



KENYA BANKERS
ASSOCIATION



**Annual Report and Financial
Statements 2022**

The background of the entire page is a photograph of a sunset. The sun is a bright, glowing orb positioned just above the horizon line, which is defined by the dark silhouettes of a mountain range. The sky is a deep orange, with wispy white clouds scattered across it. In the foreground, the dark, silhouetted outlines of a city skyline are visible, including various buildings and structures. The overall mood is serene and celebratory.

KBA 60th Anniversary

The Kenya Bankers Association Diamond Jubilee presented an opportunity to take stock of challenges and opportunities the industry has encountered over the past 60 years. The commemoration also offered an occasion to reflect on strategies that can be leveraged upon to sustain the banking industry's longstanding resilience as part of collective efforts towards deepening sustainable financial inclusion. The year 2023 presents opportunities to drive initiatives geared towards optimizing the banking industry's contribution to the national socio-economic development agenda.





Contents

About Kenya Bankers Association	06
Background Information	06
KBA Members	10
KBA Governing Council	11
KBA Committee Representatives	12
Management Profiles	14
Notice of the Annual General Meeting (AGM)	17
Chairman's Message	18
CEO's Report	24
Financial Overview	25
KBA Activities	26
Report on the Integrated Payments Services Limited (PesaLink)	31
Report from the KBA Centre for Research on Financial Markets and Policy	34
Report on the Credit Information Sharing Initiative	39
2022 Shared Value Report	42
KBA 60th Anniversary Messages	51
Corporate Governance Structure and Reports of the Committee Chairpersons	65
Governance Structure	68
Reports of the Committee Chairpersons	71
Financial Statements for the Year Ended 31 December 2022	102
Association Information	104
Report of the Governing Council	105
Statement of Governing Council's Responsibilities	106
Independent Auditor's Report	107
Statement of Income and Expenditure	109
Statement of Financial Position	110
Statement of Changes in Members' Funds	111
Statement of Cash Flows	112
Accounting Policies	113
Notes to the Financial Statements	118
Schedule of Operating Expenditure	126

About Kenya Bankers Association

Background Information

Kenya Bankers Association (KBA) was registered as an Industry Association on 16th July 1962 by the Registrar of Trade Unions. In its formative years, the main aim of the Association was to cater for the interests of the member banks in negotiating terms and conditions of service of its unionisable employees and as far as possible standardize management practices so as to ensure harmony in the industry.

Over time, the ambition of the Association evolved to include promoting industry development and economic growth by engaging the government and the primary sector regulator, Central Bank of Kenya (CBK). This KBA ambition was reinforced in 2012 when the Association launched its new brand and ambition statement: *One Industry. Transforming Kenya.*

To reinforce the banking industry's ability to be a primary driver of the economy's development aspiration, the mandate of the Association was redefined and enshrined in the KBA 2014-2018 Strategic Plan. The core focus was broadened to include lobbying and advocacy, and championing industry development and innovation by coordinating the members and partnering with stakeholders on strategic initiatives. To support the Association's new mandate, KBA's values, vision and mission were further redefined in the Association's 2019-2023 Strategic Plan.

As the umbrella body of the institutions licensed and regulated by CBK with a current membership of 46 financial institutions representing total assets in excess of KES 6 Trillion, KBA continues to reinforce a reputable and professional banking sector in a bid to best support Kenyans, who entrust their ambitions and hard earned resources with its member banks.



Leadership, Innovation, Knowledge and Ethics.

KBA CORE VALUES

A vibrant and responsive banking industry.

KBA VISION

KBA MISSION

To promote a competitive banking environment by championing industry development through thought leadership, research, innovation and advocacy.

KBA Structure & Governance

KBA is an association of the 46 member banks and Secretariat that is situated at International House in Nairobi. The banks constitute the General Body and are represented by their Managing Directors or Chief Executive Officers. The KBA General Body elects a Governing Council that is comprised of a minimum of 12 CEOs who represent the members and oversee the Secretariat's operations, programs and budget. Mr. John Gachora, Group MD, NCBA Bank, is the current Chairman of the KBA Governing Council.

The KBA Secretariat has a full-time staff complement of 18 employees who manage day to day operations under the leadership of Chief Executive Officer, Dr. Habil Olaka.

KBA activities are managed by the Secretariat which works in consultation with the following Committees and Sub Committees:

1. Operations & Technical Services Committee

- Clearing House Sub Committee
- National Payments Sub Committee
- Credit & Islamic Finance Advisory Sub Committee

2. Bank Fraud & Risk Committee

- Bank Security Sub Committee
- Bank Forensics Sub Committee
- Bank IT Systems, Risk & Security Sub Committee

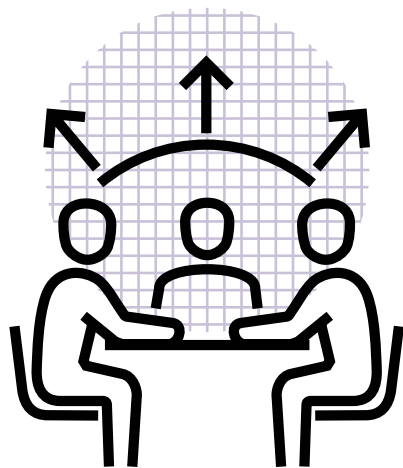
3. Legal Affairs Committee**4. Finance & Audit Committee**

- Tax Sub Committee
- Financial Markets Sub Committee

5. Compliance Committee**6. Human Resources & Ethics Committee****7. Public Relations Committee**

Promoting industry development and economic growth by engaging the government and sector regulator, Central Bank of Kenya (CBK).

At a Glance



95

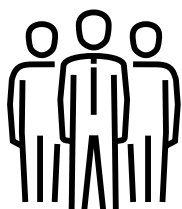
committee meetings

held in conjunction with the association's mandate



18

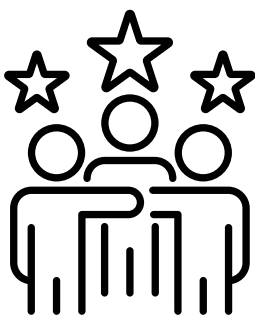
EMPLOYEES



KBA Secretariat

158
Million

KBA audience reach



TRAINING & CAPACITY BUILDING

- Data Protection Regulations
- Cybersecurity
- Top-Down Stress Stressing: Perspective on East African Banks
- ACH ISO20022 Upgrade
- Finance Act 2022 Sensitization



Easy . Affordable . Instant .

3.8 **million**

transactions valued at about KES 500bn

Customer Satisfaction Survey

33K

responses



Sustainable Finance Initiative

42,445
Enrolled

Legal, Regulatory; Policy and Stakeholder engagements



- Capacity Building for Commercial Court Judges on Tax
- Capital Gains Tax
- Collateral Registry
- CBA Wage Re-opener Negotiations 2022
- CBK (Amendment) Act 2021 – *Regulation of digital credit providers*
- Conversion of Land Titles
- Data Protection Act
- Digital Credit Providers Regulations 2022
- Draft Protocol to the Convention
- Financing of Micro, Small and Medium-sized Enterprises
- Industry Fraud And Cybercrime
- KBA Code of Ethics for bank staff
- Kenya Valuation Standards
- Lands Act
- Land Control Bill 2022
- Launch of the KBA Code of Ethics for bank staff
- Ministry of Lands Taskforce on Electronic Land Transactions
- Management System (Ardisasa)
- Moveable Property Security Rights Act
- National Land Information
- National Payment Systems Act
- National Policy and Draft Bill on the Credit Guarantee Scheme
- Proceeds of Crime and Anti-Money Laundering (Amendment) Act 2021
- Prompt Payment Bill, 2021
- Sectional Properties Act and Regulations
- Startup Bill, 2020
- Tax Procedures Act (Common Reporting Standards) Regulations, 2022

Industry Advocacy

KBA Representation on Boards, Committees and Taskforces

Regulatory

- Auctioneers Licensing Board
- ICPAK Taskforce on IFRS 9 Implementation
- National FATCA Taskforce
- National Taskforce on AntiMoney Laundering and Combating Financing of Terrorism (NTF)

Security

- AntiMoney Laundering Advisory Board
- Central Bank / Communications Authority Computer Incident Reporting Team (CIRT)
- KEPSA Security Sector Board
- National Counter-Terrorism Task Force

Industry Stability, Growth & Development

- Capital Markets Authority Master Plan Working Group
- Court Annexed Mediation Accreditation Committee
- Credit Information Sharing (CIS) Kenya Board
- East Africa Bond Exchange (EABX)
- East African Community's Technical Working Group
- Federation of Kenya Employers Board
- Higher Education Loans Board
- International Chamber of Commerce (ICC)
- Judiciary's Business Court Users Committee
- Kenya Deposit Insurance Corporation Board
- KEPSA Gender Sector Board
- Kenya Private Sector Alliance (KEPSA) Board
- KEPSA Public Finance Sector Board
- Kenya School of Monetary Studies Board
- Ministry of Lands Taskforce
- National Research Fund
- National Taskforce on Commodity Exchange
- National Treasury Taskforce on the SME Credit Guarantee Scheme

KBA Members

In addition to widening the Association's scope, KBA has over the years recorded a commendable increase in membership. KBA proudly appreciates the leadership and involvement that each of the members continue to lend to the Association.

KBA Members as at 31st December 2022

- | | |
|--|---|
| 1. Absa Bank Kenya Plc | 24. Habib Bank A.G Zurich |
| 2. Access Bank (Kenya) PLC | 25. HFC Limited |
| 3. African Banking Corporation Limited | 26. I & M Bank Limited |
| 4. Bank of Africa Limited | 27. KCB Bank Kenya Limited |
| 5. Bank of Baroda (K) Limited | 28. Kenya Women Microfinance Bank Limited |
| 6. Bank of India | 29. Kingdom Bank Limited |
| 7. Caritas Microfinance Bank Limited | 30. Maisha Microfinance Bank Limited |
| 8. Choice Microfinance Bank Limited | 31. Mayfair CIB Bank Limited |
| 9. Citibank N.A. Kenya | 32. Middle East Bank (K) Limited |
| 10. Consolidated Bank of Kenya Limited | 33. M Oriental Bank Limited |
| 11. Co-operative Bank of Kenya Limited | 34. National Bank of Kenya Limited |
| 12. Credit Bank Plc | 35. NCBA Bank Kenya PLC |
| 13. Development Bank of Kenya Limited | 36. Paramount Bank Limited |
| 14. Diamond Trust Bank Kenya Limited | 37. Prime Bank Limited |
| 15. DIB Bank Kenya Limited | 38. Rafiki Microfinance Bank Limited |
| 16. Ecobank Kenya Limited | 39. Salaam Microfinance Bank Limited |
| 17. Equity Bank Kenya Limited | 40. SBM Bank Kenya Limited |
| 18. Family Bank Limited | 41. Sidian Bank Limited |
| 19. Faulu Microfinance Bank Limited | 42. Spire Bank Limited |
| 20. First Community Bank Limited | 43. Stanbic Bank Kenya Limited |
| 21. Guaranty Trust Bank Limited | 44. Standard Chartered Bank (K) Limited |
| 22. Guardian Bank Limited | 45. UBA Kenya Bank Limited |
| 23. Gulf African Bank Limited | 46. Victoria Commercial Bank Plc |

KBA Governing Council

The KBA Governing Council is elected to represent three industry categories – large, medium-sized and small banks – as defined by the KBA Constitution.

Governing Council Members as at December 2022

Chairman



John Gachora
NCBA Bank
Group Managing Director

Vice Chair



Rebecca Mbithi
Family Bank
Chief Executive Officer



Paul Russo
KCB Bank
Group Chief Executive Officer



Dr. Gideon Muriuki
Co-operative Bank
Group Managing Director & CEO



Gerald Warui
Equity Bank (K) Ltd
Managing Director



Nasim Devji
DTB Kenya
Group Managing Director & CEO



Kariuki Ngari
Standard Chartered Bank
Chief Executive Officer



Yusuf Omari
Absa Bank
Ag. Managing Director



Kihara Maina
I & M Bank
Chief Executive Officer



Martin Mugambi
Citibank N.A
Managing Director & CEO



Moezz Mir
SBM Bank
Chief Executive Officer



Cheick Travaly
Ecobank Kenya
Managing Director



Rose Kagucia
DIB Kenya Bank
Ag. Chief Executive Officer



Isaac Mwige
Middle East Bank
Managing Director



Betty Korir
Credit Bank
Chief Executive Officer



Mwangi Githaiga
Kenya Women Microfinance Bank
Managing Director

KBA Committee Representatives



Elizabeth Kimani
ABC Bank



Philip Wambua
ABC Bank



**Christine Mwai-
Marandu**
Absa Bank



Peter Mungai
Absa Bank



Brian Koletit
Citibank



Michael Nangole
Co-operative Bank



Catherine Mugane
DTB Kenya



Robley Ngoje
KCB Bank



David Nyamato
NCBA Bank



Steve Atenya
NCBA Bank



Edgar Mwandawiro
SBM Bank



Anthony Chesaro
Stanbic Bank



Catherine Njoroge
Stanbic Bank

COMPLIANCE

CHAIR	NCBA Bank (David Nyamato)
VICE CHAIR	Stanbic Bank (Mary Runana)
SECRETARY	Kenya Bankers Association (Kennedy Mutisya)

FINANCE AND AUDIT

CHAIR	DTB Kenya (Catherine Mugane)
VICE CHAIR	SBM Bank (Davis Ayako)
SECRETARY	Kenya Bankers Association (Kennedy Mutisya)

Financial Markets

CHAIR	ABC Bank (Philip Wambua)
VICE CHAIR	Absa Bank (Wolfgang Omondi)
SECRETARY	Equity Bank (Andrew Muiruri)

Tax

CHAIR	Absa Bank (Peter Mungai)
VICE CHAIR	Equity Bank (Lydia Ndirangu)
SECRETARY	Kenya Bankers Association (Kennedy Mutisya)

HUMAN RESOURCES AND ETHICS

CHAIR	KCB Bank (Robley Ngoje)
VICE CHAIR	Sidian Bank (Wangare Gathu)
SECRETARY	Kenya Bankers Association (Raimond Molenje)

IT SYSTEM RISKS & SECURITY

CHAIR	SBM Bank (Edgar Mwandawiro)
VICE CHAIR	Equity Bank (Kelevilin Kimathi)
SECRETARY	KBA Secretariat (Patrick Kibui)

Bank IT System Risks & Security

CHAIR	Stanbic Bank (Anthony Chesaro)
VICE CHAIR	I & M Bank (Nelson Nasongo)
SECRETARY	Bank of Africa (Moses Ng'ang'a)

Bank Security

CHAIR	GT Bank (Ben Shichenga)
VICE CHAIR	Equity Bank (Edward Muchiri)
SECRETARY	DIB Kenya Bank (Hillary Godana)
SECRETARY	Standard Chartered Bank (Faith Lumumba)

LEGAL AFFAIRS

CHAIR	NCBA Bank (Steve Atenya)
VICE CHAIR	HF Group Limited (Belinda Ng'ang'a)
SECRETARY	Kenya Bankers Association (Raimond Molenje)

OPERATIONS AND TECHNICAL

CHAIR	ABC Bank (Elizabeth Kimani)
VICE CHAIR	Equity Bank (Miring'u Ng'ang'a)
SECRETARY	KBA Secretariat (Patrick Kibui)

Clearing House

CHAIR	Citibank (Brian Koletit)
VICE CHAIR	NCBA Bank (Michael Mucheru)
SECRETARY	ABC Bank (Anne Nyaguthie)

Credit and Islamic Finance Advisory

CHAIR	Absa Bank (Christine Mwai-Marandu)
VICE CHAIR	DIB Bank Kenya (Badru Swaleh)
SECRETARY	Kenya Bankers Association (Dr. Samuel Tiriongo)

National Payments

CHAIR	Co-operative Bank (Michael Nangole)
VICE CHAIR	DIB Bank Kenya (Doreen Mulera)
SECRETARY	Kenya Bankers Association (Patrick Kibui)

PUBLIC RELATIONS

CHAIR	Stanbic Bank (Catherine Njoroge)
VICE CHAIR	Sidian Bank (Abigael Opondo)
SECRETARY	Kenya Bankers Association (Christine Onyango)

Management Profiles



Dr. Habil Olaka, EBS
Chief Executive Officer

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

as the Head of Risk Management and as the Chief Internal Auditor.

Before joining the Bank, he had been with Banque Indosuez (now Bank of Africa) as the Internal Auditor. He started his career at the Pricewaterhouse Coopers, Nairobi in the Audit and Business Advisory Services Division. He sits on a number of boards representing the KBA. These are Kenya Deposit Insurance Corporation (KDIC), Higher Education Loans Board (HELB), Integrated Payment Services Ltd (IPSL), Federation of Kenya Employers (FKE), and the Anti-Money Laundering Advisory Board (AMLAB) as alternate to KBA Chairman. He is the National President of the Federation of Kenya Employers and the Chairman of the board of the Centre for Corporate Governance (CCG). He serves as a member of the International Advisory Committee of the Chartered Banker Institute in the UK.

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

He is a member of the Institute of the Certified Public Accountants of Kenya (ICPAK). He is an alumnus of the Strathmore School of Accountancy and has a good command of the French language. He was recognized as the Association Leader of the Year 2018 in Africa by the Association of Association Executives in Johannesburg, South Africa. He was awarded by His Excellency, the President the National Honours as an Elder of the Order of the Burning Spear (EBS) in December 2021.



Kennedy Mutisya
Chief Finance Officer

Mr. Mutisya was appointed to the position of Chief Finance Officer in December 2012. He is a seasoned professional with 20 years of experience rotating through multiple roles within the finance function in East Africa company controlling, project finance, treasury, financial planning and analysis. In his career he has worked in various industries, including banking, telecommunication, fast-moving consumer goods (FMCG) and insurance. He has held various positions, most recently Finance Manager at the Monarch Group of companies. He earned a Bachelor of Arts degree in Economics and Business Studies from Kenyatta University, and is a member of the Institute of Certified Public Accountants of Kenya (ICPAK).



Fidelis Muia

Director of Technical Services

Mr. Muia is the Director of Technical Services, Kenya Bankers Association. He is responsible for the co-ordination of industry initiatives geared towards enhancing technology and operations for the banking industry. He has been instrumental in implementing projects that resulted in the modernization of the National Payment systems, having been involved in the development of the first two Central Bank of Kenya's National Payment Systems Strategies, and the formulation and drafting of The National Payments Systems Act 2012 and its regulations.

In his role at the Association, Mr. Muia led in the modernisation of the Banking Payment Systems from the Automated Clearing House

implementation and the Cheque Truncation System, migration of Kenya's Payment Cards system to the EMV standard and the development of the Credit Information Sharing Mechanism in Kenya (CRBs).

Mr. Muia has represented the Banking industry in a number national initiatives like the Kenya Credit Guarantee Scheme development with the National Economic and Social Council (NESC), the formation of the Payments Association of Kenya among many other Government task forces and committees.

Mr. Muia has a wide range of knowledge in systems development and implementation, having worked in both the insurance and banking industries for more than 25 years.



Christine Onyango

Director of Communications and Public Affairs

Ms. Onyango joined the Association in February 2022 from I & M Bank, where she served as the Head of Marketing for 10 years. She has a cumulative 19 years' experience within the banking industry, having worked for a Fortune 500 company and one of the largest banks in the US (Bank of America), Credit Bank Limited and Gulf African Bank. Christine is a recognized leader in matters marketing, corporate

communication and business strategy delivering results through effective marketing campaigns, brand and relationship management. She is a holder of bachelor's degree in Business Administration & Management from Amberton University, Dallas, TX and Associate degree in Business Administration & Management from Colin County Community College, Plano, TX.



Raimond Molenje

Director Legal, Human Resource and Policy Advocacy

Mr. Raimond Molenje joined Kenya Bankers Association in August 2018 and has over 18 years' experience in legal practice, human capital, and stakeholder engagement. He has been in private legal practice and held diverse management roles as a corporate in-house legal counsel, human resource and

industrial relations with leading organizations and corporations including: HR Advisor at De La Rue Currency and Security Print, Legal Manager at Federation of Kenya Employers (FKE) and HR Manager-Employee Relations at Equity Bank Group.

Molenje spearheads the effective and efficient management of legislative, regulatory and policy matters impacting the industry, coordinates the collective bargaining agreement negotiations with the Banking Insurance and Finance Union (BIFU) Kenya; involved in the Association's lobbying and policy initiatives and provides Company Secretarial support to the KBA Secretariat.

He is passionate about training and capacity building and serves as a Lecturer at the College of

Human Resources Management. He is also a Board Member with: Auctioneers and Licensing Board under the Attorney General's Office and Mediation Accreditation Committee of the Judiciary representing the industry.

Molenje is an Advocate of the High Court of Kenya, Commissioner for Oaths and Notary Public. He is a practicing member with both the Law Society of Kenya (LSK) and the Institute of Human Resource Management (IHRM) and holds a Bachelor of Laws (LL.B) degree from the University of Nairobi, and Postgraduate Diplomas in Law from the Kenya School of Law; and International Human Resource Management from Cambridge International College, UK.



Dr. Samuel Tiriongo

Director of Research and Policy

Dr. Samuel Tiriongo (PhD) joined Kenya Bankers Association (KBA) in December 2020. He previously served as an economist with the Central Bank of Kenya for 13 years, of which he was attached to the Secretariat of the Monetary Policy Committee (MPC) for 11

years, providing research and analysis targeted at informing monetary policy decisions of the Committee. Additionally, he has been involved in various research assignments that have shaped industry discourse and policymaking, having published widely in peer reviewed research outlets on market microstructure, economic responses to crises, monetary policy communication, and credit market analyses, among other areas.

Dr. Tiriongo holds a PhD in Economics of the University of Dar es Salaam - Tanzania, conferred under the Collaborative PhD Programme in Economics for Sub-Saharan Africa of the African Economic Research Consortium

(AERC). He has been a research fellow of the AERC since 2016 and was awarded in 2017 to participate in the AERC/IMF Visiting Scholars Programme. He has also received professional training from several leading organizations, key among them are International Monetary Fund (IMF), The World Bank, and Macroeconomic and Financial Management Institute of Eastern and Southern Africa (MEFMI).

In June 2022, Dr. Tiriongo was appointed a member of the National Research Fund Board of Trustees, where he serves as a chairperson of the Audit and Risk Management Committee and a member of the Resource Mobilization Committee.

Notice of the Annual General Meeting

23rd May 2023

The Chief Executive Officers of KBA Member Banks

Dear Sirs/ Mesdames,

NOTICE OF THE 61st ANNUAL GENERAL MEETING OF KENYA BANKERS ASSOCIATION TO BE HELD ON FRIDAY 23RD JUNE 2023 FROM 3:00PM AT SERENA HOTEL, NAIROBI

Notice is hereby given that the 61st Annual General Meeting of Kenya Bankers Association will be held on Friday, 23rd June 2023 from 3:00pm at the Serena Hotel, Nairobi.

AGENDA

1. Constitution of the Meeting and adoption of the Agenda.
2. Confirmation of minutes of the 60th Annual General Meeting held on 23rd June 2022 and confirmation of the minutes of the 244th General Body Meeting of 24th March 2023.
3. Matters arising from the minutes of the 60th AGM and 244th General Body meeting.
4. Consideration and adoption of the Chairman's Report.
5. Consideration and adoption of the IPSL Report.
6. Consideration and adoption of the Audited Financial Statements for the financial year ended 31st December 2022.
7. Declaration of results of the elected Members to the KBA Governing Council.
8. Any Other Business.
 - Presentation by IFC on Governance in the banking industry under the ESG framework.
 - Cocktail and networking session.



Dr. Habil Olaka, ebs

Chief Executive Officer



Chairman's Message

Chairman's Message

The KBA 60th Anniversary offered a historic occasion to reflect on challenges and opportunities encountered by the banking industry over the past six decades; the year 2023 sets the stage to explore more ways of supporting the banking public better through responsive and adaptive innovations.



The year 2022 marked a particularly historic moment in the annals of the banking industry in Kenya. It was the year in which the Kenya Bankers Association (KBA) celebrated its Diamond Jubilee — six decades of glorious achievements, interspersed with opportunities and challenges.

In marking the Anniversary, the banking industry had an opportunity to reminisce about the sector's inspiring timeline of resilience; a historic legacy of fortitude that predates Kenya's own independence in 1963. The bulk of reflections during the celebration entailed an elaborate acknowledgement of the strides achieved over the years, while also pondering on the pitfalls that lie ahead.

Notably, the celebration came on the heels of the devastating impact of the COVID-19 pandemic, from whose ravages many households and enterprises continue to recover. Although the pandemic's adverse effects have dissipated significantly in the past one year, their impact continues to linger in the economy. It is incumbent on the industry, therefore, to sustain efforts towards supporting the various vulnerable sectors to enable them to regain their pre-COVID flourish.

Without doubt, the outbreak of COVID-19 in 2020 presented one of the most arduous challenges in the industry's history. Following the pandemic, the banking industry supported customers that were adversely affected directly by the pandemic and its containment measures through loan restructures while also managing attendant credit risks. I call upon the industry and indeed the entire financial services sector to continue supporting the fragile recovery.

Foresighted Innovations

Despite its destabilising impact, COVID-19 triggered some notable progressive developments. These included the deepening integration of technology in banking operations and customer service that was consistent with the social-distancing measures advised by the authorities. Commendably, the industry's initial conditions and tech-preparedness prevented the health crisis from degenerating into a financial crisis. I urge KBA member banks to continue investing in foresighted innovations to enable the industry to navigate through both foreseeable and unanticipated disruptions.



Hon. Justice Ann Claire Williams (Ret) speaks at a banking industry mediation forum attended by the Association's Chairman and members of the Governing Council.



Equity Bank (K) Limited Managing Director, Gerald Warui and member of the KBA Governing Council contributes during the banking industry mediation forum.

