REPUBLIC OF KENYA

OFFICE OF THE AUDITOR-GENERAL

Enhancing Accountability

REPORT

OF

THE AUDITOR-GENERAL

ON

KENYA DEPOSIT INSURANCE CORPORATION

FOR THE YEAR ENDED 30 JUNE, 2022

OFFICE OF THE AUDITOR GENERAL
P. O. Box 30084 - 00100, NAIROBI
REGISTRY

17 APR 2023

RECEIVED

KENYA DEPOSIT INSURANCE CORPORATION

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDING JUNE 30, 2022

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

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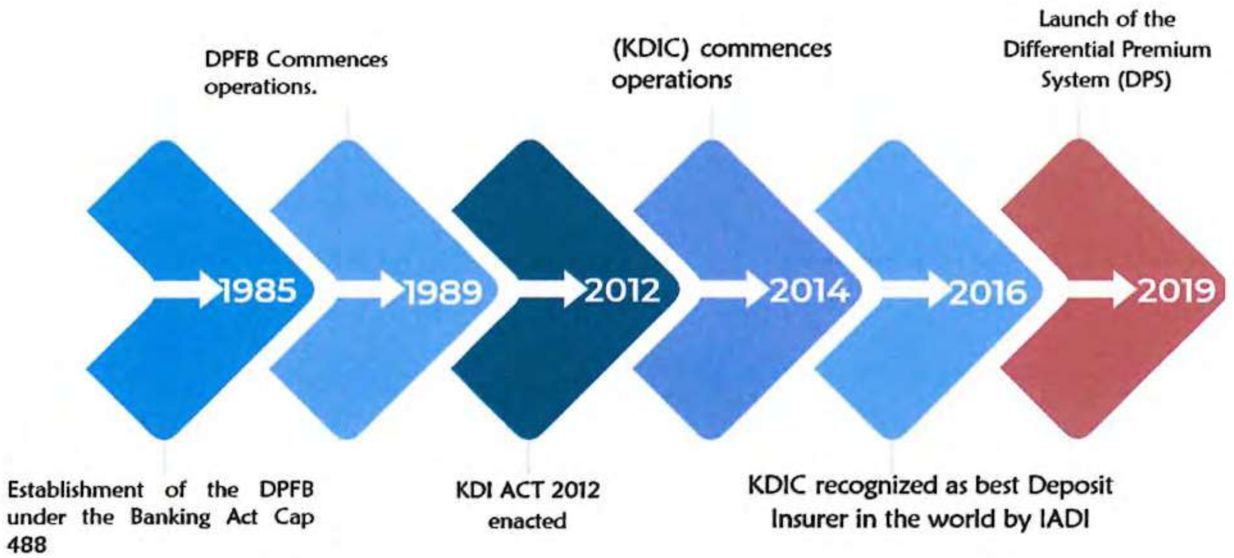
KEY CORPORATE INFORMATION

Our journey

The Corporation's rich legacy spans over 37 years. KDIC evolved from the Deposit Protection Fund Board established in 1985 through the Banking Act, to an autonomous state corporation governed by the Kenya Deposit Insurance Act of 2012. The journey has seen the growth of the Deposit Insurance Fund from Kshs. 300 million seed capital granted by the Ministry of Finance in 1989, to Kshs.160B as at June 30, 2022. This has been possible through the support of the government, safety net players, the banking sector and the diligence of the Board of Directors, management and staff.

KDIC continues to write the story of depositor protection, resolution of failed banks and minimization of risks in the banking sector.



Principal Activities

The Corporation's Principal activities as mandated by the KDI Act is to;

Principal Activities

Our Vision, Mission and Strategic Themes

VISION

To be a premier deposit insurance scheme

MISSION

To promote public confidence in the Financial system through deposit Insurance, risk management and timely

Our Values

DIRECTORS

The Directors who served during the year ending 30th June 2022 were as follows;

1. Ms. Carol Musyoka - Chairperson (Appointed 6th October 2021)
2. Hon. Amb. Ukur Yatani, EGH - Cabinet Secretary, The National Treasury & Planning
3. Hon. Paul Kariuki - Attorney General
4. Dr. Patrick Njoroge - Governor, Central Bank of Kenya
5. Dr. Habil Olaka - Director
6. Mr. John Benson Maina - Director (Re -Appointed 6th October 2021)
7. Ms. Anne Agimba - Director (Appointed 6th October 2021)
8. Mr. John Njera - Alternate to Cabinet Secretary, The National Treasury & Planning
9. Mr. Mohamed Deiss Adow - Alternate to Attorney General
10. Mr. Joshua Musyimi Musyoka - Director (Appointed 6th October 2021)
11. Mr. Mohamud A. Mohamud - Chief Executive Officer (Ex-officio)
12. Mr. Arthur Karagu - Representative Inspectorate of State Corporations

Corporation Secretary

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

Registered Office and Corporate Headquarters:

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

Corporate Contacts:

Telephone: +254 20 66770000, +254 709 043000
E-mail: customercare@kdic.go.ke
Website: www.kdic.go.ke

Corporate Banker:

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

Independent Auditors:

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

Principal Legal Advisers:

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

THE BOARD OF DIRECTORS

CAROL MUSYOKA
CHAIRPERSON, BOARD OF DIRECTORS

Carol Musyoka has several years of financial leadership experience. She has extensive deal origination, negotiation, structuring and execution experience, having been involved in several landmark corporate finance transactions in Kenya. Her executive management and board experience includes her role as the Corporate Director, Barclays Bank of Kenya as well as the Executive Director and Chief Operating Officer of K-Rep Bank, Kenya's first micro finance institution.

