Kenya Deposit Insurance Corporation
CBK Pension House, Harambee Avenue
P.O. Box 45983 - 00100, Nairobi, Kenya
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Kenya Deposit Insurance Corporation

KDIC

ANNUAL REPORT & FINANCIAL STATEMENTS

For The Year Ended 30th June 2015

protecting your deposits

ANNUAL REPORT
&
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2015

KENYA DEPOSIT INSURANCE CORPORATION

VISION

To be a best-practice deposit insurance scheme

MISSION

We promote and contribute to public confidence in the stability of the nation's financial system by providing a sound safety net for depositors of member institutions.

STRATEGIC OBJECTIVES

- Promote an effective and efficient deposit insurance scheme
- Enhance operational efficiency
- Promote best practice

STRATEGIC PILLARS

- Strong supervision and regulation
- Public confidence
- Prompt problem resolutions
- Public awareness
- Effective coordination

OUR CORPORATE VALUES

- Integrity
- Professionalism
- Team work
- Transparency and accountability
- Rule of Law

CORPORATE INFORMATION

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Nairobi, Kenya

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Email: kdiccommunications@depositinsurance.go.ke

Website: www.depositinsurance.go.ke

BANKERS

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

AUDITORS

KPMG Kenya
16th Floor, Lonrho House
Standard Street
P.O. Box 40612 - 00100
Nairobi GPO

On behalf of:
The Auditor-General
Kenya National Audit Office
Anniversary Towers
University Way
P.O. Box 30084-00100
Nairobi GPO

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CHAIRMAN'S FOREWORD

STATEMENT FROM THE ACTING CHAIRMAN OF BOARD

It is with great honour that I present the first Annual Report of the Kenya Deposit Insurance Corporation (KDIC) for the financial year ending June, 2015, on behalf of the Board of Directors, Management, and Staff of the Corporation.

The period under review registered satisfactory performance as the Corporation's Fund closed the year at KSh54,914m having grown by 17.8% from KSh46,583m in the previous year. This growth was boosted by a net surplus of KShs 8,330m registered during the year. The growth of the banking sector from which the Corporation derives its revenue and prudent management of the Corporation's Fund contributed to this favourable performance.

Net surplus earned by the Corporation during the period under review rose by 18% from a level of KSh 7,120m in 2014 to KSh 8,330m in 2015.This growth in net surplus stemmed from a significant increase in the Corporation's revenue that rose by 16.8% to KSh 8,611m in 2015, from the level of KSh 7,370m registered in 2014, that was mostly invested in Government Securities, which is the Corporations' major source of investment income. The Corporation's operating expenses increased by KSh 28m from KSh 252m to KSh 280m in 2015, an increase of 12%, owing to transitional activities including a major upgrade of the Corporation's ICT systems. Total assets of the Corporation rose by 17.8 percent to KSh 54,962m in 2015 from the level of KSh 46,643m in 2014. This growth arose mainly from the Corporation's re-investments in Government Securities and Premium contributions by member institutions which grew by 16.9% and 13.36% to stand at KSh 5,466m and KSh 3,033m respectively.

The banking sector's asset quality, earnings, and liquidity were all rated strong with exception of capital adequacy that was rated satisfactory in the year ending June, 2015. Overall banking sector balance sheet grew by 21% from KSh 2.97 trillion in June 2014 to KSh 3.6 trillion in June 2015 while the overall annual pre-tax profit grew by 8% from KSh 71 billion to KSh 76.91 billion. As at 30th June 2015, total deposits with member institutions amounted to KSh 2.631 trillion, an increase of 6.8% while total protected deposits amounted to KShs 246.77 billion. The number of deposit accounts in the sector was 33,936,072 while the number of fully protected accounts was 32,688,708, representing 96.32% of the total number of accounts in the sector. The growth of deposits in the banking sector increased the premiums levied by the Fund.

The Monetary Policy Committee raised the Central Bank Rate (CBR) to 10.0 percent on 9th June 2015, in order to continue anchoring inflationary expectations and maintain price stability. Overall 12-month inflation increased from 6.31% in March 2015 to 7.03% in June 2015, on account of increases in the prices of food and non-food (fuel) items in the basket of core inflation. However, the inflation remained within the corridor set by the National Treasury (±250 basis points in relation to the 5 percent medium term target).

Interest rates had mixed outcomes in the year under review with 91-day Treasury Bill rate declining to 8.26% and 182-day Treasury Bill rate increasing marginally to 10.55%.

The agency banking model rolled out by the Central Bank of Kenya in May 2010 registered an increment in the number of participating banks by 13% from 15 to 17 banks during the year. The number of agents contracted during the year increased by 35% from 26,750 to 36,080 in June, 2015 transacting 175 million banking transactions, up from 106 million in the previous year. This were valued at KSh 930 billion in June 2015 from KSh 571 billion in June 2014. Similar growth trends were observed in the micro-finance market and in the mobile banking. The credit information sharing mechanism has continued to expand since its launch in July 2010.The cumulative number of credit reports requested by institutions stood at 7,545,757 in June 2015 up from 6,098,916 reports in March 2015.

Going forward, the Corporation will remain focused on strategies that will enable it to achieve its core mandate. The Corporation's priority areas will include: strengthening the insurance fund target value, enhancing the scope of coverage, pursuing an appropriate insurance premium structure, complete the implementation of the ICT infrastructure, enhance cooperation with the other safety net players, and endeavour to aim higher by aligning the Corporation's operations to the international best practice. To this end, KDIC will continue to closely work with the International Association of Deposit Insurers (IADI) by participating in all their yearly activities. KDIC will also continue to improve on the competency of its human resource through effective training and coaching.

I wish to express my sincere and deep gratitude to my fellow members of the Board of Directors who have given me great support during the year. I must recognize the great effort of the Ag. Chief Executive Officer, in leading his Management team and entire KDIC staff, whose efforts contributed to the growth of the Corporation's Fund and the success recorded in the year under review. I also wish to thank Central Bank of Kenya, the Government and other stakeholders for their support and contributions, without which little could have been accomplished.

Dr. Julius K. Kipng'etich
Ag. Chairman
KENYA DEPOSIT INSURANCE CORPORATION
(Formerly Deposit Protection Fund Board (DPFB))

UTANGULIZI WA KAIMU MWENYEKITI

TAARIFA YA KAIMU MWENYEKITI WA BODI

Kwa niaba ya Bodi ya Wakurugenzi, Usimamizi pamoja na wafanyakazi wa Shirika la Bima ya Arbuni nchini Kenya (KDIC), nina furaha kuu kuwaleteeni Ripoti ya kila mwaka ya Shirika la Bima ya Arbuni nchini Kenya. Ripoti hii ni ya mwaka wa kifedha uliokomea mwezi Juni 2015.

Kipindi kinachokaguliwa kiliandikisha matokeo ya kuridhisha huku Hazina ya Shirika ikiongezeka hadi Shilingi milioni 54,914, imariko la asilimia 17.8 kutoka Shilingi milioni 46,583 mwaka uliopita. Imariko hili liliwezeshwa na jazi la Shilingi milioni 8,330 lililoandikishwa mwaka huo. Matokeo haya mazuri pia yalitokana na kuimarika kwa sekta ya Benki inayoletea Shirika hili mapato pamoja na usimamizi mwema wa Hazina ya Shirika.

Jazi la pato ya Shirika, katika kipindi kinachokaguliwa, liliimarika kwa asilimia 18 kutoka Shilingi milioni 7,120 mwaka wa 2014 hadi Shilingi milioni 8,330 mwaka wa 2015. Imariko la Jazi hili lilitokana na ongezeko la asilimia 16.8 katika mapato ya Shirika, kutoka Shilingi milioni 7,370 mwaka wa 2014 hadi Shilingi milioni 8,611 mwaka wa 2015. Imariko la mapato ya Shirika lilitokana na kuwekezwa tena kwa mapato katika dhamana za kiserikali pamoja na michango hitajika ya wanachama iliyoimarika kwa asilimia 16.9 na 13.36 hadi Shilingi milioni 5,466 na Shilingi milioni 3,033 mtawalia.

Ubora wa rasilimali, mapato pamoja na malimbiko ya sekta ya benki yalikuwa na udhabiti zaidi isipokuwa rasilimali ya Benki ambayo ilikuwa na udhabiti wastani katika mwaka wa kifedha uliokomea mwezi Juni 2015. Jumla ya kadiri za kifedha katika sekta ya benki iliimarika kwa asilimia 21 kutoka Shilingi trilioni 2.97 mwezi Juni, 2014 hadi. Shilingi trilioni 3.6 mwezi Juni, 2015 huku faida ya kila mwaka kabla ya kutozwa ushuru pia ikiimarika kwa asilimia 8 kutoka Shilingi bilioni 71 hadi Shilingi bilioni 76.91. Kufikia tarehe 30 Juni, 2015, jumla ya arbuni katika mashirika wanachama ilikuwa Shilingi trilioni 2.631 nayo jumla ya arbuni chini ya ulinzi ikiwa Shilingi bilioni 246.77. Jumla ya akaunti za arbuni katika sekta hiyo ilikuwa 33,936,072 huku akaunti zinazolindwa kikamilifu zikiwa 32,688,708 ambayo ni asilimia 96.32 ya akaunti zote katika sekta hiyo. Imariko ya arbuni katika sekta ya benki ilisababisha ongezeko la michango ambayo hazina inapokea kutoka kwa wanachama.

Kamati ya Sera za Kifedha iliongeza kiwango chake cha riba (CBR) hadi asilimia 10.0 mnamo tarehe 9 Juni, 2015 ili kuendelea kudhibiti mifumuko ya kifedha na hivyo basi kuimarisha bei za bidhaa na huduma. Kwa jumla, kiwango cha mfumuko wa kifedha, baada ya miezi

12, uliongezeka kutoka asilimia 6.31 mwezi Machi 2015 hadi asilimia 7.03 mwezi Juni 2015. Ongezeko hili lilitokana na ongezeko katika bei ya chakula pamoja na bidhaa husika katika kapu la uchumi. Hata hivyo, ongezeko hili katika kiwango cha mfumuko wa bei ulisalia katika viwango vilivyowekwa na Hazina Kuu (asilimia ±2.5 ikilinganishwa na asilimia 5 iliyolengwa katika kipindi cha Kati).

Viwango vya riba viliandikisha matokeo tofauti katika kipindi kinachokaguliwa huku riba ya Dhamana za Serikali za siku 91 ikishuka hadi asilimia 8.26 nayo riba ya Dhamana za Serikali za siku 182 ikiongezeka kidogo hadi asilimia 10.55.

Mfumo wa ubenki kupitia mawakala, ulioanzishwa na Benki Kuu ya Kenya mwezi Mei 2010 uliimarika huku idadi ya benki zinazoshiriki ikiongezeka kwa asilimia 13 kutoka 15 hadi 17 mwaka huo. Idadi ya mawakala mwaka huo iliimarika kwa asilimia 35 kutoka 26,750 hadi 36,080 mwezi Juni 2015. Mawakala hawa walifanya shuguli milioni 175 za biashara za benki kutoka shuguli milioni 106 mwaka uliopita. Shuguli hizi zilikuwa na thamana ya Shilingi bilioni 930 mwezi Juni 2015, kutoka Shilingi bilioni 571 mwezi Juni 2014. Hali hii ya kuimarika pia iliandikishwa katika sekta ya Mashirika Madogo ya Kifedha pamoja na Huduma za Benki kupitia Simu za Rununu. Taratibu za ugavi wa taarifa za mikopo pia imezidi kuimarika tangu kuanzishwa kwake mwaka wa 2010. Idadi ya ripoti zilizoitishwa na taasisi tofauti ilikuwa 7,545,757 mwezi Juni 2015 kutoka ripoti 6,098,916 mwezi Machi 2015.

Shirika hili litazidi kuweka mikakati itakayoiwezesha kutimiza malengo yake kuu. Shuguli muhimu zaidi za Shirika zitakuwa: Kustawisha thamana-lengwa ya hazina ya bima, kuongeza upeo wa Shirika, kushugulikia mfumo bora wa malipo ya bima, kukamilisha utekelezaji wa miundombinu ya Mawasiliano na Teknolojia (ICT), imarisha ushirikiano na wadau wengine, kuboresha utendakazi wa Shirika kwa kuambatanisha viwango vya shuguli zake sawa na viwango vya kimataifa. Shirika la Bima ya Arbuni nchini Kenya (KDIC) itazidi kufanya kazi kwa pamoja na Shirikisho la Kimataifa la Walinzi wa Arbuni (IADI) na pia kushiriki katika shuguli zao zote za kila mwaka. KDIC pia itaendelea kuimarisha ujuzi wa wafanyakazi wake kuwawezesha wapate mafunzo bora.

Ningependa kutoa shukrani zangu kwa wenzangu wote katika Bodi ya Wakurugenzi ambao wamekuwa nguzo kuu kwangu mwaka huu. Ningependa pia kutambua juhudi za Kaimu Mkurugenzi Mtendaji, kwa kuongoza kikosi chake cha wasimamizi pamoja na wafanyakazi wote wa KDIC ambao juhudi zao zimechangia ustawi na kuimarika kwa Hazina ya Shirika na mafanikio yaliyoandikishwa katika mwaka unaochunguzwa. Ningependa pia kuishukuru Benki Kuu ya Kenya, Serikali ya Kenya pamoja na wadau wote kwa kutuunga mkono na pia kutoa mchango wao uliofanikisha haya yote.

Dkt. Julius K. Kipng'etich
KAIMU MWENYEKITI
SHIRIKA LA BIMA YA ARBUNI NCHINI KENYA

BOARD OF DIRECTORS

FROM LEFT TO RIGHT

STANDING

Jeremy Ngunze, Aggrey Jonathan K. Bett, Jane K. Ikunyua,
Martin S. O. Gumo, Mr. Samuel Njuguna Kimani and Nasim Devji (Mrs).

SEATED

Prof. Githu Muigai, Dr. Julius K. Kipng'etich (Ag. Chairman) and
Dr. Patrick Njoroge.

BOARD AUDIT COMMITTEE

Mrs. Nasim Devji (Chairperson), Dr. Julius K. Kipng'etich,
Jeremy Ngunze, Mr. Samuel Njuguna Kimani and Martin S. O. Gumo.

SENIOR MANAGEMENT

STANDING FROM LEFT TO RIGHT

Mohamud A. Mohamud (Assistant Director – Liquidations),
Stephen M. Thuo (Assistant Director – Finance & Administration),
Walter Onyino (Assistant Director – ICT).

SEATED FROM LEFT TO RIGHT

Mrs. Edith M. Kagasi (Manager, Internal Audit),
Aggrey Jonathan K. Bett (Ag CEO, KDIC),
Jane K. Ikunyua (Board Secretary).

MESSAGE FROM THE ACTING CHIEF EXECUTIVE OFFICER

It is my humble duty to present the first Kenya Deposit Insurance Corporation (KDIC) Annual Report and Financial Statements for the financial year ended June 30, 2015, following commencement of the Kenya Deposit Insurance Act, 2012 (KDI Act), on July 1, 2014, that ushered KDIC as an independent entity. The year 2014/15 was a good period with accomplishment that marked significant progress for KDIC. The KDIC recorded impressive results with its surplus funds increasing by 18% to stand at Kshs 8.33 billion, up from Kshs7.1 billion in 2014. Total assets grew from Kshs46.64 billion in 2014 to Kshs54.96 billion in 2015, an increase of 17.8%. The strong operating performance and hence the growth of the Fund is attributed to prudent management of the Fund by KDIC and a stable and vibrant financial sector.

During the year 2014/2015, the level and scope of coverage, and total deposit accounts covered continued to leverage on the national initiatives that promote financial inclusion; this resulted in an increase of retail depositors, from the previously unbanked segment, to the formal financial system. Owing to the financial inclusion initiatives, the banking sector continued on an upward growth trajectory, supported by rapid technological innovations that interfaced with telecommunication platforms. KDIC, on its part, continued to effectively play its role of deposit insurance to protect, particularly, the small, vulnerable, and less financially sophisticated depositors, against losses in case of failure of banks and other deposit-taking institutions, thereby creating public confidence in the financial sector. During the period under review, the deposit coverage level remained at Kshs100,000 per depositor and the number of deposit accounts fully covered by this level increased by 24.17% from 26.33m in the previous period to 32.69m as at the end of the period. The number of deposit accounts in the sector was 33.94m while the number of fully protected accounts was 32.69, meaning that 96.3% of all depositors numbering 35.24m in total are fully. The fully covered depositors carry only 22% of the total value of deposits.

Kenyan Banking Sector's performance improved with the size of total assets standing at Kshs 3.60 trillion, with gross loans worth Kshs 2.17 trillion, while the deposit base was Kshs 2.57 trillion and profit before tax of Kshs 76.91 billion as at 30th June 2015. During the year under review also, KDIC continued to reap the benefits of its association with Credit Reference Bureau (CRB) partners, which, in effect, has contributed, largely, to improved debt collection. Reforms in the Judiciary, and other Government Bodies, had also started to bear fruits, especially in the area of Liquidation. It is our sincere hope that these efforts will, ultimately, translate to value-addition to depositors and creditors of failed institutions.

During the period under review, KDIC continued with its efforts to manage and liquidate assets of Institutions in Liquidation, with emphasis on strategies aimed at hastening and fast-tracking the process. Since inception to the year to June 30, 2015, KDIC has received 24 institutions for liquidation and has completely wound up 8 of these. As at 30th June, 2015, the cummulative dividends declared by all the institutions in liquidation amounted to Kshs 7,407.92 million compared to Kshs 7,377.92 million declared in the previous year resulting in an increase of Kshs 30 million in dividend declaration for the year under review. Reimbursements to Depositors and Creditors will continue in the ensuing period, with the objective of fast-tracking the liquidation process and bringing the ongoing liquidations to a close within the next two or so years. One institution, Heritage Bank Limited was wound up during the year under review and it is expected that two more institutions will be wound up within the next two years.

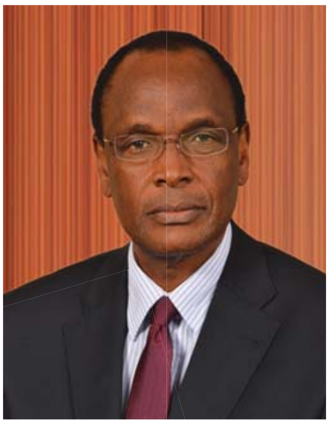
With the commencement of KDI Act on July 1, 2014, KDIC started the transition from Deposit Protection Fund Board that had operated as a department of Central Bank of Kenya to a fully-fledged independent entity. To guide this transition, KDIC formulated a transition Strategic Plan with three strategic objectives to guide its operations from January 2015 to June 2018, namely: to strengthen the governance structure and institutional capacity of KDIC to effectively and efficiently deliver on its new mandate; to promote public awareness and stakeholders' education; and to adopt sound business and financial practices to enhance the Insurance Fund Reserves. The plan will guide the strategy of the Corporation to greater achievements in the short and long term. The KDIC has also formulated regulations to support full implementation of the KDI Act, 2012.

The KDIC continued to promote international cooperation in the field of deposit insurance in line with International Association of Deposit Insurers (IADI)'s strategic objective of facilitating the sharing and exchange of expertise and information. The Corporation actively participated in various scheduled IADI training programmes and conferences in furtherance of these objectives.

I wish to conclude by thanking the Board of directors for their support and guidance to the Corporation, especially at this critical period of transition. I cannot forget the tireless effort of the staff whom we owe so much to the success that KDIC had in the year 2014/2015. My sincere thanks also go to Central Bank of Kenya for the role which it played, not only by parenting this Corporation in every way, but also by availing its staff and facilities to the Corporation all along. Working together and guided by our values of integrity, professionalism, team work, rule of law, transparency and accountability, I am confident that we will continue to deliver success in 2016 and beyond.

Aggrey Jonathan K. Bett
Ag. Chief Executive Officer
KENYA DEPOSIT INSURANCE CORPORATION
(Formerly Deposit Protection Fund Board (DPFB))

UJUMBE KUTOKA KWA KAIMU MKURUGENZI MTENDAJI



Ni jukumu langu kuwaleteeni Ripoti ya kwanza ya Kila Mwaka ya Shirika la Bima ya Arbuni ya Kenya(KDIC) pamoja na Taarifa za Kifedha za mwaka wa kifedha uliokomea tarehe 30 Juni 2015. Hii ni kufuatia utekelezaji wa Sheria ya Bima ya Arbuni ya 2012, tarehe 1 Julai 2014 iliyo ipa Shirika mamlaka na uhuru wa kutekeleza kazi zake. Shirika la KDIC liliandikkisha matokeo bora zaidi, jazi lake likiwa na ongezeko la asilimia 18 hadi Shilingi bilioni 8.33 kutoka Shilingi bilioni 7.1 mwaka wa 2014. Jumla ya rasilimali pia iliimarika kutoka Shilingi bilioni 46.64 mwaka wa 2014 hadi Shilingi bilioni 56.96 mwaka wa 2015, imariko la asilimia 17.8. Matokeo haya mema pamoja na ustawi wa Hazina hii yamechangiwa pakubwa na usimamizi bora wa Hazina ya Shirika pamoja na sekta ya kifedha inayozidi kunawiri.