Unity of Purpose History

Kenya Bankers Association came to life on 16th July 1962 — an idea of a group of bankers who believed that unity and purpose is more important than individual success; that the important role of banking could not be accomplished through fragmented efforts, but through shared vision of united action.

From its nascent years, the banking industry has navigated a myriad of challenges that include regulatory and operational disruptions. There is sufficient evidence to the effect that, collectively, the industry has successfully overcome these challenges through continued innovation and responsiveness.

Indeed, the introduction of interest rate controls in 2016 was a significant challenge for the industry. A survey conducted by KBA in 2018 revealed that interest rate controls had prevented over one million previously active borrowers from accessing bank credit. In addition, the ripple effect of interest rate capping exacerbated a decline in private sector growth. Despite this, the industry was keen to explore alternative strategies towards facilitating access to affordable credit through a reduction of operational costs aided by innovative deployment of technology and enhancing the capacity of households and enterprises to access formal credit in the market.

I would like to take this opportunity to acknowledge with gratitude the important role the Central Bank of Kenya has continued to play in facilitating economic recovery amidst the unprecedented challenges the industry faced over the years. Without doubt, the Central Bank has maintained a proactive role in developing and implementing targeted regulatory interventions, which have supported enterprise growth while anchoring and consolidating the banking industry's stability.

Reinvigorating Enterprise Growth

The industry's continued resolve to create credit solutions for small and medium enterprises (SMEs) has been informed by the realism that these enterprises make a direct contribution of about 30 percent to the total value added in the economy. As an industry, therefore, it is our firm conviction that optimising the enterprises' participation in the economy will play a central role towards creating more jobs and expanding the Gross Domestic Product.

For this reason, the banking industry has continued to coordinate a capacity building program dubbed 'Inuka Enterprise Program'. This initiative was rolled out in 2018 as part of interventions geared towards enhancing the creditworthiness of small businesses through capacity building. It is encouraging that the program has reached more than 60,000 enterprises



L-R Central Bank of Kenya Governor Dr. Patrick Njoroge, KBA CEO Dr. Habil Olaka, KBA Governing Council Chairman Mr. John Gachora and Central Bank of Kenya Deputy Governor Mrs. Sheila M'Mbijjewe during the KBA 60th Anniversary forum.

since inception, continuing to complement a wide range of initiatives aimed at supporting enterprise growth in the economy.

In addition, the industry, through KBA continues to work closely with the National Treasury to further the uptake of the SME Credit Guarantee Scheme, which is an important facilitator in promoting credit access for enterprises in the economy. This Scheme is a welcome de-risking fund that aims to deepen access to credit for enterprises across the economy.

Promoting Sustainable Finance

Over the years, the banking industry has continued to acknowledge the need to consolidate and deepen efforts that will optimize its role as a catalyst for economic growth. Through these commitments, the industry has expanded its focus to include sustainable lending practices.

In recent years, the industry has seen a marked increase in the uptake of KBA's Sustainable Finance Initiative e-learning program. The initiative has ensured the capacity building among the banking workforce to strengthen their Environmental Social and Governance (ESG) performance. By the end of 2022, over 42-thousand-member bank staff had enrolled onto the platform with over 27 thousand having completed all the mandatory modules relevant for their job roles. As an invaluable addition to the industry's efforts towards advancing

sustainable finance, I wish to commend the Central Bank of Kenya for formulating the banking sector guidance on climate-related risk management, that continues to shape the embedding of ESG considerations in banks performance and reporting going forward.

As an offshoot from the SFI, are other initiatives by the industry to enhance and sustain full access to financial services for all, including SMEs as well as vulnerable groups such as Persons Living with Disabilities, the youth, and women. To this end, the industry has over the past two years made deliberate efforts to support financial inclusion for Persons Living with Disabilities. I am happy to note that the industry continues to implement wide-ranging products and services that serve the needs of Persons Living with Disabilities. Our aim is to fully implement the industry's PWD accessibility Roadmap by the year 2024 or even sooner.

As an industry, we also continue to seek interventions aimed at mitigating emerging challenges through innovative banking solutions and responsiveness. It is our commitment to continue to leverage cross-sector and cross-border partnerships and collaborations that we will use in developing products that address the emerging needs of bank customers who operate at the local, regional, and global level.



KEPSA SME Sector Board Chair, Ms. Mary Ngechu; KAM Head of Consulting and Business Development, Ms. Joyce Njogu; KBA Director of Research and Policy, Dr. Samuel Tiriongo; KNCCI Chief Operating Officer, Mr. Patrick Nyangweso; and OWIT President, Ms. Frida Owina take part in a panel discussion during the 2022 Inua Biashara Day SME showcase. The event was presided over by the Treasury Principal Secretary as Chief Guest and attended by members of the KBA Governing Council.

Industry Shared Value

In 2022, KBA published various reports to support the industry's lobbying and policy advocacy efforts. These included the 2021 Total Tax Contribution study of the Kenya Banking Sector, which showed that the industry made a total tax contribution of close to KES 130 billion in 2021, marking an increase of 24 percent from KES 104 billion contributed in 2020. This underscores the significant contribution of the banking sector to Kenya's tax revenues.

Additionally, the KBA Secretariat published the State of the Banking Industry Report 2022, which showed sustained industry resilience, supported by adequate capitalization and liquidity levels, the continuing banking sector's robust approach to treatment of asset quality deterioration and continued implementation of efficient and resilient business models. KBA also published the Gold Standard of Banking Services, revealing that the industry has consistently improved service delivery over the last three years — increasing its collective customer satisfaction rating by 13.5 percent from 82.7 percent in 2019. I encourage member banks to continue supporting KBA's research efforts, considering the important role research plays in supporting industry evidence-based advocacy initiatives.

Outlook

The domestic economy continues to face new and multiple challenges, including persisting headwinds from the geopolitical tensions associated with the Russia-Ukraine conflict. Despite the economy depicting some resilience in 2022 and expanding by a modest 4.8 percent, some fragility is already evident in 2023. On the inflation front, inflationary pressures, while appearing to have softened driven by easing food price increases, it remains above the target range with strong probabilities of a reversal exacerbated by rising fuel costs and softening global growth. As such, interest rates have come under upward adjustments owing to the policy tightening stance of monetary policy.

Despite the policy rate hikes in 2022, private sector credit continued to post a double-digit growth in 2023 albeit with modest deceleration, reflecting the impact of the transmission of the strong monetary policy tightening effected since May 2022 and the deteriorated industry asset quality. In addition, the external economic environment depicts some fragility largely driven by the sustained wide current account deficit that continues to fundamentally exert pressure on the exchange rate to weaken. The Kenya shilling exchange rate has sustained its depreciating trend against the US dollar, despite the strong and resilient inflows of diaspora remittances and easing oil prices.



KBA CEO Dr. Habil Olaka, KBA Governing Council Chairman Mr. John Gachora and Vice Chair Ms. Rebecca Mbithi during the Association's 243rd General Body Meeting.



KBA Governing Council Vice-Chair, Ms. Rebecca Mbithi speaks during the Association's General body meeting.

In the transition to 2023, responsive innovation will continue to play a key role in mitigating the foregoing challenges. In 2023, the banking industry will also be expected to play a vanguard role in spearheading mitigations and adaptations to the effects of ongoing climate change. In this regard, more private sector financing will be required to augment public sector financing in the transition of the economy to low carbon and climate resilience.

The industry will also continue to find it necessary to champion the adoption of mediation to expedite the resolution of banking disputes and release the much-needed capital held up in litigation back to the economy. It is worth noting that cases referred to mediation are resolved within less than 90 days with parties, enhancing business relationships as opposed to litigation where cases are on average concluded after 3 years with strained business relationships into the future. I urge KBA member banks to sustain established partnership with the Judiciary and all stakeholders towards easing our dispute resolution mechanisms thereby streamlining support to customers and by extension spurring economic growth.

Appreciation

On behalf of the KBA Governing Council, I would like to extend appreciation to all our members for continuing to provide leadership. As we crossed over on KBA's 60th Anniversary in 2022, the challenge remains to remain agile and continue supporting all sectors recognizing the binding constraints and emerging opportunities.

The year 2023 gives us an opportunity to explore more ways of better supporting our customers through adaptive innovation.

At this juncture, I would like to thank the KBA Governing Council Vice-Chair, Ms. Rebecca Mbithi for invaluable insights that have greatly contributed to the creation of solutions to emerging challenges. I also thank all members of the KBA Governing Council for the sustained support on industry matters. Similarly, I thank our member bank CEOs for continuing to support KBA's initiatives.

In closing, allow me to appreciate the KBA team led by Dr. Habil Olaka for developing and rolling out various transformative initiatives on behalf of the industry. Through the Secretariat, the industry continues to engage with stakeholders, such as the Central Bank of Kenya, National Treasury, Kenya Revenue Authority, Capital Markets Authority, Retirement Benefits Authority, among others. These engagements continue to play a vital role in promoting a collective approach to addressing industry challenges.

As we transition to 2023, I wish to reiterate the banking industry's readiness and willingness to continue engaging stakeholders across the board in leveraging on opportunities towards creating more value to the economy.

John Gachora, MBS
Chairperson

A full-page background image featuring a winding asphalt road that curves through a hilly landscape. The scene is bathed in the warm, golden light of a low sun, creating a strong lens flare effect across the center. The sky is filled with textured, orange-tinted clouds. On the right, a steep hillside is covered with trees and shrubs. In the distance, layers of mountains are visible under the soft glow of the sun.

CEO's Report

CEO's Report

We appreciate our members and other stakeholders for relentlessly supporting industry initiatives towards reinforcing a reputable and professional banking sector



Industry programmes in the year 2022 facilitated policy engagements designed to optimise the banking sector's contribution to the economy. KBA also celebrated its Diamond Jubilee 60th Anniversary, a historic moment that served to reaffirm the industry's commitment to continue leveraging on innovative solutions to spur further economic growth across sectors. In 2022, the industry experienced impressive developments in the credit market, which included notable progress in transitioning to the risk-based credit pricing regime, allowing the industry to appropriately price credit in line with the evolution of risk and policy signals. Additionally, credit to the private sector continued with its double-digit growth despite the monetary policy tightening. The growth in private sector credit has been broad-based and this momentum is expected to be sustained in the year 2023.

Financial Highlights 2022

The KBA Group funds its budgeted program activities through income generated from various sources comprising of subscription fees, switch income, entrance fees and other income sources.

During the financial year 2022, the total income generated by the Group was KES 718.96 million in comparison to KES 422.06 million generated in the FY 2021. The increase in total income represents a 70.34 percent increase from the previous year. The improved income is attributed to a new income line earned by Integrated Payment Services Limited (IPSL) as the subsidiary introduced membership fees during the year.

The Association continued to register progress in its efforts to broaden its income streams by introducing new services that have generated additional income. The subsidiary, IPSL, has equally made steady growth in expanding the transaction base for users of the PesaLink platform. IPSL's focus during the period under review aimed to expand its income stream base from over relying on P2P income stream to expand other income streams including membership fees, aggregator fees and bulk transaction fees.

Implementation of Initiatives

As a result of adopting this strategy, the total income for the year for IPSL posted an increase of 467.48 percent, closing at KES 241.34 million in comparison to KES 42.53 million earned in the previous year. The positive revenue growth enabled PesaLink to bridge the strategic human capital skills gap and resources that had remained a challenge; some of which resources had previously been supported by partners who had since withdrawn their support (62% increase - KES 52.7 million) and administration costs (43% increase - KES 35.1 million).

As a result of IPSL's improved performance, the company registered a loss of KES 31 million in comparison to a loss KES 184 million reported in the previous year. Usage of the PesaLink platform has witnessed a significant uptake by bank customers and we expect this trend to be sustained in the

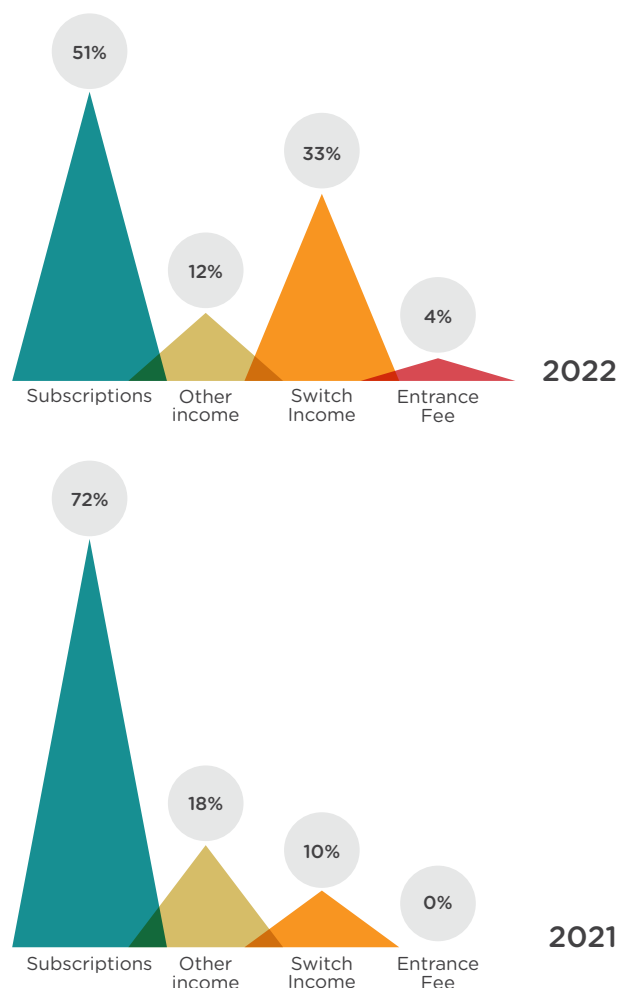
coming years as various initiatives aimed to make the company profitable are implemented by the IPSL Board of Directors and Management.

KBA Group expenditure allocation for the year was largely distributed to fund:

- Administrative expenditure, KES 423.50 million.
- Project related activities, KES 168.69 million.
- Establishment expenditure, KES 115.60 million.
- Finance costs, KES 2.54 million.

Total expenditure increased by 21.37 percent during the year compared to FY 2021. This increase is attributable to cost increase in project related costs amounting to KES 23.98 million and administrative expenditure by 109.56 million. A summary of both the revenue distribution and expenditure utilisation for the KBA Group for the year is illustrated below:

Revenue Distribution



Consolidated Expenditure

	2022	2021
Expenditure*	Amount in KES	Amount in KES
Project Related Expenditure	168,688,723	144,706,886
Administrative Expenses	423,498,050	313,942,465
Establishment Expenses	115,604,783	127,765,952
Finance Expenses	2,537,046	(1,163,709)
Total Expenditure	710,328,602	585,251,594

*Expenditure of KBA and IPSL

Policy Engagements

As the industry's advocacy group, KBA continued to execute its mandate by sustaining engagements with various policy makers on areas that have an impact on the industry and the economy in general. The initiatives, supported by the Association's Committees, Sub Committees and Working Groups, aimed at addressing policy challenges and supporting the adoption of frameworks designed to enhance smooth operations and efficiency in various aspects.

Following the presentation of the fiscal budget FY 2022/23 by the National Treasury and the subsequent presentation of the Finance Bill 2022, the Association submitted proposals that were considered and incorporated into the Finance Bill 2022. As a follow up, the KBA Tax Sub Committee engaged the National Assembly Finance and National Planning Committee on various proposals deemed to have a potentially adverse impact on the industry.

The Ministry of Lands continued to undertake one-on-one user experience sessions with member banks towards clearing the outstanding land transactions backlog for the land parcels that had been fully uploaded onto the Ministry's Ardisasa platform. During the period under review, over 80 percent of land titles in Nairobi were verified and uploaded on Ardisasa. The Association continues to engage on facilitation of resolution of the



Institute of Certified Public Accountants of Kenya (ICPAK) Standards and Technical Services Director CPA Catherine Asemeit presents Kenya Bankers Association (KBA) Chief Finance Officer Mr. Kennedy Mutisya with a trophy recognizing KBA as overall winner in the IFRS for SME category in this year's FiRE awards. The recognition follows a rigorous evaluation process on globally accepted principles and best practice standards.



KBA Director Legal, HR & Policy Advocacy Mr. Raimond Molenje and KBA Human Resources and Ethics Committee Chairman Mr. Robley Ngoje during the 2022 Wage Reopener meeting.

outstanding challenges including validation of land titles by the landowners and public sensitization to accelerate the validation of titles on the Ardhisasa platform by the public.

Banking Industry Mediation Program

The Association has been at the forefront in championing the adoption of mediation within the industry to expedite the resolution of banking disputes and release the much-needed capital held up in litigation back to the economy. The experience with the Court Annexed Mediation Program demonstrates that cases referred to mediation are resolved within less than 90 days with parties sustaining and enhancing their business relationships as opposed to litigation where cases are on average concluded after 3 years with strained business relationships into the future.

Through the program, the Association in partnership with the Judiciary endeavours to have majority of the disputes in court for or against banks screened and if found appropriate referred to mediation in the first instance for expeditious resolution under the supervision of the court. The Association commits to sustain this partnership with the Judiciary and all stakeholders towards unlocking the economic activities and, spurring economic growth and making the country a preferred destination for both local and foreign investment as well as contribute to the reduction of case backlog currently experienced within our courts of law.

Industrial Relations, Salary, and Benefits Survey

In 2022, the Association successfully concluded the banking industry union negotiations for the period March 2022 to February 2023 within a record one day of negotiations with the union. The efficient negotiations were a testament to the enhanced social partnership between the Association and the Union. The Association continues to engage the Union on enhancing the industry productivity and efficiency for the mutual benefit of industry, Union, and stakeholders.

Meanwhile, the Association partnered with the audit firm PwC to coordinate the inaugural banking industry salary and benefits survey for all staff categories across all the Association membership of microfinance banks and all banks' tiers. The final survey reports covered, among other areas, overall industry salaries and benefits as well as bank tiers' specific salaries and benefits. The survey provided banks with employee demographics, industry pay by gender, medical limits, industry bonus pay criteria, short and long-term staff incentive programs, pension contributions, training and skills that are hard to source and attract skills, together with interventions on these hard to find and attract skills. It is envisaged that the survey be undertaken every three years to assist banks in their strategic decisions on matters pay policy, benefit levels and recruitment for optimal industry performance and competitiveness.

2019-2021 Mid-Term Strategy Review

In 2022, the Association conducted a mid-term review of the industry's Strategic Plan for the period 2019 to 2023. The evaluation tracked progress achieved between 2019 and 2021 in line with the Strategy's full-term ambitions. Broadly, the blueprint seeks to deepen financial inclusion across all segments of the economy by facilitating access to affordable banking services through enhanced technological innovation and sector-wide efficiency programs. It also aims to devote more focus to advocating for vibrant and responsive policy and regulatory frameworks for financial sector sustainability.

Emerging Technologies

During the period under review, the Association successfully established an elaborate data management and market analysis and forecasting framework, besides conducting successful enterprise development initiatives. The industry also achieved a commendable rating in entrenching acceptance of sustainable finance initiatives and facilitating increased access to financial services to underserved segments, including the youth, women, Persons with Disabilities and SMEs. In close collaboration with stakeholders in the public and private sectors, KBA will continue to address strategic challenges such as the adoption of risk-based pricing, enhancing the sector's capacity to manage emerging technologies and

banking sector innovations as well as enhancing the management of sector cyber and climate risks. A comprehensive range of revised annual performance targets have been developed as a basis of operationalizing pending deliverables under the Strategic Plan.

Capacity Building

The Association sustained efforts towards building the industry's capacity and knowledge base aimed at supporting industry's best practices and promoting shared value. As part of capacity building initiatives, the industry collaborated with the United States International University- Africa to coordinate the CyberShujaa programme towards addressing the security of the banking systems. Under the program, over 200 bank staff were taken through cybersecurity training and aspects of the Data Protection Act and the regulations. The Association also facilitated the transition of the Automated Clearing House to the ISO20022 standard, an international Payments standard. The upgrade is part of efforts by the industry to continuously improve the payments system infrastructure and provide more efficient and robust systems in line with the National Payments System strategy and vision.

In collaboration with the Moody's Analytics, KBA hosted a webinar series on 'Top-Down Stress Testing: Perspective on East African Banks.' The webinar provided an avenue for member

banks to learn the global best practices as well as the regional insights on the theme. During the webinar, subject matter experts discussed best practices and other topics relating to top-down stress testing. Collaboration with international institutions such as the Moody's Analytics has become an integral component for the industry's capacity building, in facilitating the transfer of global best practices hence supporting the industry's efficiency programs.

To support banks to build their tax capacities, the Tax Sub Committee in collaboration with the legal firm of Anjarwalla & Khanna Advocates (ALN Kenya) held a tax workshop to sensitise banks on the Finance Act 2022. The workshop further provided a platform to share insights and experience on tax challenges as well as to obtain recent update on court judgments on tax. KBA continues to expand its partnerships with banking institutions and associations in the region including Uganda Bankers Association and Tanzania Bankers Association to facilitate members' understanding of the business and regulatory environment in the countries within the region.

Launch of the KBA Code of Ethics for bank staff

The Association rolled out an e-learning series on the KBA Code of Ethics during the period and the module is currently live on the SFI e-Learning platform accessible to all bank staff.

The industry also achieved a commendable rating in entrenching acceptance of sustainable finance initiatives and facilitating increased access to financial services to underserved segments, including the youth, women, Persons with Disabilities and SMEs.

The training content is interactive having a blend of videos, voice overs, case studies and review quiz designed to sensitise bank staff on best practice standards of ethical conduct, integrity, and compliance in their interaction with customers, business associates, the communities served by banks, colleagues, other stakeholders, and the banking public at large.

Environmental Risk Exposure in the Banking Sector Launch

KBA, in collaboration with FSD Kenya and International Union for Conservation of Nature (IUCN) launched a study that quantified and analysed environmental risk exposure to banks. The study primarily focused on identifying regulatory, policy and institutional gaps that have adversely exposed financiers to defaults and impaired asset values. Through the study, the partners were able to determine that there are disparities in environmental regulations, particularly land zoning rules. The report also called for enhanced oversight of Environmental Impact Assessment experts in the country.

In collaboration with the KBA Customer Service Working Group, the Association coordinated the 2022 Customer Satisfaction Survey. The Survey obtained over 33,000 responses. The proportion of Customers with Disabilities surveyed increased from 3.4 percent in 2021 to 13.8 percent in 2022.



The findings indicated that 93.5 percent of respondents having visual or hearing disability were able to access banking services, with 6.5 percent of them reporting being unable to transact independently. It also highlighted the need to institute measures designed to ensure independent access to financial services for Persons with Disabilities. KBA member banks are encouraged to continue implementing the banking industry Persons with Disability accessibility roadmap ahead of the December 2024 deadline.

Financial Reporting Recognition

For the 6th consecutive time, the Kenya Bankers Association won the 2022 Financial Reporting (FiRe) Awards, a joint initiative by the Institute of Certified Public Accountants of Kenya (ICPAK), the Capital Market Authority (CMA) Kenya and the Nairobi Securities Exchange (NSE). The Association was recognised for excellence in financial reporting in the IFRS for SMEs Category. The award followed a rigorous evaluation process on globally accepted principles. The guiding principles upon which the recognition was based included International Financial Reporting Standards (IFRSs), best practices in governance and corporate citizenship as well as other requirements that are specific to a particular reporting organisation. We appreciate our members and other stakeholders for relentlessly supporting industry initiatives towards reinforcing a reputable and professional banking sector.

Dr. Habil Olaka, EBS
Chief Executive Officer



Postbank Chief Executive Officer Mr. Raphael Lekolool participates in the KBA My Chat with a Bank CEO session.



Habib Bank AG Zurich Chief Executive Officer Mr. Asim Basharullah discusses strategies of supporting SMEs to access international markets during the KBA My Chat with a Bank CEO forum.



Mastercard Africa Division President, Mr. Mark Elliot together with the Country Manager, Mr. Shehryar Ali and Business Development Director, Mr. Victor Ndlovu paid KBA a courtesy call and discussed possible areas of collaboration with the Association.



Caption: Credit Bank Chief Executive Officer and KBA Governing Council Member Ms. Betty Korir speaks during the Association's General Body Meeting.



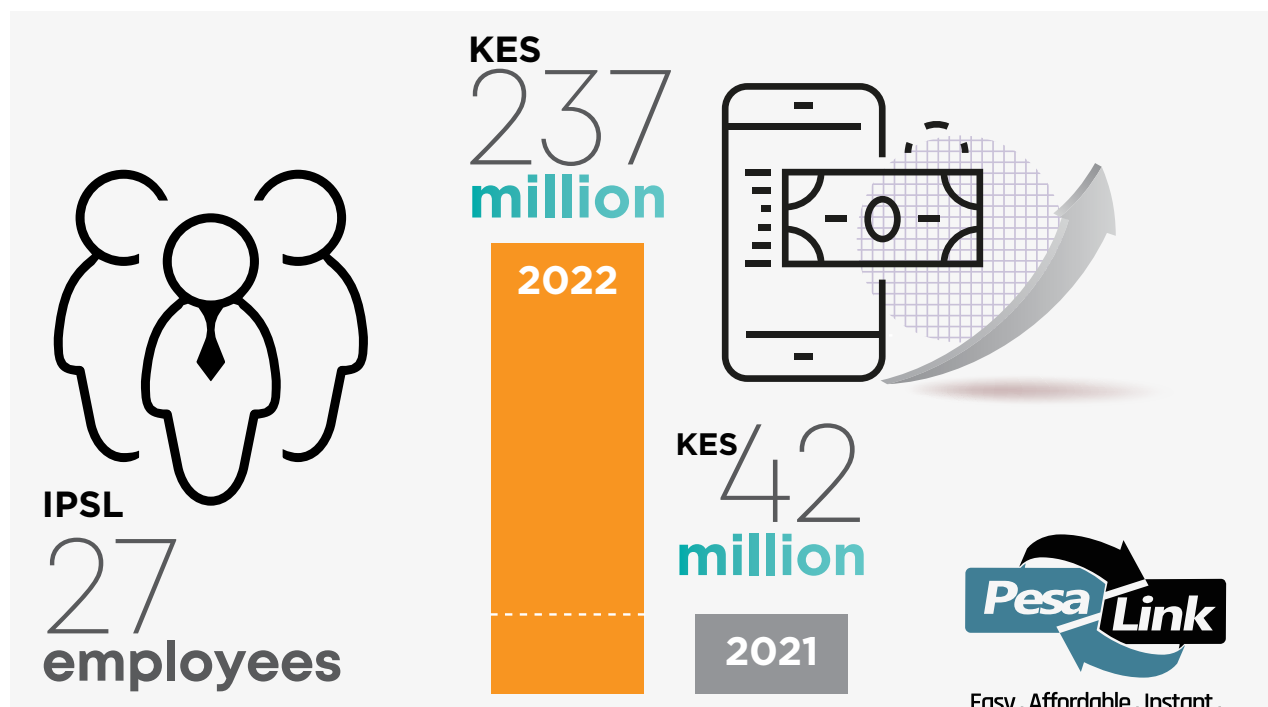
Standard Chartered Bank Chief Executive Officer and KBA Governing Council Member Mr. Kariuki Ngari speaks during the Association's General Body Meeting.