Carol has had considerable credit risk and corporate banking experience and training over her banking career, at both Barclays and Citibank. She currently sits as a non-executive director on the boards of East Africa Breweries Ltd where she chairs the Board Numeration and Remuneration Committee as well as the Board Investment Committee and British American Tobacco Ltd all of which are Nairobi Stock Exchange listed companies. She also chairs the Board of Kenya Deposit Insurance Corporation and is a non-executive director in the government investment company ICDC.

She has previously served on, and retired from the Boards of at least 15 private, public and Not for Profit organizations including BOC Gases, Business Registration Services where she chaired the Board, Competition Authority of Kenya where she chaired the Board Human Resources Committee, Institute of Economic Affairs, the national carrier, Kenya Airways, Opportunity Kenya and the African Legal Support Facility of the African Development Bank.

Carol currently provides bespoke training solutions to a number of multinational and locally owned companies in the region on Leadership and Corporate Governance. She has also been a co-facilitator on Fast Forward, a local leadership development program that provides "Leadership Unusual" insights to Chief Executive Officers and C-Suite Management of leading Kenyan companies (www.sunwords.com). For the last nine years, Carol has also been the Academic Director for the corporate governance programs at Strathmore University Business

<table>
<tr><td></td><td>School.
On an international level, Carol is part of the Durha North Carolina based Duke Corporate Education (www.dukece.com) faculty and is involved in providing leadership deliveries for some of their global clients. Carol has also provided strategic leadership training to clients of CapitalPlus Exchange, a Chicago based organization that provides peer-learning events to small business banking financial institutions in Africa and Asia (www.capplusexchange.org).

Her skills in breaking down complex financial events and contextualizing the same to local situations have been well received and are a constant feature of her weekly Monday articles in Kenya's leading business newspaper, the Business Daily.

Carol is a holder of a Bachelor of Law degree from the University of Nairobi and a Master of Law degree from Cornell University, USA. Carol, a recipient of the 2010 Eisenhower Fellowship for International Leadership, lives in Nairobi, Kenya.</td></tr>
<tr><td>
CABINET SECRETARY, THE NATIONAL TREASURY,</td><td>Hon. Ambassador Ukur Kanacho Yatani is the Cabinet Secretary, National Treasury & Planning Ministry. Prior to the current appointment, Hon. Yatani served as Cabinet Secretary for Labour and Social Protection. CS Yatani has rich experience in public administration, politics, diplomacy and governance, acquired from working in various sectors of the Public Sector since joining the Civil Service in 1992.
Between June 2009 and October 2012, he served as Kenya's Ambassador to Austria with Accreditation to Hungary and Slovakia and Permanent Representative to the United Nations in Vienna. In this position, he aggressively pursued and advanced Kenya's foreign interests. He held senior leadership positions at various diplomatic and international agencies such as International Atomic Energy Agency (IAEA), United Nations Organization on Drugs and Crimes (UNODC), United Nations Industrial Development Organization (UNIDO), Vice Chairperson of United Nations Convention Against Transnational Organized Crime (UNTOC), Vice President of Convention on Crime Prevention and Criminal Justice (CCPJ), and, chair of African Group of Ambassadors among others.</td></tr>
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	During the period 2006-2007 while serving Member of Parliament for North Horr constituency, CS Yatani also served as an Assistant minister for Science and Technology. He served as a pioneer Governor of Marsabit County between 2013 and 2018, the largest County in the Republic of Kenya. Between 1992—2015, he served in different positions in Kenya's Public Administration including a District Commissioner, where he sharpened his management and administrative skills. He has a Master of Arts in Public Administration and Public Policy, University of York, United Kingdom, acquired in 2005; and a Bachelor of Arts in Economics, Egerton University, Kenya, earned in 1991.
 JUSTICE PAUL KIHARA KARIUKI; ATTORNEY GENERAL OF THE REPUBLIC OF KENYA.	Justice Paul Kihara Kariuki is currently the Attorney General of the Republic of Kenya and the immediate former President of the Court of Appeal. He began his career in law after being admitted to the bar in 1978, soon after completing his post-graduate diploma in law at the Kenya School of Law, Nairobi. Consequently, Justice Kariuki has worked with several legal establishments including Ndungu Njoroge and Kwach Advocates, and Hamilton Harrison and Mathews Advocates in Nairobi. In 2003, Justice Kariuki was appointed to the position of Principal and Chief Executive Officer of the Kenya School of Law. Later the same year, he was appointed Judge of the High Court where he served in both the civil and commercial divisions of the Court for several years. Between 2009 and 2013, Justice Kariuki served as the first director at the Judicial Training Institute, where he was instrumental in establishing all the operational systems for the technical arm of the judiciary incorporating professional development for all judges, magistrates and all cadres of the paralegal staff at the Judiciary. Upon his appointment to the Court of Appeal in 2013, Justice Kariuki immensely contributed to the decentralization of the Court of Appeal to Malindi, Kisumu and Nyeri counties. He also directed the development of the blueprint ten-point strategy for the transformation of the court, culminating in the Court of Appeal Bill and the