Kipindi kati ya mwaka wa 2014/2015, kiwango na upeo wa ulinzi wa arbuni, idadi ya akaunti chini ya ulinzi ilizidi kuongoza mikakati nchini Kenya inayolenga kutoa huduma za kifedha kwa wale wenye mapato ya chini katika jamii; jambo hili liliongeza idadi ya wanajamii wanaotumia huduma za Benki. Kutokana na mikakati hii ya utoaji huduma za kifedha kwa wenye mapato ya chini pamoja na ubunifu wa kiteknolojia katika sekta ya mawasiliano, sekta ya Benki imezidi kuimarika. Shirika la KDIC kwa upande wake limeendelea kuyatekeleza majukumu yake ya kutoa ulinzi wa arbuni, hasa kwa mashirika madogo ya kifedha, kutokana na hasara zinazosababishwa na kusambaratika kwa asasi za kifedha, hivyo basi kuchangia ongezeko la imani ya umma katika mfumo wa kifedha nchini. Katika kipindi hiki kinachochunguzwa, kiwango cha bima ya arbuni kilibakia Shilingi 100,000 kwa kila mwekaji nayo idadi ya akaunti chini ya ulinzi katika kiwango hiki iliongezeka kwa asilimia 24.71 kutoka akaunti milioni 26.33 katika kipindi cha awali hadi akaunti milioni 32.69 kufikia mwisho wa kipindi hiki kinachochanganuliwa. Jumla ya akaunti za arbuni katika sekta hii ilikuwa milioni 33.94 huku idadi ya akaunti zinazolindwa kikamulifu ikiwa milioni 32.69, yenye maana kuwa asilimia 96.3 ya wawekaji wote ambao ni milioni 35.24 wanalindwa kikamilifu. Wawekaji wanaolindwa kikamilifu wanamiliki asilimia 22 tu ya jumla ya thamana ya arbuni zote.

Matokeo katika sekta ya Benki yalizidi kuimarika huku thamana kamili ya rasilimali ikiwa Shilingi trilioni 3.60, thamana ya mikopo ikiwa trilioni 2.17, wiano za arbuni katika sekta hii ikiwa Shilingi trilioni 2.57 na faida kabla ya kutozwa ushuru ikiwa Shilingi bilioni 76.91, kufikia tarehe 30 Juni 2015. Katika kipindi hiki kinachochunguzwa, Shirika la KDIC lilizidi kunufaika kutokana na ushirikiano wake na Idara ya Usimamizi wa Habari za Mikopo (Credit Reference Bureau - CRB), jambo ambalo limechangia pakubwa kuimarika kwa malipo ya mikopo. Mabadiliko katika idara ya mahakama pamoja na idara zingine za kiserikali pia yameanza kuzaa matunda, haswa katika maswala ya utilifu wa mashirika yaliyosambaratika. Ni matumaini yetu kuwa juhudi hizi zitawafaidi wateja na wakopi wa mashirika yaliyosambaratika.

Katika kipindi kinachochunguzwa, Shirika la KDIC liliendelea kusimamia na kuuza rasilimali ya mashirika yanayotilifiwa, hasa ikizingatia mikakati inayolenga kurahisisha shuguli hii. Tangu kuanzishwa kwake, Shirika limepokea mashirika 24 ya kutilifiwa na tayari imefunga 8 kati yazo. Kufikia tarehe 30 Juni 2015, kiwango cha marupurupu kilichotangazwa na mashirika yanayotilifiwa kiliongezeka hadi Shilingi milioni 7,407.92 ikilinganishwa na Shilingi milioni 7,377.92 mwaka uliopita, ongezeko la Shilingi milioni 30 katika kipindi hiki kinachochunguzwa. Malipo kwa wateja pamoja na wadai wa mashirika haya yataendelea katika vipindi vijazo, lengo kuu ikiwa kuipa kasi shuguli ya utilifu na kukamilisha shuguli za kufunga mashirika haya kwa muda wa miaka miwili hivi. Benki ya Heritage lilifungwa katika kipindi hiki kinachochunguzwa na inatarajiwa kuwa mashirika mengine mawili yatafungwa katika mda wa miaka miwili ijayo.

Kufuatia utekelezaji wa Sheria ya Bima ya Arbuni tarehe 1 Julai 2014, Shirika la KDIC lilianza kukiua kutoka DPFB iliyotekeleza shuguli zake kama idara ya Benki Kuu ya Kenya na kuwa shirika huru. Ili kuongoza shuguli hii ya ukiuaji, KDIC ilitayarisha mikakati yenye malengo tatu yatakayoongoza utendakazi wake kuanzia Januari 2015 hadi Juni 2018, nayo ni: Kustawisha mfumo wake wa usimamizi pamoja na uwezo wa KDIC wa kutekeleza kikamilifu majukumu yake mapya; kuendeleza uamsho wa umma na mafunzo kwa wadau; na kupitisha nyendo mwafaka za kibiashara na kifedha zitakazoimarisha Jazi ya Hazina ya Bima. Mpango huu utaongoza mikakati ya Shirika hili kuwa na ufanisi zaidi katika vipindi vya mda mfupi na mrefu. KDIC pia imeweka sheria itakayofanikisha utekelezaji kamili wa Sheria ya Bima ya Arbuni ya Kenya ya mwaka 2012.

Shirika hili limezidi kuendeleza ushirikiano wa kimataifa katika Ulinzi wa Arbuni kuambatana na mojawapo ya malengo kuu ya Shirikisho la Kimataifa la Walinzi wa Arbuni (IADI) ya kufanikisha ugavi na upokezanaji wa habari na ujuzi. KDIC pia imehusika katika shuguli nyingi za IADI ikiwa ni pamoja na shuguli za mafunzo na kongamano ili kutimiza malengo haya.

Nikitamatisha, ningependa kutoa shukrani zangu kwa Bodi ya Wakurugenzi kwa kujitolea kwao pamoja na uongozi wao kwa Shirika la KDIC, haswa katika kipindi hiki cha ukiuaji. Bila kusahau jitihada za wafanyakazi wa KDIC zilizochangia ufanisi wa KDIC katika kipindi cha mwaka 2014/2015. Natoa shukrani za dhati kwa Benki Kuu ya Kenya kwa kazi iliyofanya kuikiranja Shirika la KDIC kwa hali zote pamoja na kutoa wafanyakazi wake na pia kujitolea kwa hali na mali. Tukizidi kufanya kazi pamoja tukiongozwa na uadilifu, utaalamu, umoja, sheria, uwazi na uwajibikaji, nina hakika tutazidi kufanikiwa mwaka wa 2016 na hata zaidi.

Aggrey Jonathan K. Bett
Kaimu Mkurugenzi Mtendaji
SHIRIKA LA BIMA YA ARBUNI YA KENYA

THE YEAR UNDER REVIEW

PERFORMANCE OF THE ECONOMY

The economy grew by 5.3 percent in 2014 compared with a growth of 5.7 percent in 2013. Growth in 2014 was largely attributed to Agriculture, Manufacturing, Real Estate and Wholesale and Retail Trade. In the first quarter of 2015, the economy registered real growth of 4.9 percent compared with 4.7 percent in the first quarter of 2014. The improved economic performance was attributed to Construction; Finance and Insurance; Information and Communication; Electricity and Water supply; Wholesale and Retail trade; and Transport and Storage Activities.

Overall 12-month inflation eased from 7.4 percent in June 2014 to 7.0 percent in June 2015, largely reflecting a decline in fuel inflation. Non-food, non-fuel inflation rose marginally from 4.5 percent in June 2014 to 4.6 percent in June 2015, indicating minimal demand pressures in the economy. The annual average inflation eased from 7.1 percent in June 2014 to 6.6 percent in June 2015.

The Monetary Policy Committee raised the Central Bank Rate (CBR) by 150 basis points to 10.0 percent on 9th June 2015, in order to mitigate against emerging demand pressures arising from exchange rate volatility. . The weighted average interbank rate rose from 6.6 percent in June 2014 to 11.8 percent in June 2015, reflecting skewed liquidity distribution, CBK forex sale to smoothen the exchange rate volatility and CBK open market operations consistent with the adopted tightening bias in the interbank market. Commercial banks' average deposit rate held steady at 6.6 percent in June 2014-2015, while the average lending rate declined from 16.4 percent to 15.5 percent in the period under review. Consequently, the interest rate spread narrowed from 9.8 percent in June 2014 to 8.8 percent in June 2015. The 91 day Treasury bill rate declined over the year under review from 9.8 percent to 8.3 percent, while the 182-day Treasury bill rate remained stable within a range of 10.5 percent to 10.6 percent in the period under review. The Kenya shilling displayed mixed performance against international and regional currencies during the financial year 2014/15. It strengthened by 6.7 percent against the Euro and 6.9 percent against the Japanese Yen to trade at an average of 109.73 per Euro and 79.95 per 100 Japanese Yen compared to an average of 117.56 per Euro and 85.88 per 100 Japanese Yen during the financial year 2013/14. The performance of the Kenya Shilling against the US Dollar is attributed to developments on the international markets notably the strengthening of the US Dollar against major world currencies (anchored on positive sentiment on economic recovery), high dollar demand on the domestic market as well as muted supply of dollar inflows from exports. Against regional currencies, the Shilling strengthened against the South African Rand as well as the Uganda and Tanzania Shillings but weakened against the Rwanda and Burundi Francs.

The banking system's total foreign exchange holdings decreased to USD 9,473 million at the end of June 2015 from USD 10,399 million at the end of June 2014. Official reserves decreased to USD 7,212 million (4.6 months of import cover) at the end of June 2015 from USD 8,555 million (5.7 months of import cover) at the end of June 2014.

Foreign exchange reserves held by commercial banks increased to USD 2,262 million at the end of June 2015 from USD 1,844 million at the end of June 2014. Residents' foreign currency deposits increased by 18.8 percent to USD 4,488 million from USD 3,776 million over the review period.

Government budgetary operations in the FY 2014/15 resulted in a budget deficit of Ksh 500.2 billion or 9.3 percent of GDP on a commitment basis, compared with Ksh 296.4 billion or 5.5 percent of GDP reported in a similar period in the fiscal year 2013/14. The budget deficit widened due to an underperformance of revenues, nevertheless the deficit remained within the revised target of Ksh 506.5 billion or 9.5 percent of GDP for the FY 2014/15. During the year under review, 73.2 percent of deficit financing came from external sources, compared with 34.3 percent in the FY 2013/14.

Kenya's public and publicly guaranteed debt stood at Ksh 2,829.1 billion as at end June 2015. This represents a 19.4 percent increase from Ksh 2,370.2 billion held at the end of June 2014. As a percentage of GDP, overall public debt stock increased from 44.2 percent in June 2014 to 52.8 percent in June 2015, due to the Tap sale of the Sovereign bond in December 2014. In particular, the proportion of external debt to GDP increased from 20.3 percent to 26.3 percent, while domestic debt increased from 24 percent of GDP to 26.5 percent, in the period under review.

The increase in the overall Government debt stock comprised Ksh 136.2 billion in domestic debt and Ksh 322.7 billion in external debt. The percentage of domestic debt to total debt declined from 54.2 percent in June 2014 to 50.2 percent in June 2015, while that of external debt increased from 45.8 percent to 49.8 percent, during the period under review.

The equities segment of the capital markets recorded improved performance in the 12-month period to June 2015. The NSE 20 Share Index rose by 0.43 percent while the NASI rose by 9.34 percent. Shareholders' wealth measured by market capitalization grew by Ksh 195 billion or 9.25 percent) over the year under review. The good performance is attributable to activities of foreign investors and improved appetite for risky assets like equities.

BANKING SECTOR PERFORMANCE AND DEVELOPMENTS DURING THE YEAR ENDED 30TH JUNE 2015

OVERVIEW

During the period ended June 30, 2015, the Kenyan banking sector comprised 43 commercial banks, 1 mortgage finance company, 12 microfinance banks, 8 representative offices of foreign banks, 14 money remittance providers, 86 foreign exchange bureaus and 3 credit reference bureaus.

The Banking Sector registered improved performance in the period ended 30th June 2015 as shown below:-

- Assets increased to Ksh 3.6 trillion from Ksh 3.0 trillion in June 30, 2014.
- Loans and advances grew to Ksh 2.2 trillion compared to Ksh 1.8 trillion as at June 30, 2014.
- The deposit base expanded to Ksh 2.6 trillion from Ksh 2.1 trillion reported in June 30, 2014.
- Profit before tax was Ksh 76.7 billion compared to Ksh 71.0 billion reported in the period ended June 30, 2014.

STRUCTURE OF THE BALANCE SHEET

The banking sector balance sheet expanded by 20 per cent from Ksh 3.0 trillion in June 2014 to Ksh 3.6 trillion in June 2015. The main components of the balance sheet on the asset side were loans and advances, government securities and placements, which accounted for 58.0 per cent, 20.4 per cent and 5.3 per cent of total assets respectively. Customer deposits were the main component on the liabilities side accounting for 71.5 per cent of the total liabilities.

LOANS AND ADVANCES

The banking sector gross loans and advances rose from Ksh 1.8 trillion in June 2014 to Ksh 2.2 trillion in June 2015 translating to a growth of 22.1 percent. The growth in loans and advances was in personal/household, transport and communication, energy and water, agriculture and real estate sectors.

DEPOSIT LIABILITIES

Customer deposits were the main source of funding for the banking sector, accounting for 71.5 per cent of total liabilities. The deposit base increased by 10.5 per cent from Ksh 2.1 trillion in June 2014 to Ksh. 2.6 trillion in June 2015 mainly attributed to branch expansion, remittances, receipts from exports and agency banking. The number of deposit accounts increased by 24.9 per cent from 25.3 million accounts in June 2014 to 31.6 million in June 2015.

CAPITAL AND RESERVES

The banking sector registered improved capital levels in the period ended June 2015. The total capital grew by 25.7 per cent from Ksh 436.6 billion in June 2014 to Ksh 549.0 billion in June 2015. The shareholders' funds increased by 18.3 per cent from Ksh 459.4 billion in June 2014 to Ksh 543.3 billion in June 2015. The ratios of total and core capital to total risk-weighted assets increased from 17.5 per cent and 15.0 per cent in June 2014 to 18.9 per cent and 15.7 per cent in June 2015 respectively.

ASSET QUALITY

The gross non-performing loans (NPLs) increased by 21.9 per cent from Ksh 101.6 billion in June 2014 to Ksh 123.9 billion in June 2015. The ratio of gross NPLs to gross loans remained constant at 5.7 per cent in June 2015 as it was in June 2014. The increased insecurity in the country, delayed payments to the government contractors and unfavourable weather conditions contributed to the increase in NPLs.

PROFITABILITY

The banking sector registered Ksh 76.7 billion pre-tax profits during the period ending June 30, 2015, which was an increase of 8.0 per cent from Ksh 71.0 billion for the period ending June 2014. Total income for the period stood at Ksh 226.3 billion, a growth of 13.7 per cent compared with Ksh 199.0 billion registered at the end of June 2014. On the other hand, total expenses increased by 16.7 per cent from Ksh 128.0 billion in June 2014 to Ksh. 149.4 billion in June 2015.

Interest on loans and advances of Ksh 136.6 billion constituted 60.4 per cent of total income in the period ended June 2015. On the other hand, interest on deposits, staff costs and other expenses were the key components of expenses, accounting for 36 per cent, 27 per cent and 22 per cent of total expenses respectively.

LIQUIDITY

For the period ended 30th June 2015, average liquid assets stood at Ksh. 970.1 billion while average liquid liabilities were worth Ksh. 2,507.3 billion, resulting to an average liquidity ratio of 38.7% the same level registered in June 2014. The ratio remained above the minimum statutory limit of 20.0%.

FINANCIAL INCLUSION INITIATIVES

CREDIT INFORMATION SHARING MECHANISM

- On 30th April 2015, Creditinfo Credit Reference Bureau was licensed bringing the number of licenses credit reference bureaus to 3. The Credit Information Sharing (CIS) mechanism has continued to register increased usage by the banks since its launch in July 2010.
- The cumulative number of credit reports that had been requested by banks stood at 7,545,757 in the period ended June 2015 an increase of 74.5 percent compared with 4,325,200 reports that had been requested in the period ended June 2014. Over the same period, the number of reports requested by bank customers increased from 67,610 to 111,633.
- Banks have now incorporated credit reference reports in their credit risk appraisal processes. Borrowers with good track record are now able to negotiate for competitive credit terms including accessing credit based on their credit history without a requirement for collateral.

AGENCY BANKING

- The use of the agency banking model by banks has continued to improve access to banking services since its launch in 2010. As at June 30, 2015, CBK had authorized 17 commercial banks to offer banking services through third parties (agents). Since 2010 to June 2015, a total of 38,297 agents had been contracted by the 17 banks.
- These agents had undertaken over 175.4 million transactions valued at Ksh 930.1 billion.

MICROFINANCE BANKS

- Three Microfinance Banks (MFBs) were licensed in the year. Choice MFB was licensed on 8th May 2015, Daraja MFB licensed on 12th January 2015 and Caritas MFB licensed on 02nd June 2015 bringing the number of Microfinance Banks (MFBs) in operation to 12 in June 2015.
- As at June 30, 2015, the 12 MFBs had granted gross loans worth Ksh 43.3 billion compared to Ksh 32.9 billion registered in June 2014 thus translating to a growth of 31.6 per cent. The deposits base of the MFBS stood at Ksh 39.7 billion representing a growth of 0.8 per cent from Ksh 27.3 billion in June 2014.
- The number of MFBs deposit accounts stood at 2.4 million in June 2015 compared to 2.1 million deposit accounts at end of June 2014.

REPRESENTATIVE OFFICES

- The representative offices of foreign banks as at June 2015 were 8 as it was in the period ended June 2014. Under the Banking Act, a Representative Office of a foreign bank in Kenya is not permitted to engage in banking business as defined in the Act only serve as marketing and liaison offices for their foreign parent banks and affiliates and are not permitted to undertake banking business. There were 2 ongoing applications for representative offices and 2 representative offices had indicated plan to upscale to fully fledged banks in the next 1 or 2 years.

MONEY REMITTANCE PROVIDERS

- The number of money remittance providers (MPRs) stood as 8 as at June 2015, after the transformation of 7 forex bureus into (MPRs). This transformation has seen the forex bureaus transactions decrease as MRPs transactions increase.

KENYA BANKS REFERENCE RATE (KBRR)

- KBRR was rolled out with effective 8th July 2014 through a circular to commercial banks and microfinance banks. KBRR was introduced to promote transparency and disclosure on pricing of credit by banks. KBRR was a common interest rate base for all banks and the banks are required to explain the makeup of any premium levied above KBRR.
- KBRR is computed as an average of the Central Bank Rate (CBR) and the two-month weighted moving average of the 91-day Treasury bill rate.
- The Central Bank of Kenya, through the Monetary Policy Committee, reviews the KBRR every six months. The current KBRR rate is 8.54 per cent as at 14th January, 2015 drop from the previous rate of 8.54 per cent.
- Institutions are required to submit the following information on K:
  - Components of K such as overheads, customer risk profile, overheads and cost of funds.
  - The lowest, highest and average K for the various loan products such as consumer loans, business loans, asset finance, SME loans and mortgage loans.
  - New loans issued under the KBRR and any old loans converted to KBRR computation method.

CORPORATE GOVERNANCE

MANDATE AND RESPONSIBILITIES

The Deposit Protection Fund Board (DPFB), the forerunner of Kenya Deposit Insurance Corporation (KDIC), was established in 1985 through an amendment to the Banking Act, Chapter 488 of the laws of Kenya. The KDIC, which is a body corporate with perpetual succession and a common seal, came into existence following the promulgation of the Kenya Deposit Insurance Act, 2012, on May 14, 2012, and commenced operations on 1st July, 2014, with a transition period of one year to 30th June, 2015.

The mandate of the KDIC is to build confidence in the banking sector through an effective deposit insurance scheme and to foster financial stability. The object and purpose for which the Corporation was established include the following:-

i) Provide a deposit insurance scheme for depositors of member institutions.
ii) Hold, manage and apply funds levied as contributions from member institutions.
iii) Provide Bank resolution mechanism for failing/failed institution(s).
iv) Receive, liquidate and wind-up operations of insolvent institutions in respect of which the Corporation is appointed receiver or liquidator.
v) Pursue a complementary role of guaranteeing safety and building public confidence in the sector for financial stability.