UBA Kenya Bank Limited Chief Executive Officer Mr. Chike Isiwe participates in the KBA My Chat with a Bank CEO forum.

A silhouette of a person, likely a woman, is shown from the side, walking towards the right. She is carrying a large shopping bag in her right hand and a small stool or table in her left hand. The background is a bright, hazy sky with a large, glowing sun or moon in the upper left, creating a strong backlight effect. The sky is filled with soft, wispy clouds. The overall tone is warm and golden.

Report on the Integrated Payments Services Limited (PesaLink)



Instant money transfer



Report on the Integrated Payments Services Limited (PesaLink)



Integrated Payments Services Limited (PesaLink) CEO Mr. Gituku Kirika makes a presentation during the KBA General Body Meeting.

PesaLink - A year of growth

PesaLink is positioned to transform the digital payments space and to drive digital transformation initiatives.

Growth

As at December 2022, PesaLink's ecosystem included 34 banks, 9 fintechs, a telco and a SACCO. In 2022, these connecting partners generated 3.8 million transactions valued at almost KES 500bn. PesaLink's revenue grew exponentially, from over KES 42m in 2021 to over KES 237m in 2022, allowing IPSL to attain positive EBITDA for the first time. In addition, PesaLink migrated to ISO 20022 which greatly improved the success rate of transactions effected within the ecosystem.

The adoption of the 2022 PesaLink scheme rules and standards was a notable milestone, as it provided a framework within which institutional PesaLink participants must operate to ensure the overall high performance of the PesaLink ecosystem. This went a long way toward enhancing trust in the ecosystem.

Outlook for 2023

In line with IPSL's strategic goal of winning payments back to the banking sector, the company will continue to analyse user behaviour and data on the platform, with a view to enhancing its understanding of customer behaviour, improving customer experience and making decisions around product development.

Going forward, IPSL will seek to draw nearer to consumers and to directly propose an expanded array of products and services. These will include enabling the interoperability of existing banks' merchant and agent cash-in/ cash-out ecosystems, as well as continuing to demonstrate the added-value of PesaLink, particularly with a focus on business and government-related payments and disbursements. IPSL plans to achieve this by working very closely with its existing partners and the fintech community.

The image is a full-page background photograph. It depicts a railway track in the foreground, receding into the distance. The track is composed of gravel and wooden sleepers. To the left of the track, there is a dense forest of evergreen trees. In the background, a large hill or mountain is visible, partially obscured by the sun's glow. Two high-voltage power lines with multiple cross-arms are visible against the sky. The sky is filled with soft, orange-hued clouds, and the sun is a bright, glowing orb on the horizon, creating a strong backlighting effect. The overall color palette is dominated by warm oranges, yellows, and greens.

**Report from the KBA
Centre for Research
on Financial Markets
and Policy®**

Report from the KBA Centre for Research on Financial Markets and Policy®



KBA Governing Council members, KBA CEO with discussants and researchers during the 11th Annual KBA Research Conference.

Operating Economic Environment

In spite of remarkable economic recovery in 2022, the economic environment continued to be murky on several fronts. First, the economy's growth momentum, both globally and on the domestic front, continued to soften on account of the volatilities in global financial markets among other negative externalities in the global and domestic front. Second, while inflation continued to ease, its pace of deceleration was slow and remained above the government's upper target of 7.5 percent. Despite these challenges, credit to the private sector remained strong and growth remained within the double-digit territory despite a monetary policy tightening. Lastly, the external sector continued to be characterised by vulnerabilities driven by the policy measures taken to tame inflationary pressure in advanced economies as well as protracted war in Ukraine. Getting into 2023, volatilities in the external sector are expected to be sustained with advanced countries remaining upbeat to effect interest rate hikes to tame persistent inflationary pressure; measures that would have direct implications on the foreign exchange markets.

KBA Centre for Research on Financial Markets and Policy®

The KBA Centre for Research on Financial Markets and Policy® continued to support the banking industry's strategic policy engagement through its analytical work on various market and policy dynamics.

A. The 11th Annual KBA Banking Research Conference

The KBA Centre for Research on Financial Markets and Policy® successfully hosted the 11th Annual KBA Banking Research Conference on September 14-16, 2022. The Conference is the Centre's flagship event through which ideas and insights in areas of interest to the banking industry are discussed, and policy prescriptions highlighted, and it has over the period risen to the extent of making it the premier research conference in the region.



KBA member banks' representatives participate in a research forum with researchers and discussants in preparation for the 11th Annual KBA Research Conference.

Under the theme “*Banking Industry Dynamics on the Back of Technological and Financial Innovations, and sustainability – Emerging Risks and Opportunities*,” the Conference presented an opportunity to focus on three inter-related areas.

- First, it interrogated the impact of the COVID-19 pandemic and its containment, the emergent elevated credit risk and sustained uncertainty on bank’s credit portfolio composition and adjustments, while drawing implications for the evolution of credit and economic performance going forward.
- Second it examined the implications of emerging digital financial services and innovations on the banking sector performance – specifically on deposit mobilization, credit portfolio allocations, risk management, profitability, and financial inclusion.
- Third, it spotlighted on the status and trends in the uptake of green finance and sustainable finance and its implications for banking sector stability and profitability while comparing the impact of conventional/brown finance and green/sustainable finance on economic activity, as well as the possibilities of reaching an optimal mix of the two types of finance in the transition period.

Eleven (11) research papers were presented during the conference providing insights and further stimulate a discussion on areas critical in the finance-growth nexus. The papers presented include:

1. Risk-Based Credit Pricing in Kenya: The Role of Banks’ Internal Factors by Hillary Mulindi, Kiplangat Josea, & Samuel Tiriongo (KBA)
2. Fintech and Bank Stability in a Small-Open Economy Context: The Case of Kenya by Jared Osoro (FSD- Africa) & Josea Kiplangat (KBA)
3. Climate Change, Climate Policy Relevant Sectors and Banking Sector (In)Stability by Gillian Kimundi (Strathmore) and Reuben Wambui (UNEP-FI)
4. The Fintech Ecosystem and Effective Financial Inclusion: Evidence from Kenya by Prof. Kodongo Odongo (University of Witwatersrand)
5. Sustainable Financing, Climate Change Risks and Bank Stability in Kenya by Maureen Odongo, Roseline Misati, Caren Kageha, and Peter Wamalwa (CBK)
6. The Greening of Kenya’s Banking Sector: Macro-Financial Stability Implications of a Low Carbon Transition by Camilla Talam & Lucy Maru (KCB)
7. Effect of FinTech Innovation on Efficiency and Risk of the Banking Industry in Kenya by Rogers Ochenge (Embu & Strathmore University)
8. Bank Credit Portfolio Allocation in Pre and Post COVID Times: The Power of Inherent Risks and Uncertainty by David M. Ndwiga
9. Digital Financial Services Regulations: Their Evolution and Impact on Financial Inclusion in East Africa by Ronald Ochen & Enock Will Nsubuga Bulime (EPRC-Uganda)
10. An Impact Analysis of the COVID-19 Pandemic on Traditional Bank Lending Across Various Sectors in Kenya by Stephanie Kimani
11. Legal & Regulatory Framework for Digital Financial Services in Kenya – A Case for Urgent Reforms by Jackson Macharia Githu (Equity Bank)

B. Publications

- a. **The KBA Working Paper Series** - Arising from the Annual KBA Banking Research Conferences are the KBA Working Paper Series publications. As at the end of 2022, sixty three (63) papers had been published in the series, drawing from the presentations of all the conferences so far hosted by the Centre. These papers are an authoritative source of knowledge that forms the basis of engagement with other stakeholders, particularly the regulator, Government, international partners and academia. The KBA Centre for Research on Financial Markets and Policy® undertakes a rigorous review process before the papers are published in the KBA Working Papers Series and can be accessed via https://www.kba.co.ke/working_paper.php. Some of the papers have subsequently been published as journal articles. Since 2022 the KBA Working Paper Series have been escalated to a global repository of research papers, accessible via <https://www.econstor.eu/handle/10419/249500>; seeking to expand their visibility and shape global views about the banking environment in Kenya.
- b. **The KBA Policy Briefs**, provides non-technical summaries highlighting policy insights generated from the KBA Working Papers presented the flagship Annual Banking Research Conference. To date, nineteen (19) policy briefs have been published eight (8) of which were published in 2022 and eleven (11) published in 2023. The KBA policy briefs can be accessed via <https://www.kba.co.ke/policy-briefs/>
- c. **The KBA Economic Bulletin** - reviews the economy's quarterly performance while reflecting on the both the past as well as current developments with a view to providing sectoral perspectives and an outlook of the economic environment. During the year, KBA Economic Bulletin, Volumes 32, 33 and 34 were published. The KBA Bulletin continued to received positive feedback from its wide readership. The KBA Bulletin can be accessed via <https://www.kba.co.ke/economic-bulletin/>
- d. **The KBA State of the Banking Industry Report** - is an annual publication aimed at contributing to the understanding of the Kenyan banking

industry. The report is motivated by the fact that various stakeholders seeking perspective on the Kenyan banking industry engage various sources and therefore provides a one-stop shop of consolidated information and insights about the industry. In 2022, the fourth edition of the State of the Banking Industry Report was published providing insights on the impact of the pandemic and heterogenous recovery patterns across sectors of the economy among other developments within the banking industry. The State of the Banking Industry Report can be accessed via <https://www.kba.co.ke/state-of-the-banking-industry-report/>

- e. **The KBA Research Notes** - is a bi-monthly publication that weighs in on the Monetary Policy Committee's balancing act of ensuring financial stability and anchoring inflation expectations. It aims to offer thoughtful commentary and foster dialogue on critical monetary policy issues that impact the banking sector as well as other key players in the financial sector. During the year, five (5) Research Notes - No. 59 - 63- were published one week ahead of the every meeting of the Monetary Policy Committee (MPC) of CBK. In addition, four (5) post-MPC commentaries were also issued to the KBA Membership to comment on the additional information considered by the MPC in their decisions. The KBA Research Notes can be accessed via <https://www.kba.co.ke/research-notes/>
- f. **The KBA Housing Price Index (KBA-HPI)** - launched in February 2015 is a quarterly publication that provides market players and policy makers with an improved analytical tool that is useful for tracking the housing sector based on locational and qualitative and quantitative characteristics that influence pricing. In 2022, the housing markets was depressed with less momentum characterising it and as a result one (1) report was published. The KBA Housing Price Index (KBA-HPI) can be accessed via <https://www.kba.co.ke/housing-price-index/>

For more information about the Centre for Research on Policy and Financial Markets® please visit <http://www.kba.co.ke/research-center>



NCBA Bank Kenya PLC Chief Economist Mr. Raphael Ogung makes a contribution during the 11th Annual KBA Research Conference.



L-R: Dr. Olaka, former Treasury Principal Secretary Dr. Julius Muia, KBA Governing Council Member and I & M Bank CEO Mr. Kihara Maina and IUCN Global Nature Solutions Head Mr. Charles Karangwa during the 2022 Inua Biashara Day SME showcase.



Strathmore University's Dr Caroline Wanjiru Kariuki discusses a paper during the 11th Annual KBA Research Conference.



Equity Bank (K) Limited Managing Director and KBA Governing Council Member Mr. Gerald Warui attended the 11th Annual KBA Research Conference.



Kingdom Bank Managing Director and CEO Mr. Anthony Mburu attended the 11th Annual KBA Research Conference.

Report on Credit Information Sharing



Report on Credit Information Sharing



CIS Kenya Chief Executive Officer Mr. Jared Getenga speaks at the 2022 Africa Credit Information Sharing Conference.

CIS Kenya continued to discharge, in earnest, its role of promoting data quality and expansion of data sources within the CIS framework, alongside capacity-building staff of participating institutions and addressing CIS-related consumer disputes.

Training and Conferences

Relaxation of COVID-19 protocols provided a conducive environment for in-person training, as a result of which CIS Kenya organised training for over 480 participants from 98 institutions on CRB Data Submission, Data Protection & Privacy, Credit Scoring, and Negotiation & Mediation Skills. We also organised the 6th Africa CIS Conference in March 2023.

CBK (Digital Credit Providers) Regulations

Publication of the CBK (Digital Credit Providers) Regulations, 2022 brought a sigh of relief for all digital lenders who, since April 2020, were prohibited from participating in the CIS mechanism. Applications for digital credit provider licenses were expected within six months of publication of the Regulations i.e., by 17th September 2022. On 19th September 2022, CBK indicated having licensed 10 digital lenders while 278 applications were in the pipeline. Applicants could continue operating

pending approval while those that did not apply had to cease operations. The public was advised to report those who might continue operating without a license. Given the perceived adverse impact of this policy on credit-only MFIs, an ex-parte court injunction was obtained against the application of the Regulations to COMFIs, but the application was dismissed at inter-parties hearing which then compelled them to seek CBK approval.

Industry Validation Tool

Following an extensive review of differences in acceptance rates among the 3 CRBs, the industry had toyed with the idea of a data hub to facilitate centralized data submission a few years back. However, due to potential risks identified, preference was given to developing a data validation and submission tool that places data validation fully in the docket of the submitting institutions, enables direct simultaneous data transmission to all credit bureaus, and allows data quality monitoring by CIS Kenya as part of industry self-regulation. In this regard, an MOU between CRBs and CIS Kenya was signed and CBK introduced provisions in the CRB Regulations 2020 which provide for establishment of either a data hub or a data validation tool. In September 2022, CRBs applied for CBK approval of the CIS ValiData that CIS Kenya developed (see guide available on <https://www.youtube.com/watch?v=7RI8VJ50jpQ>). Consultations with the regulator are ongoing.



Participants in a CIS Kenya engagement forum.



Participants in a CIS Kenya engagement forum.

Public sentiments and related policy interventions

Despite transitioning to full-file data sharing, negative public perceptions about CIS still linger, fueled largely by practices of some lenders who threaten borrowers with negative CRB listing as a debt collection tactic. Complaints that credit bureau records are unreliable or insecure have persisted. In September 2022, the President directed that the blacklisting of borrowers be abolished and instead credit scoring be entrenched. Fortunately, the data suppression policy introduced earlier lapsed in September 2022 and was not extended. Later in November 2022, CBK rolled out the Credit Repair Framework (CRF) to restore credit scores for consumers of mobile loans that were non-performing. This repair process includes granting of loan discounts and is expected to be concluded by 30th May 2023.

Stakeholder engagements

In 2022, CIS Kenya hosted a Bank of Uganda staff delegation on a study visit to learn from Kenya's experiences in onboarding unregulated credit information providers and resolving data submission challenges. The views exchanged with several CIS stakeholders informed them on approaches of an effective onboarding process to expand Uganda's mechanism beyond regulated institutions and adopt centralised data submission.

Summary and way forward

The future of CIS in Kenya will be informed by the increasing recognition that:

- Customer centricity will demand that lenders respond with sensitivity to borrowers who are affected by crises, as signalled by CBK in rolling out the CRF. It is expected that banks will pick up the

cue and proactively design frameworks or policies that address the needs of borrowers in crises

- Alternative data enhances the effectiveness of credit scoring for risk management. This informed the choice of theme for the 6th Africa CIS Conference that was held in Mombasa in March 2023, where the “Kenya study on strengthening use of alternative data to impact financial inclusion, market competition and consumer protection” was launched. When called upon, banks are encouraged to contribute to this study, which will inform a policy framework for alternative data in Kenya.

2022 Shared Value Report



2022 Shared Value Report

Against a backdrop of a complex world reeling from socio-economic inequalities and adverse effects from climate change, advancing sustainable development continues to be a key driver in creating a more green, inclusive, and resilient economy.

The role of banks, world over, in accelerating the attainment of the Sustainable Development Goals cannot be understated. Unquestionably, financiers are critical players in allocating resources towards promoting sustainable economic development.

In Kenya, banks have been helping communities to navigate the complexities occasioned by extreme climate events such as drought, as well as address health and education gaps. They have re-positioned their business models to look beyond shareholder demands and prioritize interventions to address economic and socio-environmental concerns.

To further the efforts from banks, Kenya Bankers Association (KBA) has been at the forefront in championing industry-wide programs and initiatives, as well as education and consumer awareness campaigns to positively impact the public. The following are highlights of the engagements, initiatives and programs championed by KBA in 2022.

Enhancing Consumer Awareness on Card, Mobile and Online Security

Consumer education on how to avert fraud while transacting on card, mobile and online channels continue to be an effective strategy to safeguard the public from emerging financial security threats. KBA's Kaa Chonjo! (Be Alert!) card, mobile and online safety awareness campaign has been pivotal since 2012, in enlightening the public with tips on how to evade emerging social engineering and identity theft tactics by fraudsters.

In 2022, KBA partnered with member banks, card service provider VISA, Retail Trade Association of Kenya (Retrak), Association of Microfinance



L-R KBA Technical Services Director Mr. Fidelis Muia, Kenya Society for the Blind Executive Director Mr. Samson Waweru, Retail Trade Association of Kenya CEO Ms. Wambui Mbarire, PesaLink CEO Mr. Gituku Kirika during the launch of the 2022 Kaa Chonjo Card Online and Mobile Safety Awareness Campaign.

45+ million



people were reached with key messages on card, online and mobile security

Institutions (AMFI), PesaLink, Kenya Society of the Blind (KSB), Association of the Physically Disabled of Kenya (APDK) and Consumer Grassroots Association to coordinate the campaign under the theme, "Fraud Mitigation Through Consumer Awareness." During the campaign period, more than 45 million people were reached with key messages on how to evade fraudsters. A decline in fraud cases was detected in 2022 as a result of the awareness campaign.

Bridging Financial Literacy Gaps Among the Youth

Early exposure to financial skills is essential in helping children and youth manage complex financial decisions while facilitating the development of good financial behaviours. In support of this premise, KBA has actively backed the Global Money Week efforts, which aims to improve financial literacy among children and youth. In 2022, KBA rolled out

an engaging public awareness campaign targeting youths and children with key messages from the GMW theme - "Build your future, be smart about money!" Over 8 million people were sensitised on how to manage money responsibly through KBA's campaign efforts. This was achieved mainly through a radio and social media campaign targeting young people.

More than **33 thousand bank customers** from across the country participated in the **2022 Customer Service Survey**

Entrenching Customer Centricism

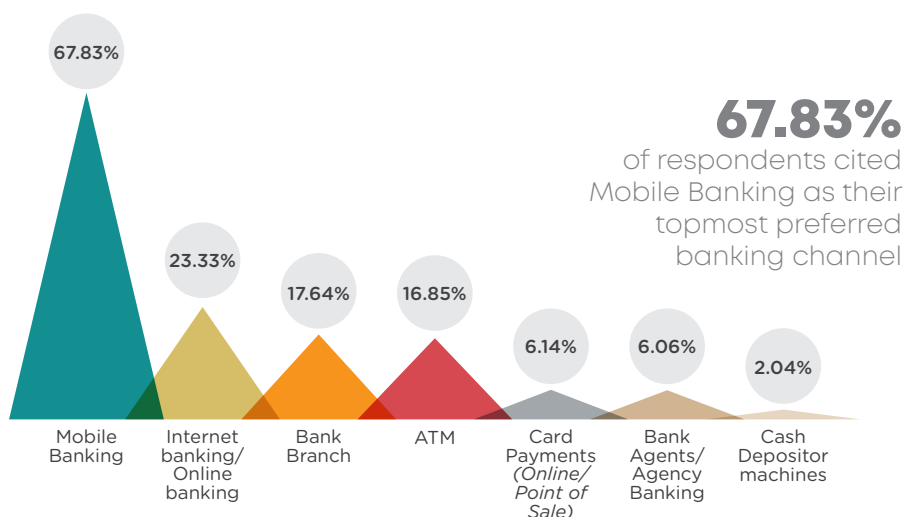
Since 2018, KBA has taken deliberate steps towards assessing the banking public's customer experience to improve the industry's efforts in enhancing its service delivery. Through the annual Customer Service Survey, banks can glean insights on areas of improvement and establish emerging customer trends.

In 2022, the survey revealed that the positive outcome from the containment measures taken to abate the spread of the COVID-19 disease, greatly contributed to more customers shifting their preference to human interaction in place of contactless financial services. This reversed

8+ million
people reached with
key messages on how
to manage money

the automation trend experienced during the health crisis period, with findings indicating that only 15 percent of bank clients were still utilising self-service platforms such as chatbots and the internet. However, according to the study, there was a 67 per cent rise in the utilization of automated banking channels in 2022 from 58 per cent in 2021.

The survey attracted more than 33 thousand responses up from 29,729 in 2020. It further showed a sustained multi-banking trend, with clients having two or more bank accounts accounting for 48.2 percent. The survey respondents ranked Cooperative Bank as the best overall bank in customer experience, followed by Family Bank and KCB Bank respectively. In the Tier I category, Cooperative Bank maintained the top position, followed by KCB Bank and Standard Chartered Bank in position three. Meanwhile, Family Bank emerged best in the Tier II category with National Bank and Prime Bank taking the second and third positions respectively. ABC Bank topped in the Tier III category while Sidian and Credit Bank took the second and third positions, respectively.



Elevating MSMEs Business Performance through Financial Literacy

Micro, Small and Medium-sized Enterprises (MSMEs) are one of the strongest facilitators of economic development, innovation, and employment in Kenya. Their role in creating opportunities to drive positive socio-economic transformation cannot be underrated, since they contribute to more than 30 percent of the country's GDP.

However, they continue to face various barriers that affect their ability to be viable for the long-term. A good number of them are not well equipped with financial management skills; they lack the know-how to manage their businesses effectively; they also face challenges with insufficient working capital; and struggle to access affordable bank finance.

As a proactive measure to address these barriers, in 2018, the industry through the KBA rolled out the Inuka Enterprise Program. The Program was carefully designed to build capacity of MSMEs to de-risk them and subsequently, enhance their ability to access bank finance. In 2022, through KBA's partnership with Banks, Community Based Organisations and Kenya National Chamber of Commerce and Industry (KNCCI), a total of 26,576 MSMEs across several counties were trained under KBA's Inuka Enterprise Program curriculum.

In the same year, October, KBA partnered with Stanbic Bank to conduct financial literacy training for deaf business owners drawn from Nairobi, Kajiado and Kiambu county.

A total of **26,576 MSMEs** across several counties were trained under KBA's Inuka Enterprise Program curriculum

More than 200 deaf business owners were trained under the Inuka Enterprise Program

Through the partnership and with the support of Christian Mission Aid, more than 200 deaf MSMEs were reached with key knowledge on how to run their businesses optimally with the objective of enhancing their ability to access bank finance. As a result of the partnership, Stanbic Bank committed to provide loans to the deaf community at an interest rate of 1 percent per annum. The bank also committed to fund the purchase of computers to aid business digital skills and employ the deaf in bank branches.

My Chat with a Bank CEO in 2022 reached a cumulative audience reach of **11 Million**

Championing Dialogue to Boost Financial Inclusion

Since 2012, the Association has sustained its efforts in creating a unique experience for the banking public to engage with bank Chief Executive Officers on various topics on emerging trends to deepen financial inclusion. Through the My Chat with a Bank CEO platform, participants are able to widen their perspectives on key trends while also providing feedback during the live web chat event to the CEO hosting the session. In 2022, KBA hosted the sessions online, achieving a cumulative audience reach of 11 million. The participating CEOs included, Mr. Asim Basharulla (Habib Bank Zurich); Raphael Lekool (Postbank); and Chikwe Isiuwe (UBA).

Entrenching Sustainable Finance Practices in Kenya's Banking Sector

Social and environmental sustainability issues are increasingly gaining prominence in the banking industry due to the evident impact of climate change, and Environmental, Social and Governance (ESG) related regulations which have a direct influence on financial institutions profitability and reputation. To support banks to navigate this dynamic environment, the Association proactively rolled out the Sustainable Finance Initiative in 2015. Through the initiative KBA has championed a number of strategic projects to enable banks to look beyond their financial returns and prioritize socio-economic and environmental concerns. The following are some of the activities undertaken in 2022 to aid banks advance sustainable finance practices.



Co-operative Bank was recognized as the overall winner in the 2021 KBA Sustainable Finance Catalyst Awards.



KCB Bank was recognized as the Best Bank in Sustainable Finance in recognition of its efforts in creating a more sustainable business enterprise environment through its deliberate socio-economic interventions by Kenya Bankers Association (KBA) under its Sustainable Finance Initiative (SFI) Catalyst Awards.



Absa Bank was recognized as the Best in Bank Operations category at the Sustainable Finance Initiative (SFI) Catalyst awards 2021 organized by Kenya Bankers Association.