	Strategic Plan for the Court of Appeal in Kenya. Justice Kariuki has served as Chancellor or Honorary Legal Advis for The Anglican Church of Kenya, Member of the Kenya Anti-Corruption Authority Advisory Board and as chair of Thomas Barnado House and Rotary International. He is an esteemed member of the Law Society of Kenya, Commonwealth Lawyers Association and the International Bar Association. He has deep interests in gardening, classical music, theater and drama, playing squash and cricket.
 DR. PATRICK NJOROGE; THE GOVERNOR CENTRAL BANK OF KENYA	Dr. Patrick Njoroge is the Central Bank Governor following his appointment in June 2015. Dr. Njoroge holds a PhD in Economics from Yale University, USA, as well as masters and bachelor's degrees in Economics, both from the University of Nairobi. Prior to joining the Central Bank, Dr. Njoroge worked for 20 years with the International Monetary Fund (IMF), in Washington, D.C., USA. He served in various capacities among them; the advisor to the IMF Deputy Managing Director, Deputy Division Chief in the IMF's Finance Department and IMF Mission Chief for the Commonwealth of Dominica. In addition, Dr. Njoroge worked as an economist at the Ministry of Finance and as a planning officer at the Ministry of Planning here in Kenya. Professionally, Dr. Njoroge has a keen interest in Macroeconomics, Economic Policy, International Finance, Development Economics, Econometrics and Monetary Policy.
 DR.HABIL OKUNDA OLAKA DIRECTOR	Dr. Habil Olaka is the Chief Executive Officer of the Kenya Bankers Association, following his appointment in 2010.He previously worked with the East African Development Bank (EADB), serving in different capacities among them; Director of Operations, Resident Manager-Kenya, Manager-Risk and Control, Chief and Internal Auditor. In addition, Dr. Olaka also worked with Banque Indosuez (now Bank of Africa) where he served as the Internal Auditor having started his career at Price Waterhouse Coopers, Nairobi. He holds a First-Class Honours (BSc) degree in Electrical Engineering from the University of Nairobi, MBA in Finance from Manchester Business School in the UK and a Doctorate degree in Business Administration from USIU-A.

	Besides the Kenya Deposit Insurance Corporation, Dr. Olaka sits on a number of other boards, among them; the Higher Education Loans Board, Kenya School of Monetary Studies, Federation of Kenya Employers, Centre for Corporate Governance, Boards of Trustees of the National Research Fund and the Butere ACK Diocese. He is a member of the Institute of the Certified Public Accountants (CPA) Kenya and the Chartered Financial Analyst (CFA) Institute.
 MR.JOHN BENSON .M.MAINA DIRECTOR	Mr. John Benson Maina holds a Bachelor of arts (Econ.) Honours and MA (Econ.) degrees, both from the University of Nairobi. He began his career as an economist at then, Ministry of Finance, currently National Treasury. He later joined Central Bank of Kenya, where he worked in Research, Bank Supervision and External Payments and Reserves Management Departments. Mr. Maina has extensive experience in central banking, particularly, in areas of regulation and restructuring of banks undergoing financial challenges. He coordinated the financial sector study, which formed the basis for reforms in the banking sector, including liquidation of insolvent banking institutions during the first major banking crisis in the country. He was involved in strengthening the onsite supervision system and offsite reporting system to improve surveillance over the banking sector. In addition, Mr. Maina supervised the execution of Central Bank of Kenya foreign exchange reserves, involving investment of surplus foreign exchange reserves offshore. The onset of the aforementioned banking crisis prompted the establishment of Deposit Protection Fund Board (DPFB) - now Kenya Deposit Insurance Corporation-to revive the waning public confidence in the banking sector. Mr. Maina was one of the officers involved in setting up the DPF, after being attached to the Federal Deposit Insurance Corporation in USA for training in bank resolution.

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<td>
ANNE AGIMBA;
DIRECTOR</td>
<td>Ms. Anne Agimba holds a Bachelor of Law degree from The University of Nairobi, Post Graduate diploma from Ke. ,a School of Law and an Advocate of the High Court of Kenya. In her practice , She has specialised in areas of Commercial and Conveyancing Law, Intellectual Property Law, Banking, Insurance & Financial Services Law, Securities Documentation, Insolvency Law, Labour Law, Landlord & Tenant Law, Company & Co-operative Societies Law, Trust Law and Succession Law and Policy Formulation, Legislative drafting and Education

Ms. Agimba as a Senior Partner at Agimba & Associates, Advocates, Heads the Corporate, Commercial and Conveyancing Law Department.

She routinely advises Local and International Banks, Financial Institutions, Pension Funds, Insurance Companies, Non-Governmental Organizations, Charitable Foundations, Trust Companies, both on formations of appropriate structures (trusts, foundations, companies, partnerships, LLPs), policy and regulatory support, contracts, taxation, debt recovery, legal research, Intellectually Property Rights, Employment Rights and lease/property issues.</td>
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MR. MOHAMUD A. MOHAMUD;
CHIEF EXECUTIVE OFFICER</td>
<td>Mr. Mohamud Ahmed Mohamud is the substantive Chief Executive Officer of the Kenya Deposit Insurance Corporation (KDIC). He is an astute, forthright and accomplished financial professional with keen insights and experience in deposit insurance.

Having risen through the ranks at Central Bank of Kenya, Mr. Mohamud is credited with a number of achievements since his appointment at the helm of the nascent Corporation in 2017. As such, he has proactively been involved in deposit insurance activities that have put his name on the world map thus becoming one of the international assessors on compliance with the best practices in deposit insurance.

