attributable to the management's improved portfolio balancing and prudent investment. Further, investable funds from increase in premium received led to the growth of the total funds available for investments.
- III. The Fund levies penalties on late payment of premium contribution by member institutions. During the year, Kes. 323,376 was received as penalties and Kes.409,790 as income from collections from wound up Institutions.
- IV. Finance costs relate to premium charged on acquisition of treasury bonds at a premium. The premium is amortized over the tenure of the bond.
- V. The Corporation's operations are fully funded by the income generated Deposit Insurance Fund. This funding is guided by the approved budgetary allocations annually. Despite the approvals, the Corporation exercise prudence in management of financial resources by drawing from the fund on a need basis. During the year, the Corporation's total expenditure financed was Kes.768M, with recurrent expenditure of Kes.749M and Kes.19M for capital expenditure.

APPENDICES

APPENDIX 1: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor.

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
Nil	Nil	Nil	Nil	Nil	Nil



Chief Executive Officer
Hellen Chepkwony

NOTES



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