The ABC Bank was recognized for its innovative financing solutions which have created long-term value for clients in the agricultural sector at the 2021 (KBA) Sustainable Finance Initiative (SFI) Catalyst Awards.



The KBA Compliance Committee collaborated with the Business Registration Service (BRS) to organize a sensitization workshop on various compliance aspects. Sponsored by GIZ Kenya, the workshop was attended by representatives from 27 KBA member banks.

Capacity Building

KBA sustained its resolve to build capacity of member banks through its SFI e-learning platform. Through the platform, in 2022, the Association was able to reach an additional 6,049 new learners. By December 2022, a total of 42,445-member bank staff had enrolled onto the platform up from 36,685 with over 27 thousand having completed all the mandatory modules.

In the same year, the Association rolled out two new modules, which included modules designed to sensitise bank staff on the Central Bank of Kenya Guidance on Climate Related Risk Management. Additionally, with funding support from Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) also rolled out a series of modules on Agri Green Technology. Below is a breakdown of the industry's uptake of the SFI e-learning training:

▲ 15.7%



By December 2022,
a total of **42,445**
member bank staff
had enrolled onto the
platform up from 36,685

Name of Bank	Percentage Registered	Percentage Completed
Absa Bank Kenya Plc	97%	62%
Access Bank (Kenya) PLC	9%	1%
African Banking Corporation Limited	99%	42%
Bank of Africa Limited	94%	79%
Bank of Baroda (K) Limited	68%	43%
Bank of India	7%	1%
Caritas Microfinance Bank Limited	0%	0%
Choice Microfinance Bank Limited	0%	0%
Citibank N.A. Kenya	71%	26%
Consolidated Bank of Kenya Limited	98%	74%
Co-operative Bank of Kenya Limited	98%	37%
Credit Bank Plc	94%	45%
Development Bank of Kenya Limited	78%	8%
Diamond Trust Bank Kenya Limited	99%	96%
DIB Bank Kenya Limited	99%	75%
Ecobank Kenya Limited	99%	82%
Equity Bank Kenya Limited	99%	53%
Family Bank Limited	91%	86%
Faulu Microfinance Bank Limited	87%	66%
First Community Bank Limited	77%	61%

Name of Bank	Percentage Registered	Percentage Completed
Guaranty Trust Bank Limited	98%	78%
Guardian Bank Limited	47%	32%
Gulf African Bank Limited	98%	77%
Habib Bank A.G Zurich	88%	53%
HFC Limited	96%	78%
I & M Bank Limited	83%	75%
KCB Bank Kenya Limited	97%	63%
Kenya Women Microfinance Bank Limited	12%	5%
Kingdom Bank Limited	92%	84%
Maisha Microfinance Bank Limited	0%	0%
Mayfair CIB Bank Limited	77%	0%
Middle East Bank (K) Limited	85%	43%
M Oriental Bank Limited	96%	84%
National Bank of Kenya Limited	80%	52%
NCBA Bank Kenya PLC	27%	25%
Paramount Bank Limited	93%	74%
Prime Bank Limited	50%	34%
Rafiki Microfinance Bank Limited	57%	0%
Salaam Microfinance Bank Limited	0%	0%
SBM Bank Kenya Limited	88%	47%
Sidian Bank Limited	93%	68%
Spire Bank Limited	98%	60%
Stanbic Bank Kenya Limited	93%	66%
Standard Chartered Bank (K) Limited	99%	95%
UBA Kenya Bank Limited	50%	19%
Victoria Commercial Bank PLC	97%	45%

The Association also coordinated several workshops to further build the capacity of member banks. In February 2022, with the funding support from FSD Kenya, KBA held an in-depth face-to-face training on the Central Bank of Kenya's (CBK) Guidance on Climate-Related Risk Management. The training was delivered by experts from the United Nations Environment Program Finance Initiative (UNEP FI). Through the three-day training, banks were equipped with the knowledge on how to integrate climate risk in their operations, as well as how to develop disclosure mechanisms, benchmarking on the Taskforce for Climate Related Financial Disclosure (TCFD) framework.



GIZ Director of Programs Mr. Bernd Lakemeier speaks at the 2022 Inua Biashara Day SME showcase.



FSD Kenya CEO Ms. Tamara Cook speaks during the Environmental Risk exposure study launch forum.



Participants in a Sustainable Finance sensitization forum.

In November 2022, member banks were sensitized on the importance of their role in ensuring the sustainability of natural systems. The training, which was held as a lead up to COP 27, was funded by the International Union for Conservation of Nature (IUCN) and WWF-Kenya. The workshop also provided the Association an opportunity to equip banks with knowledge of how to finance climate change adaptation and resilience. The speakers for the workshop were representatives from Africa Development Bank, WWF-Kenya and IUCN.

SFI Catalyst Awards

In light of the need to recognize catalytic finance that promotes value creation for the economy, environment, and society, KBA held the 2022 SFI Catalyst Awards in September. Prior to the ceremony a rigorous evaluation of 43 entries submitted by 16 banks was conducted by six catalyst awards judges. Co-operative Bank of Kenya emerged as the winner of the Best Overall Award followed by Equity Bank of Kenya and KWFT respectively. The event drew attendance of member bank Chief Executive Officers, representatives from development finance institutions and the Capital Markets Authority. The chief guest during the event was UN Global Compact Chairperson and Group Managing Director of Sasini Plc, Mr. Martin Ochieng. Below is a summary of all the winners.

Outlook

Banks are embarking on a journey to realign their strategy to further manage and mitigate Environmental, Social and Governance (ESG) risks arising from their lending activities and operations.

They are gaining an appreciation of their ability to direct financial flows to projects that address climate change effects and socio-economic inequality. This is in turn securing the long-term viability of their business.



KBA collaborated with USIU- Africa and Serianu to launch the Cyber Shujaa cyber security program.



KBA signed a collaboration MOU with GIZ on Sustainable Finance.



KBA Director Legal, HR & Policy Advocacy Mr. Raimond Molenje speaks during the Environmental Risk exposure study launch forum.



GIZ Director of Programs, Mr. Bernd Lakemeier; KEPSA SME Sector Board Chair, Ms. Mary Ngechu; KAM Head of Consulting and Business Development, Ms. Joyce Njogu; KNCCI Chief Operating Officer, Mr. Patrick Nyangweso; and OWIT President, Ms. Frida Owinga during the Inua Biashara Day SME exhibition.



Cyber Shujaa program graduation for second cohort.



Inuka SME capacity building forum.



Fresh Frontiers
1962-2022

Anniversary Messages

1 5 . 0 7 . 2 0 2 2

60th Anniversary Messages

Greening of the financial sector remains one of the key visions of the Central Bank of Kenya. As we appreciate, substantial public and private sector financing would be required to transition economies to be low carbon and climate resilient



Central Bank of Kenya Governor, Dr. Patrick Njoroge

I am pleased to be here to join you at the Kenya Bankers Association 60th anniversary dinner. And at the outset, I am grateful to KBA for the invitation to join you tonight at this landmark event. I also congratulate the entire KBA fraternity as you celebrate your Diamond Jubilee. You have certainly come a long way from your formation in 1962, some 66 years after the first bank landed on Kenya's shores in Mombasa in 1896.

In 1962 the world was at a critical junction, brimming with confidence and at the cusp of the Cuban Missile Crisis in October of 1962 that ushered in the Cold War. President J.F. Kennedy of the United States had in 1961 declared the audacious moonshot ambition of landing a man on the moon by the end of the decade.

And sure enough, in February of 1962 John Glenn became the first American to orbit the Earth. And in 1969 Neil Armstrong, an American astronaut, would become the first man to land on the moon, pronouncing the immortal line: "That is one small step for man. One giant leap for mankind."

Closer home, the curtains were drawing on the British Empire with the then Tanganyika savoring its newly won independence in December 1961. Uganda would be next to gain independence in October of 1962 and Kenya's independence in 1963 was highly anticipated.

On the banking sector front, Kenya had just ten banks operating around 150 branches, mainly in Nairobi and Mombasa and other key urban areas. The sector was serving mainly the British settler farmers and predominantly Asian traders.

Operational Arena

Having been concentrated around the Coastal area in the early colonial days, the sector has tracked the growth of Kenya's colonial economy along the Kenya-Uganda Railway ('The Lunatic Express') and the farming area in the Rift Valley and Central Kenya, then referred to as the 'White Highlands'.

In the operational arena, banking operations were predominantly manual, and paper based. The 'Passbook', then used to record customer transactions, was a symbol of pride, particularly for Kenyans, mainly the trade and public sectors accessing banking services for the first time. Other innovations that we now take for granted such as the ATM would only be unveiled in 1989. To appreciate this journey, I strongly encourage you all to visit the Central Bank's Currency Museum that is currently housed in the Kenya National Museum.

Over the last sixty years, KBA has walked with Kenya in its successes and challenges. From independence in 1963, the Global Oil Crisis in 1973, the Africanization of the economy in the late 60s to the coffee boom in the late 70s.



KBA Governing Council Chairman Mr. John Gachora and CBK Governor Dr. Patrick Njoroge during the KBA 60th Anniversary event.



CBK Governor Dr. Patrick Njoroge with Nairobi County Woman Representative Hon. Esther Passaris during the KBA 60th Anniversary event.

In the banking sector, whereas we have had significant growth and transformation, there have also been significant challenges. In the 80s, we experienced rapid expansion in the sector that was not matched with appropriate business models, governance, and regulatory frameworks. The first banking crisis was experienced in 1984, with the collapse of a locally owned bank and financial institution. This was followed by other banking crises in 1989 and 1993. More recently, the sector has navigated interest rate caps enacted by Parliament in 2016 and subsequently lifted in 2019.

Circling back to the present, sixty years on, the global conjuncture is as momentous as it was in 1962. We are emerging from the throes of a pandemic that caused a once-in-a-century economic crisis that has significantly affected lives and livelihoods. Food and energy prices have increased substantially over the last two years, exacerbated by geopolitical conflicts, particularly in Europe.

Brunt of Climate Change

Additionally, the climate crisis— previously seen as a tragedy on the horizon— is really upon us. Africa has borne the brunt of climate change in the recent past through floods, drought, and pest infestations. So, the crisis is upon us, in the words of a song: *Ni shike mshike kila kona watu wakimbilia usalama.*

But are we seized with the optimism and confidence that put a man on the moon? In the words of the

philosopher Seneca, “It is not because there is a difficulty that we do not dare, it is because we do not dare that things are difficult,”.

In the few years the Deputy Governor and I have served in the Central Bank, we have had to deal with difficult issues. And it helps if you have that sort of confidence. But it helps a lot more if you have a trusted person that can walk with you. And in this, KBA was there for us. It was there for us as regulators of the sector. I remember, for instance, when we had various banks going under. And I think KBA leadership went out of its way in many ways. Many of the solutions that we have seen; the cleanup in the sector that we have seen over the last few years would not have happened if KBA leadership was not daring to be there with the Central Bank. Thank you very much for that.

Kenya’s Economic Transformation

I want to highlight three key significant achievements of the Kenya banking sector over the last 60 years. First, the sector has been at the heart of Kenya’s economic transformation. A branch network of just about 150 branches in 1962 has increased ten-fold to the current of over 1,500 branches and over 78,000 agents across the length and breadth of the country. The asset base across the sector has crossed the KES 6 trillion mark as at the end of 2021, with over six million deposit accounts and over 13 million loan accounts.

Second, the sector has positioned Kenya as the premier financial services hub in Eastern Africa. This is extremely important. And I look to our brothers from Rwanda because they have been cooperating closely with the sector here in Kenya. The Kenyan banks have spread their wings East, Central Africa, and the Indian Ocean. Currently eight Kenyan banks have presence in six other East African Community countries, including the Democratic Republic of Congo. The subsidiaries of Kenyan banks in the EAC at the end of 2021 had 494 branches over 8,000 employees and an asset base of 1.2 trillion Kenya Shillings. Two other Kenyan banks have significant shareholding in banking in Botswana, Malawi, and Mauritius. Kenyan banks are therefore playing a significant role in supporting economic growth across the continent.

Thirdly, the banking sector continues to provide talent, both for the public and private sector, in Kenya. We have seen banking sector talent being tapped to serve in the highest echelons of Government. Across the region, particularly in the East African Community, Kenyan banks and talent continue to steer and guide the transformation of banking sectors, including in DRC, Rwanda, South Sudan, and beyond. Truly, our best years lie ahead of us; the banking sector is set to take off.

Embracing Customer-Centricity

Drawing on tonight's theme 'KBA at 60: New Frontiers', what are the new frontiers? How do we deepen the roots, not only in Kenya but across the region? How do banks become truly customer-centric? How do we ensure boards, management and staff of banks walk the talk of being customer-centric and doing the right thing? How do we do the right thing, not just to tick a regulatory checkbox, but because it is an integral part of who we are?

These are just some of the questions that we must ponder, not just tonight, but for the period ahead as we move forward to chart our goals. Allow me to

highlight three broad areas that can be considered in seeking answers to these questions.

The first of these, and is the most important, is culture. What values are important and how do we live them in the day-to-day operations of banks? There are three core elements of these. First, boards, and senior management of banks, who are well represented here, must own culture, and set the tone from the top. They must set the broad parameters and be clear on what, for instance, is meant by 'customer centricity'. What are the outcomes we are aspiring to? How do we define a satisfied customer?

Desired outcomes include a customer having choice, being well-informed, to choose products and services that meet their needs and is treated humanely, with a smooth experience. Importantly, fair market conduct practices must not be breached as products and services are offered to customers.

The second element of this is entrenching these expectations on culture across all echelons of employees in the bank. It is imperative for boards and senior management to ensure that the behavior and values on the shop floor reflect the expectations in the boardroom. Putting these together is an appropriately designed system to ensure culture permeates across the entire organization. Undoubtedly, a fine balance must be struck between financial and financial performance indicators to drive sustainable long-term behaviors by bank employees that support customer centricity.

Align Technology to Customer Needs

The second element in this conversation is technology and innovation. And I think we are in the right place. Kenya is, After all, the leader in innovation. Advances in technology and innovation have underpinned the transformation of Kenya's banking sector in the last 60 years. And we have moved from the days where banking could be a one-day affair for Kenyans going to bank branches



to the present age of anywhere-anytime services. The advent of innovation includes mobile phone financial services, cloud computing, data analytics APIs, presenting significant opportunities to enhance banking services. However, we must resist the allure of imagining technologies and innovations and have customer needs at all times being our guiding compass. Technology should and must work for customers.

Third is deepening the banking sector's roots and connection to the society. Coming out of the pandemic, lives and livelihoods have been adversely affected. Businesses, particularly the SMEs, are deeply scarred. The vision of global shared prosperity by 2030 espoused by the implementation of the SDGs, especially in health and education and other social services has been dealt a harsh body blow.

Pivoting Business Models

Further, the ravages of climate change have manifested in Kenya and across the Horn of Africa in a prolonged drought that has adversely impacted food security. The banking sector will be expected to play an integral part as our economies recover from the ravages of the pandemic and climate change. Significant scaling-up of finance will be required to support the recovery of SMEs. This will include both business and finance support services to SMEs such as facilitating market access and pivoting their business models to a post-pandemic environment. KBA has set a good foundation with the Inuka Enterprise program that has been highlighted here this evening. But more needs to be done in scaling up all these programmes.

Greening of the financial sector remains one of the key visions of the Central Bank of Kenya. As we appreciate, substantial public and private sector financing would be required to transition economies to be low carbon and climate resilient. To operationalize this vision, CBK issued the Guidelines on Climate-Related Risk in October

2021. The guideline is intended to facilitate in integrating climate-related risk considerations in their governance, strategy, risk management and disclosure frameworks.

I am pleased to note that all banks at the end of June, submitted their climate risk implementation plans to CBK, approved by their boards. We look forward to the implementation of the plans and more importantly working towards Kenya being a green finance hub.

Let's not Lose it

Tonight's celebrations are well-deserved. It has been a long, fulfilling and at times arduous 60 years journey. A lot has been achieved. But a lot more lies ahead for us. What road do we take from here? What will our successors say about us 60 years from now? What will be our connection to our customers and the society then? We hold the key to the next 60 years. Let us not lose it.

I do not know how many of you are familiar with the James Webb Space Telescope. This is the world's premier space observatory that has been 20 years in the making. It was launched last Christmas. Last Tuesday—on July 12th, 2022— its first images of distant stars and galaxies were released.

It was well-worth the wait—20 years. And it confirmed that every scientist's diligence in the project would be paid back many times over the next 20 years.

Thank you very much for your attention.

Dr. Patrick Njoroge

Governor, Central Bank of Kenya



A good deal of policy making stands on the shoulders of economics. And over the years we have had evidence of good and bad economics. And we need to think about this more as we move forward



Central Bank of Kenya Deputy Governor,
Ms. Sheila M'Mbijewe

It is timely that we get together and reflect on the challenges and opportunities that COVID has brought us. Just as the world was beginning to unwind from the pandemic, and the controls and loosening of measures was beginning, new shocks came with the disruption in Ukraine, commodity price increases and the impact of monetary policy tightening.

And this has contributed to deglobalization with the slowdown in the flow of goods and in capital. The major issue now is: how does this affect Africa? What does it mean for Africa? And do we ask this question? Do we understand?

I presented to this audience in November 2019 at the Chairman's Ball. And at that time, I advised that there was a storm coming. And I told the banks to bring their ships into the 'Central Bank of Kenya Harbor'. Since then, the banks have set sail again and are back in open sea. And this is good.

It supplies us with support for economic growth, assuring stability, jobs, and a solid foundation for long term development. But we still have reason for caution.

The past decade has witnessed rising tensions—nationalistic and deglobalization. We have seen it in Brexit; we have seen it in the US-Mexican border conflict; we have seen it in the inequality in the distribution of the COVID vaccine; and the exit of foreign troops from Afghanistan. And now the Ukraine invasion.

The globalized world presented all kinds of opportunities and challenges. We got the highest growth across the globe that we have ever seen. And we got employment opportunities across the globe; but at the same time we had increasing inequality, ethnicity, operational, structural, and social weaknesses.

Goals Remain Inadequate

For Africans today, it's fascinating to see that rich countries and poor countries have the same problems. We are talking about increased poverty, ballooning inequality, lack of faith in governments, fractured societies, and polarization. We talk about "Black Lives Matter", the Trump Era, South American wars, Sri Lanka now very recently, and the wars in Ukraine.

Poverty and inequality remain unacceptably high and progress towards Sustainable Development Goals remains inadequate. When we look at the Organization for Economic Cooperation and Development (OECD) countries, only six countries—between 2010 and 2018—have recorded a decrease in inequality. Democracy allows the descent, but it demands a conversation. And that conversation's face is shrinking.

Then came COVID, with a downturn on the economies greater than the global crisis of 2008. Five hundred million people have been affected by COVID, in the sense of catching the disease. And we have 6.3 million people dead. Strong restrictions on movements and protocols contributed to large negative economic impacts and developed, richest nations invested in extraordinary stimulus and interventions.

COVID has eased, it is true, and this has been partly supported by vaccination. When we look at the World Health Organization, they tell us that we have to have 70 percent of the world's population vaccinated, and the target was by mid-2022. So far 62 percent has been vaccinated, but only 19 percent in Africa.

High levels of unemployment, contributions to possibly the worst recession since the Second World War, are now unveiling themselves. And the impact has been felt in Africa. Worryingly high inflation in many economies now persists. And this was mistakenly assumed to be transitory. Labour markets have just changed.

This year many central banks have tried to address the inflation challenge with monetary policy, but these challenges have been brought about by supply-side shocks. And so, the job that monetary policy can do is limited. We are now facing challenges of stagflation, which is a combination of high inflation and low economic growth. This was last seen in the 1970s. Ukraine-Russian conflict, sharp commodity prices, oil, and food prices, have developed the inequality further.

Increased financial market volatilities and equity markets falling in a very sharp way, in a way that has never been seen before, is a great concern. It is naïve of us to say that the power of policy is small, it's not. When we saw China opening, India opening, we saw what the impact was on those countries.

When we saw people fighting preventable death, we saw what happened around the world. In fact, pandemics were things we didn't think about.

A good deal of policy making stands on the shoulders of economics. And over the years we have had evidence of good and bad economics. And we need to think about this more as we move forward.

Finally, I am a woman; I can't stand here and not talk about women. Women constitute 50 percent of the population of Africa. They produce 80 percent of food and are 90 percent of the informal workforce. The gender parity gap for women in Africa, between 2010 and 2018, has only changed 0.6 percent.

Women matter. We are 50 percent of the world, and we only own 1 percent of the world's wealth. This is not because women have a problem; this is because there is a structural bias that needs to change. COVID has had a disproportionate impact on women; it has exacerbated housing job security and food security issues. Ngozi Okonjo-Iweala, Nancy Pelosi, Angela Merkel and the late Wangari Maathai are evidence of what women can do, even during difficult times.

So, looking forward, will our children grow in a more just, humane world? Can we restore dignity through new economic thinking? And this is a call for us all to be saner, smarter, and more humane for a better world of today and tomorrow.
Thank you very much indeed.

Sheila M'Mbijewe

Deputy Governor, *Central Bank of Kenya*



The industry acknowledges the need to consolidate and deepen the efforts that will optimize its role as a catalyst for economic growth



*Kenya Bankers Association Chairman,
Mr. John Gachora, MBS*

I am pleased indeed to welcome you all to this special occasion being held to mark the 60th Anniversary of the Kenya Bankers Association. On behalf of the banking industry, I take this opportunity to extend our appreciation to everybody for turning up for this forum that marks an important milestone in the annals of the banking industry here in Kenya.

Sixty years is a long time. Let me take you down memory lane — for those of you who have read, and I believe a few of you may have been around — 60 years ago, John Glenn became the first American to orbit the Earth. The Cuban missile crisis brought the world to the brink of a possible Third World War. For some of us who loved some of the stories, Marilyn Monroe and marrying the word passed away in 1962.

And for those who love football, Brazil won the World Cup against none other than the Sikh of Czechoslovakia.

And in the FA Cup, Tottenham Hotspur were the champions. And for those who love movies Dr. No, the first James Bond movie was released in 1962. In that time— when you talk about presidents— the presidents who were exchanging barbs were

Charles de Gaulle and J.F. Kennedy and Nikita Khrushchev. Rwanda and Uganda gained their independence in 1962.

In 1962, the economy was very strong. Kenyans were bubbling with an air of independence and freedom as KANU-KADU coalition government took over political leadership in preparation for independence.

Shared Vision

It was under this backdrop that the Kenya Bankers Association was formed. KBA, I believe, was an idea of a group of bankers who believed that unity and purpose is more important than individual success; that the important role of banking could not be accomplished through fragmented efforts, but through a shared vision of united action. To borrow a quote, “When Spiders Unite, They Can Tie Down a Lion”.

Kenya Bankers Association came to life in July 1962. So today marks nearly 60 years of contribution; nearly 60 years of progress; 60 years of building partnerships. KBA may have been started by a few bankers but today we are many, not just in numbers but in talents, in creativity, in partnerships and indeed in friendships.

As we celebrate this anniversary, let me just say it is good to be alive!

Coincidentally, this Anniversary comes on the backdrop of unprecedented economic challenges in the global economy. These include the adverse effects of the COVID-19 pandemic, from which many enterprises and households continue to recover.

The ongoing Russia-Ukraine conflict has also had a significant bearing on our economy through its direct and indirect impact on the global supply chain.

Following the outbreak of the COVID-19 pandemic, the banking industry has over the past two years supported bank customers who were adversely affected by the negative impact of COVID-19. This was done through the provision of credit accommodations and extending financing while also managing attendant credit risks.

In this regard, I am pleased to note that the industry collectively restructured loans worth KES 1.7 trillion between March 2020 and February 2021 that was geared towards supporting customers who were unable to continue their payments occasioned by the negative impact of the pandemic. The industry recognizes and appreciates that these intervention measures must be sustained given the uncertainty of the COVID-19 pandemic and its effects on vulnerable enterprises.

Targeted Regulatory Interventions

Furthermore, I would like to take this opportunity to acknowledge with gratitude the important role the Central Bank of Kenya has continued to play in facilitating economic recovery amidst the unprecedented challenges the industry faced. Under the leadership of our keynote speaker, Governor Dr. Patrick Njoroge, the Central Bank has maintained a proactive role in developing and implementing targeted regulatory interventions that supported the recovery of various enterprises while anchoring and consolidating the banking industry's stability.

The industry's resolve to create credit solutions for small enterprises was informed by the realism that SMEs make a direct contribution of about 30 percent of the total value added in the economy. It is our firm conviction, therefore, that enhancing the businesses' participation in the economy will play a central role towards creating more jobs and expanding the Gross Domestic Product.



Guests at the KBA 60th Anniversary Dinner.



Mr. Gachora interacts with a small business owner at the KBA 60th Anniversary Dinner



Guests at the KBA 60th Anniversary Dinner.

For this reason, the banking industry coordinates a capacity building program called Inuka Enterprise Program. This initiative was rolled out in 2018 as part of interventions geared towards enhancing the creditworthiness of small businesses through capacity building. It is encouraging that the program has reached more than 50,000 enterprises since inception. The banking industry firmly believes that the program complements a wide range of initiatives aimed at supporting enterprise recovery in the economy.

Catalysing Economic Growth

In addition, KBA continues to work closely with the National Treasury to further the uptake of the SME Credit Guarantee Scheme, which is an important facilitator in promoting credit access for enterprises in the economy. This Scheme is a welcome derisking fund that aims to deepen access to credit for enterprises across the banking industry in Kenya.

As we mark this historic milestone, KBA — and indeed the entire banking industry— recognizes this commemoration as an opportunity to reflect and devise more measures that can be instituted to support households and enterprises in the recovery process. The industry acknowledges the need to consolidate and deepen the efforts that will optimize its role as a catalyst for economic growth.