In addition, he has locally spearheaded major milestones such as the upward review of deposit coverage limit, implementation of Risk-based Premium model and major public awareness campaigns and stakeholder management, geared towards entrenching the concept of deposit insurance in Kenya.</td>
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	Mr. Mohamud has thus assessed many jurisdictions including Nigeria, Tanzania, India, Trinidad and Tobago, Poland, Switzerland and Sweden. Further, as an expert in resolution of failed banks, Mr. Mohamud has extensively facilitated international conferences on deposit insurance. It is perhaps due to this rich grounding, legacy, contribution and recognition that Mr. Mohamud added yet another feather to his cap, when he was unanimously endorsed as the new Chairman and President of the African Regional Committee (ARC) of the International Association of Deposit Insurers (IADI). The election saw Mr. Mohamud, who also chairs IADI Member Relations Committee, becoming the first Kenyan in history to chair the regional body, ARC-IADI. Besides his extensive training in leadership as well as deposit insurance, Mr. Mohamud holds a Bachelor's degree in Economics from the University of Nairobi and an MBA in Strategic Management from Moi university, a tremendous achievement for the man with a humble beginning in the County of Samburu.
 **MRS. EUNICE KITCHE-ODUOR;** **DEPUTY GENERAL MANAGER, BOARD SECRETARY & HEAD OF LEGAL**	Eunice Kitche-Oduor (Mrs) is a legal practitioner currently working with KDIC as the Corporation's Secretary and head of legal. She has practiced law for over 18 years, thus gaining hands-on experience and exposure in legal practice, leadership and management. She has actively practiced litigation and conveyancing for four years. Before joining KDIC, Mrs. Oduor worked for 14 years as company secretary and head of legal in various state corporations. She has served in various capacities within government, boards and CEOs and in the process, accumulated a unique appreciation of government thinking and direction in the boards of State Corporations. Eunice holds a Bachelor of laws degree (LLB), from the University of Nairobi, a diploma in law from the Kenya School of Law and a Masters of Business Administration in Strategic Management from Maseno University. She is also an advocate of the High Court of Kenya, a Certified Public Secretary CPS (K) and a member of Institute of Certified Secretaries in Kenya (ICS) in good standing.

SENIOR MANAGEMENT TEAM

MR. MOHAMUD AHMED MOHAMUD;
CHIEF EXECUTIVE OFFICER

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Besides his extensive training in leadership as well as deposit insurance, Mr. Mohamud holds a Bachelor's

	degree in Economics from the University of Nairobi and an MBA in Strategic Management from Moi university, a tremendous achievement for the man with a humble beginning in the County of Samburu.
 MR. PAUL MANGA; GENERAL MANAGER, RISK & EXAMINATION	Mr. Paul Manga heads the Directorate of Risk and Examination. He has 15 years of experience in the banking sector having worked with both local and international institutions. As a finance and risk professional, Mr. Manga has worked for seven years in the departments of Finance & Accounts, Treasury Operations and Market Risk functions at the Standard Chartered Bank, during which he made significant contribution to the institution's overall growth. In addition, Mr. Manga was a Senior Market Risk Analyst and Regional Business Manager (EA) at the Kenya Commercial Bank – Group Treasury, for a period of 8 years He holds a BSc degree in Agriculture Engineering; MBA (Finance Option); Post Graduate Diploma in Business Management; Certified Investment and Finance Analyst-CIFA (K); ACI Dealing and ACI Operation for Treasury. He is a member of the Institute of Certified Investment and Finance Analyst (ICIFA)
 MR. DAVID IRUNGU;	Mr. David Irungu heads the Directorate of Resolutions. He oversees the resolution process of the 18 institutions in liquidation and 1 bank in receivership. Mr Irungu has a wealth of experience in strategy formulation and implementation, fundraising for debt and equity, business growth and development, sales and relationship management, Compliance and risk management, budgeting, financial planning and performance monitoring. He is the former Chief Executive Officer at KEY Micro Finance Bank Ltd. He also served as the Senior Business Growth & Development Manager- Supreme Banking at the Equity Bank (K) Limited – Operations Division. Mr. Irungu holds a Master of Science degree in Finance and

GENERAL MANAGER, RESOLUTIONS	Investments from Kenya Methodist University (KEMU), a Bachelor of Commerce (finance option) from th. University of Nairobi and is a Certified Public accountant C.P.A (K) and PRINCE II practitioner.
 **MR. ROBERT INGASIRA MBARANI;** **GENERAL MANAGER, CORPORATE SERVICES**	Mr. Robert Mbarani heads the Directorate of Corporate Services. With a career spanning over 20 years, Mr Mbarani has gained immense experience in Finance, Accounting, Human Resource and project management, having worked with various organizations in the Public Sector. As the head of Corporate Services function, Mr. Mbarani offers strategic leadership to the Finance, Human Resource, Communications and Information Technology divisions of the Corporation. He holds an MBA in Finance from Moi University and a Bachelor of Arts (Mathematics and Economics) from the University of Nairobi. In addition, Mr. Mbarani holds a higher Diploma in Human Resource Management. He is a member of the Institute of Human Resource Management (IHRM) as well as Institute of Certified Accountants of Kenya (ICPAK). Mr. Mbarani has successfully attended various management courses on Corporate Governance, Risk Management and Strategic Management.

MRS. EUNICE KITCHE-ODUOR

DEPUTY GENERAL MANAGER, BOARD SECRETARY & HEAD OF LEGAL

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

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

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

CHAIRPERSON'S STATEMENT

On behalf of the Board of Directors and Management, I am pleased to present to you the Annual Report and Financial Statements of the Kenya Deposit Insurance Corporation for the year ended 30th June 2022.

The last 12 months were extraordinary, especially with the country preparing for the General Elections as the financial sector continued to recover from the effects of the COVID-19 Pandemic. This notwithstanding, Kenya's financial services sector, alongside other sectors of the economy have shown considerable resilience against the global and political challenges faced.
The Kenyan financial sector reported growth under the period in review specifically on the macroeconomic environment and banking sector performance. Subsequently, the Corporation leveraged on this recovery for development, and to realize its mandate, general public policy and improve on performance.