KDIC Board is composed of Governor of Central Bank of Kenya, PS Treasury and Attorney General as Ex-Officio members, three members from the banking industry and three independent members, one of whom should be the Chairman. This new Board is yet to be fully constituted and the old Board is thus directing the affairs of the Corporation. The appointing authority has been requested to re-constitute the Board.

ORGANIZATION STRUCTURE

The KDIC is steered by Board of Directors. The Board plays an oversight role on Management activities and is responsible for the KDIC performance.

The KDIC management organizational structure comprises four Divisions namely: Finance & Administration, Liquidations, Legal Services and ICT. In striving to achieve best Practice, KDIC has in its structure an Internal Audit Unit and has established a Human Resource Unit. The two units provide quality control and risk management of the Corporation's resources, as well as harnessing and enhancing management of the human resource, as an asset. The Management of the KDIC comprises of an Acting CEO and 61 members of staff of various cadres all of whom are on secondment from CBK. To ensure KDIC has the optimum human resource capacity to fulfill its mandate, a consultant in Human Resource was engaged during the year under review to undertake a skills assessment of the staff to ensure proper placing and to highlight any gaps that need to be filled in line with the expanded mandate. The exercise was nearing conclusion as at the end of the financial year.

CORPORATE GOVERNANCE APPROACH

Section 7 and 8 of the Kenya Deposit Insurance Act 2012, defines the members, roles and functions of the Board. The Corporation shall be administered by a Board of Directors which shall consist of a non-executive chairperson appointed by the President on the recommendation of the Minister provided that the chairperson appointed shall not be from the member institutions of the Corporation, the Permanent Secretary in the Ministry for the time being responsible for matters relating to finance or his representative, the Attorney General or his representative, the Governor of the Central Bank of Kenya or his representative, five members, not being public officers and three of whom shall be from institutions, appointed by the Cabinet Secretary in consultation with the Corporation.

The Board has delegated the day to day operations of the Corporation to management staff seconded from the Central Bank of Kenya, under a Director who acts as the CEO of the Corporation. The Acting Chief Executive Officer is an ex-officio member of the Board and presents management performance to the Board. Decision making on major issues is through various management committees, where each decision is subjected to critical analysis and review by the members of the committees. The budget of the Corporation is approved by the Cabinet Secretary in charge of the National Treasury and implemented by the management on behalf of the Board.

HUMAN RESOURCES

Section 11 of the KDI Act 2012, has mandated the Corporation to appoint such officers and other staff as necessary for the proper discharge of its functions. KDIC procured the services of a Consultant to undertake a Human Resource Study that entails conducting job evaluation, job analysis, review of existing job descriptions, competency profiling and development of a skills matrix, with a view to designing a new functional and grading structure. The Consultant will also conduct a recruitment exercise to populate the structure to effect the transition from DPFB to KDIC. Until such time when the consultancy exercise is concluded, and as provided for in Section 76 (3) of the KDI Act, all the employees or officers of the Corporation are those persons who were seconded from the Central Bank of Kenya to the Deposit Protection Fund Board. The Corporation is responsible for HR development for such staff, and all expenditure on staff in relation to salaries, other remunerations, medical expenses and pensions. Suffice to mention that employee compensation and terms of service are pegged to the CBK schemes.

STRATEGIC PLANNING

The KDIC 2015-2018 strategic plan was drawn for a period of three and half years from January 2015 to June 2018 to guide the Corporation in delivering on its mandate. This strategic plan succeeded the DPFB Interim Strategic Plan 2012-2015, hence, it is considered a Transition Strategic Plan, aimed at heralding the transformation of the current deposit insurance scheme, from a pay-box plus, to a deposit insurance regime with enhanced corporate governance and expanded mandate of loss and risk minimizer, to facilitate effective participation in financial stability and in line with international best practices.

An evaluation of the DPFB strategic plan for 2012-2015 revealed that some significant achievements were made and lessons learnt from the challenges encountered during the implementation of the DPFB strategic plan. These factors were used to enhance the quality of the KDIC strategic plan in terms of preparation process and objectives to be pursued. In formulating this Strategic Plan, KDIC Management took into account the following factors:

a) Legal and Regulation Framework, including KDI Act, 2012, Banking Act, CBK Act, other relevant statutes, best practices by other established deposit insurance schemes, and IADI Core Principles;
b) The external and internal operational environment;
c) The Strategic direction and other key strategic objectives and initiatives;
d) The Budgetary requirements; and
e) The outcomes that KDIC seeks to achieve.

Having carefully reviewed its vision, mission, mandate, strengths and weaknesses, significant risks faced by the Corporation, taking into consideration its current operating environment and the new KDI Act 2012, the following were identified as key strategic issues that need to be urgently addressed in order for DPF to transition smoothly to KDIC and perform its new roles:

a) Governance structure and Institutional capacity;
b) Public awareness and stakeholder education; and
c) Sound Business and Financial Practices of the Fund

These issues have informed the KDIC startegic direction 2015-2018. The KDIC strategic Thrusts and Theme embody: Sound Governance; Operational readiness & excellence; and Public confidence in the financial system.

In order to achieve its Mission and Vision the KDIC has formulated the following three strategic objectives to guide its operations over the planning period:

Strategic Objective 1:

To strengthen the governance structure and institutional capacity of KDIC to effectively and efficiently deliver on its mandate. This objective will be achieved through the following strategies:

a) Facilitate the reconstitution of the Board in line with the new KDI Act;
b) Establish an optimal organizational structure;
c) Provide optimal staff compliment and competencies ;
d) Develop a robust ICT platform;
e) Strengthen internal management systems, processes and controls with management organs;
f) Maintain financial sustainability of KDIC
g) Enhance the responsiveness, comprehensiveness and enforceability of the KDIC legal and regulatory framework;

h) Build strategic alliances with relevant institutions;
i) Adopt a Risk and Loss Minimization Framework;
j) Design effective receivership framework
k) Design efficient payment solutions; and
l) Enhance and accelerate the ongoing liquidation process.

Strategic Objective 2:
To enhance KDIC Image and promote depositor education. The strategies to attain this objective include:

a) Design Corporation Logo and Invest in branding items;
b) Develop and Implement communication policy and strategy;
c) Develop depositor education and public awareness policy and enhance dissemination of depositor education and public awareness; and
d) Establish a resource centre.

Strategic Objective 3:
To adopt sound business and financial practices of the fund. The objective will be achieved through the following strategies:

a) Adopt hybrid premium regime;
b) Optimize Investments; and
c) Set Target Fund

The above strategic issues, strategic objectives and strategies have informed the KDIC startegic plan over the period 2015-2018. The plan will be reviewed yearly for relevance and accuracy. The plan will also be implemented through a framework that will devolve the implementation of the plan to departmental and individual levels through development of departmental and individual work plans. The plan will be monitored through adoption of Balanced Score Card (BSC) framework, regular management reports and briefings to the Board of Directors.

It is expected that the strategic objectives will be achieved within the planned period.

CORPORATE SOCIAL RESPONSIBILTY

The mission of Kenya Deposit Insurance Corporation (KDIC) (formerly Deposit Protection Fund Board) is to promote stability in the Financial Sector by providing a deposit insurance scheme for depositors of member institutions. In fulfilling this important mandate, KDIC also recognises the need to make a positive contribution to the welfare of the society and to this end, The Chairman's Philanthropic Fund was created in furtherance of the Corporate Social Responsibilty.

In the year under review, Chairman's Philanthropic Fund extended financial support to needy projects all over the country to educational, orphanages and health institutions. Some of the beneficiaries include: The Kenya Society for the Blind, Tunyai Children's Centre- Meru, Mercy Education Centre-Kisii, Talent Children's Mission Home- Elburgong, Dominion Chilren's Home-Eldoret, The Nyeri Hospice, Fountin of Grace-Turkana, Kenya Association of the Welfare of People with People with Epilepsy,Ngasunoto CBO- Maralal, Zennith Educational Centre, North Eastern Youth for Development, and Benane Youth Development Action Group-Garissa.

KDIC shall continue to support needy projects in line with the DPFB objectives of making a difference to society.

Items donated to the Kenya Society for the Blind.

The Administrator, Mercy Education Centre receiving text books donated by KDIC.

Drugs donated by KDIC to the Nyeri Hospice

A Greenhouse and water tank donated to Dominion Children's Home, Eldoret by KDIC

A Greenhouse constructed at Dominion Children's Home, Eldoret by KDIC

DEPOSIT INSURANCE ACTIVITIES

INTRODUCTION

Financial institutions differ from most industrial and commercial enterprises in that they depend mainly on deposits mobilized from the public for their working capital and are highly leveraged. If a financial institution is unable to meet its obligation to depositors due to operational problems or business failure, anxious depositors may cause a run on the banks as well as other healthy institutions. The stability of the financial system, and social order, in general, would also be at risk. Moreover, most depositors have small deposit amounts and, therefore, cannot cost-effectively collect information on the financial institutions they do business with.

The role of deposit insurance is to protect depositors, particularly small, vulnerable, less financially sophisticated against losses they may face as a result of the failure of banks and other deposit taking institutions, thus creating public confidence in a financial system. At the same time, the availability of deposit insurance serves to protect banks against the risk of 'runs' and thus contribute to financial stability.

Deposit insurance is typically provided primarily for the benefit of depositors who do not have the means or the capacity to assess, readily and comprehensively, the risks faced by the institutions with which they place their savings.

DEPOSIT INSURANCE COVERAGE

In its endeavour to provide a Deposit Insurance Scheme to depositors of member institutions, KDIC has ensured that the level and scope of coverage meets public policy objective by covering majority of retail depositors in full.

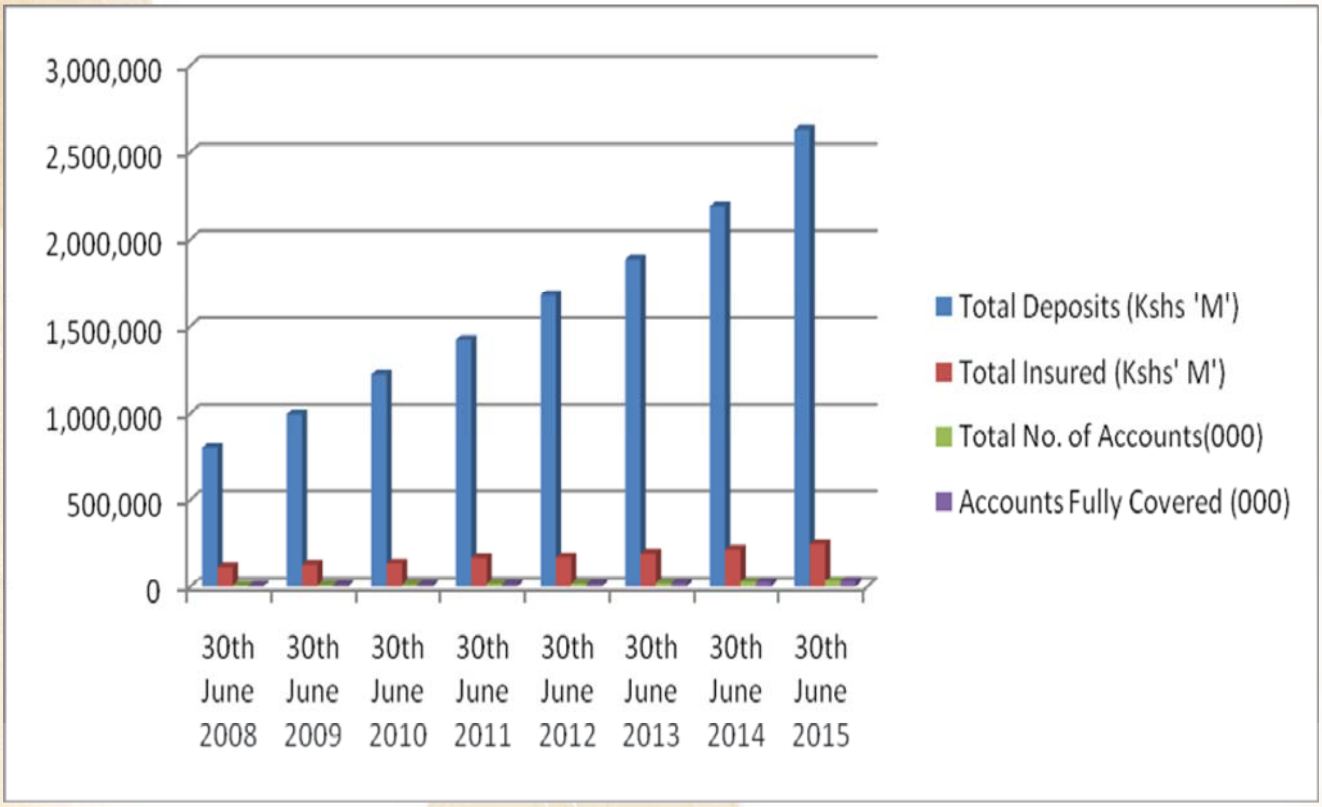
Membership to the fund is mandatory for all deposit taking institutions licensed by the Kenya Deposit Insurance Act 2012, while the coverage and limit of insured deposits has remained at a maximum of Ksh 100,000 (US $ 1,010) per depositor.

At the current level and scope of coverage, total depositors' accounts covered have been maintained at over 80% over the years, in line with IADI's minimum benchmark. This is attributed to national initiatives that have promoted financial inclusion which has seen previously unbanked retail depositors enter the formal financial system. For the period ended 30th June 2015, total accounts covered were at 96%. As shown in the Table and Chart below, the total amount insured increased by KShs. 33.06 billion from KShs. 213.71 billion in June, 2014, to KShs 246.77 billion in June, 2015. The total number of deposit accounts increased by 6.515 million during the year under review, from 27.423 million in June, 2014, to 33.936 million in June, 2015.

Table 1: Trend in Deposits and Coverage

	June 2008	June 2009	June 2010	June 2011	June 2012	June 2013	June 2014	June 2015
Total Deposits (Kshs 'M')	795,726	994,292	1,222,160	1,420,457	1,678,590	1,884,784	2,188,065	2,630,908
Total Insured (Ksh 'M')	115,526	129,192	136,291	168,120	170,931	192,887	213,708	246,772
Total No of A/cs (000)	5,570	7,573	10,676	14,213	16,471	192,887	27,423	33,936
A/cs Fully Covered (000)	4,996	6,903	10,057	13,365	15,588	19,911	26,327	32,689

Chart 1: Trend in Deposits and Coverage



It is to be noted that the scope of deposit protection covers deposits received by deposit-taking financial institutions licenced by the Central Bank including balances in foreign currency accounts except inter-bank balances.

Whereas the maximum amount covered per depositor has remained at Ksh. 100,000 since the inception of the deposit insurance scheme in 1985, this is poised for review after recommendations from the ongoing consultancy.

MEMBER INSTITUTIONS CONTRIBUTIONS

KDIC operates an ex-ante deposit insurance scheme where funding is through annual premium contribution by all member institutions. Hence, major sources of funding are member contribution and income from investments in Government Securities. The premium is currently charged at 0.15% of the average total deposit liabilities for the 12 months preceding the commencement of the financial year or KShs. 300,000.00, whichever is higher. For the year ended 30th June, 2015, DPFB collected a total of KShs. 3.60 billion from member contributions. Table 2 and chart 2 below shows the premium contribution by member institutions from 2008 to date.

Table 2: Trend in Premium Contribution (Kshs m)

	2008	2009	2010	2011	2012	2013	2014	2015
Banks	1,089.9	1,315.7	1,574.1	1,934.6	2,294.3	2,615.7	2,952.7	3,546.2
Non Bank FIs	20.2	20.2	24.2	25.4	28.3	35.4	40.64	50.37
DTMs			0.3	12.9	16.5	24.8	39.2	55.49
Total	1109.9	1337.3	1598.6	1972.9	2339.1	2675.9	3032.5	3601.7

Chart 2: Trend in Premium Contribution (Kshs m)

In efforts to streamline risk management in member institutions, KDIC is conducting a study with a view to introduce Differential Premium. This methodology of member contribution will take into account institutional risk profile.

RELATIONSHIP WITH IADI AND ARC

KDIC is a founder member of the International Association of Deposit Insurers (IADI) and a member of its various Standing Committees as well as the Africa Regional Committee (ARC).

IADI, founded 2002, contributes to the stability of financial systems by promoting international cooperation in the field of deposit insurance. In advancing its course, IADI, among other strategic objectives, strives to: facilitate the sharing and exchange of expertise and information on deposit insurance through training, development, and education programs; and undertake research and provide guidance on issues relating to deposit insurance.

In line with the above IADI objectives, KDIC, during the year under review, actively participated in various IADI activities. Some of these include: IADI 44th and 45th EXCO meetings in Bogota Colombia and Basel Switzerland respectively; and IADI training programs and conferences in Jordan, Taipei China, Kosovo, Basel Switzerland and Manila Philippines.

DPFB will continue to cooperate with IADI and its members with the objective of sharing experience and continuously improving and aligning its deposit insurance system to best practice.

LIQUIDATION ACTIVITIES

PAYMENT OF PROTECTED DEPOSITS

The total protected deposits paid by all the institutions so far placed in liquidation by the Kenya Deposit Insurance Corporation (formerly Deposit Protection Fund Board) amounted to Kshs.1,114 million as at June 30, 2015. This figure has remained constant from the 2007/2008 financial year, when the two year limitation period for payment of protected deposits by Daima Bank Limited (I.L.) expired, being the last institution placed in liquidation by the Kenya Deposit Insurance Corporation. Cummulative payment for insured deposits since the Board commenced liquidation of banks and financial institutions averaged 74.12% of total insured deposits.

Details of payment of Protected Deposits by each institution are shown on Table 3 below. Institutions which have already been wound up by the Board are listed in the shaded area at the bottom of the table.

Table 3: Payment of Protected Deposits as at June 2015 (Kshs million)

	Name of Institution	Liquidation Date	Total Deposits as at Liquidation	Total Protected Deposits	Protected Deposits paid as at 30th June 2014	Protected Deposits paid as at 30th June 2015	% of Protected Deposits paid as at 30th June 2015
1.	Postbank Credit Ltd.	20-May-93	3,834.00	30.00	30.00	30.00	100.00
2.	Trade Bank Ltd.	18-Aug-93	4,766.50	280.00	248.00	248.00	88.57
3.	Middle Africa Finance Ltd.	20-Aug-93	242.00	17.00	13.00	13.00	76.47
4.	Pan-African Bank Ltd.	18-Aug-94	614.50	107.00	90.00	90.00	84.11
5.	Pan-African Credit & Finance Ltd.	18-Aug-94	139.00	8.00	6.00	6.00	75.00
6.	Thabiti Finance Co. Ltd.	19-Dec-94	850.00	54.00	33.00	33.00	61.11
7.	Meridien BIAO Bank Ltd.	15-Apr-96	781.00	45.00	38.00	38.00	84.44
8.	Kenya Finance Bank Ltd.	29-Oct-96	1,782.00	381.00	323.00	323.00	84.78
9.	Ari Bank Corporation Ltd.	05-Dec-97	287.00	11.00	6.00	6.00	54.55
10.	Prudential Bank Ltd.	05-May-00	600.00	16.00	12.00	12.00	75.00
11.	Reliance Bank Ltd.	12-Sep-00	969.00	88.00	50.00	50.00	56.82
12.	Fortune Finance Co. Ltd.	14-Sep-00	320.00	33.00	23.00	23.00	69.70
13.	Trust Bank Ltd.	15-Aug-01	159.00	111.00	20.00	20.00	18.02
14.	Euro Bank Ltd.	21-Feb-03	2,040.00	19.00	8.00	8.00	42.11
15.	Prudential Building Society	18-Jan-05	2,025.00	8.00	3.00	3.00	37.50
16.	Daima Bank Ltd.	13-Jun-05	669.00	93.00	76.00	76.00	81.72
17.	Inter-Africa Credit Finance Ltd. *07-Sep-12	31-Jan-93	138.00	4.00	2.00	2.00	50.00
18.	Central Finance Ltd.* 07-Sep-12	19-May-93	106.00	15.00	12.00	12.00	80.00
19.	Nairobi Finance Ltd. *16-Aug-10	20-Aug-93	188.00	5.00	4.00	4.00	80.00
20.	Diners Finance Co. Ltd. *07-Nov-08	20-Aug-93	667.00	142.00	95.00	95.00	66.90
21.	Trade Finance Ltd.*23-Sep-08	18-Aug-93	203.00	10.00	6.00	6.00	60.00
22.	Allied Credit Ltd.*06-Nov-07	20-Aug-93	81.00	14.00	8.00	8.00	57.14
23.	International Finance Ltd.*06-Nov-07	16-Apr-93	168.00	2.00	1.00	1.00	50.00
24.	Heritage Bank Ltd.*22-Nov-14	13-Sep-96	370.00	10.00	7.00	7.00	70.00
	TOTALS		21,999.00	1,503.00	1,114.00	1,114.00	74.12

*Date of Release of Liquidator

DEBT RECOVERY

As at June 30, 2015, the cummulative recovery of debts and realisation of other assets by all the institutions so far placed in liquidation by the Kenya Deposit Insurance Corporation totalled Kshs. 8,508.31 million. This amount represents an increase of Kshs. 338.93m against the total cumulative asset realisation of Kshs. 8,169.38 million achieved in the previous financial year. The total recovery includes interest earned on Treasury Bills and other recoveries. General performance on debt recovery continues to decrease due to poor quality of the remaining assets. During the year under review, Heritage Bank Limited (I.L.) was successfully wound up and the Liquidatior released.