Through these commitments, the industry has expanded its focus to include sustainable lending practices. In recent years, the industry has seen a marked increase in the uptake of KBA's Sustainable Finance Initiative. This initiative has ensured the capacity building among the banking workforce to strengthen their ESG performance. Through this initiative, over 36 thousand bank staff have been empowered to understand their role in balancing their financial goals with socio-environmental and economic concerns.

I wish to commend the Central Bank of Kenya for formulating the banking sector guidance on climate-related risk management. The guidance

is an invaluable addition to the industry's efforts towards advancing sustainable finance.

As an industry, we also continue to seek interventions aimed at mitigating emerging challenges through innovative banking solutions and responsiveness. It is our commitment to continue to leverage crosssector partnerships and collaborations that we will use in developing products that address the emerging needs of bank customers who operate at the local, regional, and global level.

Moreover, the industry aims to enhance and sustain full access to financial services for all, including SMEs as well as vulnerable groups such as Persons Living with Disabilities, the youth, and women.

To this end, the industry has over the past two years made deliberate efforts to support financial inclusion for Persons Living with Disabilities. I am happy to note that the industry continues to implement wide-ranging products and services that serve the needs of Persons Living with Disabilities. Our aim is to fully implement the industry's PWD accessibility Roadmap by the year 2024 or even sooner.

As I close, I would like to express my heartfelt gratitude once again to everybody. I am particularly delighted to note that this forum has brought together private sector leaders, financial sector regulators and senior Government officials across the region and globally, creating a platform to reflect on collaboration prospects designed to further align the banking industry's contribution to sustainable economic development both locally and regionally.

I wish to reiterate the banking industry's readiness and willingness to continue engaging stakeholders across the board in leveraging on opportunities towards creating more value to the economy.

Mr. John Gachora, MBS

Chairman, *Kenya Bankers Association*

The financial and banking sectors are fast evolving and being disrupted by growing innovation, technology and consumer trends, financial operations and scope is no longer limited to one market but rather are components of regional operations



Rwanda Bankers Association Chairman, Robin Bairstow

We express gratitude for your invitation to be part of this remarkable milestone, the 60th Anniversary of KBA. 60 years is a remarkable milestone; its proof of experience and resilience and commitment to stay the course. On behalf of the Rwanda Bankers Association, we congratulate you on the remarkable achievement. We are keen to continue working with you as well as sharing experiences going forward.

Increased Cooperation

RBA's values and mission are characterized by ambition to grow and have meaningful impact on our people and ensure that our members contribute to the much-sought social economic development. This is reflected in our values, engagements, and partnerships with entities such as KBA.

The anniversary comes amidst a trying time for the global economy, following the pandemic and its social economic effects, rising global inflation as well as uncertainty. This calls for increased cooperation, resilience and sharing insights to ensure that members' clients survive the turbulence.

The financial and banking sectors are fast evolving and being disrupted by growing innovation, technology and consumer trends, financial operations and scope is no longer limited to one market but rather are components of regional operations. KBA and RBA can work together in the face of changes to build cohesion and capacities. KBA and RBA can also work together in pursuit of emerging opportunities such as trade financing in light of the ACFTA, aligning to Fintech as well building skills that are in growing demand in our sector.

There are budding opportunities too that KBA can make the most of in RBA's ecosystem, at the Kigali International Financial Centre (KIFC). Players like Equity Group and KCB Group have already moved to be part of the hub, and we look forward to welcoming more Kenyan players into the ecosystem.

As a bloc, KBA and RBA will make a better case for opportunities in the banking sector, advocate for more affordable capital, advocate, and lobby for our members at high level summit.



Mr. Bairstow with Dr. Olaka during the signing of a cooperation agreement between KBA and Rwanda Bankers Association.



Mr. Bairstow interacts with other guests at the KBA 60th Anniversary Dinner.



Guests at the KBA 60th Anniversary Dinner.



Mr. Bairstow chats with FSD Kenya CEO Ms. Tamara Cook at the KBA 60th Anniversary Dinner.



Rwanda Bankers Association CEO Mr. Tony Ntore at the KBA 60th Anniversary Dinner.

Among the actionable steps and ways we foresee cooperation going forward, is rolling out practical approaches to further enhance cooperation. This could be through joint conferences on mutual matters, subjects such as cyber security, ESG, trade financing among others. The pandemic has taught us that no entity is isolated from global trends and events.

Discussing Recovery

There is also room for increased exchange of best practices across various operations as well as creating an exchange program between the two parties. As an illustration, KBA started some years back the “My Chat with a Bank CEO” to illustrate challenges/opportunities in the Kenyan sector but also the achievement.

We have also kicked off our own “Chat with the Bankers” this year where our first edition illustrated the CEO of Rwanda Development Bank and the CEO of BPR Bank discussing the economic recovery fund.

Robin Bairstow

Chairman, Rwanda Bankers Association

A full-page background image featuring a vibrant sunset. The sun is a bright, glowing orb positioned centrally on the horizon, casting a long, horizontal band of intense orange and red light across the sky. Wispy, white clouds are scattered throughout the upper half of the frame, catching the low light. Below the horizon, the landscape is silhouetted against the bright sky. In the foreground, a dense urban area with numerous buildings is visible, though mostly in shadow. Behind the city, rolling hills and mountains are visible, with some lower slopes appearing misty or foggy. The overall mood is serene yet powerful, with the high contrast between the bright sky and the dark land creating a striking visual.

Corporate Governance Structure and Reports of the Committee Chairpersons

Corporate Governance Structure and Reports of the Committee Chairpersons

Roles and Responsibilities of the Governing Council

The affairs, business and funds of the Association are vested in the Governing Council which is the management and policy making body of the Association. It has all such powers and performs all such functions as may be necessary for carrying on the work of the Association or for realizing its objects and purposes.

In addition to the powers expressly conferred by the Constitution, the Governing Council may exercise all such powers and do all such things and acts as may be exercised or done by the Association or by any law expressly directed or required to be done by the Association in a General Meeting.

The Governing Council in Particular has the Following Responsibilities:

1. To purchase, lease, hire or acquire premises for the use of the Association and to equip and furnish them for the objects and the purposes of the Association.
2. To create such offices and posts with such powers and responsibilities and duties on such terms and conditions and for such periods as may be deemed appropriate by the Governing Council, and to appoint a Chief Executive Officer, other officers and staff as may be necessary for the business of the Association on payment of such remuneration as may be determined by the Governing Council.
3. To establish a trust or trusts and appoint trustees thereof with the consent of the General Body and vest the funds or the surplus income or any property of the Association in the trustees in such manner as the Governing Council may from time to time think fit.
4. To frame or issue rules and procedures of working for the purpose of carrying on business and work of the Association as may be necessary from time to time with the approval of the General Body.
5. To delegate any function or powers to Committees, Sub Committees or person and to any Member, the Chief Executive Officer, other officers or employees on such terms and conditions as may be necessary and to revoke any such delegation if and when necessary.

6. The Governing Council may, at any time, invite any Member of the Association not being a Member of the Governing Council to attend or serve on the Council, or any Committee or Sub Committee or may consult any outside person or authority if for any special reason such as a course may seem to it to be advisable.
7. To present a report on the working of the Association and a Statement of Accounts of the Association duly certified by the Auditors at the Annual General Meeting of the Association every year.
8. To appoint Bankers, Auditors, Advocates, Accountants, and other professional advisers to the Association.
9. Where an Associate Member converts into a branch of a foreign bank or locally incorporates an entity to enter the market or wishes to become a member of the Automated Clearing House, the Governing Council will have the right to admit and convert such a Member into an Ordinary Member.
10. The Governing Council shall have the right to assess the level of costs incurred by the Association in generating the benefits accruing to Associate Members and use the same to determine the fixed annual subscription fee payable by such membership.
11. To call a General Meeting at any time should it think necessary to do so.
12. To do any or all things as may be necessary or expedient.

The property, assets and funds of the Association shall, subject to the liabilities thereof, be vested in the Governing Council of the Association and no Member of the Association shall by reason of its membership have a transferable or assignable share of interest therein by operation of law or otherwise in any such property, assets or funds and in the event of any Member of the Association ceasing to be a Member in terms of Clause 22 of the Constitution or in any other way, its interest in such property, asset and funds shall cease and the same shall survive, accrue and belong to the other Members for the time being of the Association.

Composition and Tenure of the Governing Council

At the conclusion of every Annual General Meeting, one third of the members of Large Banks, one quarter of the Medium-size Banks and one half of Small Banks of the Governing Council shall retire from the Governing Council by rotation. The Members to retire by rotation shall be those who have been the longest in office. Where any of the Members have been in office for the same length of time, the Members to retire shall be decided by drawing lots.

The retiring Members shall be eligible for re-election and appointment.

At a minimum, the Governing Council consists of the following:

- A. Six members representing the large banks
- B. Four members representing medium size banks
- C. Two members representing the small banks

The Chairman and the Vice Chairman of the Association shall come from the 12 members in A, B and C, above.

Structures to Better Serve Members & Industry

Over the years, KBA has enhanced its governance and organisational structures to improve the Association's ability to deliver on its mandate.

Governance



KBA Secretariat Organizational Chart



Full Time Employees: 18
Interns: 0

KBA Secretariat



Dr. Habil Olaka, EBS
Chief Executive
Officer



Kennedy Mutisya,
Chief Finance
Officer



Fidelis Muia,
Director of
Technical Services



Christine Onyango,
Director of
Communication &
Public Affairs



Raimond Molenje,
Director Legal,
Human Resource &
Policy Advocacy



Dr. Samuel Tiriongo
Director Research
and Policy



Arnold Wangila,
Senior
Accountant



Patrick Kibui,
Senior
Technical
Services Officer



Bernice Onyango,
Senior
Technical
Services Officer



Hesborn Nyakundi Nyagaka,
Senior
Communication
& Public Affairs
Officer



Josea Kiplangat,
Senior
Research &
Policy Officer



Roselyne Njino,
Senior
Sustainability
Specialist



Lynda Gacheru,
Executive
Assistant &
Member
Services Officer



Hillary Mulindi,
Research,
Policy &
Knowledge
Management
Officer



Cynthia Muchiri,
Legal, Human
Resource &
Policy
Advocacy
Officer



Stephen Opicho,
Office Clerk



Diana Kamau,
Front Office
Assistant



Andrew Otieno,
Executive
Driver

Governing Council Meetings

The Governing Council meets at least every quarter in a calendar year. During Council meetings, the members receive a report from the KBA Secretariat including submissions from the Committee and Sub Committees.

In the year 2022 a total of five meetings were held.

Name of Bank	Number of Meetings Jan-Dec 2022	Percentage
NCBA Bank	4 of 5	80%
Family Bank	4 of 5	80%
KCB Group	3 of 5	60%
Co-operative Bank	5 of 5	100%
Equity Bank	5 of 5	100%
DTB Kenya	4 of 5	80%
Standard Chartered Bank	3 of 5	60%
Absa Bank	5 of 5	100%
I & M Bank Limited	5 of 5	100%
Citibank	5 of 5	100%
SBM Bank	5 of 5	100%
DIB Bank	4 of 5	80%
Middle East Bank	5 of 5	100%
Ecobank	2 of 2	100%
Credit Bank	1 of 2	50%
Kenya Women Microfinance Bank	1 of 2	50%

NOTE: Governing Council and KBA Committee members serve on a voluntary basis

Reports of the Committee Chairpersons

KBA activities are managed by the Secretariat which works in coordination with seven Committees and seven Sub Committees. KBA Member Banks nominate representatives on an annual basis to serve on these committees which elect their officials. Members participate on a voluntary basis. The following are the reports.

NAME OF COMMITTEE	COMPLIANCE COMMITTEE
Chairperson	David Nyamato – NCBA Bank
Vice Chairperson	Mary Runana – Stanbic Bank
Secretary	Kennedy Mutisya - Kenya Bankers Association
Sub Committee Achievements in 2022	<ol style="list-style-type: none"> 1. The Compliance Committee constructively conferred with regulatory stakeholders including: <ul style="list-style-type: none"> • The Unclaimed Financial Assets Authority (UFAA) on the implementation of the provisions of the Act and resolution of challenges encountered thereof. A relationship was established for continuous engagement on industry support and mutual understanding of the legal obligations. • The Director of Assets Recovery Agency (ARA) to sensitize member banks on compliance with court orders obtained by the Agency. The industry used the forum to obtain clarifications on several industry challenges encountered in complying with the Agency's court orders. 2. Members of the committee represented the industry in engaging the assessors in Kenya's Mutual Evaluation review process, focusing on the banking industry's technical and effectiveness proficiency in Anti-Money Laundering and Combating the Financing of Terrorism (AML/CFT) practices. The banking industry was rated favorably from the review process. 3. The Committee participated in the Financial Reporting Centre's (FRC) Money Laundering Reporting Officer (MLRO) Conference, which focused on the findings of the FRC bank branches training, issues relating to digital payment systems, experiential sharing with financial sector participants including Telcos and highlights of key findings from the National Risk Assessment (NRA). The KBA Secretariat secured funding support from the German foundation GIZ to cater for the participation of member banks. 4. Members of the Committee were nominated to receive training of trainers coaching on Countering Trade Based Money Laundering (TBML) sponsored by the International Finance Corporation (IFC), thus building capacity for subsequent industry training. 5. The Committee partnered with thought leaders to enhance Members' professional development as follows: <ul style="list-style-type: none"> • Common Reporting Standards (CRS) webinar hosted by the Global Finance and Compliance Hub (GFCHub). • LIBOR transition webinar hosted by Stanbic Bank Kenya on the impact of transition in the financial services industry, legal and contractual considerations, and risks in identifying and transitioning to a new benchmark.

NAME OF COMMITTEE	COMPLIANCE COMMITTEE (contd.)
Sub Committee Achievements in 2022	<ul style="list-style-type: none"> • East Africa Banking Briefing event hosted by Moodys Analytics where Committee members participated in a panel discussion with global experts and exchanged views on financial crime compliance in the current geopolitical context. • Financial Crime Compliance training hosted by the Banking Fraud Investigations Department (BFID) focusing on the nature, trends and mitigation measures for financial crime, and the importance of collaboration to mitigate risk exposure. • Insights on key risk indicators for financial crime from a tax oversight perspective, hosted by the Kenya Revenue Authority (KRA) Department of Intelligence. • Data Privacy webinar hosted by BDO East Africa. • Cryptocurrencies and Financial Crime training hosted by Compliance Society of Kenya (CSK) and presented by Blockchain Intelligence Group (BIG).
Committee Goals for 2023	<ol style="list-style-type: none"> 1. The Committee plans to enhance technical proficiency and professional development by organizing training for member banks on: <ul style="list-style-type: none"> • Countering Trade Based Money Laundering (TBML). • Unclaimed Financial Assets – interpretation, treatment, and reporting / disclosures. • Implementation of the regulatory requirements for Common Reporting Standards (CRS). • Climate-Related Risk Management frameworks. • Institutional, industry and sectoral AML/CFT risk assessments. • Financial crime risks posed by virtual assets and related service provider and mitigation measures. 2. KBA representatives to the National Task Force (NTF) on AML/CFT to organise a workshop to address the banking industry deficiencies identified during the country's mutual evaluation review and provide recommendations to the NTF for the enhancement of financial sector practices. 3. Continued enhancement and entrenchment of key stakeholder relationships, particularly with KRA, BRS, UFAA, CBK, FRC and any other relevant compliance stakeholders. 4. Continued partnership with like-minded organisations such as CSK, IFC, GIZ, EU AML-THB and others to enhance compliance practices in Kenya

Name of Bank	Number of Meetings Jan-Dec 2022	Percentage
KCB Bank	7 of 12	58%
Standard Chartered Bank	7 of 12	58%
Co-operative Bank	10 of 12	83%
Absa Bank	9 of 12	75%
Stanbic Bank	10 of 12	83%
Sidian Bank	11 of 12	92%
NCBA Bank	12 of 12	100%
Bank of Baroda	8 of 12	67%
DTB Kenya	11 of 12	92%
SBM Bank	11 of 12	92%
National Bank of Kenya	10 of 12	83%
Bank of Africa	10 of 12	83%
DIB Bank Kenya	4 of 12	33%
Citibank	4 of 12	33%
Equity Bank	10 of 12	83%
HF Group	8 of 12	67%
Kenya Women Microfinance Bank	9 of 12	75%
Faulu Microfinance Bank	10 of 12	83%
UBA Kenya Bank	6 of 12	50%
Gulf African Bank	7 of 12	58%
I & M Bank	9 of 12	75%
Ecobank	7 of 12	58%
M Oriental Commercial Bank	5 of 12	42%
Victoria Commercial Bank	4 of 12	33%

The Compliance Committee twelve times in 2022.

NAME OF COMMITTEE	FINANCE AND AUDIT COMMITTEE
Chairperson	Catherine Mugane – DTB Kenya
Vice Chairperson	Davis Ayako – SBM Bank
Secretary	Kennedy Mutisya - Kenya Bankers Association
Sub Committee Achievements in 2022	<ul style="list-style-type: none"> • Provided an interactive platform for the member banks to share experience and knowledge on industry wide challenges. • Provided oversight to Tax Sub Committee, KBA 2023 budget review and approval, KBA 2022 budget rationalization as well as review of KBA 2022 management accounts and 2021 audited financial statements. • Reviewed and approved the Finance policy to ensure the Association adopts best practices. • Provided feedback on Common Reporting Standards and proposed amendments to the CBK prudential guidelines.
Committee Goals for 2023	<ul style="list-style-type: none"> • Support KBA Tax Sub Committee to achieve its mandate in line with the terms of reference for the Sub Committee • Enhance oversight to KBA and IPSL Finance functions to promote efficiency. • Promote and support adoption of sustainability reporting by banks.

Name of Bank	Number of Meetings Jan-Dec 2022	Percentage
ABC Bank	4 of 4	100%
Bank of Africa Kenya	4 of 4	100%
Caritas Microfinance Bank	1 of 4	25%
Co-operative Bank	4 of 4	100%
DTB Kenya	4 of 4	100%
DIB Bank Kenya	1 of 4	25%
Ecobank Kenya	1 of 4	25%
Equity Bank Limited	2 of 4	50%
Guaranty Trust Bank	2 of 4	50%
Gulf African Bank	2 of 4	50%
I & M Bank	4 of 4	100%
Middle East Bank	3 of 4	75%
National Bank of Kenya	2 of 4	50%
NCBA Bank	2 of 4	50%
Paramount Bank	1 of 4	25%
SBM Bank	4 of 4	100%
Sidian Bank	2 of 4	50%
Standard Chartered Bank	4 of 4	100%
Victoria Commercial Bank	4 of 4	100%

The Finance and Audit Committee four times in 2022.

NAME OF COMMITTEE	FINANCIAL MARKETS SUB COMMITTEE
Chairperson	Philip Wambua – ABC Bank
Vice Chairperson	Wolfgang Omondi – Absa Bank
Secretary	Andrew Muiruri- ACI Chair - Equity Bank
Sub Committee Achievements in 2022	<p>The Financial Markets Committee (FMC), which is a representative of the Kenya Banks Treasurers Forum (KBTF), is anchored on the following key objectives:</p> <ul style="list-style-type: none"> • To promote high-level market conduct and discipline in the Kenyan Financial Markets • To Develop and Nurture the Financial Markets • Training of the Bank Dealers and Treasurers • To consult with various stakeholders e.g. Regulators, KBA and the wider market. <p>The following are the key highlights for 2022:</p> <ol style="list-style-type: none"> 1. Working with CBK in establishing CSD system: The committee was actively engaged with CBK in the establishment of CSD system and was involved in mobilizing members for training, documentation review and giving feedback to the regulator. The same is still continuing as we await the launch of CSD system. 2. Training: In 2022 the market undertook various trainings mainly focused on fixed income in order to empower our Dealers and Bond Trading. The trainings were specific to some banks who expressed interest. 3. Engagement with the Regulator: The market was involved in engagement with the regulator mainly for the post MPC briefings which are shared by the Director Financial Markets CBK.

Name of Bank	Attendance Record	Percentage
ABC Bank	10 of 10	100%
Stanbic Bank	9 of 10	90%
Co-operative Bank	10 of 10	100%
Absa Bank	9 of 10	90%
SBM Bank	9 of 10	90%
Middle East Bank	9 of 10	90%
Credit Bank	10 of 10	100%

The Financial Markets Sub Committee seventeen times in 2022.

NAME OF COMMITTEE	TAX SUB COMMITTEE
Chairperson	Peter Mungai – Absa Bank
Vice Chairperson	Lydia Ndirangu – Equity Bank
Secretary	Kennedy Mutisya - Kenya Bankers Association
Sub Committee Achievements in 2022	<ol style="list-style-type: none"> 1. Successfully published KBA Total Tax Contribution (TTC) report for the banking industry for the FY 2021. This was launched on 3rd August 2022 during a breakfast session attended by stakeholders and reported widely in various media channels. The report was submitted and recognized by the National Assembly. 2. Hosted an industry wide sensitisation workshop in conjunction with Anjarwalla & Khanna LLP law firm in July 2022 for update on the impact of the Finance Act 2022 on the banking sector. Key highlights were: <ul style="list-style-type: none"> • Key highlights on Finance Act 2022 impacting the banking sector. • Update on recent Court cases ruling relating to the industry. • Update on WHT court case on card business • Current industry tax disputes • Salient issues raised in the National Tax Policy Draft • Emerging legal issues such as conversion of titles and effect on securitisation 3. Submitted banking industry feedback on proposed Income Tax (Financial Derivatives) Regulations 2022 to National Treasury and Kenya Revenue Authority. 4. Held Stakeholder meetings with Visa to discuss the impact of VISA restructuring on the banking sector and VISA offer on withholding tax liability refund. 5. Hosted a banking industry Tax day in conjunction with PwC in November. Key Highlights included <ul style="list-style-type: none"> • Transfer pricing documentation requirements as introduced by the Finance Act 2022. • Common Reporting Standards obligation as introduced by the Finance Act 2021. • Taxation of financial derivatives as introduced by the Finance Act 2022. • Policy considerations from the banking sector (tax and regulatory). 6. Made proposals and presentations to the National Treasury and the Parliamentary Committee on Finance and National Planning on Finance Bill/Act 2022. 7. Hosted the Banking Industry training on Common Reporting Standards in Conjunction with Standard Chartered Bank. 8. Made submissions and presentations to the National Treasury in the matter of draft National Tax Policy.

NAME OF COMMITTEE	TAX SUB COMMITTEE (contd.)
Committee Goals for 2023	<ul style="list-style-type: none"> Enhance relationship with Kenya Revenue Authority through regular consultative engagements with KRA relationship team responsible for the banking sector. Publish 2022 PwC/KBA TTC report for the banking industry and present to relevant national stakeholders. Host tax sensitisation workshop in conjunction with tax consultants for the industry after the publication of the Finance Bill/Act 2023 to sensitise members of the proposed changes therein and how they impact the banking sector. Other workshops will be organised as necessary when there are emerging controversial tax matters affecting the members. Participate in the Finance Bill/Act 2023 submissions (already submitted to National Treasury) for industry proposals to be considered for inclusion.

Name of Bank	Number of Meetings Jan-Dec 2022	Percentage
Absa Bank	4 of 4	100%
ABC Bank	3 of 4	75%
Bank of Baroda	2 of 4	50%
Co-operative Bank	4 of 4	100%
DTB Kenya	4 of 4	100%
DIB Bank Kenya	2 of 4	50%
Ecobank	2 of 4	50%
Equity Bank	4 of 4	100%
Gulf African Bank	1 of 4	25%
Guaranty Trust Bank	2 of 4	50%
I & M Bank	3 of 4	75%
KCB Bank	3 of 4	75%
NCBA Bank	4 of 4	100%
Paramount Bank	4 of 4	100%
Prime Bank	2 of 4	50%
Sidan Bank	4 of 4	100%
Stanbic Bank	4 of 4	100%
Standard Chartered Bank	4 of 4	100%
Victoria Commercial Bank	4 of 4	100%

The Tax Sub Committee four times in 2022.

NAME OF COMMITTEE	HUMAN RESOURCE AND ETHICS COMMITTEE
Chairperson	Robley Ngoje – KCB Bank
Vice Chairperson	Wangare Gathu – Sidian Bank
Secretary	Raimond Molenje - Kenya Bankers Association
Committee Mandate	<ol style="list-style-type: none"> 1. Establish and maintain good industrial relations and ethics in the industry. 2. Foster professional human resource management practices within the industry. 3. Facilitate best practice professional training for bankers in Kenya. 4. Provide machinery for collective bargaining negotiations on remuneration, pay scales and other terms and conditions of service for unionisable employees within the industry. 5. Develop and promote ethical behaviour and practices amongst members.
Sub Committee Achievements in 2022	<p>In 2022, the committee successfully concluded the CBA negotiations for the 2022 wage re-opener. The agreement was signed and duly registered in court.</p> <p>Additionally, the committee initiated the industry's inaugural salary and benefits survey with the final report covering:</p> <ul style="list-style-type: none"> • Overall industry salaries and benefits including bank tiers salaries and benefits. • Employee demographics, industry pay by gender and medical limits. • Industry bonuses pay out criteria, short and long-time incentive programs. • Company car, housing, and club membership benefits. • Mortgage, car, education, personal loans limits and interest rates. • Employer and employee pension contributions. • Group life and accident covers, nature of employment contracts, working models and leaves. • Training provided to staff and budgets. • Hard to find and attract skills, interventions on hard to find and attract skills. • Professional membership subscriptions, professional courses, and further education practices. • Employee wellbeing programs available to staff within the industry. <p>This initiative was put in place to assist member banks in their strategic decisions on matters pay policy, benefit levels and recruitment for optimum industry performance and competitiveness. It is envisaged that the industry's salary and benefits survey will be undertaken every three (3) years.</p>

NAME OF COMMITTEE**HUMAN RESOURCE AND ETHICS COMMITTEE (contd.)****Banking Industry Code of Ethics**

The Association rolled out an e-learning series on the Banking Industry Code of Ethics delivered on the SFI e-Learning platform and is open to all industry staff. The Code is highly interactive incorporating videos, voice overs, case studies and review questions designed to sensitize bank staff on best practice standards of ethical conduct, integrity, and compliance in their interaction with customers, business associates, the communities served by banks, colleagues, other stakeholders, and the banking public.