Macroeconomic Environment

According to the World Bank's June 2022 Report, the global economy is projected to grow at a slower rate of 2.9% in 2022. This is largely driven by a projected 3.4% slow growth in emerging markets and developing economies, coupled with a 2.6% deceleration in advanced economies. The slow growth has been driven by rising energy prices, less favorable financial conditions, and supply chain disruptions, all of which have been exacerbated by the war in Ukraine.

Macroeconomic Highlights

GDP Growth	Inflation Rate	Central Bank Rate
2.9%*	7.9%	7.5%

During the period under review, Overall inflation increased to 7.9% in June 2022 from 6.3% in June 2021. The increase was majorly due to increases in food and energy prices. The increase in global commodity prices and supply chain disruptions resulted in the Monetary Policy

Committee tightening the monetary policy in order to further anchor inflation expectations by raising the Central Bank Rate (CBR) to 7.5% in May 2022.

Banking Sector Performance

The banking sector remained stable within the period under review with total assets of KES. 6.3 trillion in June 2022 an increase from 5.7 trillion in June 2021. Loans and advances increased by 16% from KES. 2.76 trillion in June 2021 to KES. 3.19 trillion in June 2022. Total deposits increased by 8% from KES. 4.27 trillion in June 2021 to KES. 4.68 trillion in June 2022. The growth was attributed to the mobilization of deposits through agency banking and mobile phone platforms.

Banking Sector

Total Deposits	No. of Accounts	Insured Deposits
4.6 trillion	72 million	744 billion

The sector recorded a strong performance in the period under review mainly due to continued recovery from the COVID-19 pandemic.

Strategic Analysis

The Corporation's resilience and commitment towards its key mandate was seen in its continued strive towards implementation of the Strategic Plan 2018-2023 and key objectives for the year, in alignment to the Kenya Development Agenda towards economic growth and establishment of a vibrant and globally competitive financial sector.

In line with this strategic focus, the Corporation enhanced its offsite surveillance mechanism to safeguard the Deposit Insurance Fund and promote confidence in the banking system. Further, the Corporation instituted contingency planning and crisis preparedness programs, and enhanced consultations with stakeholders for collaboration in safeguarding depositor interests.

As the custodian of the country's Deposit Insurance Fund, the Corporation continued to manage the Deposit Insurance Fund prudently, as guided by the KDIC Investment Policy; to ensure viability, robustness and adequacy of the Fund in the unlikely event of bank failure.

Further, the Corporation made pay-outs of protected deposits to depositors of Chase Bank Ltd (IL) and Charterhouse Bank Ltd (IL), which were placed in liquidation in the period under review. Besides, KDIC, being the country's Resolution Authority, continued to manage institutions in Liquidation, by tracing, preserving and realising assets for the benefit of depositors and creditors of those banks.

In line with our strategic objective of partnering and collaborating with key stakeholders, the Corporation conducted various stakeholder consultative forums in pursuit of common goals. These forums, contributed towards the achievement of critical milestones in the period under review. Such engagements heralded strengthened partnerships with member institutions on public awareness and information sharing, corporation with banks for prompt payment of deposits to customers of Imperial Bank Ltd (IR) as well as Chase Bank Ltd (IL).

In the realisation of our strategic theme on organisational capacity, the Corporation recognises that the Kenyan people are the most valuable resource. Consequently, various capacity building programs were implemented in the period under review. Most of these programs were aligned to deposit insurance, prompt resolution and contingency planning.

Beyond the implementation of our core objectives, we have continuously become aware of our impact on the environment and community. In this regard, the Corporation has implemented various initiatives towards preserving our ecosystem, and also played a part in enhancing the country's healthcare system. KDIC remains devoted to its Corporate Social Responsibility commitments in support of Vision 2030.

The Board

During the period under review, the Board of Directors was reconstituted in the 2nd Quarter of the financial year 2021/2022 which led to the appointment of 4 independent Board Directors, including the Chairperson. This facilitated the Corporation's activities geared at achieving its mandate noting that the previous financial year, 2020/2021, came to an end with the Corporation's Board not being fully constituted. As a milestone, the reconstituted board has the benefit of having two female Directors up from the previous board that was graced by a one female Director.

Future Outlook

Going forward, the Corporation remains steadfast in its resolve to be a premier deposit insurance scheme. To achieve this dream, we will pursue digitization of our operations and processes, to remain aligned with global changes. Further, we are seeking to review the Deposit Insurance legal framework to enhance the efficacy of the Corporation's mandate. In line with the Risk Minimization objective, we look forward to the entrenchment and benefits of Differential Premium System. Additionally, we plan to enhance various capacities within the organisation, and pursue best practice in Deposit Insurance.

Additionally, in compliance with *Mwongozo - The Code of Governance for State Corporations*, the Corporation intends to implement the findings of the Legal & Corporate Governance Audit, conducted in the just concluded financial year. The Corporation was evaluated and found to have an overall ranking of "Good". This is the highest ranking, which denotes that KDIC has demonstrated good practice in the majority of the compliance areas. Implementation of the findings will facilitate improving the Corporation's general compliance thereby facilitating it realize its vision within a culture of good corporate governance and compliance.

Acknowledgements

In conclusion, may I express my sincere gratitude to my fellow Board Members, for their personal commitment and service to the people of Kenya during this period. Similarly, on my behalf and that of the Board of Directors, I commend the Chief Executive Officer,

Management and Staff of the Corporation for their invaluable support and selfless service towards the achievement of great milestones this far.