The table 4 below illustrates the cummulative loan recovery and performance by all institutions in liquidation. Only 11 (eleven) institutions have managed to recover margins above 20% of the outstanding debt portfolio from liquidation to date.

Table 4: Debt recovery as at 30th June 2015 (Kshs million)

	Name of Institution	Liquidation Date	Total Loans as at Liquidation	Total Recoveries at 30 June 2014	Total Recoveries as at 30 June 2015	% of Original Debt 30 June 2015
1.	Postbank Credit Ltd.	20-May-93	3,605.00	2,085.50	2,145.37	59.51
2.	Trade Bank Ltd.	18-Aug-93	3,955.00	755.99	773.10	19.55
3.	Middle Africa Finance Ltd.	20-Aug-93	656.00	73.50	74.51	11.36
4.	Pan-African Bank Ltd.	18-Aug-94	1,433.00	1025.81	1,037.80	72.42
5.	Pan-African Credit & Finance Ltd.	18-Aug-94	445.00	182.15	251.74	56.57
6.	Thabiti Finance Co. Ltd.	19-Dec-94	1,217.00	112.48	114.93	9.44
7.	Meridien BIAO Bank Ltd.	15-Apr-96	224.00	90.22	93.30	41.65
8.	Kenya Finance Bank Ltd.	29-Oct-96	2,329.00	473.93	481.95	20.69
9.	Ari Bank Corporation Ltd.	05-Dec-97	453.00	25.17	29.44	6.50
10.	Prudential Bank Ltd.	05-May-00	633.00	82.35	84.38	13.33
11.	Reliance Bank Ltd.	12-Sep-00	1,591.00	148.00	153.30	9.64
12.	Fortune Finance Co. Ltd.	14-Sep-00	345.00	79.83	80.66	23.38
13.	Trust Bank Ltd.	15-Aug-01	13,808.00	1987.96	2,121.26	15.36
14.	Euro Bank Ltd.	21-Feb-03	3,861.00	166.03	175.28	4.54
15.	Prudential Building Society	18-Jan-05	3,283.00	208.69	210.40	6.41
16.	Daima Bank Ltd.	13-Jun-05	802.00	190.33	199.24	24.84
17.	Inter-Africa Credit Finance Ltd. 07-Sep-12	31-Jan-93	155.00	35.90	35.90	23.16
18.	Central Finance Ltd. 07-Sep-12	19-May-93	111.00	110.38	110.38	99.44
19.	Nairobi Finance Ltd. 16-Aug-10	20-Aug-93	997.00	63.96	63.96	6.42
20.	Diners Finance Co. Ltd. 07-Nov-08	20-Aug-93	358.00	116.23	116.23	32.47
21.	Trade Finance Ltd.23-Sep-08	18-Aug-93	105.00	94.66	94.66	90.15
22.	Allied Credit Ltd.06-Nov-07	20-Aug-93	111.00	4.40	4.40	3.96
23.	International Finance Ltd.06-Nov-07	16-Apr-93	176.00	5.20	5.20	2.95
24.	Heritage Bank Ltd.22-Nov-14	13-Sep-96	458.00	50.71	50.92	11.12
	TOTALS		41,111.00	8,169.38	8,508.31	20.70

DECLARATION OF DIVIDENDS

During the year under review, Daima Bank Limited (I.L.) and Trust Bank Limited (I.L.) continued paying their 4th dividend while Reliance Bank Limited (I.L.) declared its 3rd dividend amounting to Kshs. 30 million to Depositors and Creditors in June 2015. Dividend declaration is reimbursement of amounts in excess of the protected deposit of Kshs. 100,000.00 per depositor.

As at 30th June, 2015, the cummulative dividends declared by all the institutions in liquidation amounted to Kshs.7,407.92 million compared to Kshs.7,377.92 million declared the previous year resulting in an increase of Kshs.30 million in dividend declaration for the year under review. Among the institutions in liquidation, Post Bank Credit Limited (I.L.) has made the highest dividend declaration amounting to Kshs. 1,702.00 million, followed by Trust Bank Limited (I.L.) at Kshs. 1,657 million and Trade Bank Limited (I.L.) at Kshs. 963.8 million. Other institutions are also making the requisite arrangements to declare final dividends in preparation for winding up their respective liquidations.

Table 5 below shows cummulative dividend declared as at 30th June, 2015 by individual institutions in liquidation.

Table 5: Dividends Declared as at 30th June 2015 (Kshs. Million)

	Name of Institution	Liquidation Date	Total Unprotected Deposits as at Liquidation	Dividends declared as at 30th June 2014	Dividends declared as at 30th June 2015
1.	Postbank Credit Ltd.	20-May-93	3,804.00	1,702.00	1,702.00
2.	Trade Bank Ltd.	18-Aug-93	4,486.50	963.28	963.28
3.	Middle Africa Finance Ltd.	20-Aug-93	225.00	20.30	20.30
4.	Pan-African Bank Ltd.	18-Aug-94	507.50	361.00	361.00
5.	Pan-African Credit & Finance Ltd.	18-Aug-94	131.00	137.70	137.70
6.	Thabiti Finance Co. Ltd.	19-Dec-94	796.00	99.97	99.97
7.	Meridien BIAO Bank Ltd.	15-Apr-96	736.00	378.74	378.74
8.	Kenya Finance Bank Ltd.	29-Oct-96	1,401.00	326.42	326.42
9.	Ari Credit Corporation Ltd.	05-Dec-97	276.00	41.66	41.66
10.	Prudential Bank Ltd.	05-May-00	584.00	227.20	227.20
11.	Reliance Bank Ltd.	12-Sep-00	881.00	191.70	221.70
12.	Fortune Finance Co. Ltd.	14-Sep-00	287.00	182.61	182.61
13.	Trust Bank Ltd.	15-Aug-01	48.00	1,657.00	1,657.00
14.	Euro Bank Ltd.	21-Feb-03	2,021.00	93.35	93.35
15.	Prudential Building Society	18-Jan-05	2,017.00	222.70	222.70
16.	Daima Bank Ltd.	13-Jun-05	576.00	235.20	235.20
17.	Inter-Africa Credit Finance Ltd. 07-Sep-12	31-Jan-93	134.00	24.21	24.21
18.	Central Finance Ltd. 07-Sep-12	19-May-93	91.00	104.10	104.10
19.	Nairobi Finance Ltd. 16-Aug-10	20-Aug-93	183.00	48.26	48.26
20.	Diners Finance Co. Ltd. 07-Nov-08	20-Aug-93	525.00	244.84	244.84
21.	Trade Finance Ltd. 23-Sep-08	18-Aug-93	193.00	80.23	80.23
22.	Allied Credit Ltd. 06-Nov-07	20-Aug-93	67.00	-	-
23.	International Finance Ltd.	16-Apr-93	166.00	-	-
24.	Heritage Bank Ltd.	13-Sep-96	360	35.45	35.45
	TOTALS		**20,496.00**	**7,377.92**	**7,407.92**

TRANSFORMATION FROM DPFB TO KDIC

HISTORICAL BACKGROUND

Deposit Protection Fund Board (DPFB) was established in 1985, pursuant to section 36 of the Banking Act, Chapter 488 Laws of Kenya, as an autonomous body corporate. DPFB commenced operations in 1989, as a Deposit Insurance Scheme with the joint mandate of maintaining public confidence in the banking sector, and thereby contributing to the stability of the financial system in Kenya. The protection of depositors against the loss of their savings, in the event of the collapse of a member institution of the Fund, remains one of the key objectives of Deposit Insurance in Kenya.

TRANSITION TO KENYA DEPOSIT INSURANCE CORPORATION

Given the level of development in the financial system of Kenya, it was considered that the DPFB mandate of a 'pay-box plus' scheme was considered to be too narrow. Consequently, DPFB made a strategic decision to expand its mandate from a pay-box to a risk minimizer with powers to undertake bank resolution of distressed member institutions licensed by the Central Bank of Kenya. Therefore, this culminated in DPFB transforming to Kenya Deposit Insurance Corporation (KDIC) under a new legal framework, the Kenya Deposit Insurance Act, 2012. The Kenya Deposit Insurance Corporation is a statutory institution pursuant to the promulgation of Kenya Deposit Insurance Act, 2012, and commenced operations on 1st July, 2014. KDIC was granted with a transition period of two years to 30th June, 2016.

The overall objective of the new Act is to ensure that KDIC engages in financial stability proactively as the resolution authority by actively participating in problem bank resolution with receivership powers and enhanced corporate governance. KDIC's prime responsibility and mandate is therefore to foster financial stability and promote public confidence in the Kenyan banking system by providing an effective and efficient deposit insurance scheme for customers of member institutions and to receive, liquidate and wind up any institution in respect of which the Corporation is appointed receiver or liquidator.

As at the close of the period under review, the Kenya Deposit Insurance Regulations, 2015 is due to be gazetted. Plans are already underway to further improve the design of deposit insurance to meet international best practice through enhanced coverage level, and the establishment of a target fund. In particular, the proposed target fund aims to set achievable target levels to deal with problem situations to forestall crises in the financial sector.

The law provides for a revised contribution approach based on a differential premium system. This will once implemented serve to provide incentives to adopt sound risk management practices among member institutions, hence, will promote financial stability.

KDIC has taken over the following mandate from DPFB:

- Pay-box plus - Insure deposits of retail customers and facilitate prompt payment of protected deposits whenever a bank collapses,
- Undertake the liquidation and winding-up of failed and insolvent member institutions,
- To hold, manage and apply funds levied as contributions from member institutions.

KDIC has adopted the following new additional mandates:

- Receiver or Statutory Manager of problem bank institutions, an exercise that was previously handled by Central Bank of Kenya,
- Formulate incentives for the implementation of sound risk management policies in the financial system, and, if necessary, undertake effective intervention measures in a pro-active manner through prompt corrective action. This means that the performance of member institutions shall be monitored closely and regularly (Risk Minimizing role),
- Act in such a manner as to minimize costs to the Corporation and financial system at large by exercising the 'least cost option' in the resolution of problem banks.

KDIC will continually seek to adopt sound and effective principles as well as best practices in key areas of deposit insurance, according to the core principles of IADI (International Association of Deposit Insurers). These include, but are not limited to, public policy objectives, mandates and powers, governance, membership and coverage, funding, prompt corrective action, problem resolution as well as public awareness.

KDIC will also continue to build strategic alliances with the government of Kenya, Central Bank of Kenya, other safety net players and stakeholders in the financial system in Kenya, in pursuit of the objective of achieving the aspirations envisaged in the country's 'Vision 2030'. As a joint safety net player in the financial sector, the KDIC will pursue its complementary role of guaranteeing safety of deposits locally and cross-border through information sharing, consumer protection and building public confidence in the overall stability of the financial system.

MEMBERSHIP

Membership to the Fund is Mandatory for all deposit taking institutions licensed under the Banking Act, Building Societies Act and the Microfinance Act (Banking Act 38(1), KDIC Act 24(1).

The Membership to the Fund, as at 30th June, 2015, comprised the following:

i.) Forty three (43) Commercial Banks
ii.) One (1) Mortgage Finance Institution
iii.) Twelve (12) Deposit-Taking Microfinance Institutions.

SOURCES OF INCOME

The Fund has four major sources of income, namely:

a) Seed Capital from the Sponsor: This was a one-off Government contribution through the National Treasury. In this regard, DPFB received KShs. 400 million as 'Seed Capital' at the inception of the Fund;

b) Premium contributions: KDIC levies premium on Member Institutions annually at 0.15% of the average total deposit liabilities during the preceding 12 months period with a minimum of KShs. 300,000.00 [approximately US$ 3,030];

c) Investment income: This is mainly from Investment of funds which is restricted to Government Securities. This ensures:
   i.) Preservation of capital;
   ii.) Safe custody;
   iii.) Liquidity; and
   iv.) Long term growth of the capital.

d) Long term borrowing: The Fund is allowed to borrow from the Central Bank of Kenya, in the event that the Fund balance is insufficient for pay-out, in case of a bank failure, or the Consolidated Fund in case of a systemic crises.

The maximum amount of protected deposits that is paid out to each depositor, in the event of a bank failure, has remained at KShs.100, 000 [US$ 1,010) since the inception of the Fund, but a study was commissioned by the Office of the Technical assistance of the US Treasury, to establish Adequate Cover, Optimal Target Fund and Risk- Based Contribution. The coverage level is set for review, though to be limited to a level, adequate and credible enough, to instil confidence in the financial system. The planned review, hence, will balance the current economic conditions and moral hazard in order to meet public policy objectives with a goal to maintain financial stability.

The establishment of a target fund, it is expected, will serve to address periodic failures that are not systemic in nature. Pragmatic resolution approaches will inform achievable target levels. The current premium rate of 0.15% will continue to apply with the expectation that target fund, a revised coverage level and risk based premiums may be introduced as per Section 27 (3) of the KDI Act, 2012, which provides a maximum rate of 0.4%. All types of deposit accounts in the insured institutions are eligible for cover except inter-bank balances. The revised contribution approach will be based on a differential premium system. This will serve to provide incentives to adopt sound risk management practices among member institutions, hence, will promote financial stability. Deposit insurance contributions will, therefore, differentiate risk profiles of member institutions, thereby, introducing a more objective and risk-based approach to premium contribution.

As at 30th June, 2015, deposit accounts fully covered were 32.689 million while the effective cover was 22%. To date, KDIC has taken over 24 collapsed institutions. Seven of these institutions have been wound up leaving seventeen institutions undergoing liquidation.

STAKEHOLDER REFORMS

Reforms, in the financial and legal sectors, have played a complimentary role in enhancing the Board's operations. The reforms in the judiciary continue to play a significant role in the socio-economic and political development in the nation. The streamlining of the court processes, and the continued efforts to automate the court processes, and digitization of the court registry system, have all enhanced efficiency, particularly, the timeliness of the resolution of matters through the judicial process. This efficiency has had a positive impact on finalization of the litigation matters relating to Institutions in Liquidation.

The Credit Information Sharing Mechanism, through Credit Reference Bureaus (CRBs), introduced in the financial system in the recent past, has contributed greatly to the reduction of incidences of bad debts in the banking industry. This, in turn, has improved the quality of the asset portfolios of member institutions, as well the credit processing, thereby, contributing to financial stability. Specifically, credit information sharing has encouraged some debtors to resolve their outstanding indebtedness in Institutions under Liquidation by KDIC, thereby, boosting debt realization and recovery.

The introduction of the Kenya Electronic Payment and Settlement System (KEPSS), and the expansion of its scope, has been a collaboration effort between the Central Bank of Kenya, and the Banking Sector. Ancillary reforms around it, such as the cheque truncation, and capping of payments, and, recently, the adoption of internet banking, have contributed to the enhancement of real time settlement. One of the Core Principles for an Effective Deposit Insurance System is “Prompt Pay-Out Process”. Through KEPSS, DPFB has managed to make prompt dividend disbursements to depositors and other creditors of Institutions in Liquidation.

REPUBLIC OF KENYA

KENYA NATIONAL AUDIT OFFICE

REPORT

OF

THE AUDITOR-GENERAL

ON

THE FINANCIAL STATEMENTS OF KENYA DEPOSIT INSURANCE CORPORATION

FOR THE YEAR ENDED 30 JUNE 2015

FINANCIAL STATEMENTS

KENYA DEPOSIT INSURANCE CORPORATION
(Formerly Deposit Protection Fund Board)

DIRECTORS AND STATUTORY INFORMATION

DIRECTORS

Chairman	- Vacant
Dr. Julius K. Kipng'etich	- Acting Chairman
Dr. Patrick Ngugi Njoroge	- Governor, Central Bank of Kenya – w.e.f 19 June 2015
Prof. Njuguna Ndung'u	- Governor, Central Bank of Kenya – up to 4 March 2015
Dr. Kamau Thugge	- Principal Secretary, National Treasury
Mr. Martin S.O. Gumo	- Alternate to Principal Secretary, National Treasury
Prof. Githu Muigai	- Attorney General
Tom Odede	- Alternate to the Attorney General
Mrs. Nasim Devji*	- Member
Mr. Jeremy I. Ngunze	- Member
Mr. Samuel N. Kimani	- Member
Mr. Aggrey. J. K. Bett	- KDIC Acting CEO (Ex-officio)
Ms. Jane K. Ikunyua	- KDIC Acting Board Secretary

* British

BOARD AUDIT COMMITTEE

Mrs. Nasim Devji	- Chairperson
Dr. Julius K. Kipng'etich	- Member
Mr. Jeremy I. Ngunze	- Member
Mr. Samuel N. Kimani	- Member
Mr. Martin S. O. Gumo	- Alternate to Principal Secretary, Treasury
Mrs. Edith M. Kagasi	- Board Audit Committee Secretary

SENIOR MANAGEMENT

Mr. Aggrey J. K. Bett	- Acting CEO
Mr. Stephen M. Thuo	- Assistant Director – Finance & Administration
Ms. Jane K. Ikunyua	- Assistant Director – Legal
Mr. Mohamud A. Mohamud	- Assistant Director – Liquidations
Dr. Walter O. Onyino	- Assistant Director – ICT

PRINCIPAL PLACE OF BUSINESS

CBK Pension House (formerly Marshall House)
Harambee Avenue
P.O. Box 45983 - 00100
Nairobi

AUDITORS

KPMG Kenya	On behalf of:	The Auditor-General
8th Floor, ABC Towers		Kenya National Audit Office
Waiyaki Way		Anniversary Towers
P.O. Box 40612 - 00100		University Way
Nairobi GPO		P.O. Box 30084 - 00100, Nairobi GPO

BANKERS

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

KENYA DEPOSIT INSURANCE CORPORATION
(Formerly Deposit Protection Fund Board)

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 30 JUNE 2015

The directors have pleasure in submitting their report together with the audited financial statements for the year ended 30th June 2015, which disclose the state of affairs of the Corporation.

1. CHANGE OF NAME

The Corporation changed its name from Deposit Protection Fund Board to Kenya Deposit Insurance Corporation (the 'Corporation') on 1st July 2014.

2. INCORPORATION

The Kenya Deposit Insurance Corporation (formerly Deposit Protection Fund Board) is established under the Kenya Deposit Insurance Act, 2012 (KDI Act 2012).

3. PRINCIPAL ACTIVITIES

The Corporation is established and administered under the KDI Act, 2012 with the principal object to provide a deposit insurance scheme for customers of member institutions, to receive, liquidate and wind up any institution in respect of which the Corporation is appointed receiver or liquidator in accordance with the KDI Act.

The Corporation commenced operations on 1st July 2014, with a transition period of one year, to 30th June 2015. The objectives of the Corporation is 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.

4. RESULTS

The results for the year are set out on page 52.

5. DIRECTORS

The directors who served during the year are set out on page 41.

6. AUDITORS

The Auditor-General is responsible for the statutory audit of the Corporation's books of account in accordance with Section 14 and 39(i) of the Public Audit Act. This Act empowers the Auditor-General to appoint other auditors to carry out the audit on his behalf. KPMG Kenya, who were appointed by the Auditor-General, carried out the audit of the Corporation's financial statements for the year ended 30th June 2015.

7. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved at a meeting of the Board of Directors held on 27th August 2015.

BY ORDER OF THE BOARD
Ms. JANE K. IKUNYUA
AG. BOARD SECRETARY

Date: 27 August 2015

KENYA DEPOSIT INSURANCE CORPORATION
(Formerly Deposit Protection Fund Board)

STATEMENT OF DIRECTORS' RESPONSIBILITIES FOR THE YEAR ENDED 30 JUNE 2014

The directors are responsible for the preparation and presentation of the financial statements of Kenya Deposit Insurance Corporation (formerly Deposit Protection Fund Board) set out on pages 52 to 84 which comprise the statement of financial position at 30th June 2015, the statement of profit or loss and other comprehensive income, statement of changes in fund balance and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

The directors' responsibilities include: determining that the basis of accounting described in Note 2 is an acceptable basis for preparing and presenting the financial statements in the circumstances, preparation and presentation of financial statements in accordance with International Financial Reporting Standards and in the manner required by the Banking Act and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

Under the KDI Act, the directors are required to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Corporation as at the end of the financial year and of the operating results of the Corporation for that year. It also requires the directors to ensure the Corporation keeps proper accounting records which disclose with reasonable accuracy the financial position of the Corporation.

The directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Financial Reporting Standards and in the manner required by the KDI Act. The directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the Corporation and of its operating results.

The directors further accept responsibility for the maintenance of accounting records which may be relied upon in the preparation of financial statements, as well as adequate systems of internal financial control.

The directors have made an assessment of the Corporation's ability to continue as a going concern and have no reason to believe the Corporation will not be a going concern for at least the next twelve months from the date of this statement.

APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements, as indicated above, were approved by the Board of Directors on 27th August 2015 and were signed on its behalf by:

Chairman	Member

KENYA DEPOSIT INSURANCE CORPORATION
(Formerly Deposit Protection Fund Board)

STATEMENT OF CORPORATE GOVERNANCE

The Kenya Deposit Insurance Corporation (KDIC) is a body corporate established under the Kenya Deposit Insurance Act, 2012. The Corporation is committed to maintaining the highest standards of integrity, professionalism and business ethics in all its operations.

BOARD OF DIRECTORS

The KDI Act Section 7(1 & 2) provides that the Board of directors shall be composed of five members not being public officers, appointed by the Cabinet Secretary of the National Treasury, three of whom shall be from the Institutions, one of whom shall be appointed as a non-executive Chairperson by the President on the recommendation of the Minister, provided that the Chairperson appointed shall not be from the member institutions of the Corporation, the Governor of Central Bank of Kenya, Principal Secretary to the National Treasury, the attorney General representing the member institutions and the Chief Executive Officer who shall be an ex-officio member. The members representing the institutions during the period under review are: Mrs. Nasim Devji, Dr. Julius Kipng'etich, Mr. Jeremy Ngunze and Mr. Samuel Kimani.

BOARD MEETINGS

The Board meets every quarter and has a formal schedule of agenda items due for deliberations. The directors are given appropriate and timely information to maintain full and effective control over strategic, financial and operational issues. The Board is not involved in the conduct of day-to-day business as this is a responsibility given to the Ag. Chief Executive Officer (Ag. CEO) of KDI Act. It however retains responsibility for determining the policies of the Fund.

AUDIT COMMITTEE

The members of the Audit Committee are Mrs. Nasim Devji, Mr. Martin Gumo, Dr. Julius Kipng'etich, Mr. Jeremy Ngunze and Mr. Samuel Kimani. They are all non-Executive Directors and have experience in Banking, Finance, Accounting, Administration and Management. The committee meets every quarter, and as necessary, two weeks before the full Board meeting. The committee's responsibilities are to review the efficiency and effectiveness of Internal Controls, Financial Reporting, Internal Audit function, External audit work, and Risk Management policies and procedures. Towards this end, a self-evaluation tool which measures the committee's performance has been developed and implemented.

KENYA DEPOSIT INSURANCE CORPORATION
(Formerly Deposit Protection Fund Board)

STATEMENT OF CORPORATE GOVERNANCE ...(Continued)

MANAGEMENT STRUCTURE

The KDIC senior management is made up of the Ag. CEO, four Assistant Directors, each heading the Division of Finance & Administration, Legal, ICT and Liquidations. The KDIC senior management meets regularly to review overall performance of the Corporation. Decision making is through several management committees which meet regularly to deliberate and advise the Ag. CEO on specific issues. All KDIC staff are employees of Central Bank of Kenya seconded to the Corporation.

DIRECTOR'S EMOLUMENTS AND LOANS

The remuneration paid to the directors for services rendered during the financial year 2014/2015 is disclosed in Note 8 of the financial statements. The directors, who are all non-executive, are paid a monthly retainer fee and a sitting allowance for every meeting attended. There were no loans to Non-Executive Directors during the year.

CODE OF ETHICS

The Corporation is committed to the highest standards of integrity, behavior and ethics. A formal code of ethics for all employees of Central Bank of Kenya exists and is fully implemented. All employees of the Corporation are expected to avoid activities and financial interests which could give rise to conflict of interest with their responsibilities. Strict rules of conduct apply to the staff of CBK, including those in KDIC, under the staff rules and regulations.

INTERNAL CONTROLS

The management of the Corporation has put in place a series of internal control mechanisms to ensure the reporting of complete and accurate accounting information. Procurement of goods and services is strictly done in accordance with the Public Procurement & Disposal Act, 2005. In all operational areas of the Corporation, workflows have been structured in a manner that allows adequate segregation of duties.

AUTHORIZATIONS

All the expenditure of the Corporation must be authorized in accordance with a comprehensive set of the Corporation's policies and procedures. There is a budget which is approved by the Board before commencement of the financial year. The Board receives regular management accounts comparing actual outcomes against budget as a means of monitoring actual financial performance of the Corporation.

KENYA DEPOSIT INSURANCE CORPORATION
(Formerly Deposit Protection Fund Board)

STATEMENT OF CORPORATE GOVERNANCE ...(Continued)

INTERNAL AUDIT AND RISK MANAGEMENT

The Internal Audit function is performed by Internal Audit Unit, which is responsible for monitoring and providing advice on the internal control framework. All reports of the Internal Audit are available to the Audit Committee of the Board.

TRANSPARENCY

The Corporation publishes an Annual Report which explains the performance of the Banking sector, membership status and other pertinent information. On an annual basis, the Financial Statements are published in the Kenya Gazette and placed in the website of the Corporation. KDIC shared its 2015/2018 Strategic Plan with the stakeholders and will carry out a mid-term review of the implementation status at the end of 2015/2016 financial year.

REPORT OF THE AUDITOR GENERAL ON KENYA DEPOSIT INSURANCE CORPORATION FOR THE YEAR ENDED 30 JUNE 2015

REPUBLIC OF KENYA

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P.O. Box 30084-00100
NAIROBI

HARAMBEE

OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON KENYA DEPOSIT INSURANCE CORPORATION FOR THE YEAR ENDED 30 JUNE 2015

REPORT ON THE FINANCIAL STATEMENTS

The accompanying financial statements of Kenya Deposit Insurance Corporation set out on pages 8 to 35, which comprise the statement of financial position as at 30 June 2015, and the statement of profit or loss and other comprehensive income, statement of changes in fund balance and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information have been audited on my behalf by KPMG Kenya, auditors appointed under Section 39 of the Public Audit Act, 2003 and in accordance with the provisions of Article 229 of the Constitution of Kenya. The auditors have duly reported to me the results of their audit and on the basis of their report, I am satisfied that all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit were obtained.

Management's Responsibility for the Financial Statements

The Directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and for such internal control as directors' determine is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

The Directors are also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Section 13 of the Public Audit Act, 2003.

Auditor-General's Responsibility

My responsibility is to express an opinion on these financial statements based on the audit and report in accordance with the provisions of Section 15 of the Public Audit Act, 2003 and submit the audit report in compliance with Article 229(7) of the Constitution of Kenya. The audit was conducted in accordance with International Standards on Auditing. Those standards require compliance with ethical requirements and that the audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk

REPORT OF THE AUDITOR GENERAL ON KENYA DEPOSIT INSURANCE CORPORATION FOR THE YEAR ENDED 30 JUNE 2015 ...continued

assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of Kenya Deposit Insurance Corporation as at 30 June 2015, and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards and the Kenya Deposit Insurance Act, 2012.

Edward R. O. Ouko, CBS
AUDITOR-GENERAL

Nairobi

28 September 2015

KENYA DEPOSIT INSURANCE CORPORATION
(Formerly Deposit Protection Fund Board)

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2015

	Note	2015 KShs' 000	2014 KShs' 000
REVENUE			
Assessment income	5(a)	3,033,387	2,675,853
Investment income	5(b)	5,466,351	4,675,863
Other income	6	111,044	19,172
		8,610,782	**7,370,888**
EXPENSES			
Administration and establishment	7	280,424	251,196
SURPLUS FOR THE YEAR		**8,330,358**	**7,119,692**
Other comprehensive income		-	-
TOTAL COMPREHENSIVE INCOME		**8,330,358**	**7,119,692**

The notes set out on pages 56 to 84 form an integral part of these financial statements.

KENYA DEPOSIT INSURANCE CORPORATION
(Formerly Deposit Protection Fund Board)

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2015

ASSETS	Note	2015 KShs'000	2014 KShs'000
Non-current assets			
Property and equipment	9	70,526	59,921
Prepaid operating lease rentals	10	3,218	3,317
Investment	11	100	100
Government securities	12	28,640,558	26,803,199
		28,714,402	26,866,537
Current assets			
Receivables and prepayments	8(a)	10,838	9,563
Government securities	12	26,120,916	19,766,387
Cash and bank balance	16	115,375	1,025
		26,247,129	19,776,975
TOTAL ASSETS		**54,961,531**	**46,643,512**
FUND BALANCE AND LIABILITIES			
Fund balance (Page 10)		54,914,117	46,583,759
Current liabilities			
Payables and accruals	13	20,858	10,966
Due to related party	14(a)	2,609	18,911
Deferred income	15	23,947	29,876
		47,414	59,753
TOTAL FUND BALANCE AND LIABILITIES		**54,961,531**	**46,643,512**

The financial statements on pages 52 to 84 were approved by the Board of Directors on 27th August 2015 and were signed on its behalf by:

Chairman

Member

The notes set out on pages 56 to 84 form an integral part of these financial statements.

KENYA DEPOSIT INSURANCE CORPORATION
(Formerly Deposit Protection Fund Board)

STATEMENT OF CHANGES IN FUND BALANCE FOR THE YEAR ENDED 30 JUNE 2015

	Fund balance Shs'000
2015:	
Balance at 1 July 2014	46,583,759
Surplus for the year	8,330,358
Balance at 30 June 2015	**54,914,117**
2014:	
Balance at 1 July 2013	39,464,067
Surplus for the year	7,119,692
Balance at 30 June 2014	**46,583,759**

The notes set out on pages 56 to 84 form an integral part of these financial statements.

KENYA DEPOSIT INSURANCE CORPORATION
(Formerly Deposit Protection Fund Board)

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2015

	Note	2015 KShs'000	2014 KShs'000
Cash flows from operating activities			
Surplus for the year		8,330,358	7,119,692
Adjustment for:			
Depreciation of property and equipment		10,011	11,775
Amortisation of prepaid operating lease rentals		99	99
Gain on disposal		(679)	-
Interest income		(5,466,351)	(4,675,863)
Operating surplus before working capital changes		**2,873,438**	**2,455,703**
Change in working capital			
Receivables and prepayments		(1,275)	(2,478)
Payables and accruals		9,892	3,970
Deferred income		(5,929)	(7,811)
Due to related party		(16,302)	(2,365)
Net cash flows generated from operating activities		**2,859,824**	**2,447,019**
Cash flows from investing activities			
Net movement in government securities		(8,203,598)	(7,489,772)
Purchase of property and equipment		(20,967)	(2,001)
Proceeds from disposals		1,030	-
Interest received		5,466,351	4,675,863
Net cash flows from investment activities		**(2,757,184)**	**(2,815,910)**
Net increase/(decrease) in cash and cash equivalents		102,640	(368,891)
Cash and cash equivalents at the beginning of the year		45,961	414,852
Cash and cash equivalents at the end of the year	**16**	**148,601**	**45,961**

The notes set out on pages 56 to 84 form an integral part of these financial statements.

KENYA DEPOSIT INSURANCE CORPORATION
(Formerly Deposit Protection Fund Board)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

1. REPORTING ENTITY

The Corporation is established under the Kenya Deposit Insurance Act 2012 and is domiciled in Kenya. The address of its registered office is as follows:

CBK Pension House (formerly Marshall House)
Harambee Avenue
P.O. Box 45983 - 00100
Nairobi

2. BASIS OF PREPARATION

A. BASIS OF ACCOUNTING

The financial statements have been prepared on the historical cost convention.

B. STATEMENT OF COMPLIANCE

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs).

C. FUNCTIONAL AND PRESENTATION CURRENCY

These financial statements are presented in Kenya Shillings (KShs), which is the Corporation's functional currency.

D. USE OF ESTIMATES AND JUDGEMENTS

The preparation of financial statements in conformity with International Financial Reporting Standards requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent liabilities at the date of financial statements and the reported amounts of revenues and expenses during the reporting period. The estimates and assumptions are based on the directors' best knowledge of current events, actions, historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about the carrying values of the assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

D. USE OF ESTIMATES AND JUDGEMENTS ...(continued)

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to the accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of revision and future periods if the revision affects both current and future periods.

In particular, information about significant areas of estimation and critical judgement in applying accounting policies that have the most significant effect on the amount recognised in the financial statement is described in Note 5.

3. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

A. REVENUE RECOGNITION

Assessed income comprises contributions levied to the contributory institutions and is recognized in the period when they are receivable. Such contributions are assessed at a rate of 0.15 per cent of the average of the institutions' total deposit liabilities during the period of 12 months prior to the date of levy notice.

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 unamortised 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 recognised 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 OF PAYMENTS TO DEPOSITORS

Provisions for payments to protected depositors are recognized in the financial statements in the period the contributory 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. LEASES

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Payments made under operating leases are recognized as an expense in the profit or loss on a straight-line basis over the lease term.

E. EMPLOYEE ENTITLEMENTS

Employee entitlements are recognized when they accrue to employees. A provision is made for the estimated liability for such entitlements as a result of services rendered by employees up to the reporting date. The estimated monetary liability for employees' accrued annual leave entitlement at the reporting date is recognized as an expense accrual.

The Corporation's employees are eligible for retirement benefits under a defined benefit plan provided through a separate fund. The defined benefit plan is funded by the Corporation and the Central Bank, the main sponsor. The retirement benefit asset is wholly recognized in the financial statements of the Central Bank while the Corporation recognizes contributions to the fund as if it were a defined contribution scheme by charging them to 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 charged to the income statement in the year to which they relate. The Corporation has no further obligation once the contributions have been paid.

F. TAXATION

The Corporation's income is not subject to tax as it has been granted exemption by the statute. Therefore no provision for current tax or deferred tax is made in the financial statements.

G. FINANCIAL ASSETS AND LIABILITIES

(i) Recognition

The Corporation recognizes all financial assets and liabilities on the trade date at which the Corporation becomes a party to the contractual provision of the instrument. A financial asset or liability is initially measured at fair value plus (for an item not subsequently measured at fair value through profit or loss) transaction costs that are directly attributable to its acquisition or issue.

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

G. FINANCIAL ASSETS AND LIABILITIES ...continued

(ii) Classification

The Corporation classifies its financial assets in the held-to-maturity and loans and receivables category. The Corporation classifies its financial liabilities as measured at amortised cost. Management determines the classification of its investments at initial recognition.

Held-to-maturity

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Corporation's management has the positive intention and ability to hold to maturity. Were the Corporation 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.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments and fixed maturities that are not quoted in an active market.

They arise when the Corporation provides money directly to borrowers, other than those created with the intention of short-term profit taking. They are recognised at the date money is disbursed to the borrower or when they are transferred to the Corporation from a third party.

Subsequent to initial recognition, these are carried at amortised cost, which is the present value of the expected future cash flows, discounted at the instrument's original effective interest rate. Loan origination fees together with related direct costs are treated as part of the cost of the transaction.

Amortised cost is calculated using the effective interest rate method. The amortisation and accretion of premiums and discounts is included in interest income.

Other financial liabilities

Other financial liabilities are measured at amortised cost. These include other payables and amounts due to related companies.

(iii) Identification and measurement of impairment of financial assets

At each reporting date the Corporation 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.

G. FINANCIAL ASSETS AND LIABILITIES ...continued

(iii) Identification and measurement of impairment of financial assets ...continued

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.

(iv) Derecognition

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

The Corporation 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.

(v) 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 group of similar transactions such as in the Corporation's trading activity.

G. FINANCIAL ASSETS AND LIABILITIES ...continued

(vi) 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. IMPAIREMENT FOR NON FINANCIAL ASSETS

The carrying amounts of the Corporation'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 group that generates cash flows that largely are independent from other assets and groups. 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 (group 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. INVESTMENTS 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 cash on hand, bank balances and government securities maturing within 91 days from the date of issue.

K. PROPERTY AND EQUIPMENT

(i) Recognition and measurement

Items of property and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset.

(ii) Subsequent costs

The cost of replacing part of an item of property or equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Corporation and its cost can be measured reliably. The costs of the day-to-day servicing of property and equipment are recognised in profit or loss as incurred.

(iii) Depreciation

Depreciation is recognised in profit or loss on a straight line basis over the estimated useful lives of each part of an item of property and equipment as follows:

Long term leasehold land	Over the lease period
Buildings	2%
Computer equipment	33.33%
ICT Equipment	20%
Office equipment, furniture and fittings	20%
Motor vehicles	25%

Depreciation methods, useful lives and residual values are reassessed and adjusted, if appropriate, at each reporting date.

Gains and losses on disposal of property and equipment are determined by reference to their carrying amount and are recognized in profit or loss in the year in which they arise.

L. RELATED PARTIES

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

M. GRANTS

Other grants are recognised initially as deferred income at fair value when there is reasonable assurance that they will be received and the Corporation will comply with the conditions.

N. COMPARATIVES

Where necessary, comparative figures have been adjusted or excluded to conform to changes in presentation in the current year.

O. NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

(a) Standards, amendments and interpretations to existing standards effective in 2015 and relevant to the Corporation

New standard or amendments	Effective for annual periods beginning on or after
♦ Amendments to IAS 32 - Offsetting Financial Assets and Financial Liabilities (2011)	1 January 2014
♦ Investment Entities- Amendments to IFRS 10, IFRS 12, and IAS 27 (2012)	1 January 2014
♦ Amendments to IAS 36 - Recoverable Amount Disclosures for Non-Financial Assets (2013)	1 January 2014
♦ Novation of Derivatives and Continuation of Hedge Accounting (Amendments to IAS 39)	1 January 2014
♦ IFRIC 21 Levies (2013)	1 January 2014

Impact of relevant new and amended standards and interpretations to published standards on the financial statements for the year ended 30 June 2015 are as follows:

♦ **Amendments to IAS 32:**
Offsetting Financial Assets and Financial Liabilities
(effective for annual periods beginning on or after 1 January 2014)

The amendments to IAS 32 clarify the offsetting criteria in IAS 32 by explaining when an entity currently has a legally enforceable right to set-off and when gross settlement is equivalent to net settlement.

The Corporation's policy is to offset financial assets and financial liabilities when there is a legally enforceable right to offset the recognised amount and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. The clarification contained in these amendments reinforces the Corporation's policy and would not alter the manner in which offsetting arrangements are accounted for

O. NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS ...continued

- **Amendments to IFRS 10, IFRS 12 and IAS 27: Investment entities**
  (effective for annual periods beginning on or after 1st January 2014)

  The amendments clarify that a qualifying investment entity is required to account for investments in controlled entities, as well as investments in associates and joint ventures, at fair value through profit or loss; the only exception would be subsidiaries that are considered an extension of the investment entity's investment activities. The consolidation exemption is mandatory and not optional.

  The application of these amendments have had no material impact on the disclosures or on the amounts recognised in the Corporation's financial statements.

- **Amendments to IAS 36: Recoverable Amount Disclosures for Non-Financial Assets**
  (effective for annual periods beginning on or after 1st January 2014)

  The amendments reverse the unintended requirement in IFRS 13 Fair Value Measurement to disclose the recoverable amount of every cash-generating unit to which significant goodwill or indefinite-lived intangible assets have been allocated. Under the amendments, the recoverable amount is required to be disclosed only when an impairment loss has been recognised or reversed.

  The application of this amendment has had no material impact on the disclosures or on the amounts recognised in the Corporation's financial statements.

- **Amendments to IAS 39: Novation of Derivatives and Continuation of Hedge Accounting**
  (effective for annual periods beginning on or after 1st January 2014)

  The amendments permit the continuation of hedge accounting in a situation where a counterparty to a derivative designated as a hedging instrument is replaced by a new central counterparty (known as 'novation of derivatives'), as a consequence of laws or regulations, if specific conditions are met.

  The application of this amendment has had no material impact on the disclosures or on the amounts recognised in the Corporation's financial statements.

- **IFRIC 21: Levies**
  (effective for annual periods beginning on or after 1st January 2014)

  IFRIC 21 defines a levy as an outflow from an entity imposed by a government in accordance with legislation. It confirms that an entity recognises a liability for a levy when – and only when – the triggering event specified in the legislation occurs.

O. NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS ...continued

- **IFRIC 21: Levies** ...continued

  The application of this interpretation has had no material impact on the disclosures or on the amounts recognised in the Corporation's financial statements.