The Association is continuously updating the Code of Ethics content with emerging developments within the industry to enhance the industry staff's capability to address the present and future challenges.

Name of Bank	Number of Meetings Jan-Dec 2022	Percentage
KCB Bank	5 of 5	100%
Standard Chartered Bank	5 of 5	100%
Co-operative Bank	5 of 5	100%
Absa Bank	5 of 5	100%
Stanbic Bank	3 of 5	60%
Sidian Bank	3 of 5	60%
Development Bank of Kenya	4 of 5	80%
NCBA Bank	4 of 5	80%
Bank of Baroda	3 of 5	60%
Guardian Bank	3 of 5	60%
DTB Kenya	4 of 5	80%
SBM Bank	5 of 5	100%
National Bank of Kenya	3 of 5	60%

The Human Resource Ethics Committee five times in 2022.

NAME OF COMMITTEE	IT SYSTEMS AND RISKS COMMITTEE
Chairperson	Edgar Mwandawiro – SBM Bank
Vice Chairperson	Kelevilin Kimathi – Equity Bank
Secretary	Patrick Kibui – KBA Secretariat
This Committee oversees the Following Sub Committees	<ol style="list-style-type: none"> 1. Bank IT Systems Risks and Security Sub Committee 2. Bank Security Sub Committee
Sub Committee Achievements in 2022	<p>Capacity Building and Training</p> <p>The bank security Sub Committee organised and trained officers on Major bank frauds with key focus on Training on emerging frauds in cryptocurrency and impact of block-chain and cryptocurrency to banking, prevention of cybercrime/fraud, emerging card frauds and physical security systems training with focus on integration of security systems and use and management of access control systems. The Bank Security Subcommittee was key to formation of an Election Monitoring Team (EMT) to monitor, manage and advise members on possible threats and mitigations during the 2022 General Elections.</p> <p>Threat Intelligence</p> <p>The committee proposed the use of threat intelligence management tools available in the market to facilitate intelligence sharing while at the same time guaranteeing privacy and anonymity.</p> <p>Cyber Security Baselines</p> <p>Baselines for third party, card, and applications have been finalised by the Sub Committee and pending approvals for adoption for the industry. They cover Third Party management, Cloud management, Application Controls and Cards.</p> <p>Cyber Awareness campaigns</p> <p>Cybersecurity training christened “Cyber Shujaa” was conducted targeting the youth from universities across the country, and the program is to run from May 2021 through to July 2023. Cyber security webinars were held to improve awareness on cybercrime and trends.</p> <p>The Kaa Chonjo Campaign to Sensitize the customer as a unified front on online cybercrimes, social engineering, and personal PIN security. This campaign involves several players from the Retail Sector, Mobile Network Operators and Card Schemes.</p>

Name of Bank	Attendance Record	Percentage
Equity Bank	4 of 4	100%
KCB Bank	4 of 4	100%
NCBA Bank	3 of 4	75%
GT Bank	3 of 4	75%
DTB Kenya	3 of 4	75%
Family Bank	4 of 4	100%
Standard Chartered Bank	3 of 4	75%
SBM Bank	3 of 4	75%
Co-operative Bank	4 of 4	100%
Bank of Africa	4 of 4	100%
Sidian Bank	3 of 4	75%
Absa Bank	4 of 4	100%
ABC Bank	3 of 4	75%

The IT Systems and Risk Committee met four times in 2022.

NAME OF COMMITTEE	BANK IT SYSTEMS, RISK AND SECURITY SUB COMMITTEE
Chairperson	Anthony Chesaro – Stanbic Bank
Vice Chairperson	Nelson Nasongo – I & M Bank
Secretary	Moses Ng'ang'a – Bank of Africa
Sub Committee Achievements in 2022	<p>1. Automation of Threat intelligence sharing</p> <p>The committee proposed the use of threat intelligence management tools available in the market to facilitate intelligence sharing while at the same time guaranteeing privacy and anonymity. To facilitate this exercise, a taskforce was constituted and mandated to develop a framework which would be used for the identification of viable threat intelligence solutions.</p> <p>Anomali's threat intelligence solution emerged as the preferred solution after a comparison was made with other solutions in the market. A business case for threat intelligence sharing solution shall be prepared by the taskforce to justify value to the industry and also form a basis for possible consideration to purchase the same for the industry through KBA.</p> <p>2. Elections</p> <p>Baselines for third party, cards, and applications</p> <p>Quorum was met to elect the new officials whose term was reviewed to run for a period of two years. Next elections shall be held in Jan 2024. The following members were elected to the listed positions.</p> <ul style="list-style-type: none"> • Chair – Anthony Chesaro (Stanbic Bank) • Assistant Chair – Nelson Nasongo (I & M Bank) • Secretary – Lorna Wanjiru (Bank of Africa) <p>3. Baselines for third party, cards, and applications</p> <p>A task force was constituted to develop controls baseline standards which would later be circulated to the industry for review and adoption. The standards have since been finalised and are now awaiting approval by KBA's IT Systems, Risk and Security Sub Committee before they can be circulated to the industry.</p> <p>4. USIU KBA cybersecurity training targeting the youth</p> <p>Cybersecurity training christened "Cyber Shujaa" was conducted targeting the youth from universities across the country, and the program ran from May 2021 through to July 2023.</p> <p>5. Team building</p> <p>A proposal was made to have members of the Sub Committee meet socially under the umbrella of KBA, but this could not be actualised due to budgetary constraints.</p>

NAME OF COMMITTEE**IT SYSTEMS, RISK AND SECURITY SUB COMMITTEE (contd.)****Sub Committee Achievements in 2022****6. Member Trainings**

The following trainings were facilitated for member Banks:

- Swift security - a webinar was done on 10th April 2022 during which phishing was highlighted as a key pain point for most organisations.
- Data Protection - The Cyber Shujaa Data Protection Officer (DPO) course was conducted in the months of May and June at USIU and the uptake by the industry was good. The pricing for the training was KES 50,000.00 per person.

Name of Bank	Attendance Record	Percentage
Co-operative Bank	4 of 4	100%
SBM Bank	4 of 4	100%
Sidian Bank	2 of 4	50%
NCBA Bank	2 of 4	50%
Standard Chartered	3 of 4	75%
Equity Bank	2 of 4	50%
Family Bank	2 of 4	50%
Gulf African Bank	2 of 4	50%
Absa Bank	4 of 4	100%
KCB Bank	1 of 4	25%
Stanbic Bank	4 of 4	100%
I & M Bank	3 of 4	75%
Mayfair Bank	4 of 4	100%
DTB Kenya	2 of 4	50%
Citibank	4 of 4	100%
Bank of Africa	2 of 4	50%
DIB Bank Kenya	4 of 4	100%
ABC Bank	3 of 4	75%

The Bank IT Systems, Risk and Security Sub Committee met four times in 2022.

NAME OF COMMITTEE	BANK SECURITY SUB COMMITTEE
Chairperson	Ben Shichenga – GT Bank
Vice Chairperson	Edward Muchiri – Equity Bank
Secretary	Hillary Godana – DIB Kenya Bank
Assistant Secretary	Faith Lumumba – Standard Chartered Bank
This Committee handles the following tasks	<ol style="list-style-type: none"> 1. Bank Security 2. Bank Fraud
Sub Committee Achievements in 2022	<p>Quarterly Meetings</p> <p>The Sub Committee conducted four meetings for members in 2022. During the meetings, trainings were done and fraud trends affecting the industry discussed. Notably, all meetings were on site as follows.</p> <p>Q1 – Hosted by Prime Bank</p> <p>Q2 – Hosted by KCB Bank</p> <p>Q3 – Hosted by Stanbic Bank</p> <p>Q4 – Hosted by DTB Kenya</p> <p>Engagement with Telecommunication Companies and BFID</p> <p>The Sub Committee conducted stakeholders' engagement for Telcos, BFID and Bank Security Managers to discuss rampant telco related frauds and harmonize working relationship among all stakeholders.</p> <p>Training of Members</p> <p>Training on emerging frauds in cryptocurrency and impact of block-chain and cryptocurrency to banking.</p> <p>Training on prevention of cybercrime/fraud by Managecom Systems</p> <p>Training on emerging card frauds conducted by Visa.</p> <p>Training on emerging card frauds conducted by Mastercard</p> <p>Training on importance of physical security systems with focus on integration of security systems. Conducted Riana Group</p> <p>Training on use and management of access control systems.</p> <p>Constitution of Festive Season Fraud Monitoring Team</p> <p>Sub Committee initiated formation of a task committee whose mandate was to collate industry intelligence and come up with best ways of mitigating perceived fraud threats. The same could then be disseminated to members through the chair. The task committee serves members but is responsible to the Chairman Security Sub Committee.</p> <p>Constitution of Election Monitoring Team (EMT)</p> <p>The task committee was formed to monitor, manage and advise members on possible threats and mitigations thereof. The same team's mandate has been extended to manage threats that may arise from the current demonstrations. The task committee serves members but is responsible to KBA – Directors Ops and Technical Services.</p>

NAME OF COMMITTEE	BANK SECURITY SUB COMMITTEE (contd.)								
Sub Committee Achievements in 2022	<p data-bbox="655 376 1257 403">Constitution of KBA Card Fraud Task Committee</p> <p data-bbox="655 412 1484 680">The task committee was formed to monitor, manage and advise members on eminent threats arising from card frauds and possible mitigations thereof. The task comprises select members from Security Sub Committee, MasterCard and Visa. The aim is to revive concerted efforts in preventing card frauds which appeared to be a threat in the year 2022. A large team has been formed comprising staff from Card Departments of all banks to serve as a platform for training and empowerment in card fraud prevention.</p> <p data-bbox="655 723 879 750">Printer Inspection</p> <p data-bbox="655 759 1484 815">The Sub Committee took part in security printer inspection in consultation with KBA and the Clearing Sub Committee.</p> <p data-bbox="655 857 1222 884">Working Relationship with Other Committees</p> <p data-bbox="655 893 1484 1028">During the year 2022, we saw a lot of improvement in working relationship with other Sub Committees and the main committee. This fostered working relationship among officers responsible for security, fraud and investigations in the member banks.</p> <p data-bbox="655 1070 1235 1097">Working Relationship with Other Stakeholders</p> <p data-bbox="655 1106 1484 1196">During the year 2022, the committee invited other stakeholders to attend and respond to issues during quarterly meeting and adhoc meeting on need basis. The following were reached by the committee:</p> <ul data-bbox="655 1205 802 1301" style="list-style-type: none"> • KRA • TELCOS • BFID 								
Election of New Office Bearers	<p data-bbox="655 1346 1484 1402">Our office having served for two consecutive terms, election was held for new office bears as follows:</p> <table data-bbox="655 1431 1342 1608"> <tr> <td>Chairperson</td><td>Edward Muchiri – Equity Bank</td></tr> <tr> <td>Vice Chairperson</td><td>Joseph Yegon – KCB Bank</td></tr> <tr> <td>Secretary</td><td>Edwin Sikini – Rafiki Micro Finance</td></tr> <tr> <td>Assistant Secretary</td><td>Naomi Mutua – Credit Bank</td></tr> </table>	Chairperson	Edward Muchiri – Equity Bank	Vice Chairperson	Joseph Yegon – KCB Bank	Secretary	Edwin Sikini – Rafiki Micro Finance	Assistant Secretary	Naomi Mutua – Credit Bank
Chairperson	Edward Muchiri – Equity Bank								
Vice Chairperson	Joseph Yegon – KCB Bank								
Secretary	Edwin Sikini – Rafiki Micro Finance								
Assistant Secretary	Naomi Mutua – Credit Bank								
Sub Committee 2023 Goals	<ol style="list-style-type: none"> 1. Explore and deploy a centralized fraud database that will be tapped by member banks during fraud and security investigations. 2. Promote collaborative investigations to be conducted by law enforcement agencies when addressing common industry threats to leverage on intelligence gathering and maximise value for the limited resources. 3. Identify data management gaps and deploy initiatives that prevent leakage of data to fraudsters. 								

Name of Bank	Attendance Record	Percentage
Equity Bank	4 of 4	100%
KCB Bank	4 of 4	100%
GT Bank	3 of 4	100%
DTB Kenya	4 of 4	75%
Family Bank	4 of 4	50%
Standard Chartered Bank	3 of 4	75%
I & M Bank	4 of 4	100%
NCBA Bank	4 of 4	75%
Co-operative Bank	4 of 4	75%
Bank of Africa	4 of 4	100%
Sidian Bank	3 of 4	75%
NCBA Bank	4 of 4	100%
DIB Kenya Bank	4 of 4	100%
Ecobank	2 of 4	100%
First Community Bank	3 of 4	75%
Faulu Microfinance Bank	3 of 4	75%
Credit Bank	3 of 4	75%
Postbank	4 of 4	100%
Gulf African Bank	3 of 4	75%
Kingdom Bank	3 of 4	75%
ABC Bank	4 of 4	100%
Stanbic Bank	4 of 4	100%
Middle East Bank	2 of 4	50%
Citibank	0 of 4	100%
Absa Bank	4 of 4	100%
HF Group	3 of 4	75%
Paramount Bank	3 of 4	75%
Victoria Commercial Bank	2 of 4	50%
Mayfair CIB	2 of 4	50%
Prime Bank	4 of 4	100%
Bank of Baroda	2 of 4	50%
KWFT	2 of 4	50%
SBM Bank	3 of 4	75%
Rafiki Microfinance Bank	1 of 4	25%
Bank of India	0 of 4	0%
Habib Bank AG Zurich	0 of 4	0%
UBA Bank	1 of 4	25%
Development Bank	0 of 4	0%
Access Bank	0 of 4	0%
Spire Bank	4 of 4	100%

The Bank Security Sub Committee met four times in 2022.

NAME OF COMMITTEE	LEGAL AFFAIRS COMMITTEE
Chairperson	Steve Atinya – NCBA Bank
Vice Chairperson	Belinda Ngángá – HF Group
Secretary	Raimond Molenje – Kenya Bankers Association
Committee Mandate	<ol style="list-style-type: none"> 1. Providing a forum for member banks to discuss non-competitive issues relating to the management of legal risks in the banking industry. 2. Monitor developments of new legislation, regulations and policies affecting the industry and intervene for purposes of securing the industry's interests and facilitate a conducive operating environment for banks. 3. Advising the Governing Council and the industry on the impact of proposed laws, regulations, and policies as well as court decisions having an impact to the industry. 4. Stakeholder engagement on matters of interest to the industry with diverse business member organizations and other institutions. 5. Undertake capacity building for the industry's legal teams.
Sub Committee Achievements in 2022	<ol style="list-style-type: none"> 1. Coordination of Industry Litigation During the period, the Association coordinated and managed 9 litigation matters at various stages aimed at securing the banking industry's interest with highlights on the following cases: <ul style="list-style-type: none"> • High Court Case Number E237 of 2020 National Association of Kenya Auctioneers vs Kenya Bankers Association and 13 others being a petition that was filed by the Auctioneers opposed to the direct sale of bank repossessed assets especially motor vehicles by banks. Judgement was delivered in favour of the banking industry with the court declining to grant the orders sought by the Auctioneers. • Intellectual Property Case Number 94 of 2020 Kibo Capital Group Limited & Onyango Jasper Ochieng vs PesaLink on the generation of proof of payment receipt beyond the SMS receipt in printable PDF form for all PesaLink Transactions. The Association successfully challenged the claim and judgement was delivered, with the Tribunal finding that the case by Kibo Capital Group lacked merit in its entirety and the same was dismissed with costs to PesaLink. • High Court Constitutional Petition Number E237 of 2021 Persons with Disabilities Case vs Attorney General, Council of Governors, Supermarkets, Telcoms, Banks, Central Bank of Kenya, Kenya Bankers Association among others the petition sought to compel National and County Governments and Private Sector to fully comply with the provisions of the Disability Act, Public Health Act and Rules on having special ramps, special toilets, and sanitation facilities for use by Persons with Disabilities. The ruling was delivered affording the Government and Private Sector grace period to fully comply with the law.

NAME OF COMMITTEE**LEGAL AFFAIRS COMMITTEE (contd.)****Sub Committee Achievements in 2022**

- **Supreme Court Appeal No. 12 (E014) of 2022 Barclays Bank (K) Ltd (Now Absa) -vs- KRA** where the Association and Mastercard were allowed by the Supreme Court to join Absa Bank in the appeal to the Supreme Court challenging the levying of excise duty on card transactions that has significant adverse impact to banking operations.

2. National Land Information Management System (NLIMS)

The National Land Information Management System (NLIMS) was launched in 2021 creating a platform for land transactions to be undertaken digitally with the digital platform being named Ardhisa. In the two years of Ardhisa existence, all players in the land sector have encountered frustrations in processing transactions on the platform with banks having in excess of 1,100 bank-financed land transactions with a total value of KES 104 billion pending on the platform.

The Association has continued to engage the Ministry of Lands, Public Works, Housing and Urban Development in collaboration with the Law Society of Kenya and the Institution of Surveyors of Kenya and a Technical Committee of the said stakeholders is in place to identify and resolve the challenges to unlock the stalled business transactions pending on Ardhisa.

Name of Bank	Attendance Record	Percentage
Stanbic Bank	6 of 6	100%
Standard Chartered Bank	6 of 6	100%
Absa Bank	6 of 6	100%
Bank of Africa	6 of 6	100%
National Bank of Kenya	6 of 6	100%
Co-operative Bank	5 of 6	83%
KCB Bank	5 of 6	83%
DTB Kenya	5 of 6	83%
DIB Bank Kenya	5 of 6	83%
HF Group	4 of 6	67%
Consolidated Bank	5 of 6	83%
Equity Bank	5 of 6	83%
NCBA Bank	5 of 6	83%
Sidian Bank	6 of 6	100%
I & M Bank	4 of 6	67%
CitiBank	5 of 6	83%
UBA Bank	4 of 6	67%
ABC Bank	4 of 6	67%
Family Bank	4 of 6	67%
Ecobank Kenya	5 of 6	83%
Guardian Bank	5 of 6	83%
Victoria Commercial Bank	4 of 6	67%
First Community Bank	5 of 6	83%

The Legal Affairs Committee met six times in 2022.

NAME OF COMMITTEE	OPERATIONS & TECHNICAL COMMITTEE
Chairperson	Elizabeth Kimani – ABC Bank
Vice Chairperson	Miring'u Ng'ang'a – Equity Bank
Secretary	Patrick Kibui – Kenya Bankers Association
Committee Mandate	<p>This Committee of the KBA oversees Technical aspects of the Industry and has three Sub Committees reporting to It:</p> <ul style="list-style-type: none"> • National Payments Systems (NPS) Sub Committee • Automated Clearing House (ACH) Sub Committee • Credit and Islamic Advisory Sub Committee
Sub Committee Achievements in 2022	<p>ACH Upgrade ISO20022</p> <p>The ACH upgrade commenced and integration of the system to individual banks Core banking system was done.</p> <p>Testing commenced and cutover planned by Q1 2023.</p> <p>The file formats and the clearing sessions agreed upon by the Clearing House Sub Committee were approved by the committee.</p> <p>Through its Sub Committees, these are the major achievements in the year:</p> <ol style="list-style-type: none"> There were 3 disaster recovery tests successfully on the ACH system in the year. Workshops to deliberate on the migration of the ACH systems to the ISO 20022 standard. Cheque printers' accreditation was performed, and Certificates were awarded. One security printer was identified to have control gaps and granted interim accreditation during the review awaiting a review in 2022. ACH Hardware was Upgraded. The chair of the Credit and Islamic Banking advisory Sub Committee updated working with the legal committee on the changes on Land Titles and digitization from a lender's perspective. <p>NPS Sub Committee</p> <ol style="list-style-type: none"> The changes in KEPSS Rules and Regulation were discussed by the members. IPSL Switch 2.0 has been upgraded and 96% of all banks have migrated to the new system. <p>The Ops and tech committee was in consultation with the National Treasury as the GOK prepared to implement the E-Government Procurement System.</p>

Name of Bank	Attendance Record	Percentage
DTB Kenya	4 of 4	100%
Equity Bank	4 of 4	100%
Bank of Africa	3 of 4	75%
ABC Bank	4 of 4	100%
NCBA Bank	3 of 4	75%
Standard Chartered Bank	3 of 4	75%
Stanbic Bank	3 of 4	75%
I & M Bank	3 of 4	75%
Co-operative Bank	3 of 4	75%
Equity Bank	4 of 4	100%
HF Group Kenya	2 of 4	50%
Absa Bank	2 of 4	50%
Citibank	2 of 4	50%
KCB Bank	2 of 4	50%

The Operations and Technical Committee met four times in 2022.

NAME OF COMMITTEE	CLEARING HOUSE SUB COMMITTEE
Chairperson	Brian Koletit - Citibank
Vice Chairperson	Michael Mucheru – NCBA Bank
Secretary	Anne Nyaguthie – ABC Bank
Sub Committee Priorities 2022	<ul style="list-style-type: none"> The Automated Clearing House Sub Committee, in collaboration with KBA secretariat and the Central Bank of Kenya, had a very efficacious year coupled with the enactment of major industry projects and smooth operations at the Clearing House all year round. The Sub Committee succeeded in having more than 10 sittings during the year. I extend my heartfelt appreciation to the members of this Sub Committee for the gallant service and prodigious commitment towards the achievement of its goals for the year.
Sub Committee Achievements in 2022	<p>The ACH Sub Committee managed to achieve below milestones.</p> <p>ACH ISO 20022 Implementation</p> <ul style="list-style-type: none"> I am happy to report that the Sub Committee completed the process of coming up with the ACH file formats as per the ISO 20022 file formats and commenced the industry User Acceptance Tests on the same. Kenya's Automated Clearing House successfully adopted the ISO 20022 international standards. The project was first rolled out in 2020 but was delayed due to the COVID-19 pandemic. Go Live is planned for 10th March 2023. <p>ACH Hardware Upgrade</p> <ul style="list-style-type: none"> The Clearing House Sub Committee, in conjunction with the ACH vendor and the Central Bank of Kenya successfully upgraded the ACH hardware both at the primary site and Disaster Recovery location. The project was successfully completed within the planned timelines <p>ACH Rules and Standards Review and Version Update</p> <ul style="list-style-type: none"> To ensure that the ACH ISO 20022 is successfully implemented, the Sub Committee reviewed the Kenya ACH Rules and Standards and came up with the new version of it. This was achieved through detailed review by the industry experts in conjunction with the KBA secretariat, the Central Bank of Kenya and the Kenya ACH ISO 20022 project Manager (KPMG). The new rules and standards will be launched as part of the Kenya ACH ISO 20022 project go live.

NAME OF COMMITTEE	CLEARING HOUSE SUB COMMITTEE (contd.)
Sub Committee Achievements in 2022	<p data-bbox="655 376 991 403">Bank Disputes Arbitrations</p> <ul data-bbox="655 409 1487 577" style="list-style-type: none"> • We are happy to report that there have been no bank disputes arbitration request in 2022. This is a testimony that cheque frauds have reduced following the industry-wide fraud workshop and Clearing Managers workshop facilitated by the Sub Committee in the recent past. <p data-bbox="655 618 951 645">Disaster Recovery Tests</p> <ul data-bbox="655 651 1487 853" style="list-style-type: none"> • The Clearing House Sub Committee, in conjunction with the Clearing House Inspector performed three disaster recovery tests on the ACH System in 2022. • This was to ensure that the industry is ready to operate smoothly and efficiently in case of any unforeseen disruption on the production environment. <p data-bbox="655 893 1166 920">Security Printer review and Accreditation</p> <ul data-bbox="655 927 1487 1095" style="list-style-type: none"> • To ensure that the cheques in the industry are of high standards, safe and secure, the Sub Committee successfully conducted Security Printers review and accredited those printers which met the KBA cheque printing standards for the year 2022/3. All member banks were advised of the KBA accredited printers. <p data-bbox="655 1135 1078 1162">Industry Trainings and Workshops</p> <p data-bbox="655 1169 1487 1236">The Sub Committee organized and facilitated 5 industry-wide trainings and workshops in 2022.</p> <p data-bbox="655 1274 919 1301">The main topics were;</p> <ol data-bbox="655 1308 1466 1408" style="list-style-type: none"> 1. The ACH ISO 20022 standards Awareness and project updates 2. The Revised ACH Rules and Standards Awareness 3. The Clearing processes best practices <p data-bbox="655 1449 1487 1516">All member banks had their representatives attend the trainings/workshops.</p>
Sub Committee 2023 Goals	<ol data-bbox="655 1561 1474 1695" style="list-style-type: none"> 1. Implementation of ISO 20022 file formats at the ACH 2. Hold bank disputes arbitration sessions. 3. Perform at least two ACH disaster recovery tests during the year 4. Perform Security Printer review and accreditation.

Name of Bank	Attendance Record	Percentage
KCB Bank	9 of 12	75%
Standard Chartered Bank	11 of 12	92%
Absa Bank	11 of 12	92%
I & M Bank	10 of 12	83%
Co-operative Bank	12 of 12	100%
Citibank	12 of 12	100%
ABC Bank	11 of 12	92%
Equity Bank	10 of 12	83%
Prime Bank	12 of 12	100%
Central Bank of Kenya	12 of 12	100%
Gulf African Bank	12 of 12	100%
NCBA Bank	12 of 12	100%
DTB Kenya	12 of 12	100%

The Clearing House Sub Committee met twelve times in 2022.