Lastly, I acknowledge the robust partnership and contribution of our member Institutions. This collaborative partnership, that is guided by our parent ministry, The National Treasury and Planning, has continued to foster financial stability in Kenya's banking system. We look forward to deepening this engagement for public good.

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Hannah W. Muriithi, EBS

Chairperson of the Board of Directors

REPORT OF THE CHIEF EXECUTIVE OFFICER

I am pleased to present the Annual Report and Financial Statements for the 2021/2022 financial year.

General Overview

KDIC continued to focus on post COVID-19 recovery in the year under review, by upscaling operations to ensure that the Corporation delivers on the Strategic Plan and GOK Performance Contracting commitments. The key areas of focus in the year under review included growth of the Deposit Insurance Fund, payment of protected deposits and dividend pay-outs to depositors of failed banks, collection of outstanding loans, enhancing organizational capacity and improvement of the Information and Communication technology (ICT) infrastructure.

Operating Environment

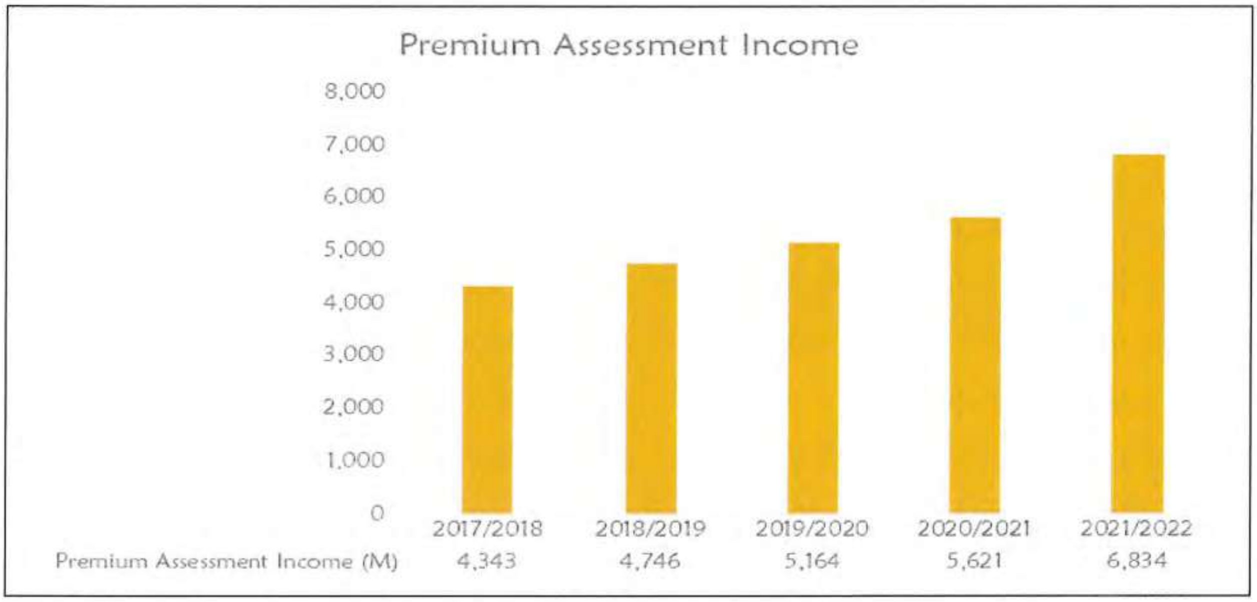
The banking sector remained resilient in the year under review, recording improved performance indicators all-around. Banks continued to align their operating models in response to changes in the environment, resulting to an increased adoption of digitalization, improved capital adequacy ratios, and acquisition of small banking entities to ensure their sustainability.

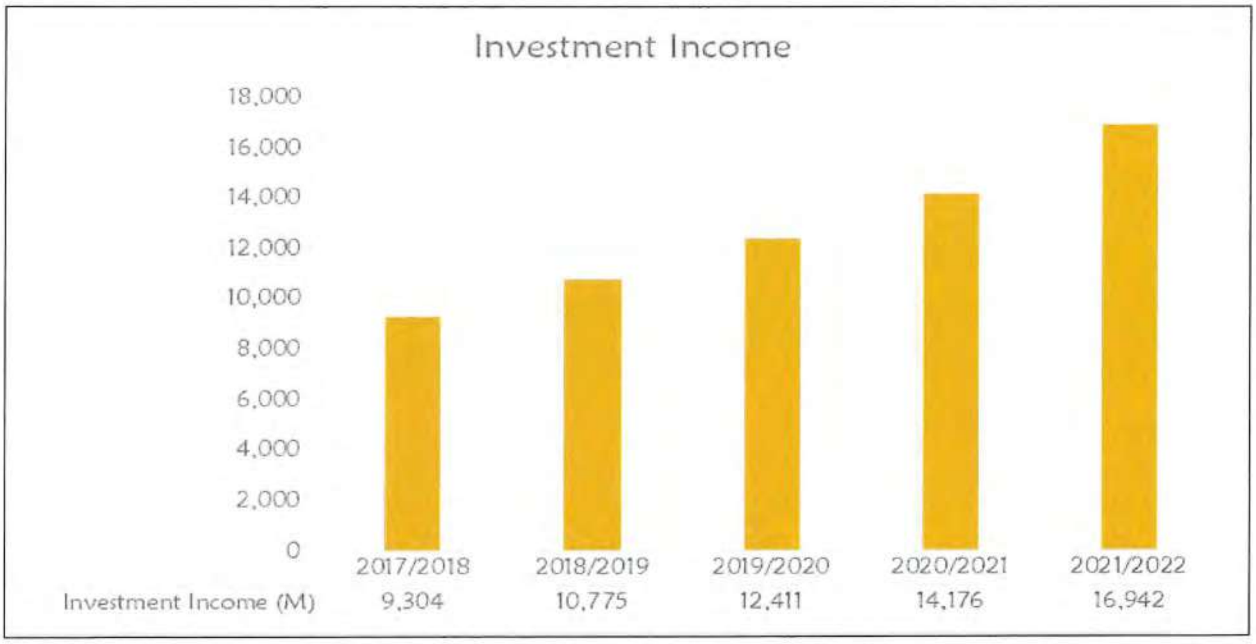
There was a remarkable increase in deposits to Ksh. 4.6 trillion, compared to Ksh. 3.8 trillion in the previous reporting period, while insured deposits increased to Ksh. 744 billion compared to Ksh. 645 billion recorded last year. Additional details of other performance indicators are given in subsequent sections of this report.