Impact of relevant new and amended standards and interpretations to published standards on the financial statements for the year ended 30 June 2015

New standard or amendments	Effective for annual periods beginning on or after
• Defined Benefit Plans: Employee Contributions (Amendments to IAS 19)	1st July 2014
• Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)	1st January 2016
• Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11)	1st January 2016
• Amendments to IAS 41 - Bearer Plants (Amendments to IAS 16 and IAS 41)	1st January 2016
• Amendments to IAS 16 and IAS 38 – Clarification of Acceptable Methods of Depreciations and Amortisation	1st January 2016
• Equity Method in Separate Financial Statements (Amendments to IAS 27)	1st January 2016
• IFRS 14 Regulatory Deferral Accounts	1st January 2016
• Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10, IFRS 12 and IAS 28)	1st January 2016
• Disclosure Initiative (Amendments to IAS 1)	1st January 2016
• IFRS 15 Revenue from Contracts with Customers	1st January 2017
• IFRS 9 Financial Instruments (2014)	1st January 2018

All Standards and Interpretations will be adopted at their effective date (except for those Standards and Interpretations that are not applicable to the Corporation).

O. NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS ...continued

Impact of relevant new and amended standards and interpretations to published standards on the financial statements for the year ended 30 June 2015 ...continued

- **Defined benefit plans – Employee contributions**
  (Amendments to IAS 19)

  The amendments introduce relief that will reduce the complexity and burden of accounting for certain contributions from employees or third parties. Such contributions are eligible for practical expedient if they are:
  set out in the formal terms of the plan;
  linked to service; and
  independent of the number of years of service.
  When contributions are eligible for the practical expedient, a Company is permitted (but not required) to recognise them as a reduction of the service cost in the period in which the related service is rendered.
  The amendments apply retrospectively for annual periods beginning on or after 1st July 2014 with early adoption permitted.
  The application of this amendment will have no material impact on the disclosures or on the amounts recognised in the Corporation's financial statements.

- **Sale or Contribution of Assets between an Investor and its Associate or Joint Venture**
  (Amendments to IFRS 10 and IAS 28)

  The amendments require the full gain to be recognised when assets transferred between an investor and its associate or joint venture meet the definition of a 'business' under IFRS 3 Business Combinations. Where the assets transferred do not meet the definition of a business, a partial gain to the extent of unrelated investors' interests in the associate or joint venture is recognised. The definition of a business is key to determining the extent of the gain to be recognised.

- **Sale or Contribution of Assets between an Investor and its Associate or Joint Venture**
  (Amendments to IFRS 10 and IAS 28) - continued

  The amendments will be effective from annual periods commencing on or after 1st January 2016.
  The application of these amendments will have no material impact on the disclosures or on the amounts recognised in the Corporation's financial statements.

O. NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS ...continued

Impact of relevant new and amended standards and interpretations to published standards on the financial statements for the year ended 30 June 2015 ...continued

- **Accounting for Acquisitions of Interests in Joint Operations**
  (Amendments to IFRS 11)

  The amendments require business combination accounting to be applied to acquisitions of interests in a joint operation that constitutes a business.
  Business combination accounting also applies to the acquisition of additional interests in a joint operation while the joint operator retains joint control. The additional interest acquired will be measured at fair value. The previously held interest in the joint operation will not be re-measured.
  The amendments apply prospectively for annual periods beginning on or after 1 January 2016 and early adoption is permitted.
  The application of this amendment will have no material impact on the disclosures or on the amounts recognised in the Corporation's financial statements.

- **Amendments to IAS 41- Bearer Plants**
  (Amendments to IAS 16 and IAS 41)

  The amendments to IAS 16 Property, Plant and Equipment and IAS 41 Agriculture require a bearer plant (which is a living plant used solely to grow produce over several periods) to be accounted for as property, plant and equipment in accordance with IAS 16 Property, Plant and Equipment instead of IAS 41 Agriculture. The produce growing on bearer plants will remain within the scope of IAS 41.
  The new requirements are effective from 1 January 2016, with earlier adoption permitted.
  The application of these amendments will have no material impact on the disclosures or on the amounts recognised in the Corporation's financial statements.

- **Clarification of Acceptable Methods of Depreciation and Amortisation**
  (Amendments to IAS 16 and IAS 38)

  The amendments to IAS 16 Property, Plant and Equipment explicitly state that revenue-based methods of depreciation cannot be used for property, plant and equipment.
  The amendments to IAS 38 Intangible Assets introduce a rebuttable presumption that the use of revenue-based amortisation methods for intangible assets is inappropriate. The presumption can be overcome only when revenue and the consumption of the economic benefits of the intangible asset are 'highly correlated', or when the intangible asset is expressed as a measure of revenue.

O. NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS ...continued

Impact of relevant new and amended standards and interpretations to published standards on the financial statements for the year ended 30 June 2015 ...continued

- **Clarification of Acceptable Methods of Depreciation and Amortisation** (Amendments to IAS 16 and IAS 38) - continued

  The amendments apply prospectively for annual periods beginning on or after 1st January 2016 and early adoption is permitted.
  The application of these amendments will have no material impact on the disclosures or on the amounts recognised in the Corporation's financial statements.

- **Equity Method in Separate Financial Statements** (Amendments to IAS 27)

  The amendments allow the use of the equity method in separate financial statements, and apply to the accounting not only for associates and joint ventures but also for subsidiaries.
  The amendments apply retrospectively for annual periods beginning on or after 1st January 2016 with early adoption permitted.
  The application of this amendment will have no material impact on the disclosures or on the amounts recognised in the Corporation's financial statements.

- **IFRS 14: Regulatory Deferral Accounts**

  IFRS 14 provides guidance on accounting for regulatory deferral account balances by first-time adopters of IFRS. To apply this standard, the entity has to be rate-regulated i.e. the establishment of prices that can be charged to its customers for goods and services is subject to oversight and/or approval by an authorised body. The standard is effective for financial reporting years beginning on or after 1st January 2016 with early adoption is permitted.

  The application of this standard will have no material impact on the disclosures or on the amounts recognised in the Corporation's financial statements.

- **Investment Entities: Applying the Consolidation Exception** (Amendments to IFRS 10, IFRS 12 and IAS 28)

  The amendment to IFRS 10 Consolidated Financial Statements clarifies which subsidiaries of an investment entity are consolidated instead of being measured at fair value through profit and loss. The amendment also modifies the condition in the general consolidation exemption that requires an entity's parent or ultimate parent to prepare consolidated financial statements.

O. NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS ...continued

Impact of relevant new and amended standards and interpretations to published standards on the financial statements for the year ended 30 June 2015 ...continued

- **Investment Entities: Applying the Consolidation Exception** ...continued

  The amendment clarifies that this condition is also met where the ultimate parent or any intermediary parent of a parent entity measures subsidiaries at fair value through profit or loss in accordance with IFRS 10 and not only where the ultimate parent or intermediate parent consolidates its subsidiaries.

  The amendment to IFRS 12 Disclosure of Interests in Other Entities requires an entity that prepares financial statements in which all its subsidiaries are measured at fair value through profit or loss in accordance with IFRS 10 to make disclosures required by IFRS 12 relating to investment entities.

  The amendment to IAS 28 Investments in Associates and Joint Ventures modifies the conditions where an entity need not apply the equity method to its investments in associates or joint ventures to align these to the amended IFRS 10 conditions for not presenting consolidated financial statements. The amendments introduce relief when applying the equity method which permits a non-investment entity investor in an associate or joint venture that is an investment entity to retain the fair value through profit or loss measurement applied by the associate or joint venture to its subsidiaries.

- **Investment Entities: Applying the Consolidation Exception**
  (Amendments to IFRS 10, IFRS 12 and IAS 28) ...(continued)

  The amendments apply retrospectively for annual periods beginning on or after 1 January 2016, with early application permitted.

  The application of these amendments will have no material impact on the disclosures or on the amounts recognised in the Corporation's financial statements.

- **Disclosure Initiative**
  (Amendments to IAS 1)
  The amendments provide additional guidance on the application of materiality and aggregation when preparing financial statements.

  The amendments apply for annual periods beginning on or after 1st January 2016 and early application is permitted.

  The application of these amendments will have no material impact on the disclosures or on the amounts recognised in the Corporation's financial statements.

O. NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS ...continued

Impact of relevant new and amended standards and interpretations to published standards on the financial statements for the year ended 30 June 2015 ...continued

- **IFRS 15: Revenue from Contracts with Customers**

  This standard replaces IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfer of Assets from Customers and SIC-31 Revenue – Barter of Transactions Involving Advertising Services. The standard contains a single model that applies to contracts with customers and two approaches to recognising revenue: at a point in time or over time. The standard specifies how and when an IFRS reporter will recognise revenue as well as requiring such entities to provide users of financial statements with more informative, relevant disclosures. The standard provides a single, principles based five-step model to be applied to all contracts with customers in recognising revenue being:

  Identify the contract(s) with a customer; Identify the performance obligations in the contract; Determine the transaction price; Allocate the transaction price to the performance obligations in the contract; and recognise revenue when (or as) the entity satisfies a performance obligation.

  IFRS 15 is effective for annual reporting periods beginning on or after 1st January 2017, with early adoption is permitted.

  The application of these amendments will have no material impact on the disclosures or on the amounts recognised in the Corporation's financial statements.

- **IFRS 9: Financial Instruments (2014)**

  On 24 July 2014 the IASB issued the final IFRS 9 Financial Instruments Standard, which replaces earlier versions of IFRS 9 and completes the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement.

  This standard introduces changes in the measurement bases of the financial assets to amortized cost, fair value through other comprehensive income or fair value through profit or loss. Even though these measurement categories are similar to IAS 39, the criteria for classification into these categories are significantly different. In addition, the IFRS 9 impairment model has been changed from an "incurred loss" model from IAS 39 to an "expected credit loss" model.

  The standard is effective for annual periods beginning on or after 1st January 2018 with retrospective application, early adoption is permitted.

  The application of these amendments will have no material impact on the disclosures or on the amounts recognised in the Corporation's financial statements.

4. 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 Corporation including;

AUDIT COMMITTEE OF THE BOARD

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

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

The operations of the Corporation are subject to internal audit by the Internal Audit Unit of the Kenya Deposit Insurance Corporation (Deposit Protection Fund Board). The Internal Audit Unit employs full scope audit approach in planning and carrying out its audit engagements. The business processes are assessed with regard to business continuity procedures, physical safety, system safety, conformity to legal requirements and regulations, sufficiency of human resources and information safety. In addition, the financial risks and reputation risks are also determined.

Controls that are designed to reduce these risks to acceptable levels are assessed in terms of sufficiency and effectiveness; additional controls are recommended in order to increase effectiveness.

The main risks faced by the Corporation in respect of its principal non-derivative financial instruments are interest rate risk and liquidity risk. The directors review and agree on policies for managing these risks. The Corporation maintains a conservative policy regarding interest rate and liquidity risks. The Corporation does not engage in speculation in the markets. In addition, the Corporation does not speculate or trade in derivative financial instruments.

The Corporation's principal financial instruments comprise investments held to maturity; cash and cash equivalents; receivables; payables and accruals and amounts due to related parties.

(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 Corporation's receivables, government securities and cash and bank balances. The Corporation's exposure to credit risk is influenced mainly by the individual characteristics of each customer and investment.

The Corporation establishes an allowance for impairment that represents its estimate of incurred losses in respect of receivables and investments. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payment statistics for similar financial assets.

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

4. RISK MANAGEMENT ...(continued)

INTERNAL AUDIT AND RISK MANAGEMENT UNIT ...(continued)

	2015 KShs'000	2014 KShs'000
Receivable	10,838	111,908
Impairment losses recognised in the year (Note 8(b)	-	(102,345)
	10,838	**9,563**

The aging of receivables at the reporting date was:

	2015 KShs'000	2014 KShs'000
Not past due	6,061	9,556
Past due 0 – 30 days	3,299	2
Past due 31 – 90 days	357	-
Past due above 90 days	1,121	102,350
	10,838	**111,908**

The movement in the allowance for impairment in respect of receivables during the year was as follows:

	2015 KShs'000	2014 KShs'000
Balance at 1 July	102,345	102,345
Made in the year	-	-
Write backs	(102,345)	-
Balance at 30 June	**-**	**102,345**

4. RISK MANAGEMENT ...(continued)

INTERNAL AUDIT AND RISK MANAGEMENT UNIT ...(continued)

(b) 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.

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

	interest rate	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000
Investments held to maturity	10.79%	26,120,916	6,424,662	15,204,124	7,011,772	54,761,474
Interest sensitivity gap						
At 30 June 2015		**26,120,916**	**6,424,662**	**15,204,124**	**7,011,772**	**54,761,474**
2014:						
Investments held to maturity	10.88%	19,766,387	10,785,237	11,317,539	4,700,423	46,569,586
Interest sensitivity gap						
At 30 June 2014		**19,766,387**	**10,785,237**	**11,317,539**	**4,700,423**	**46,569,586**

4. RISK MANAGEMENT ...(continued)

INTERNAL AUDIT AND RISK MANAGEMENT UNIT ...(continued)

(i) Interest rate risk management ..(continued)

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.

	2015 KShs'000	2014 KShs'000
Effect on surplus for the year of a +5% change in interest rates	2,738,074	2,328,479
Effect on surplus for the year of a -5% change in interest rates	(2,738,074)	(2,328,479)

(ii) Currency risk

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

(c) Liquidity risk management

Liquidity risk is the risk that the Corporation will encounter difficulty in meeting obligations from its financial liabilities. The Corporation'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 Corporation invests its capital in forms that vary in liquidity ranging from government securities that are readily convertible and sundry receivables. Simultaneously it carries current liabilities in form of provisions for protected deposits, sundry payables and related party liabilities. The entity matches its current assets to the current liabilities falling due to mitigate the risk of low liquidity.

The Corporation's financial liabilities amount to KShs 23,467,376 (2014 - KShs 29,877,000) and are all short term.

(d) 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 KShs '000	Loan and receivables KShs '000	Held to maturity KShs '000	Fair value KShs '000	Total carrying value KShs '000	Fair Value KShs '000
2015: Financial assets						
Government securities	-	-	54,761,474	-	54,761,474	54,761,474
Investment held for sale	-	-	-	100	100	100
Cash and bank balances	-	115,375	-	-	115,375	115,375
Receivables	-	10,838	-	-	10,838	10,838
	-	126,213	54,761,474	100	54,887,787	54,887,787
Financial liabilities						
Amounts due to group companies	2,609	-	-	-	2,609	2,609
Payables and accruals	20,858	-	-	-	20,858	20,858
	23,467	**-**	**-**	**-**	**23,467**	**23,467**
2014: Financial assets						
Government securities	-	-	46,569,586	-	46,569,586	46,569,586
Investment held for sale	-	-	-	100	100	100
Cash and bank balances	-	1,025	-	-	1,025	1,025
Receivables	-	9,563	-	-	9,563	9,563
	-	10,588	46,569,586	100	46,580,274	46,580,274
Financial liabilities						
Amounts due to group companies	18,911	-	-	-	18,911	18,911
Payables and accruals	10,966	-	-	-	10,966	10,966
	29,877	**-**	**-**	**-**	**29,877**	**29,877**

4. RISK MANAGEMENT ...(continued)

INTERNAL AUDIT AND RISK MANAGEMENT UNIT ...(continued)

(e) Capital management

The primary objectives of the Corporation's capital management are to ensure that the Corporation maintains healthy capital ratios in order to support its business and to maximize the value for the insured depositors in member institutions. The Corporation manages its Fund and makes adjustments to it, as per the requirements of the Banking Act. The total accumulated Fund as at 30 June 2015 was KShs 54,914 million (2014 - KShs 46,584 million).

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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.

(a) Critical accounting estimates and assumptions

(i) Property and equipment

Critical estimates are made by the management in determining depreciation rates for property and equipment. The rates used are set out in the accounting policy for property and equipment.

(ii) Impairment of receivables

The Corporation reviews its receivables' portfolio regularly to assess the likelihood of impairment. This requires an estimation of the amounts that are irrecoverable especially debts incurred by institutions under liquidation.

(b) 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. INCOME

(a) Assessment income	2015 KShs'000	2014 KShs'000
Total average deposits of institutions Assessed as contributors	**2,020,657,850**	**1,782,902,148**
0.15% of total average deposits	3,030,987	2,674,353
Minimum contribution from 8 Deposit Taking Microfinance (DTM) (2014 – 5)	2,400	1,500
Total assessment income	**3,033,387**	**2,675,853**
(b) Investment income		
(i) Interest earned on treasury bills received		
Discount on 91 day treasury bills	18,481	34,330
Discount on 182 day treasury bills	5,647	33,963
Discount on 364 day treasury bills	1,734,468	1,207,278
	1,758,596	1,275,571
(ii) Interest earned on treasury bonds received		
Matured bonds	3,604,140	3,274,391
Discount on purchase	128,262	140,445
Amortisation of premium	(24,647)	(14,544)
	3,707,755	3,400,292
Total investment income	**5,466,351**	**4,675,863**

7. OTHER INCOME

Recoveries from subrogated claims	776	522
Gain on sale/disposal of assets	738	-
Penalty charges on late contributions	786	6,215
Miscellaneous Income	412	-
Recoveries from institutions in liquidation	102,345	198
Grant income	5,987	12,237
	111,044	**19,172**

8. ADMINISTRATION AND ESTABLISHMENT EXPENSES

	2015 KShs'000	2014 KShs'000
Staff costs	180,557	157,710
Depreciation	10,011	11,775
Lease amortization	99	99
Auditors remuneration	1,481	1,100
Directors' emoluments - fees	7,699	5,301
Legal and professional fees	305	10
Occupancy costs	16,413	15,947
Other	63,859	59,254
	280,424	**251,196**

9. RECEIVABLES AND PREPAYMENTS 2015 2014

(a) Receivables and prepayments

Receivables and prepayments	10,838	111,908
Provision for impairment losses (Note 8(b))	-	(102,345)
	10,838	**9,563**

(b) Provisions for impaired receivables

As at 30 June 2015, there was no provision for receivables (2014 - KShs 102 million).

At 1 July	102,345	102,345
Additional provision	-	-
Bad Debts recovered	(102,345)	-
At 30 June (Note 18(a))	**-**	**102,345**

10. PROPERTY AND EQUIPMENT

	Buildings KShs'000	Furniture & fittings KShs'000	Office & Kitchen equipment KShs'000	Motor vehicle KShs'000	Computers KShs'000	Work in progress KShs'000	ICT Equipment KShs'000	Total KShs'000
2015 Cost:								
At 1 July 2015	16,740	21,769	11,151	11,659	8,394	-	43,914	113, 627
Additions	325	1,339	288	-	1,800	17,215	-	20,967
Less disposals	-	-	-	(3,893)	(59)	-	-	(3,952)
At 30 June 2015	17,065	23,108	11,439	7,766	10,135	17,215	43,914	130,642
Depreciation								
At 1 July 2014	4,418	11,720	8,339	8,090	7,087	-	14,052	53,706
Charge for the year	374	1,286	602	819	958	-	5,972	10,011
Less Dep. on disposal	-	-	-	(3,601)	-	-	-	(3,601)
At 30 June 2015	4,792	13,006	8,941	5,308	8,045	-	20,024	60,116
Carrying amount								
At 30 June 2015	**12,273**	**10,102**	**2,498**	**2,458**	**2,090**	**17,215**	**23,890**	**70,526**
2014 Cost:								
At 1 July 2014	16,740	21,444	10,606	11,659	7,263	-	43,914	111,626
Additions	-	325	545	-	1,131	-	-	2,001
At 30 June 2014	16,740	21,769	11,151	11,659	8,394	-	43,914	113,627
Depreciation								
At 1 July 2013	4,051	10,331	7,717	6,901	6,344	-	6,587	41,931
Charge for the year	367	1,389	622	1,189	743	-	7,465	11,775
At 30 June 2014	4,418	11,720	8,339	8,090	7,087	-	14,052	53,706
Carrying amount								
At 30 June 2014	**12,322**	**10,049**	**2,812**	**3,569**	**1,307**	**-**	**29,862**	**59,921**

No depreciation has been charged in arriving at the results for the year in respect of certain fully depreciated assets with a cost of KShs 5,935,970 (2014 - KShs 5,836,970) and are still in use. If depreciation had been charged during the year on the cost of these assets at normal rates it would have amounted to a charge to profit or loss of KShs 1,978,637 (2014 - KShs 1,945,637).