NAME OF COMMITTEE	CREDIT AND ISLAMIC ADVISORY SUB COMMITTEE
Chairperson	Christine Mainji-Marandu – Absa Bank
Vice Chairperson	Badru Swaleh – DIB Bank Kenya
Secretary	Dr. Samuel Tiriongo – Kenya Bankers Association
Sub Committee Priorities 2022	<ul style="list-style-type: none"> • To provide a forum for member banks to discuss non-competitive issues relating to the management of credit risk in the banking industry, including monitoring developments in implementing the credit information-sharing mechanism. • To continuously work towards entrenching credit pricing transparency as underpinned by the Annual Percentage Rate (APR). • Champion training on the credit market deepening across the cycle – from deal identification, closure, and management.
Sub Committee Achievements in 2022	<p>2022 was characterised by notable engagements including capacity building engagements by the Sub Committee in collaborations with reputable institutions. These collaboration with reputable international institutions has become an integral component for the industry's capacity building, in facilitating the transfer of international best practices hence supporting the industry's efficiency. Among the capacity building engagements rolled out during the year include:</p> <ol style="list-style-type: none"> a) In collaboration with the Moody's Analytics, three capacity building engagements was undertaken in 2022. These engagements focussed on <ol style="list-style-type: none"> i. Top-down stress stressing perspectives with a focus on the data gaps and modelling challenges; best practices; accounting vs. stress testing models; and model governance (including monitoring and data collection) structures; ii. Risk-based pricing webinar with a focus the drivers of risk-based pricing, risk-based pricing best practices and building blocks, and more importantly on ESG and Climate Risk, and how theses can incorporated into the risk-based pricing framework; iii. a webinar on the global and regional economic developments and prospects as well as a continuation of the discussions of the best practices for ESG and climate assessments. Moreover, the engagements also focussed on the pillars of effective early warning framework and financial crime compliance in the current geopolitical context. b) In collaboration with Japan International Cooperation Agency (JICA), the Sub Committee held a capacity building session focusing on the strategic approaches to climate change adaptation in banking building on case studies of banks in Japan and other countries.

NAME OF COMMITTEE	CREDIT AND ISLAMIC ADVISORY SUB COMMITTEE (contd.)
Sub Committee Achievements in 2022	<p data-bbox="539 378 1369 539">b) In collaboration with Japan International Cooperation Agency (JICA), the Sub Committee held a capacity building session focusing on the strategic approaches to climate change adaptation in banking building on case studies of banks in Japan and other countries.</p> <p data-bbox="539 589 1369 645">Besides the capacity building engagements, the Sub Committee also focused on other industry important developments including:</p> <p data-bbox="539 656 1369 786">a) Review of progress with risk-based pricing models approvals by the Central Bank of Kenya as well as sharing of insights on the diversity of the risk-based price frameworks adopted by the industry.</p> <p data-bbox="539 797 1369 927">b) Challenges faced by banks with Islamic windows, especially the fully-fledged Islamic Banks continue both in the context of risk-based pricing frameworks, deposit insurance frameworks and liquidity management instruments are not shariah compliant.</p> <p data-bbox="539 969 1369 1061">The Committee, collaborating with the Communications and Public Affairs department of KBA, continued to monitor the revamping of the Total Cost of Credit Calculator.</p>
Sub Committee 2023 Goals	<p data-bbox="539 1104 1369 1160">1. To continue spearheading the rollout of a series of capacity-building training on implementing risk-based pricing frameworks.</p> <p data-bbox="539 1171 1369 1227">2. Work towards entrenching risk-based credit pricing as supported by the credit information sharing (CIS) mechanism.</p> <p data-bbox="539 1238 1369 1330">3. Integrate aspects of Islamic Finance into the Sub Committee's activities following the decision of combining its activities with those of the Islamic Finance Advisory Sub Committee.</p>

Name of Bank	Attendance Record	Percentage
Absa Bank	3 of 3	100%
ABC Bank	2 of 3	67%
Bank of Baroda	0 of 3	0%
Caritas Microfinance Bank	0 of 3	0%
Co-operative Bank	0 of 3	0%
DTB Kenya	0 of 3	0%
DIB Bank Kenya	1 of 3	33%
Ecobank	0 of 3	0%
Equity Bank	0 of 3	0%
First Community Bank	1 of 3	33%
Gulf African Bank	2 of 3	67%
I & M Bank	2 of 3	67%
KCB Bank	1 of 3	33%
National Bank	0 of 3	0%
NCBA Bank	1 of 3	33%
SBM Bank	0 of 3	0%
Sidian Bank	2 of 3	67%
Stanbic Bank	2 of 3	67%
Standard Chartered Bank	2 of 3	67%
UBA Bank	0 of 3	0%

The Credit and Islamic Finance Advisory Sub Committee met three times in 2022.

NAME OF COMMITTEE	NATIONAL PAYMENTS SUB COMMITTEE
Chairperson	Michael Nangole – Co-operative Bank
Vice Chairperson	Doreen Mulera – DIB Bank Kenya
Secretary	Patrick Kibui – Kenya Bankers Association
Sub Committee Achievements in 2022	<p>Currency centres Operation at the four currency centers has been stable and seamless. (Meru, Nakuru, Nyeri and Kisii)</p> <p>PesaLink 2.0 project PesaLink Migration of banks to PesaLink 2.0 is at 96% by end of 2022.</p> <p>KEPPS Rules & Regulations</p> <ul style="list-style-type: none"> • It was noted that the suggestions discussed by the committee in the previous meeting had been forwarded to the CBK and are waiting for the final feedback from CBK. • Once the feedback is received there will be a stakeholder's meeting to finalize the changes suggested. <p>ISO 20022 Project</p> <ul style="list-style-type: none"> • This project is being driven by both Swift user group and CBK NMG team. • All member banks have undertaken training programs during the period of Jan to March 2022, for both operational and technical teams. • The industry has had several workshops in Q2 & Q4 2022 organized by both CBK and SWIFT group. • The KEPSS ISO 20022 message Standards are now published and available on the CBK My standard Swift portal as at March 22, 2023 plus its Usage guidelines. • Local domestic industry migration timeline pushed to early October 2023 where all banks are expected to have been ready for a big bang migration. • Testing is currently ongoing across all member banks. • The migration to ISO 20022 for Cross-border payments and reporting (CBPR+) successfully began on 20 March 2023, marking a major milestone for the global payments industry. The go-live also kicked off the start of a coexistence period until November 2025 where both MT and ISO 20022 messages will be supported. • ACH ISO 20022 successfully went live on March 10th, 2023.

NAME OF COMMITTEE	NATIONAL PAYMENTS SUB COMMITTEE (contd.)
Sub Committee 2023 Goals	<ul style="list-style-type: none"> • Cash Centres <ul style="list-style-type: none"> - Smooth and efficient operations of all the four Currency centres. • Actively participate in the ongoing initiative/discussions on Central Bank Digital Currency. • CBK NPS strategy 2022-2025 <ul style="list-style-type: none"> - Collaborate and support implementation of CBK NPS Strategy 2022-2025. • PesaLink Initiatives <ul style="list-style-type: none"> - Pursue all members to upgrade to new PesaLink version 2.0 - Increase the merchant integrations. - Move direct debits to PesaLink - Industry Standards on Recalls (PesaLink and RTGS) - Discussion on going on developing a guideline on process recalled payment - Focus on the cashless initiative and look for ways to reduce the use of cash

Name of Bank	Attendance Record	Percentage
DTB Kenya	5 of 8	63%
Citibank	6 of 8	75%
Bank of Africa	5 of 8	63%
Stanbic Bank	8 of 8	100%
NCBA Bank	5 of 8	63%
Family Bank	6 of 8	75%
IPSL	6 of 8	75%
Ecobank	5 of 8	63%
Co-operative Bank	8 of 8	100%
Standard Chartered Bank	4 of 8	50%
DIB Bank Kenya	4 of 8	50%
Equity Bank	5 of 8	63%
Absa Bank	4 of 8	50%
KCB Bank Kenya	6 of 8	75%

The National Payments Sub Committee met eight times in 2022.

NAME OF COMMITTEE	PUBLIC RELATIONS COMMITTEE
Chairperson	Catherine Njoroge – Stanbic Bank
Vice Chairperson	Abigael Opondo – Sidian Bank
Secretary	Christine Onyango – Kenya Bankers Association
Sub Committee Achievements in 2022	<ul style="list-style-type: none"> • The KBA Public Relations Committee supported the industry's advocacy initiatives. Through the Committee, the Association convened a forum with the media, where discussions were held on the importance of training journalists on business reporting and considering including vernacular stations in industry campaigns to expand reach. • The Committee, in conjunction with the KBA Customer Service Working Group, supported the 2023 Customer Satisfaction Survey, achieving over 33,000 responses. The survey is the basis for ongoing industry interventions to enhance industry customer experience. • The Committee supported the banking industry 60th Anniversary celebrations. Held under the theme 'New Frontiers' the forum facilitated discourse on various aspects of industry growth and sustainability. • Cumulatively, the Association obtained a Public Relations Value of KES 158 million in 2022, up from an average of KES 150 million obtained in 2021. The cumulative reach for the year 2022 of 128 million compared to an audience reach of 113 million reported in 2021. This improvement was achieved by leveraging on unpaid mainstream media coverage opportunities.
Committee 2023 Goals	<ul style="list-style-type: none"> • Persons with Disability roadmap implementation progress report. • Publish the Customer Satisfaction Survey 2023. • Publish industry shared value report. • Advance KBA Lobbying and Advocacy initiatives through stakeholder engagements and partner with various media organisations to increase thought leadership opportunities for both KBA and PR committee members. • Build member banks capacity to be responsive and adaptive to the needs of Persons with Disability. • Support with the development of a KBA members Digital engagement guide to help curb cyber bullying amongst member banks.

Name of Bank	Attendance Record	Percentage
Bank of Africa	1 of 3	33.3%
Bank of Baroda	2 of 3	66.6%
Caritas Microfinance Bank	1 of 3	33.3%
Consolidated Bank	1 of 3	33.3%
Co-operative Bank	3 of 3	100%
DTB Kenya	3 of 3	100%
DIB Bank	2 of 3	66.6%
Ecobank	3 of 3	100%
Equity Bank	2 of 3	66.6%
Gulf African Bank	3 of 3	100%
I & M Bank	2 of 3	66.6%
KCB Group	3 of 3	100%
NCBA Bank	2 of 3	66.6%
SBM Bank	1 of 3	33.3%
Sidian Bank Limited	3 of 3	100%
Stanbic Bank Kenya Limited	3 of 3	100%
Standard Chartered Bank	2 of 3	66.6%

The Public Relations Committee met three times in 2022.

Financial Statements



Financial Statements

In this section

Report of the Governing Council	105
Statement of Governing Council's Responsibilities	106
Independent Auditor's Report	107
Statement of Income and Expenditure	109
Statement of Financial Position	110
Statement of Changes in Members' Funds	111
Statement of Cash Flows	112
Accounting Policies	113
Notes to the Financial Statements	118
Schedule of Operating Expenditure	126

Governing Council	Mr. John Gachora	Chairman
	Mrs. Rebecca Mbithi	Vice Chair
	Mr. Paul Russo	
	Dr. Gideon Muriuki	
	Mr. Gerald Warui	
	Mrs. Nasim Devji	
	Mr. Kariuki Ngari	
	Mr. Yusuf Omari	
	Mr. Kihara Maina	
	Mr. Martin Mugambi	
	Mr. Moezz Mir	
	Mr. Cheick Travaly	
	Mrs. Rose Kagucia	
	Mr. Isaac Mwige	
	Ms. Betty Korir	
	Mr. Mwangi Githaiga	
Chief Executive Officer	Dr. Habil Olaka	
Registered Office	International House 13 th Floor, Mama Ngina Street P.O. Box 73100 - 00200 Nairobi, Kenya. L. R. No. 209/6871	
Bankers	KCB Bank Kenya Limited Moi Avenue Branch P.O. Box 30081 - 00100 Nairobi, Kenya.	
	Central Bank of Kenya Haile Selassie Avenue P.O. Box 60000 - 00200 Nairobi, Kenya.	
	Standard Chartered Bank Kenya Limited Moi Avenue P.O. Box 30003 - 00100 Nairobi, Kenya.	
Auditors	BDO East Africa Kenya Certified Public Accountants of Kenya The Westwood, 9 th Floor Vale Close, Off Ring Road Westlands P.O. Box 10032 - 00100 Nairobi, Kenya	
Legal Advisors	Dentons Hamilton Harrison & Mathews P.O. Box 30333 - 00100 Nairobi, Kenya.	
	J.N. Namasake & Co. Advocates P.O. Box 9479 - 00100 Nairobi, Kenya.	
	TripleOKLaw Advocates P.O. Box 43178 - 00100 Nairobi, Kenya.	
	Anjarwalla & Khanna LLP ALN House, Eldama Ravine Close Off Eldama Ravine Road, Westlands P.O. Box 200 - 00606 Nairobi, Kenya	

Report of the Governing Council

The Governing Council submit their report together with the audited financial statements of the Group and the Association for the year ended 31 December 2022.

1. Principal Activities

The principal activities of the Group is to play an advocacy role for the banking industry, managing operations of an automated Clearing House, negotiating collective bargaining agreements on behalf of member banks with their employee's recognised union, and provision of an online platform for real time clearing and settlement of payments between banks and payment solution companies.

2. Review of Financial Results and Activities

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standard for Small and Medium-sized Entities. The accounting policies have been applied consistently compared to the prior year.

3. Results for the Year

The Group's results for the year ended 31 December 2022 are set out on page 109.

4. Governing Council

The Governing Council members who held office during the year and up to the date of this report are listed on page 104.

5. Events After the Reporting Period

The Governing Council is not aware of any material event which occurred after the reporting date and up to the date of this report.

6. Statement of Disclosure to the Group's Auditors

With respect to each member of the Governing Council on the day that this report is approved:

- there is, so far as the Governing Council is aware, no relevant audit information of which the association's auditors are unaware; and
- the Governing Council has taken all the steps that it ought to have taken as a Council to be aware of any relevant audit information and to establish that the Group's auditors are aware of that information.

7. Terms of Appointment of the Auditors

BDO East Africa Kenya have expressed their willingness to continue in office.

The Governing Council approve the annual audit engagement contract which sets out the terms of the auditor's appointment and the related fees. The agreed auditor's remuneration of KES 1,200,000 has been charged to the statement of income and expenditure in the year.

The financial statements set out on pages 109 to 126, which have been prepared on the going concern basis, were approved by the Governing Council on 13 - 03 - 2023, and were signed on its behalf by:



By order of the Governing Council

Statement of Governing Council's Responsibilities

The Governing Council is required to prepare financial statements for each financial year that give a true and fair view of the financial position of the Group as at the end of the financial year and of its surplus or deficit for that year. The Governing Council is also required to ensure that the Group maintains proper accounting records that are sufficient to show and explain the transactions of the Group and disclose, with reasonable accuracy, the financial position of the Group.

The financial statements are prepared in accordance with the International Financial Reporting Standard for Small and Medium-sized Entities and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The Governing Council accept responsibility for the preparation and presentation of these financial statements in accordance with the International Financial Reporting Standard for Small and Medium-sized Entities. They also accepts responsibility for:

- designing, implementing and maintaining such internal controls as they determine necessary to enable the presentation of financial statements that are free of material misstatement, whether due to fraud or error;
- selecting suitable accounting policies and applying them consistently; and
- making accounting estimates and judgements that are reasonable in the circumstances.

The Governing Council is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

Having made an assessment of the Group's ability to continue as a going concern, the Governing Council is not aware of any material uncertainties related to events or conditions that may cast doubt upon the Group's ability to continue as a going concern.

The Governing Council acknowledges that the independent audit of the financial statements does not relieve them of their responsibilities.

The external auditors are responsible for independently auditing and reporting on the Group's financial statements. The financial statements have been examined by the Group's external auditors and their report is presented on pages 107 to 108.

The financial statements set out on pages 109 to 126, which have been prepared on the going concern basis, were approved by the Governing Council on **13-03-2023** and were signed on its behalf by:

By Order of the Governing Council



Chairperson



Council Member

Independent Auditor's Report

to the Members of Kenya Bankers Association

Opinion

We have audited the financial statements of Kenya Bankers Association (the "Association") and its subsidiary (together the "Group") set out on pages 109 to 126, which comprise the Statement of Financial Position as at 31 December 2022, Statement of Income and Expenditure, Statement of Changes in Members' Funds and Statement of Cash Flows for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Group as at 31 December 2022, and its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standard for Small and Medium-sized Entities.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Association in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (Parts 1, 3 and 4A) (IESBA Code) and other independence requirements applicable to performing audits of Auditor's Responsibilities for the Audit of the Financial Statements in Kenya. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and in accordance with other ethical requirements applicable to performing audits in Kenya. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

The Governing Council is responsible for the other information. The other information comprises the information included in the annual report but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Governing Council for the Financial Statements

The Governing Council is responsible for the preparation and fair presentation of the financial statements in accordance with the International Financial Reporting Standard for Small and Medium-sized Entities, and for such internal control as the Governing Council determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Governing Council is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Governing Council either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with International Standards on Auditing will always detect a material misstatement when it exists.

Independent Auditor's Report continued.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Governing Council.
- Conclude on the appropriateness of the Governing Council's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Governing Council regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.


Report on Other Legal and Regulatory Requirements

We report to you based on our audit that:

- we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of the audit;
- in our opinion, proper books of account have been kept by the Group, so far as appears from examination of those books; and
- the Group's Statement of Financial Position and Statement of Income and Expenditure are in agreement with the books of account.

BDO East Africa Kenya

Regulated by ICPAK, License Number: PF/0015
The Westwood, 9th Floor
Vale Close, Off Ring Road, Westlands, Nairobi, Kenya



Signed on behalf of BDO East Africa Kenya by Kennedy Wandahi

Partner responsible for the independent audit

Practicing certificate number: P/2557

Membership number: 16791

Date 31-03-2023

Statement of Income and Expenditure

for the year ended 31 December 2022

	Note	Group		Association	
		2022 KES	2021 KES	2022 KES	2021 KES
Revenue	2	631,172,017	344,203,494	393,212,247	302,000,005
Other income	3	87,783,086	77,857,992	84,404,682	77,533,096
Project related expenses		(168,688,723)	(144,706,886)	(168,688,723)	(144,706,886)
Administrative expenses		(423,498,050)	(313,942,465)	(168,882,653)	(147,305,497)
Establishment expenses		(115,604,783)	(127,765,952)	(72,100,065)	(62,367,562)
Finance costs (income)	4	(2,537,046)	1,163,709	(21,938)	—
Surplus (deficit) before taxation	5	8,626,501	(163,190,108)	67,923,550	25,153,156
Taxation	6	(331,130)	(723,990)	(6,624,188)	(5,202,829)
Net surplus (deficit)		8,295,371	(163,914,098)	61,299,362	19,950,327

Statement of Financial Position

as at 31 December 2022

	Note	Group		Association	
		2022 KES	2021 KES	2022 KES	2021 KES
Assets					
Non-Current Assets					
Property and equipment	7	315,886,035	367,870,865	257,342,171	312,887,638
Intangible assets	8	108,394,686	69,643,822	63,475,877	5,968,657
Investments in subsidiary	9	—	—	1,808,580,000	1,808,580,000
Loan to subsidiary	10	—	—	177,722,080	51,869,459
Deferred tax	11	10,471,732	3,550,653	—	—
Current tax recoverable		1,496,732	—	321,081	—
		436,249,185	441,065,340	2,307,441,209	2,179,305,754
Current Assets					
Subscription and other receivables	12	116,051,684	152,624,074	61,604,011	144,988,999
Cash at bank and in hand	14	386,786,768	201,877,848	312,341,963	178,249,134
		502,838,452	354,501,922	373,945,974	323,238,133
Total Assets		939,087,637	795,567,262	2,681,387,183	2,502,543,887
Funds and Liabilities					
Members' funds					
Contribution for investment in subsidiary		2,040,000,002	1,890,000,002	2,040,000,002	1,890,000,002
Entrance fees and penalties reserves		166,388,520	136,188,520	166,388,520	136,188,520
Capital fund		218,133,134	262,660,840	218,133,134	262,660,840
Revenue reserve		(1,712,471,198)	(1,690,566,569)	119,322,437	88,223,075
		712,050,458	598,282,793	2,543,844,093	2,377,072,437
Liabilities					
Current Liabilities					
Trade and other payables	15	227,037,179	196,350,752	137,543,090	124,546,777
Current tax payable		—	933,717	—	924,673
		227,037,179	197,284,469	137,543,090	125,471,450
Total Fund and Liabilities		939,087,637	795,567,262	2,681,387,183	2,502,543,887

The financial statements and the notes on pages 106 to 126, were approved by the Governing Council on the 31-03-2023 and were signed on its behalf by:


Chairman


Council Member

Statement of Changes in Members' Funds

for the year ended 31 December 2022

	Contribution For Investment in Subsidiary KES	Entrance Fees and Penalties Reserve KES	Capital Fund KES	Revenue Reserve KES	Total KES
GROUP					
Balance at 1 January 2021	1,740,000,002	136,188,520	34,654,314	(1,526,652,471)	384,190,365
Deficit for the year	—	—	—	(163,914,098)	(163,914,098)
Contributions received in the year	150,000,000	—	—	—	150,000,000
Additions in the year	—	—	272,534,232	—	272,534,232
Transfer to other operating income	—	—	(44,527,706)	—	(44,527,706)
Balance at 1 January 2022	1,890,000,002	136,188,520	262,660,840	(1,690,566,569)	598,282,793
Surplus for the year	—	—	—	8,295,371	8,295,371
Transfer to entrance fees and penalties reserve	—	30,200,000	—	(30,200,000)	—
Contributions received in the year	150,000,000	—	—	—	150,000,000
Transfer to other operating income	—	—	(44,527,706)	—	(44,527,706)
Balance at 31 December 2022	2,040,000,002	166,388,520	218,133,134	1,712,471,198	712,050,458
ASSOCIATION					
Balance at 1 January 2021	1,740,000,002	136,188,520	34,654,314	68,272,748	1,979,115,584
Surplus for the year	—	—	—	19,950,327	19,950,327
Contributions received in the year	150,000,000	—	—	—	150,000,000
Additions in the year	—	—	272,534,232	—	272,534,232
Transfer to other operating income	—	—	(44,527,706)	—	(44,527,706)
Balance at 1 January 2022	1,890,000,002	136,188,520	262,660,840	88,223,075	2,377,072,437
Surplus for the year	—	—	—	61,299,362	61,299,362
Transfer to entrance fees and penalties reserve	—	30,200,000	—	(30,200,000)	—
Contributions received in the year	150,000,000	—	—	—	150,000,000
Transfer to other operating income	—	—	(44,527,706)	—	(44,527,706)
Balance at 31 December 2022	2,040,000,002	166,388,520	218,133,134	119,322,437	2,543,844,093

Statement of Cash Flows

for the year ended 31 December 2022

	Note	Group		Association	
		2022 KES	2021 KES	2022 KES	2021 KES
Cash flows from operating activities					
Cash generated from operations	16	134,249,425	243,637,611	181,313,289	356,398,703
Finance costs (income)		(2,537,046)	1,163,709	(21,938)	—
Tax paid	13	(9,169,295)	(1,998,318)	(7,356,579)	(1,716,582)
Net cash from operating activities		122,543,084	242,803,002	173,934,772	354,682,121
Cash flows from investing activities					
Purchase of property and equipment	7	(30,403,292)	(302,275,226)	(6,758,450)	(301,473,376)
Sale of property and equipment		1,800,000	270,498	1,800,000	270,498
Purchase of other intangible assets	8	(59,030,872)	(53,395,944)	(59,030,872)	(5,383,663)
Members contribution to subsidiary		150,000,000	150,000,000	150,000,000	150,000,000
Net cash from investing activities		62,365,836	(205,400,672)	86,010,678	(156,586,541)
Cash flows from financing activities					
Net movement in subsidiary loan		—	—	(125,852,621)	(204,009,102)
Net repayment of borrowings		—	(24,504,362)	—	—
Net cash from financing activities		—	(24,504,362)	(125,852,621)	(204,009,102)
Total cash movement for the year		184,908,920	12,897,968	134,092,829	(5,913,522)
Cash at the beginning of the year		201,877,848	188,979,880	178,249,134	184,162,656
Total cash at end of the year	14	386,786,768	201,877,848	312,341,963	178,249,134

Accounting Policies

General information

Kenya Bankers Association (the Association) is domiciled in Kenya where it is registered by Registrar of Trade Unions under the Trade Unions Ordinance 1962.

The principal activities of the Group is to play an advocacy role for the banking industry, managing operations of an automated Clearing House, negotiating collective bargaining agreements on behalf of member banks with their employee's recognised union, and provision of an online platform for real time clearing and settlement of payments between banks and payment solution companies.

1. Basis of preparation and summary of significant accounting policies

The financial statements have been prepared on a going concern basis in accordance with the International Financial Reporting Standard for Small and Medium-sized Entities. The financial statements have been prepared on the historical cost basis, and incorporate the principal accounting policies set out below. They are presented in Kenyan Shillings (KES).

These accounting policies are consistent with the previous period.

1.1 Significant judgements and sources of estimation uncertainty

The preparation of financial statements in conformity with financial statements requires management from time to time to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. These estimates and associated assumptions are based on experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Critical judgements in applying accounting policies

The Governing Council did not make critical judgements in the application of accounting policies, apart from those involving estimations, which would significantly affect the financial statements.

Key sources of estimation uncertainty

Useful lives of property, plant and equipment

The Governing Council assesses the appropriateness of the useful lives of property and equipment at the end of each reporting period. The useful lives of motor vehicles, furniture and fixtures, office equipment and computer equipment are determined based on the Group's replacement policies for the various assets.

When the estimated useful life of an asset differs from previous estimates, the change is applied prospectively in the determination of the depreciation charge.