Financial Performance

Despite the economic challenges and uncertainties caused by the global pandemic, the Deposit Insurance Fund continued to grow recording a 14% increase from Ksh. 140 B recorded in the previous year, to Ksh. 160B. The premium assessed also recorded an increase as a result of growth in total deposits held by banks and the implementation of the risk-based premium assessment model.

The Corporations investment income also increased by 19%, from the Kshs 14B recorded in the previous year to Kshs. 16.9B. The graphs below represent the trend in investment income and premium income over the years;





I am pleased to state that in addition to our stellar financial performance, KDIC was awarded the Financial Reporting Award (FiRe Award) after emerging first runners up in the International Financial Reporting Standards (IFRS) - State Corporations Category for the 2019 / 2020 Annual Report and Financial Statements.

Risk Management

The Corporation implemented the Risk-Based Premium Assessment Model in July 2021, after the one-year implementation moratorium given on account of the Covid-19 pandemic. While this model resulted to increased contributions by Member Institutions, the fundamental objective of Differential Premium Systems is to provide an incentive to banks, to minimize risks, and this in turn protects deposits.

Further, KDIC continued to enhance relations with member institutions, who remain the key stakeholder in the achievement of the deposit protection and financial stability objectives. During the period under review, the Corporation held forums with bank representatives to discuss various thematic areas, including feedback on the Risk-Based Premium Assessment model, implementation of the Electronic Data Warehouse system and data submission requirements.

Organizational Capacity

KDIC continues to ensure that inclusion, equity and professionalism define the working environment. This has been achieved by continuously training staff on deposit insurance, crisis management, bank resolution simulation and other key support function topics. In the year under review, various capacity building programs were conducted internally within the Corporation.

In the quest to becoming a Premier Deposit Insurer – KDIC conducted three capacity building seminars for various partners. KDIC held a Regional Crisis Preparedness and Bank Resolution Simulation conference for Deposit Insurers and Central Banks in Africa. This training forum attracted 42 participants from 12 countries, setting a precedent for conducting future programs. A similar program was conducted for officers of the National Treasury, to foster partnership and build capacity for prompt bank resolution. The Corporation was also engaged by the Policyholders Compensation Fund (PCF), to share knowledge on management of the Fund, risk minimization and resolution practices.

Further, KDIC continued to embrace best standards in its operations through the maintenance of the Enterprise Risk Management and Business Continuity Management system and ISO Quality

Management Systems. The Corporation also embarked on a journey to transform its Information and Communication Technology (ICT) ecosystem, through the implementation of the Electronic Data Warehouse and Business Intelligence (EDW-BI) system, Electronic Document and Records Management System (EDRMS), as well as the upgrade of the Enterprise Resource Planning (ERP) system. On the same note, CIO Africa awarded the Corporation the Gold Award as first runners up for the implementation of Enterprise Resource Planning (ERP) systems in the Public Sector category.

Indeed, the staff of the Corporation remain the most valued resource, even as they implement the organisation's strategy and programs. In the year under review, KDIC enhanced its Performance Management System by implementing the Balanced Score Card (BSC) Methodology. This approach is expected to entrench the performance driven culture that KDIC prides itself in, while providing incentives for exceptional performance.

Deposit Insurance and Prompt Resolution

The Corporation continues to manage the Deposit Insurance Fund, together with the assets of 19* banks in liquidation in the interest of depositors.

During the period under review, Ksh. 565 million of protected deposits was paid to 58% of depositors of Chase Bank Ltd (IL). Charterhouse Bank (IL) also commenced payment of the protected deposits after its Liquidation was assented to by the Central Bank of Kenya. As at June 30, 2022 Ksh. 14.25 million had been paid out in protected deposits, but the same was stalled as a result of a court injunction. The Corporation collected Ksh. 984 million in outstanding debt, compared to Ksh. 500 million collected in the previous period.

Further, the Corporation continued to consolidate the operations of Imperial Bank Ltd (IL), which was placed in Liquidation on December 8, 2021. As at the end of the financial year, the Liquidation Agent closed an additional three (3) branches out of the remaining nine (9) branches.

Future Outlook

Indeed, the Management and staff remain committed to delivering on the Corporation's mandate, in the interest of depositors and to foster financial stability. We have continued to align our strategies, programs and operations to international best practise, to ensure that the country's deposit insurance system remains viable and resilient.