11. PREPAID OPERATING LEASE RENTALS

	2015 KShs'000	2014 KShs'000
Cost		
At 1 July and 30 June	4,522	4,522
Amortization		
At 1 July	1,205	1,106
Amortization for the year	99	99
At 30 June	1,304	1,205
Carrying value at 30 June	**3,218**	**3,317**

12. INVESTMENT

Investment in Consolidated Bank of Kenya Limited 10,000,000 ordinary shares of KShs 20 each.	200,000	200,000
Provision for diminution in value	(199,900)	(199,900)
	100	**100**

The Corporation owns 10,000,000 ordinary shares of the Consolidated Bank of Kenya Limited that were acquired using a grant from the National Treasury for KDIC/DPFB to resolve a banking crisis at the time. At the time of acquisition of the investment, the Banking Act allowed the Corporation to acquire, hold or dispose shares of an institution that might otherwise result in a loss to the Corporation. The Banking Act was later amended and now prevents the Corporation from holding investments other than in government securities. The Government, through the National Treasury plans to privatize Consolidated Bank and has therefore directed the Privatization Commission to explore and advise on how the shares are to be sold. A Consortium has been appointed to guide on the intended Privatization. Due to the above, the requirement for consolidation on IAS 27 does not apply.

The investment was last valued in December 2004 by external consultants and the value of the shares was considered to be effectively nil. In the opinion of the directors, the additional diminution in value of KShs 100,000, based on this valuation, is not material for recognition in the financial statements.

It is to be noted that Section 6 of the KDI Act, 2012, allows the Deposit Insurer to acquire, hold shares, and make loans and advances for purposes of reducing or averting a risk to an institution or the financial system or a threatened loss to the Corporation.

13. GOVERNMENT SECURITIES

	2015 KShs'000	2014 KShs'000
Treasury bills maturing within 91 days of placement (Note 16)	33,226	44,936
Treasury bills maturing after 91 days from date of placement	20,584,469	14,179,524
Treasury bonds maturing within 1 year	5,503,221	5,541,927
Treasury bonds maturing after 1 year	28,640,558	26,803,199
	54,761,474	**46,569,586**
Comprising:		
Maturing within 1 year of the Statement of Financial Position date	26,120,916	19,766,387
Maturing after 1 year of the Statement of Financial Position date	28,640,558	26,803,199
	54,761,474	**46,569,586**

The weighted average effective interest rate on held to maturity investments as at 30 June 2015 was 10.79% (2014 – 10.88%).

14. PAYABLES AND ACCRUALS

Sundry payables and accruals	**20,858**	**10,966**

15. RELATED PARTY TRANSACTIONS

The Central Bank of Kenya and the Corporation are related parties, performing connected duties of bank supervision and deposit protection respectively. No trading is carried with the Central Bank. The following transactions however take place between the two organisations:

(a) Due to Central Bank of Kenya	**2,609**	**18,911**
(b) Directors' emoluments and senior management remuneration		
Fees to directors	7,699	5,301
Remuneration to senior management	55,718	54,947
(c) Cash and balances held with Central Bank of Kenya	**115,375**	**1,025**

(d) The Central Bank pays some operating expenses on behalf of the Corporation. These are fully reimbursed.

(e) The staff of the Corporation are contractually employees of the Central Bank but seconded to the Corporation. Salaries of these staff are met by the Central Bank and fully reimbursed by the Corporation. In the year, salaries paid to staff by the Central Bank amounted to KShs 168.5 million (2014 - KShs 146.04 million).

(f) The Central Bank is also the sponsor of the CBK Staff Pension Fund to which the Corporation contributes on behalf of employees seconded to it from the Central Bank. In the year, the Corporation's contribution to the Fund amounted to KShs 12.06 million (2014 - KShs 10.98 million).

(g) The Central Bank provides the Corporation with office space and charges it rent. The Corporation also reimburses maintenance costs incurred by the Central Bank on its behalf. In the year, rent and maintenance costs charged amounted to KShs 16.41 million. (2014 - KShs 15.95 million).

16. DEFERRED INCOME

	2015 KShs'000	2014 KShs'000
Unamortized grant income	**23,947**	**29,876**

Amount relates to deferred grant income received under the Financial and Legal Sector Technical Assistance Project (FLSTAP) in relation to the ICT project. FLSTAP had purchased ICT servers for KDIC. The ICT servers shall be used in the ICT project commissioned in 2013/2014. The amounts are therefore amortised at the rate of 20% per annum on a reducing balance over a useful life of 5 years.

17. CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the statement of cash flows comprise of the following statement of financial position amounts:

	2015 KShs'000	2014 KShs'000
Treasury bills maturing within 91 days from the date of placement (Note 12)	33,226	44,936
Cash and bank balance	115,375	1,025
	148,601	**45,961**

18. COMMITMENTS

(a) Capital commitments

	2015 KShs'000	2014 KShs'000
Authorised but not contracted for	**202,460**	**184,010**

Capital commitments authorised relates mainly to Office furniture, office equipment, ICT project infrastructure costs, motor vehicle, godown capital costs including the CCTV network connections.

(b) Operating lease commitments

	2015	2014
Falling due within one year	18,728	16,515
Falling due between one and five years	19,007	16,515
	37,735	**33,030**

During the financial year ended 30 June 2015, KShs 16.4 million (2014 – KShs 15.9 million) was recognized as rental expense.

19. CONTIGENT LIABILITIES

Litigation

Mr. Ajay Shah (former Managing Director of Trust Bank Limited) filed a case in 2002 claiming general damages and special damages amounting to KShs 144 million against Trust Bank Limited (In Liquidation) and the Corporation on allegations of defamation and publication of malicious false statements. The suit is pending hearing. No provision has been made in the financial statements because, in the opinion of the directors, the claim is unlikely to succeed and KDIC is sued as the Liquidator of Trust Bank Ltd (IL). Therefore, in case judgment is entered against KDIC, the costs shall be paid by Trust Bank Ltd (IL).

20. SUBSEQUENT EVENTS

Pursuant to the provisions of Sections 43(1), 43(2) and 53(1) of the Kenya Deposit Insurance Act, 2012, Kenya Deposit Insurance Corporation was appointed by Central Bank of Kenya on 14 August 2015 as the receiver of Dubai Bank Kenya Limited and subsequently the liquidator. The Corporation is currently making arrangements to pay all insured deposits amounting to KShs 123 million in the financial year 2015/2016. In accordance with the law, a subrogated claim will be made by KDIC to recover this amount.

APPENDIX I

KENYA DEPOSIT INSURANCE CORPORATION
(Formerly Deposit Protection Fund Board)

COMMERCIAL BANKS AND OTHER FINANCIAL INSTITUTIONS ASSESSED CONTRIBUTORS FOR THE YEAR ENDED 30 JUNE 2015

COMMERCIAL BANKS

1. African Banking Corporation Limited
2. Bank of Africa Kenya Limited
3. Bank of Baroda Kenya Limited
4. Bank of India
5. Barclays Bank of Kenya Limited
6. CfC Stanbic Bank Limited
7. Charterhouse Bank Limited (under statutory management)
8. Chase Bank Kenya Limited
9. Citibank N.A.
10. Commercial Bank of Africa Limited
11. Consolidated Bank of Kenya Limited
12. Co-operative Bank of Kenya Limited
13. Credit Bank Limited
14. Development Bank of Kenya Limited
15. Diamond Trust Bank of Kenya Limited
16. Dubai Bank Kenya Limited
17. Ecobank Kenya Limited
18. Equatorial Commercial Bank Limited
19. Equity Bank Limited
20. Family Bank Limited
21. Fidelity Commercial Bank Limited
22. Guaranty Trust Bank

23. First Community Bank Limited
24. Giro Commercial Bank Limited
25. Guardian Bank Limited
26. Gulf African Bank Limited
27. Habib Bank A.G. Zurich
28. Habib Bank Limited
29. Imperial Bank Limited
30. I&M Bank Limited
31. Jamii Bora Bank Ltd
32. Kenya Commercial Bank Limited
33. K-Rep Bank Limited
34. Middle East Bank Kenya Limited
35. National Bank of Kenya Limited
36. NIC Bank Limited
37. Oriental Commercial Bank Limited
38. Paramount Universal Bank Limited
39. Prime Bank Limited
40. Standard Chartered Bank of Kenya Limited
41. Transnational Bank Limited
42. UBA Kenya Bank Ltd
43. Victoria Commercial Bank Limited
44. Housing Finance Company of Kenya Limited

KENYA DEPOSIT INSURANCE CORPORATION
(Formerly Deposit Protection Fund Board)

COMMERCIAL BANKS AND OTHER FINANCIAL INSTITUTIONS ASSESSED CONTRIBUTORS FOR THE YEAR ENDED 30 JUNE 2015 ...(continued)

MICRO FINANCE INSTITUTIONS

1. Faulu Kenya
2. Kenya Women Finance Trust
3. SMEP DTM
4. REMU DTM
5. Uwezo DTM
6. Rafiki DTM
7. Sumac DTM
8. Century DTM
9. U & I DTM
10. Daraja DTM
11. Choice DTM
12. Caritas DTM

APPENDIX III

BANKING INSTITUTIONS DIRECTORS AND APPROVED AUDITORS

NAME OF INSTITUTION	DIRECTORS' NAMES	STATUS	BRANCH NETWORK	APPROVED AUDITORS
1. African Banking Corporation P.O. Box 13889-00800, Nairobi Tel: +254-20- 4263000, 4447352, 4447353, 2223922 Website: http://www.abcthebank.com	Richard Omwela Shamaz Savani Ashraf Savani Joseph Kamande Muiruri Anil Ishani Alban Mwendar Sridhar Natarajan	Non-Executive -Chairman Executive - Group MD Non-Executive Non-Executive Non-Executive Non-Executive Executive -Group CEO	**11**	Deloitte & Touche
2. Bank of Africa Kenya Ltd P.O. Box 69562-00400 Nairobi Tel: +254-20- 3275000 Website: www.boakenya.com	Ambassador Dennis Awori Alexandre Randrianasolo Vincent De Brouwer Bernardus A. M. Zwinkels Abdelkabir Bennani Susan Kasinga Eunice Mbogo Amine Bouabid Anis Kaddouri	Non-Executive-Chairman Non-Executive Non-Executive Non-Executive Non-Executive Non-Executive Non-Executive Non-Executive Executive	**34**	KPMG Kenya
3. Bank of Baroda House 29, Koinange Street P.O. Box 30033 – 00100 Nairobi Tel: +254-20-2248402/12, 2248402/12 Website: www.bankofbaroda kenya.com	Mr. Ranjan Dhawan Mr. Yatish Chander Tewari Mr. Rajiv Shripad Abhyankar Mr. Patrick Karuiki Njoroge Mr. Philip Burh Mr. Vikram C. Kanji	Non-Executive -Chairman Executive - MD Non-Executive Non-Executive Executive Non-Executive	**12**	Grant Thornton pending approval
4. Bank of India P.O. Box 30246 - 00100 Nairobi Tel: +254-20-2221414 /5 /6 Website: www.bankofindia.com Website: www.boikenya.com	R. K. Verma Manubhai Chandaria Mary W. Ngatia A. N. Ngugi M. K. Srivastava	Executive - CEO Advisory Committee Advisory Committee Advisory Committee Executive	**6**	Grant Thornton
5. Barclays Bank of Kenya P.O. Box 30120 – 00100, Nairobi Tel: +254-20- 4254000, 4256000 Email: barclays.kenya@barclays.com Website: www.barclays.co.ke	Francis Okomo-Okello Jeremy Edward Awori Rose N. Ogega Jane W. Karuku Brown M. Ondego Ashok K. M. Shah Winnie Ouko Norah Odwesso Laila Macharia Yusuf Omari Waweru G Mathenge	Non-Executive -Chairman Executive - MD Non-Executive Non-Executive Non-Executive Non-Executive Non-Executive Non-Executive Non-Executive Executive -Director Company Secretary	**119**	Pricewaterhouse Coopers
6. CFC Stanbic Bank Ltd P.O. Box 72833 - 00200 Nairobi Tel: +254-20-3638000/11/ 17/18/20/21 Email: customercare@stanbic.com	Fred N'cruba Ojiambo, Mbs, Sc Gregroy R. Brackenridge Philip Odera Kitili Mbathi Rose W. Kimotho Edward A. Waweru Njoroge Charles Kahara Muchene Ruth Theddesia Ngobi Michael Alan Blades Christopher J. Blandford-Newson Peter Nderitu Gethi	Non-Executive -Chairman Non-Executive Chief Executive Non-Executive Non-Executive Non-Executive Non-Executive Non-Executive Executive Non-Executive Non-Executive	**24**	Pricewaterhouse Coopers
7. Charterhouse Bank P.O. BOX 43252- 00100 Nairobi Tel: +254-20-242246-53 Email: info@charterhouse-bank.com	Manjunath Prabhu Mehraz Ehsani Sanjay Ramniklal Shah Manoj Ramjiklal Atul Kumar Shah Hamed Ehsani	General Manager Non Executive Director Managing Director Non Executive Director Non Executive Director Non Executive Director	**10**	KPMG

BANKING INSTITUTIONS DIRECTORS AND APPROVED AUDITORS

NAME OF INSTITUTION	DIRECTORS' NAMES	STATUS	BRANCH NETWORK	APPROVED AUDITORS
8. Chase Bank P.O. Box 66049-00800, Nairobi Tel: +254 730 175 000 + 254 709 800 000 Email: info@chasebank.co.ke	Muthoni Kuria Rafiq Shariff Richard Carter Anthony F Gross Laurent Demey Zafrullah Khan Duncan Kabui Paul Njaga	Non-Executive Non-Executive Non-Executive Non-Executive Non-Executive Chairman Executive Executive	**49**	Deloitte & Touche
9. Citibank N.A P.O. Box 30711-00100 Nairobi Tel: +254-20-2754000,2711221 Website: www.citibank.com	Joyce-Ann Wainaina Nathan Njoroge Nicholas Kamere Paul Njiiri Michael Mutiga Ignatius Chicha Wycliff Osso Maryanne Mwaura Linda Muturi Esther Chibesa Maina Kamau	General Manager Mgt Committee Mgt Committee Mgt Committee Mgt Committee Mgt Committee Mgt Committee Mgt Committee Mgt Committee Mgt Committee Mgt Committee	**3**	KPMG Kenya
10. Commercial Bank of Africa P.O. Box 30437 – 00100, Nairobi Tel: +254-20-2884000, 2734555 Website: www.cbagroup.com	Desterio Oyatsi Andadi Jeremy Ikundi Ngunze Isaac Odundo Awuondo John Stuart Armitage Muhoho Kenyatta Nelson Joel Manyeki Mainnah Mukesh Kanji Rupshi Shah Nicholas Alexander Nesbitt Abdirahin Haither Abdi	Non-Executive -Chairman Executive - CEO Executive Non-Executive Non-Executive Non-Executive Ind. Non-Executive Ind. Non-Executive Ind. Non-Executive	**27**	Pricewaterhouse Coopers
11. Consolidated Bank P.O. Box 51133 - 00200, Nairobi Tel: +254-20-215000, 340836,340551 Cell: 0703 016 000 Email: tellus@consolidated-bank.com Website: www.consolidated-bank.com	Dr. Benson A. Ateng' Thomas Kipkemei Kiyai Bertha J. Dena Amb. Charles M. Amira Evans G. Vitisia Papius K. Muhindi Miriam Cherogony Ps- Treasury Managing Trustee - NSSF	Non-Executive -Chairman Executive -CEO Non-Executive Non-Executive Non-Executive Non-Executive Non-Executive Non-Executive Non-Executive	**17**	Deloitte & Touche
12. Co-operative Bank of Kenya P.O. Box 48231-00100 Nairobi Tel: +254-20-3276000 Website:www.co-opbank.co.ke	Stanley C. Muchiri Gideon Maina Muriuki Julius Riungu Lawrence Charo Karissa Macloud Mukiti Malonza Richard L. Kimanthi Wilfred M. Ongoro Julius K. Sitienei Benedict Wekesa Simiyu John Kamau Murugu Rose Kaburo Simani Wanyambura Mwambia	Non-Executive- Chairman Executive – GMD & CEO Non-Executive Non-Executive Non-Executive Non-Executive Non-Executive Non-Executive Non-Executive Non-Executive Non-Executive Non- Executive	**140**	Ernest & Young
13. Credit Bank P.O. Box 61064-00200 Nairobi Tel: +254-20-2283000/ 2222300 Website: www.creditbank.co.ke	Hon. Simeon Nyachae Phares Chege Thumbi Mrs. Grace Nyachae Moses Mwendwa Jay Karia Ketan D. Marjaria Robinson N. Gachogu	Non-Executive -Chairman Chief Executive Officer Non-Executive Non-Executive Non-Executive Non-Executive Non-Executive	**14**	Pricewaterhouse Coopers

BANKING INSTITUTIONS DIRECTORS AND APPROVED AUDITORS

NAME OF INSTITUTION	DIRECTORS' NAMES	STATUS	BRANCH NETWORK	APPROVED AUDITORS
14. Development Bank P.O. Box 30483 - 00100, Nairobi Tel: +254-20-340401 /2 /3, 340416 Website: www.devbank.com	Prof. H.K. Mengech Victor Kidiwa C.S. Treasury I.C.D.C. Prof. J. H. Kimura Zephania Mbugua	Non-Executive -Chairman Chief Executive Non-Executive Non-Executive Non-Executive Non-Executive	**1**	Pricewaterhouse Coopers
15. Diamond Trust Bank Kenya Limited P.O. Box 61711 - 00200, Nairobi Tel: +254-20-2849000, 2210988/9 Website: http://www.dtbafrica.com	Abdul Samji Nasim Devji Pamella Ager Shaffiq Dharamshi Amin Merali Irfan Keshavjee Mwaghazi Mwachofi Moez Jamal Jamaludin Shamji Ismail Mawji Zakir Mahmood	Non-Executive - Chairman Executive - Managing Director Non-Executive Non-Executive Non-Executive Non-Executive Non-Executive Non-Executive Non-Executive Non-Executive Non-Executive	**52**	Pricewaterhouse Coopers
16. Dubai Bank P.O. Box 11129-00400, Nairobi Tel: +254-20-311109/14/23/ 24/32 Website:www.dubaibank.co.ke	H.A. Abdul Hafedh Zubeidi Binay Kumar Dutta Prof. Wilson Hassan Nandwa Ali Bashir Sheikh	Non-Executive – Chairman Execuive- MD Non-Executive Non-Executive	**4**	Howarth Erastus & Co. Certified Public Accountants
17. Ecobank Kenya Ltd P. O Box 45626- 00100 Nairobi Tel: +254-20-2883000, 2249633 /4 Website: www.ecobank.com	Ehouman Kassi Charles Orony Ogalo Simon Maucho Mrs. Surindere Pallan Kapila Evelyne Tall	Executive - MD Non-Executive Non-Executive Non-Executive Group Executive	**29**	Pricewaterhouse Coopers
18. Equatorial Commercial Bank P.O. Box 52467-00200 Nairobi Tel: +254-703047777,4981000 www.equatorial.co.ke	Daniel K. Ameyo Wanjiru Mwangi Christine Sabwa Akif Hamid Butt Robert L. Shibutse Teresa M. Mutegi Wilson K. Murage	Non-Executive -Chairman Non-Executive Non-Executive Non-Executive Non-Executive Non-Executive Non-Executive	**13**	KPMG
19. Equity Bank (Kenya) Ltd. P.O. Box 75104-00200, Nairobi Tel: +254 763 063 000 Website: http://www.ke.equitybankgroup.com	Peter Kahara Munga Dr. James Njuguna Mwangi Bhartesh Shah Dennis Aluanga Fredrick Mwangi Muchoki Julius Muia Isaac Muthure Prof: Shem Migot Adholla David Ansell	Non-Executive -Chairman Group MD & CEO Executive Director Non-Executive Non-Executive Non-Executive Non-Executive Non-Executive Non-Executive	**170**	Ernst & Young
20. Family Bank P.O. Box 74145-00200 Nairobi Tel: +254-020- 318173, 318940/2/7 Website: www.familybank.co.ke	Wilfred Kiboro Titus Kiondo Muya Dr. Kabiru Kinyanjui Prof. David Kimutai Some Ruth Waweru David Kimani Brian Kiondo Muyah Njunge Kamau Mark Keriri Muya	Non-Executive -Chairman Executive - CEO Non-Executive Non-Executive Non-Executive Non-Executive Non-Executive Non-Executive Executive	**80**	Deloitte & Touche