Impairment testing

The Group reviews and tests the carrying value of property, plant and equipment, investment property on the cost model and intangible assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. When such indicators exist, management determine the recoverable amount by performing value in use and fair value calculations. These calculations require the use of estimates and assumptions. When it is not possible to determine the recoverable amount for an individual asset, management assesses the recoverable amount for the cash generating unit to which the asset belongs.

Accounting Policies continued.

1.2 Consolidation

Basis of consolidation

The Group's financial statements incorporate the financial statements of the Association and that of its subsidiary.

Control exists when the Association has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries are included in the consolidated financial statements from the effective date of acquisition to the effective date of disposal. All intragroup transactions, balances, income and expenses are eliminated.

Non-controlling interests in the net assets of consolidated subsidiaries are identified and recognised separately from the Group's interest therein, and are recognised within equity.

1.3 Investment in subsidiary

Investment in subsidiary is carried at cost less any accumulated impairment losses.

1.4 Property and equipment

Property and equipment are tangible assets which the Group holds for its own use or for rental to others and which are expected to be used for more than one period. Property and equipment is initially measured at cost.

Cost includes costs incurred initially to acquire or construct an item of property and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property and equipment, the carrying amount of the replaced part is derecognised.

Expenditure incurred subsequently for major services, additions to or replacements of parts of property and equipment are capitalised if it is probable that future economic benefits associated with the expenditure will flow to the Group and the cost can be measured reliably. Day to day servicing costs are included in surplus or deficit in the period in which they are incurred.

Property and equipment is subsequently stated at cost less accumulated depreciation and any accumulated impairment losses.

Property and equipment is subsequently stated at cost less accumulated depreciation and any accumulated impairment losses, except for land which is stated at cost less any accumulated impairment losses.

Depreciation of an asset commences when the asset is available for use as intended by management. Depreciation is charged to write off the asset's carrying amount over its estimated useful life to its estimated residual value, using a method that best reflects the pattern in which the asset's economic benefits are consumed by the Group.

The useful lives of items of property and equipment have been assessed as follows:

Item	Rate (%)
Furniture and fittings	12.5
Motor vehicles	25
Office equipment	12.5
IT equipment	33.33
Leasehold improvements	12.5

When indicators are present that the useful lives and residual values of items of property and equipment have changed since the most recent annual reporting date, they are reassessed. Any changes are accounted for prospectively as a change in accounting estimate.

Impairment tests are performed on property and equipment when there is an indicator that they may be impaired. When the carrying amount of an item of property and equipment is assessed to be higher than the estimated recoverable amount, an impairment loss is recognised immediately in surplus or deficit to bring the carrying amount in line with the recoverable amount.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected from its continued use or disposal. Any gain or loss arising from the derecognition of an item of property and equipment, determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item, is included in surplus or deficit when the item is derecognised.

1.5 Intangible assets

Intangible assets are initially recognised at cost and subsequently at cost less accumulated amortisation and accumulated impairment losses. Research and development costs are recognised as an expense in the period incurred. Amortisation is provided to write down the intangible assets, on a straight-line basis, as follows:

Item	Rate (%)
Computer software, other	20

The residual value, amortisation period and amortisation method for intangible assets are reassessed when there is an indication that there is a change from the previous estimate.

1.6 Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership of the leased asset to the company. All other leases are classified as operating leases.

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease.

1.7 Impairment of assets

The Group assesses at each reporting date whether there is any indication that property and equipment or intangible assets may be impaired.

If there is any such indication, the recoverable amount of any affected asset (or group of related assets) is estimated and compared with its carrying amount. If the estimated recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount, and an impairment loss is recognised immediately in surplus or deficit.

If an impairment loss subsequently reverses, the carrying amount of the asset (or group of related assets) is increased to the revised estimate of its recoverable amount, but not in excess of the amount that would have been determined had no impairment loss been recognised for the asset (or group of assets) in prior years. A reversal of impairment is recognised immediately in surplus or deficit.

1.8 Borrowing costs

Borrowing costs are recognised as an expense in the period in which they are incurred.

1.9 Tax

Current tax assets and liabilities

Current tax for current and prior periods is, to the extent unpaid, recognised as a liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess is recognised as an asset.

The tax liability reflects the effect of the possible outcomes of a review by the tax authorities.

Deferred tax assets and liabilities

A deferred tax liability is recognised for all taxable temporary differences.

A deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable surplus will be available against which the deductible temporary difference can be utilised.

Deferred tax asset is recognised for the carry forward of unused tax losses to the extent that it is probable that future taxable surplus will be available against which the unused tax losses can be utilised.

Accounting Policies continued.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Tax expenses

Tax expense is recognised in the same component of total comprehensive income or equity as the transaction or other event that resulted in the tax expense.

1.10 Employee benefits

Employee benefits - post employment obligations

The Association operates a defined contribution retirement benefits plan for its employees, the assets of which are held in a separate trustee administered scheme managed by a segregated scheme. A defined contribution plan is a plan under which the Association pays fixed contributions into a separate fund, and has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current or prior years. The Association's contributions are charged to the statement of income and expenditure in the year to which they relate.

The Association and the employees also contribute to the National Social Security Fund (NSSF), a national defined contribution scheme. Contributions are determined by local statute and the Association's contributions are charged to the statement of income and expenditure in the year to which they relate.

Employee entitlements

The estimated monetary liability for employee's accrued annual leave entitlement at the balance sheet date is recognised as an employment cost.

1.11 Revenue

Revenue from provision of services is recognised by reference to the stage of completion of the transaction at the end of the reporting period. Revenue is measured at the fair value of the consideration received or receivable, net of discounts and sales-related taxes collected on behalf of the Government of Kenya.

Revenue comprises subscriptions received or receivable from members who have subscribed to the services offered by the Group. Subscription income is recognised on accrual basis.

Other revenue recognition policies include:

- a. Entrance fees are recognised when received as this is the earliest point at which the Group's right to receive the income is established;
- b. Interest income is recognised on accrual basis;
- c. Clearing house penalties are recognised when a penalising event occurs in accordance with the rules; and
- d. Switch income is recognised on receipt.

1.12 Foreign exchange

Foreign currency transactions

Exchange differences arising on monetary items are recognised in surplus or deficit in the period in which they arise.

All transactions in foreign currencies are initially recorded in Kenya Shillings, using the spot rate at the date of the transaction. Foreign currency monetary items at the reporting date are translated using the closing rate. All exchange differences arising on settlement or translation are recognised in surplus or deficit.

1.13 Cash centre capital grant

Cash centre capital grant are accounted for when capital expenditure for the Cash Centre has been incurred. Depreciation charged on the assets is charged to the statement of income and expenditure and an equivalent amount transferred from the funds to other operating income.

1.14 Entrance fees and penalties reserve

Entrance fees is charged when a member joins the Association while penalties are charged when a member breaches the set rules for the clearing house. This are initially recognised as income through statement of income and expenditure and later transferred to the reserve account as they are not usually factored in the budgeted expenditure.

These funds are set aside and can be utilised with the authorisation of the Governing Council.

1.15 Contribution for investment in subsidiary

This represents a non-refundable contribution by members' towards the Association's investment in its subsidiary company, Integrated Payment Services Limited.

1.16 Financial assets

Subscriptions and other receivables are initially recognised at the transaction price. Subscription revenue is made on the basis of normal credit terms, and the receivables do not bear interest. Where credit is extended beyond normal credit terms, receivables are measured at amortised cost using the effective interest method.

At the end of each reporting period, the carrying amount of subscription and other receivables are reviewed to determine whether there is any objective evidence that the amounts are not recoverable. If so, an impairment loss is recognised immediately in the income and expenditure statement.

1.17 Financial liabilities

Financial liabilities are initially recognised at the transaction price (less transaction costs). Trade payables are obligations on the basis of normal credit terms and do not bear interest. Interest bearing liabilities are subsequently measured at amortised cost using the effective interest method.

1.18 Cash and cash equivalents

Cash and cash equivalents include cash in hand and demand and term deposits, with maturities of three months or less from the date of acquisition, that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

1.19 Comparatives

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

Notes to the Financial Statements

2. Revenue

	Group		Association	
	2022 KES	2021 KES	2022 KES	2021 KES
Membership subscription fees	356,662,247	297,000,005	356,662,247	297,000,005
Entrance fees	30,000,000	—	30,000,000	—
Associate members subscription	6,550,000	5,000,000	6,550,000	5,000,000
Switch income	237,959,770	42,203,489	—	—
	631,172,017	344,203,494	393,212,247	302,000,005

3. Other income

Gain on sale of assets	1,800,000	177,740	1,800,000	177,740
Clearing house penalties	200,000	—	200,000	—
Interest income	19,835,919	13,420,434	17,742,515	13,095,538
Sponsorship	19,434,461	19,732,112	19,434,461	19,732,112
Transfer of capital fund	44,527,706	44,527,706	44,527,706	44,527,706
Other income	1,985,000	—	700,000	—
	87,783,086	77,857,992	84,404,682	77,533,096

4. Finance costs (income)

Foreign exchange loss (gain)	2,537,046	(2,289,659)	21,938	—
Interest on bank loan	—	1,125,950	—	—
	2,537,046	(1,163,709)	21,938	—

5. Surplus (deficit) before taxation

The following items have been recognised as expenses in determining the (deficit)/surplus before taxation:

Employee benefits expense	262,437,764	201,601,617	140,138,186	125,591,804
Depreciation of property and equipment	82,388,122	77,243,648	62,303,917	54,547,024
Amortisation of intangible assets	20,280,008	39,377,018	1,523,652	1,029,653

	Group		Association	
	2022 KES	2021 KES	2022 KES	2021 KES
Employee benefits expense consists of:				
Wages salaries and allowances	251,846,799	193,307,813	134,852,903	120,474,827
Retirement benefit costs:				
- Defined contribution scheme	10,492,365	8,198,804	5,242,283	5,075,577
- National Social Security Fund	98,600	95,000	43,000	41,400
	262,437,764	201,601,617	140,138,186	125,591,804

The average number of persons employed during the year, by category, were:

	Number	Number	Number	Number
Management and administration	40	36	18	16

6. Taxation

Major components of the tax expense

Current taxation				
Local normal tax - year	7,252,209	5,300,298	6,624,188	5,202,829
Deferred taxation				
Deferred tax	(6,921,079)	(6,038,808)	—	—
Prior year over provision	—	1,462,500	—	—
	(6,921,079)	(4,576,308)	—	—
	331,130	723,990	6,624,188	5,202,829
Reconciliation of the tax expense				
Accounting surplus or (deficit)	8,626,501	(163,190,108)	67,923,550	25,153,156
Tax at the applicable tax rate of 30% (2021: 30%)	2,587,950	(48,957,032)	20,377,065	7,545,947
Tax effect of:				
Deferred tax not recognised	10,171,748	47,307,134	—	—
Prior period adjustments	—	1,462,500	—	—
Expenses not deductible for tax purposes	2,625,742	4,528,673	1,301,433	1,274,168
Exempt (income) / expenditure	(15,054,310)	(3,617,285)	(15,054,310)	(3,617,286)
	331,130	723,990	6,624,188	5,202,829

Notes to the Financial Statements continued.

7. Property and equipment

GROUP	2022			2021		
	Cost KES	Accumulated depreciation KES	Carrying value KES	Cost KES	Accumulated depreciation KES	Carrying value KES
Furniture and fittings	37,734,587	(28,612,565)	9,122,022	37,734,587	(27,147,693)	10,586,894
Motor vehicles	26,493,530	(14,439,343)	12,054,187	24,807,741	(13,790,560)	11,017,181
Office equipment	82,598,667	(68,809,038)	13,789,629	81,768,739	(64,673,188)	17,095,551
IT equipment	244,643,267	(181,856,204)	62,787,063	220,919,902	(154,409,503)	66,510,399
Leasehold improvements	356,221,645	(138,088,511)	218,133,134	356,221,645	(93,560,805)	262,660,840
Total	747,691,696	(431,805,661)	315,886,035	721,452,614	(353,581,749)	367,870,865

ASSOCIATION

Furniture and fittings	16,524,196	(15,670,860)	853,336	16,524,196	(15,387,229)	1,136,967
Motor vehicles	19,465,880	(9,079,386)	10,386,494	17,780,091	(8,986,501)	8,793,590
Office equipment	77,676,409	(66,645,956)	11,030,453	77,269,481	(62,858,953)	14,410,528
IT equipment	33,598,382	(16,659,628)	16,938,754	33,096,859	(7,211,146)	25,885,713
Leasehold improvements	356,221,645	(138,088,511)	218,133,134	356,221,645	(93,560,805)	262,660,840
Total	503,486,512	246,144,341)	257,342,171	500,892,272	(188,004,634)	312,887,638

Reconciliation of property and equipment - Group - 2022

	Opening balance KES	Additions KES	Depreciation KES	Closing balance KES
Furniture and fittings	10,586,894	—	(1,464,872)	9,122,022
Motor vehicles	11,017,181	5,849,999	(4,812,993)	12,054,187
Office equipment	17,095,551	829,928	(4,135,850)	13,789,629
IT equipment	66,510,399	23,723,365	(27,446,701)	62,787,063
Leasehold improvements	262,660,840	—	(44,527,706)	218,133,134
Total	367,870,865	30,403,292	(82,388,122)	315,886,035

Reconciliation of property and equipment - Group - 2021

	Opening balance KES	Additions KES	Disposals KES	Write offs Reclassification KES	Depreciation KES	Closing balance KES
Furniture and fittings	12,117,242	81,200	—	19,534	(1,631,082)	10,586,894
Motor vehicles	15,162,349	—	—	—	(4,145,168)	11,017,181
Office equipment	19,416,832	1,503,418	—	167,863	(3,992,562)	17,095,551
IT equipment	61,438,725	28,156,376	(92,758)	(44,814)	(22,947,130)	66,510,399
Leasehold improvements	34,654,314	272,534,232	—	—	(44,527,706)	262,660,840
Total	142,789,462	302,275,226	(92,758)	142,583	(77,243,648)	367,870,865

Reconciliation of property and equipment - Association - 2022

	Opening balance KES	Additions KES	Depreciation KES	Closing balance KES
Furniture and fittings	1,136,967	—	(283,631)	853,336
Motor vehicles	8,793,590	5,849,999	(4,257,095)	10,386,494
Office equipment	14,410,528	406,928	(3,787,003)	11,030,453
IT equipment	25,885,713	501,523	(9,448,482)	16,938,754
Leasehold improvements	262,660,840	—	(44,527,706)	218,133,134
Total	312,887,638	6,758,450	(62,303,917)	257,342,171

Reconciliation of property and equipment - Association - 2021

	Opening balance KES	Additions KES	Disposals KES	Write offs KES	Depreciation KES	Closing balance KES
Furniture and fittings	1,336,860	81,200	—	—	(281,093)	1,136,967
Motor vehicles	12,197,560	—	—	—	(3,403,970)	8,793,590
Office equipment	16,519,847	1,503,418	—	(3,750)	(3,608,987)	14,410,528
IT equipment	1,349,213	27,354,526	(92,758)	—	(2,725,268)	25,885,713
Leasehold improvements	34,654,314	272,534,232	—	—	(44,527,706)	262,660,840
Total	66,057,794	301,473,376	(92,758)	(3,750)	(54,547,024)	312,887,638

8. Intangible assets

	2022			2021		
GROUP	Cost KES	Accumulated depreciation KES	Carrying value KES	Cost KES	Accumulated depreciation KES	Carrying value KES
Intangible assets	238,983,480	(189,619,666)	49,363,814	430,639,651	(360,995,829)	69,643,822
Software Work in Progress	59,030,872	—	59,030,872	—	—	—
Total	298,014,352	(189,619,666)	108,394,686	430,639,651	(360,995,829)	69,643,822
ASSOCIATION	Cost KES	Accumulated depreciation KES	Carrying value KES	Cost KES	Accumulated depreciation KES	Carrying value KES
Intangible assets	27,081,513	(22,636,508)	4,445,005	27,081,513	(21,112,856)	5,968,657
Software Work in Progress	59,030,872	—	59,030,872	—	—	—
Total	86,112,385	(22,636,508)	63,475,877	27,081,513	(21,112,856)	5,968,657

Reconciliation of intangible assets - Group - 2022

	Opening balance KES	Additions KES	Amortisation KES	Closing balance KES
Intangible assets	69,643,822	—	(20,280,008)	49,363,814
Software Work in Progress	—	59,030,872	—	59,030,872
Total	69,643,822	59,030,872	(20,280,008)	108,394,686

Notes to the Financial Statements continued.

8. Intangible Assets (Continued)

Reconciliation of intangible assets - Group - 2021

	Opening balance KES	Additions KES	Amortisation KES	Closing balance KES
Intangible assets	55,624,894	53,395,944	(39,377,016)	69,643,822

	Group		Association	
	2022 KES	2021 KES	2022 KES	2021 KES
Reconciliation of intangible assets - Group - 2022				
	Opening balance	Additions	Amortisation	Closing balance
Intangible assets	5,968,657	—	(1,523,652)	4,445,005
Software Work in Progress	—	59,030,872	—	59,030,872
	5,968,657	59,030,872	(1,523,652)	63,475,877

Reconciliation of intangible assets - Group - 2021

	Opening balance KES	Additions KES	Amortisation KES	Closing balance KES
Intangible assets	1,614,647	5,383,663	(1,029,653)	5,968,657

9. Investments in subsidiary

	Holding	Carrying amount	Carrying amount
Integrated Payment Services Limited	100 %	1,808,580,000	1,808,580,000

10. Loan to subsidiary

Subsidiary

Integrated Payment Services Limited	—	—	177,722,080	51,869,459
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11. Deferred tax

	Group		Association	
	2022 KES	2021 KES	2022 KES	2021 KES
The major components of the deferred tax balance are as follows:				
Deferred tax asset				
Property and equipment	717,041	1,294,854	—	—
Intangible assets	520,904	2,186,476	—	—
Unrealised exchange gain	208,566	(134,208)	—	—
Provision	9,025,221	203,531	—	—
Tax losses carried forward	512,828,989	502,657,242	—	—
	523,300,721	506,207,895	—	—
Deferred tax not recognised	(512,828,989)	(502,657,242)	—	—
Total deferred tax asset	10,471,732	3,550,653	—	—
Reconciliation of deferred tax asset/(liability)				
At beginning of year	3,550,653	(1,025,655)	—	—
Property and equipment	(773,950)	1,711,645	—	—
Intangible assets	(1,469,435)	4,407,867	—	—
Provision	8,821,690	(1,408,996)	—	—
Unrealised exchange gain	342,774	(134,208)	—	—
At end of year	10,471,732	3,550,653	—	—

The deferred tax asset has not been recognised on tax losses carried forward amounting to KES 1,709,429,963 (2021: KES 1,675,524,141) due to lack of certainty of availability of future taxable profits against which tax losses could be utilised.

12. Subscription and other receivables

Prepayments	21,981,512	10,353,124	1,104,919	2,739,467
Deposits	1,126,918	1,086,918	1,105,500	1,065,500
Advance payment in East African Bond Exchange PLC	35,000,000	13,801,000	35,000,000	13,801,000
Subscription and other receivables	56,654,216	127,383,032	24,393,592	127,383,032
VAT	1,289,038	—	—	—
	116,051,684	152,624,074	61,604,011	144,988,999

Notes to the Financial Statements continued.

13. Tax paid

	Group		Association	
	2022 KES	2021 KES	2022 KES	2021 KES
Balance at beginning of the year	(933,717)	2,368,263	(924,673)	2,561,574
Current tax for the year recognised in surplus/(deficit)	(7,252,209)	(5,300,298)	(6,624,188)	(5,202,829)
Prior year adjustment	513,363	—	513,363	—
Balance at end of the year	(1,496,732)	933,717	(321,081)	924,673
	(9,169,295)	(1,998,318)	(7,356,579)	(1,716,582)

14. Cash and cash equivalents

Cash and cash equivalents consist of:				
Cash on hand	40,000	40,000	40,000	40,000
Bank balances	386,786,768	201,837,848	312,301,963	178,209,134
	386,786,768	201,877,848	312,341,963	178,249,134

15. Trade and other payables

Trade payables	149,286,083	108,451,539	94,938,015	39,739,731
Other payables	34,500,000	—	34,500,000	—
Accrued expenses	46,155,741	15,629,042	11,009,720	12,536,875
Currency centre payables	(2,904,645)	72,270,171	(2,904,645)	72,270,171
	227,037,179	196,350,752	137,543,090	124,546,777

The Kenya Bankers Association Currency Centre project is a joint project between the Association and the Central Bank of Kenya geared towards a better management of cash in circulation within the respective region by the establishment of Currency Centres.

Under this model, the Association invests through a member bank in the leasehold improvements, equipment and services. The Association reimburses the hosting bank by sharing this investment cost with all banks that operate in the region.

The Central Bank of Kenya provides the cash to be deposited in the Currency Centre, as well as management and operations staff to operate the centres.

Currency centre payable balance has been arrived at as follows:

Members' subscription	57,986,461	224,702,379	57,986,461	224,702,379
Currency centre operating expenses	(55,081,816)	(296,972,550)	(55,081,816)	(296,972,550)
	2,904,645	(72,270,171)	2,904,645	(72,270,171)

16. Cash generated from operations

	Group		Association	
	2022 KES	2021 KES	2022 KES	2021 KES
Surplus (deficit) before taxation	8,626,501	(163,190,108)	67,923,550	25,153,156
Adjustments for:				
Depreciation and amortisation	102,668,130	116,620,666	63,827,569	55,576,677
Gain on sale of assets	(1,800,000)	(177,740)	(1,800,000)	(177,740)
Finance costs	2,537,046	(1,163,709)	21,938	—
Movement in capital fund	(44,527,706)	228,006,526	(44,527,706)	228,006,526
Assets written off	—	(142,583)	—	3,750
Other non-cash item:				
Conversion of subsidiary loan to investment	—	—	—	(1,668,580,000)
Other movement in subsidiary loan	—	—	—	1,668,580,000
Changes in working capital:				
Subscription and other receivables	36,059,027	(42,130,545)	82,871,625	(57,989,320)
Trade and other payables	30,686,427	105,815,104	12,996,313	105,825,654
	134,249,425	243,637,611	181,313,289	356,398,703

17. Related parties

Relationships

Integrated Payment Services Limited (IPSL)

Subsidiary

Related party balances and transactions with related parties

Related party balances

Amount due from related party (IPSL)	—	—	177,722,080	51,869,459
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Related party transactions

Amount advanced to related party (IPSL) during the year	—	—	125,852,621	204,009,102
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Schedule of Operating Expenditure

for the year ended 31 December 2022

	Group		Association	
	2022 KES	2021 KES	2022 KES	2021 KES
1. PROJECT RELATED EXPENSES				
Clearing house running expenses	69,579,966	64,119,321	69,579,966	64,119,321
Public relations and media activities	40,548,795	35,904,933	40,548,795	35,904,933
Credit reference bureau project cost	18,751,413	19,126,413	18,751,413	19,126,413
Legal fees	6,777,013	10,177,052	6,777,013	10,177,052
Research	14,561,555	8,784,548	14,561,555	8,784,548
Advocacy	18,469,981	6,594,619	18,469,981	6,594,619
	168,688,723	144,706,886	168,688,723	144,706,886
2. ADMINISTRATIVE EXPENSES				
Employment:				
Salaries and wages	251,846,799	193,307,813	134,852,903	120,474,827
Pension scheme contributions	10,492,365	8,198,804	5,242,283	5,075,577
National Social Security Fund	98,600	95,000	43,000	41,400
Staff medical	13,383,598	11,171,317	4,279,437	4,304,833
Leave pay provision charge	(231,215)	1,832,958	(1,058,808)	1,654,613
Other staff costs	9,378,389	2,638,305	4,421,340	1,211,616
Total employment costs	284,968,536	217,244,197	147,780,155	132,762,866
Other administration expenses:				
Advertising	514,173	346,944	—	—
Audit remuneration				
- Current year	1,200,000	1,200,000	650,000	650,000
- Prior year under provision	254,060	52,694	132,420	73,707
Bad debts	2,094,415	6,237,626	2,094,415	374
Bank charges	379,863	362,484	176,882	126,839
Board allowances	8,614,905	5,330,680	—	—
IT expenses	389,896	507,384	389,896	346,724
Consulting and professional fees	8,884,998	8,476,313	83,520	1,171,514
Data centre costs	7,391,760	8,237,760	—	—
Fines and penalties	—	1,005,235	—	—
General expenses	7,486,052	4,510,491	6,884,986	3,902,442
Motor vehicle expenses	2,986,555	3,169,004	2,037,470	2,158,715
Printing and stationery	877,099	748,929	731,812	653,449
Provision for other liability	28,578,039	—	—	—
Placement fees	3,134,194	3,502,350	—	—
Software expenses	47,453,401	36,838,353	—	—
Subscriptions	9,098,767	9,467,833	3,862,567	3,741,633
Postage	4,810,650	4,748,299	462,184	346,878
Travel -Local	3,033,576	1,955,889	2,249,235	1,370,356
Tax credits write off	1,347,111	—	1,347,111	—
Total other administration expenses	138,529,514	96,698,268	21,102,498	14,542,631
Total administrative expenses	423,498,050	313,942,465	168,882,653	147,305,497
3. ESTABLISHMENT EXPENSES				
Rent and rates	8,586,145	8,790,480	5,164,320	5,164,320
Insurance expense	3,192,449	1,681,194	2,479,529	1,162,837
Repairs and maintenance	1,158,059	816,195	628,647	459,978
Asset write off	—	(142,583)	—	3,750
Amortisation of intangible assets	20,280,008	39,377,018	1,523,652	1,029,653
Depreciation of property and equipment	82,388,122	77,243,648	62,303,917	54,547,024
	115,604,783	127,765,952	72,100,065	62,367,562