BANKING INSTITUTIONS DIRECTORS AND APPROVED AUDITORS

NAME OF INSTITUTION	DIRECTORS' NAMES	STATUS	BRANCH NETWORK	APPROVED AUDITORS
21. Fidelity Commercial Bank P.O. Box 34886-0100 NAIROBI Tel: +254-020-2242348, 2244187 website: www.fidelitybank.co.ke	Esther Muchemi Rana Sengupta Sultan Khimji Kabirdin K Khimji Amir Ali Shaleh Karim Khimji Mayank Patel Chales Omanga	Non-Executive Executive-MD Executive Non-Executive Non-Executive Non-Executive Non-Executive Non-Executive	**12**	KPMG
22. First Community Bank Ltd. P. O. Box 26219-00100, Nairobi Tel: +254-20-2843000-3 Website: www.firstcommunitybank.co.ke	Mohamed Hassan Ebrahim Varvani Abdullatif Essajee K Mohamed Mbaye Omar Sheikh Abdullahi Sumayya Athmani Hassan Jama Mohamed Issa Mussa Juma Assad Abdulhamid Aboo	Non-Executive -Chairman Non-Executive Non-Executive General Manager Non-Executive Non-Executive Non-Executive Non-Executive	**18**	Pricewaterhouse Coopers
23. Giro Commercial Bank Limited P.O Box 13400-00800, Nairobi Tel: +254-20-4229000 Website: www.girobankltd.com	Chandan Jethanand Gidoomal Sanjay Prem Gidoomal Prem Jethanand Gidoomal Carey Muriithi Ngini Bhanubhai Kalidas Patel Mukesh Shantilal Shah	Non-Executive-Chairman Executive - MD Non Executive Non Executive Executive–Finance Director Non Executive	**7**	Deloitte & Touche
24. Guardian Bank Limited P.O. Box 67681 – 00200, Nairobi Tel: +254-020-2226771, 2226774 Website: www.guardian-bank.com	Dr. Maganlal M. Chandaria Vasant K. Shetty Hetul D. Chandaria Bhavnish D. Chandaria Harban Rajesh Sahi Shantilal R. Shah Ajay Shah Dr. Samson Ndegwa	Chairman Managing Director Executive Director Non-Executive Director Non-Executive Director Non-Executive Director Non-Executive Director Non-Executive Director	**9 branches and Head office**	KPMG Kenya
25. Guaranty Trust Bank (Kenya) Ltd. P.O. Box 20613 – 00200, Nairobi Tel: +254-20-3284000, 0703 084000 Website: www.gtbank.co.ke	Dhanji Hansraj Chandaria Julius Olusegun Agbaje Ademola Odeyemi Nalinkumar Narshi Shah Hanish Dhanji Chandaria John Mark Wandolo Mary Kimotho M'mukindia Ibukunoluwa Odegbaike Victor Ezaga	Non-Executive-Chairman Non-Executive Non-Executive Non-Executive Non-Executive Non-Executive Non-Executive Executive - CEO Executive Director	**15**	Pricewaterhouse Coopers
26. Gulf African Bank Ltd. P.O. Box 43683 – 00100, Nairobi Tel: +254-20-2740000, 2718608/9 Website: www.gulfafricanbank.com	Jamal Ali Al-Hazeem Abdalla Abdulkhalik Ahmed Said Bajaber Mustafa Beg Thantalur Alaga Raja Shuja Sayed Ali	Non-Executive -Chairman Executive – Managing Director Non-Executive Non-Executive Non-Executive Non-Executive	**14**	KPMG Kenya
27. Habib Bank AG Zurich P.O. Box 30584 - 00100 Nairobi Tel: +254-20-341172/76/77, 340835 Website: www.habibbank.com	Mohammed Ali Hussain Mohamed Arif Arshad Mahmood Iqbal H. Somani S. Asad Mustafa Simon K. Murigi	Country Manager Local Mgt Cmtee Local Mgt Cmtee Local Mgt Cmtee Local Mgt Cmtee Local Mgt Cmtee	**5**	KPMG Kenya
28. Habib Bank Limited P.O. Box 43157 – 00100, Nairobi Tel: +254-20-2226433, 2222786 Website: www.hbl.com	Salman Malik Aurangzeb Quadri Grace Mbogo Patrick Maina Mwangi John Kasuvu Rukiya Abduljabber	Local Mgt Cmtee Local Mgt Cmtee Local Mgt Cmtee Local Mgt Cmtee Local Mgt Cmtee Local Mgt Cmtee	**5**	Ernst & Young

BANKING INSTITUTIONS DIRECTORS AND APPROVED AUDITORS

NAME OF INSTITUTION	DIRECTORS' NAMES	STATUS	BRANCH NETWORK	APPROVED AUDITORS
29. Imperial Bank Limited P.O. Box 44905 – 00100, Nairobi Tel: +254-20-2874000, 343416 /12/17/ Website: www.imperialbank.co.ke	Alnashir Popat Abdulmalek Janmohamed Anwar Hajee Vishnu Dhutia Jinit Shah Mukesh Kumar Patel Hanif Mohamed Amirali Somji Omurembe Iyadi Eric Gitonga Bengi Christopher Agnelo Diaz	Non-Executive -Chairman Executive - CEO Non-Executive Non-Executive Non-Executive Non-Executive Non-Executive Non -Executive Independent Non-Executive Independent Non-Executive Independent	**25**	PKF Kenya
30. I & M Bank P.O. Box 30238 – 00100, Nairobi Tel: +254-20, 3221000, +254 719 088 000 +254 753 221 000 Website:http://www.imbank.com	S. B. R. Shah Arun S. Mathur Sarit S. Shah Sachit S. R. Shah M. Soundararajan P. C. M. Kibati Dr. Nyambura Koigi E. M. Kimani	Non-Executive -Chairman Executive - CEO Executive Non-Executive Non-Executive Non-Executive Non-Executive Non-Executive	**30**	KPMG Kenya
31. Jamii Bora Bank Limited P.O. Box 22741 – 00400, Nairobi Tel: +254-20- 2224238/9, 2214976 Website: http://www.jamiiborabank.co.ke	James Mwangi Gacheru Samuel Njuguna Kimani Samuel Mwamburi Mwale Lars-Alof-Hellgren Stefan Kaiser Timothy Mwaniki Kabiru Mrs.Pamella Oburu Ager Dr.Betty Muthoni Gikonyo Cyprian Wekesa Alban Mwendar Richard Kiplangat	Non-Executive Executive - CEO Director Non-Executive Non-Executive Executive -Cco Non-Executive Non-Executive Non-Executive Non-Executive Non-Executive	**24**	Deloitte & Touche
32. Kenya Commercial Bank P. O. Box 48400 – 00100, Nairobi Tel: +254-20-3270000, 2851000 Website: http//www.kcbbankgroup.com	Ngeny Biwott Joshua Nyamweya Oigara Henry Rotich Georgina Maria Malombe Catherine Adongo Kola(Mrs) John Akoth Nyerere Tom Ipomai Charity Muthoni Muya-Ngaruiya Adil Arshad Khawanja Gen. Rtd Joseph Raymond Kibwana Lawrence Kimathi Kiambi	Non-Executive -Chairman Executive - CEO Non-Executive Non-Executive Non-Executive Non-Executive Non-Executive Non-Executive Non-Executive Non-Executive Executive-CFO	**S. Sudan 19** **Uganda 16** **Rwanda 14** **Burundi 5** **Tanzania 12**	KPMG KPMG Deloitte KPMG KPMG
33. K-Rep Bank Limited P.O. Box 25363 – 00603, Nairobi Tel: +254-20- 3906000, 0711-058000-7 Website: www.k-repbank.com	James Mworia Mwirigi Titus Muthua Karanja Donald Benedict Kipkorir Catherine Nimwanga Mturi-Wairi Kimanthi Mutua Polycarp Igathe Kamau Mary Ann Wambui Kirubi-Musangi Tom Kariuki	Non-Executive -Chairman Executive-MD Non-Executive Non-Executive Non-Executive Non-Executive Non-Executive Non-Executive	**37**	PWC
34. Middle East Bank Kenya Ltd P.O. Box 47387 - 0100 Nairobi Tel: +254-20-2723120/24, 2722879 Website: www.mebkenya.com	Akber Abdulla Kassam Esmail Dhirendra Rana Anil Devchand Raja Nancy Naitore Kaminchia Philip Bernard Ilako	Non-Executive-Chairman Executive - MD Non-Executive Non-Executive Non-Executive	**4**	Pricewaterhouse Coopers

BANKING INSTITUTIONS DIRECTORS AND APPROVED AUDITORS

NAME OF INSTITUTION	DIRECTORS' NAMES	STATUS	BRANCH NETWORK	APPROVED AUDITORS
35. National Bank of Kenya Ltd P.O. Box 72866 - 00200 Nairobi Tel: +254-20-2828000, Website: www.nationalbank.co.ke	Mohamed Abdirahman Hassan (Mr.) Eng. Erastus Kabutu Mwongera (Mr.) Francis Lumasayi Atwoli (Mr.) Cabinet Secretary, National Treasury Corporate Managing Trustee, NSSF Joseph Kimutai Kering (Mr.) Linnet Mirehane (Mrs.) Munir Sheikh Ahmed (Mr.) Boniface Biko Amunga (Mr.)	Non Executive -Chairman Non Executive Non-Executive Corporate Corporate Non Executive Non-Executive Managing Director / Executive Executive	**77**	Deloitte & Touche
36. NIC Bank P.O. Box 44599 - 00100 Nairobi Tel +254-20-2888000, 2888600 Website: http://www.nic-bank.com	J.P.M. Ndegwa F.M. Mbiru John Gachora A.J. Dodd F.N. Mwanzia A.S.M. Ndegwa I. Ochola- Wilson Michael Somen George Adams Maina Paras Vinod Shah Kairu Thuo Esther Ngaine Livingstone Murage	Non- Executive-Chairman Non- Executive- Vice Chairman Executive Executive Non- Executive Non- Executive Non- Executive Non- Executive Non- Executive Non- Executive Non- Executive Non- Executive Group Company Secretary	**25**	Pricewaterhouse Coopers
37. Oriental Commercial Bank P.O. BOX 14357-00800, Nairobi Tel: +254-20-3743278/87, 3743289/98 Website: www.orientalbank.co.ke	Shanti V. Shah R.B. Singh Prabhulal J. Shah Nalinkumar M. Shah Jitendrakumar C. Patel Ramesh Thakkar Rupen K. Haria	Non-Executive -Chairman Executive - CEO Non-Executive Non-Executive Non-Executive Non-Executive Non-Executive	**8**	RSM Ashvir
38. Paramount Universal Bank P.O. Box 14001 -00800 Nairobi Tel: +254-20-4449266/7/8, 446106 /7 Website: www.paramountbank.co.ke	Anwarali Merali Padany Ayaz A. Merali Noorez Padamshi Angela Musimba Mercy W. Kamau M. Mujtaba	Non-Executive - Ag. Chairman Executive - CEO Non-Executive Non-Executive Non-Executive Executive	**6**	Deloitte & Touche
39. Prime Bank Limited P.O. Box 43825 – 00100, Nairobi Tel: +254-20-4203000/116 Website: www.primebank.co.ke	Dr. R. C. Kantaria A. R. Kantaria Bharat Jani T. M. Davidson D. G. M. Hutchison S. K. Shah J.K. Kibet J. N. Mungai V. N. Ponda Arun Shah	Chairman Executive Director Managing Director Non-Executive Non-Executive Non-Executive Non-Executive Non-Executive Non-Executive Company Secretary	**17**	Ernst & Young
40. Standard Chartered Bank P.O. Box 30003 - 00100 Nairobi Tel: +254-20-3293000, 3293900 Website: www.standardchartered.com	Mrs. Anne Mutahi Lamin Manjang Kaushik Shah Les Baillie Patrick Obath Kariuki Ngari Chemutai Murgor (Ms) Robin Bairstow Benjamin Dabrah	Board Chair - Non-Executive Executive – CEO & M.D Non-Executive Non-Executive Non-Executive Non-Executive Executive Executive Non-Executive	**38 Branches 1 Sales and Service Centre 2 Agencies**	KPMG Kenya

BANKING INSTITUTIONS DIRECTORS AND APPROVED AUDITORS

NAME OF INSTITUTION	DIRECTORS' NAMES	STATUS	BRANCH NETWORK	APPROVED AUDITORS
41. UBA Kenya Bank P.O. Box 34154 - 00100 Nairobi Tel: +254-020- 3612000 /1 / 2 Website: www. ubagroup.com	Ngugi Kiuna Isaac Mwige Kennedy Uzoka James Olubayi Michael Waweru Emeke Iweriobor	Non-Executive-Chairman Executive - MD Non-Executive Non-Executive Non-Executive Non-Executive	**4**	Pricewaterhouse Coopers
42. Trans-National Bank P.O. Box 75840-004000 Nairobi Tel: +254-20-2224234/5/6, 2252188/90 Website: www.tnbl.co.ke	Peter Kemei Sammy Kipng'eno Langat John Kiplangat Kenduiwo Andre De Simone Hellena Cheserem Prof. Daniel Rotich Henry Kiptiony Kiplangat	Non-Executive -Chairman Executive - CEO Non-Executive Non-Executive Non-Executive Non-Executive Non-Executive	**18**	Deloitte & Touche
43. Victoria Commercial Bank P.O. BOX 41114 - 00100 Nairobi Tel: +254-20-2719499, 0709876000 Website: www.victoriabank.co.ke	Kanji D. Pattni Yogesh K. Pattni Ph.D Silvano O. Kola Rajan P. Jani (Alt. Yadav R. Jani) Ketaki Sheth Mukesh S. Shah Zarqa N. Ahmed	Non-Executive-Chairman Executive - MD Non-Executive Non-Executive Non-Executive Non-Executive Non-Executive	**3 Branches**	Pricewaterhouse Coopers
44. Housing Finance Co. of Kenya P.O. Box 30088-00100 Tel: +254-20-326000, 3317474 Website: www.housing.co.ke	Steve Omenge Mainda Frank Marangu Ireri Kaushik Manek Benson Wairegi Peter Kahara Munga Constance Wangui Gakonyo Adan Mohamed Gladys Ongayo Ogallo John Nicholas Ashford-Hodges	Non-Executive–Chairman Executive – MD – HF Group Non-Executive – HF Group Non-Executive - HF Group & HFC Ltd Non-Executive - HF Group Non-Executive - HF Group Non – Executive – HF Group Non-Executive – HFC Ltd Non-Executive – HF Group Ltd	**17 Branches** **1 Sales Center**	KPMG Kenya

DEPOSIT TAKING MICRO-FINANCE DIRECTORS AND APPROVED AUDITORS

NAME OF INSTITUTION	DIRECTORS' NAMES	STATUS	BRANCH NETWORK	APPROVED AUDITORS
1. **Caritas Microfinance Bank Limited** P.O. Box 15352-00100 NAIROBI TEL: 020 5151500 www.caritas-mfb.co.ke	Patrick Kinyori Fr. Anthony Mwituria Riunga Raiji Regina Kamau Margaret Tuto Samson Kinyua Kanywuiro Dominic Simba	Chairman Non Executive Non Executive Non Executive Non Executive Non Executive Non Executive	**1**	Ernest and Young
2. **Century Microfinance Bank Limited** P.O. Box 38319 - 00623, NAIROBI. Tel: 254 756 305 132, 254 722 168 721 www.century.co.ke	Abel E. Muriithi Christian Lau Larse Tom Onyango Edith Gathoni Gachanga K. Emily Wairimu Kanina	Chairman Non Executive Non Executive Non Executive Non Executive	**I Branch 3 Marketing Units**	P.G. Wahome & Company
3. **Choice Microfinance Bank Limited** P.O. Box 18263 – 00100, NAIROBI. Tel: 3882206/7 www.choicemfb.com	Bernard Kamiri Lydiah Maina Simon Gachunia Stanley Kasyoka Mungai Mburu Lilian Gachoki Catherine Njuguna ~~Daniel Leteipa~~	Chairman Executive Non Executive Non Executive Non Executive Non Executive Non Executive ~~Non Executive~~	**1**	Mazaars (awaiting CBK Approval)
4. **Daraja Microfinance Bank Limited** Karandini Rd-Off Naivasha Rd P.O. Box 100854 – 00101 NAIROBI. Tel: 0718444888/ 0203879995/6 www.darajabank.co.ke email: info@darajabank.o.ke; daraja@darajabank.	Peter Simon Kariuki Paul Mwaniki Gachoka Peter Gachuki Gachau Isaac Githuku Mwangi Atanas Kariuki Maina Edgar Kalya Michael Gitau Kimani Ruth Auma Odera Victor William Malu	Chairman Non Executive Non Executive Non Executive Non Executive Non Executive Non Executive Non Executive Non Executive	**1**	Mazaars-Kenya
5. **Faulu Microfinance Bank Limited** P. O. Box 60240 – 00200, NAIROBI. Tel: 3877290-3/7 www.faulukenya.com	Dr. Peter W. Muthoka Charles K. Njuguna George Adams Maina Mwikali Muthiani Beverly Nuthu Tavaziva Madzinga Kevin Terry Peter J. Mogan	Chairman Executive Non Executive Non Executive Non Executive Non Executive Non Executive Non Executive	**34**	Deloitte & Touche
6. **Kenya Women Microfinance Bank Limited** P.O. Box 4179 – 00506, NAIROBI Tel: No.: 0703 067 000 www.kwftdtm.com	Lydia Nyambura Musyimi Mary Wacuka Ngatia Agnes Nangira Adhiambo Dr. Jennifer Nkuene Riria Mwangi Githaiga Anthony Chege Kariuki Kitabu Zipporah Kinanga Mogaka Julie Topirian Njeru Knut Frigaard Dominiek Deconinck Jane Jeptanui Rotich	Non Executive Non Executive Non Executive Non Executive Executive Director Executive Director Executive Director Non Executive Non Executive Non Executive Non Executive Non Executive	**30**	Deloitte & Touche
7. **Rafiki Microfinance Bank (K) Limited** P.O. Box 12755-00400 Tel: 020-216 6401 www.rafiki.co.ke	Zafrullah Khan Daniel Mavindu Ken Obimbo Duncan Kabui Gichu Muthoni Kuria Michael Fiebig Atif Malik	Chairman Non-Executive Director Executive Non-Executive Non-Executive Non-Executive	**19**	Deloitte & Touche

DEPOSIT TAKING MICRO-FINANCE DIRECTORS AND APPROVED AUDITORS

NAME OF INSTITUTION	DIRECTORS' NAMES	STATUS	BRANCH NETWORK	APPROVED AUDITORS
8. Remu Microfinance Bank Ltd P.O Box 20833 - 00100 Nairobi Tel: +254202214483, 215387/8 www.remultd.co.ke	Stanley M'amuiri Ngaine Peter Mugendi Henry Muciimi Mbaka Justus Mutabari Mutiga Felicity Nkirote Biriri Titus B. Mutea Ntuchiu Eileen Kagendo Mbaka John Benard Nthuku Jacob Kabutu Mwirigi Susan Wanja Mungiiria Daniel Muriungi Mugao Luke Kinoti Philip Walter Goodwin Lydia Kariuki	Ag. Chairman Executive Director Director Director Director Director Director Director Director Director Director Director Director Director	**2 Branches** **2 Marketing Units**	Mazaars Kenya
9. SMEP Microfinance Bank Ltd. P.O. Box 64063-00620, NAIROBI. Tel: +254 20 2673327-8 /20 2055761 /20 3572799 www.smep.co.ke	Gabriel Comba Njeru K. Rev. Cannon P. K. Mwangi Allan Njoroge Ngugi Sam Awour Violet Tsisiga Awori Tom Matianyi Mokaya	Chairman Non Executive Non Executive Non Executive Non Executive Non Executive	**7**	Deloitte & Touche
10. SUMAC Microfinance Bank Limited P.O. Box 11687– 00100, NAIROBI Tel: +254 20 221 2587, 20 221 0440 www.sumamicrofinancebank.co.ke	Duncan Mbugua Mwaniki John Kibatha Njoroge Mbugua Muiruri Stephen Muregi Chege Dr. Rufas Maina Kanyogo Charles Kariuki Njai	Executive Director Non Executive Non Executive Non Executive Non Executive Non Executive	**3**	Kimani & Associates
11. U&I Microfinance Bank Limited P.O. BOX 15825-00100 NAIROBI Cell: 0713112791, Tel: 0202367288 www.uni-microfinance.co.ke	Stephen Alois Nganga Boniface Kihiu Kamau Benson Muturi Kamande James Mwangi Gicheha Denis Gichangi Ndungu Dr. Joseph K. Kaniaru David Mwangi Kiarie	Non executive Non executive Non executive Non executive Non executive Non executive Non executive	**1**	Mazaars Kenya
12. Uwezo MFB Limited P.O. Box 1654 – 00100, NAIROBI. Tel: 2212917/9 http://uwezomfbank.com/	Fredrick Wamwaki Angelica Wangari Kamuyu Christopher Mwaura Gathee David Kimani Muiruri David Waititu Brian Collins Mbui Kiai Michael Mbugua Wanyoike Patrick Kimemia Ndirangu Alan Ngugi Gachukia	Chairman Non Executive Non Executive Non Executive Non Executive Non Executive Non Executive Non Executive Non Executive	**3**	Horwath Erastus & Co (pending CBK Approval)