Looking into the future, the Corporation intends to develop the 2024 -2028 Strategic Plan, to succeed the current 2018 – 2023 Strategic Plan. Further, the Corporation continues the review of the Kenya Deposit Insurance Act of 2012 – which began in March 2021, with the aim of ensuring identified gaps are resolved for the seamless implementation of our mandate. Other identified initiatives include the documentation of Resolution Plans, also known as Living Wills by banks to support prompt resolution, implementation of the whistle blowing policy to support risk minimization in banks, and leveraging on technology and existing stakeholder relations to increase public awareness.

The Corporation remains cognisant of risks that are emerging in the Financial Services environment, and how these impact Member Institutions, the Deposit Insurance Fund, and the Corporation's sustainability. Firstly, whereas the rapid digitization of financial and communication technologies portends a great opportunity for improved service delivery, access and efficiency – the dynamic operating environment poses cyber security risks to financial institutions. KDIC is also aware of the impact of movement of deposits from physical branches to digital platforms, on its prompt resolution goal.

Secondly, following the issuance of Guidance on Climate-Related Risk Management by the Central Bank of Kenya, to banks, it is expected that operations, governance and reporting structures will change to entrench compliance.

Appreciation

Indeed, this has been a year when KDIC has achieved great milestones, and this has been possible due to the support of various stakeholders. My sincere gratitude goes to our member institutions, consisting of all commercial banks and micro-finance banks operating in the country, for the growing partnership and collaboration in risk minimization and data sharing. I also wish to most sincerely thank the Board of Directors for their commitment and guidance during the year in review. On the same note, I recognize the diligence, dedication and teamwork of the management and staff and their selfless contribution to the Corporation's agenda.

I also thank our parent ministry, The National Treasury and Planning for the support and cordial relationship we continue to enjoy. KDIC has also benefited greatly from the growing partnership with various government agencies and financial services regulators, and we remain eternally grateful.

It is my hope that we will all continue working together, in the interest of depositors, and to foster financial stability.

Hellen Chepkwony

Ag. Chief Executive Officer

GOVERNMENT PERFOMANCE CONTRACT

The Government continues to use the performance contracting as its key commitment for results framework in its endeavor to improve service delivery in the public service. The Corporation Board of Directors signed a performance contract with the Government through the Ministry of National Treasury and Planning for the financial year 2021/2022. The following shows a summary of the targets;

1. Financial Stewardship and Discipline

Financial Stewardship

Absorption of allocated funds
- The Corporation absorbed 75% of the allocated funds

Pending bills
- There were no pending bills for the period

2. Service Delivery

Service Delivery

Implementation of Citizens' Service Delivery Charter
- The Corporation implemented 100% of the Charter

Business Process Re-engineering
- Implemented 100%

Resolution of public complains
- Implemented 100%

3. Core Mandate

Core Mandate

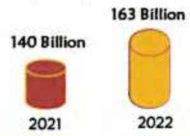
Resolution of Banks under Receivership Undertaken.
- The Corporation closed 3 branches of IBL(IR)
- Undertook physical verification of assets
- Acquired physical storage and server storage for IBL
- Made Loan recoveries

Core Mandate

Timely Resolution of banks in liquidation Undertaken.
- Document experiences for institutions in liquidation
- Held stakeholder engagement
- Capacity built on ADR
- Acquired physical storage and server storage for IBL
- Recoveries and paid depositors

Core Mandate

Growth of the Deposit Insurance Fund



Core Mandate

Early detection and timely intervention
- Profiling of member institutions
- Implemented electronic data warehouse
- Implemented single customer view

Core Mandate

Public awareness
- Conducted stakeholder engagement
- Utilized the print, electronic and digital media
- Capacity built on ADR
- Conducted customer satisfaction survey and initiated the public awareness survey

Core Mandate

4. Implementation of Presidential Directives

Presidential directive

Implementation of Presidential Directives
- The Corporation purchased branded local attire for staff
- 5,000 trees seedlings were planted

5. Access to Government Procurement Opportunities

Procurement (AGPO)

Access to Government Procurement Opportunities
- Procurement from reserved categories amounted to Kes. 22 million
- Promotion of local content amounted to Kes 244 million

6. Cross - Cutting Issues

Asset Management

Inventory Management
- Corporation maintained asset register for fixed assets

Disposal of assets
- Corporation established assets due for disposal and recommended the disposal options

Competence Development

Competence development
- Training needs assessment was conducted
- Employee performance management was implemented
- Continuous capacity building for staff

Corruption Prevention

Corruption prevention
- Corporation carried out a comprehensive corruption risk assessment and mitigation plan developed
- Quarterly reports were submitted to EACC

Disability Mainstreaming

Disability Mainstreaming
- Corporation developed and implemented a disability mainstreaming policy
- Complied with AGPO and Employment requirements

Gender Mainstreaming

Gender Mainstreaming
- Corporation developed and implemented a gender mainstreaming policy
- Complied with the a third gender rule at 33%

Prevention of Alcohol and drug abuse

Drug Abuse
- The Corporation developed and implemented a alcohol and drug abuse policy
- Conducted a baseline survey on Alcohol and drug abuse
- Conducted a mental wellness sensitization for staff

Prevention of HIV & non-communicable diseases

Prevention of HIV and non-communicable diseases
- The Corporation continued to sensitize staff on mental wellness
- Conducted a wellness check for all staff
- Provided comprehensive medical cover for staff

National Cohesion and Values

National cohesion and values
- The Corporation implemented initiatives to promote national cohesion and values
- Reported on the measures taken and progress achieved in realization of national values and principles of governance.

Youth Internship

Internship and attaches
- The Corporation engaged 8 attaches and 9 interns during the period under review

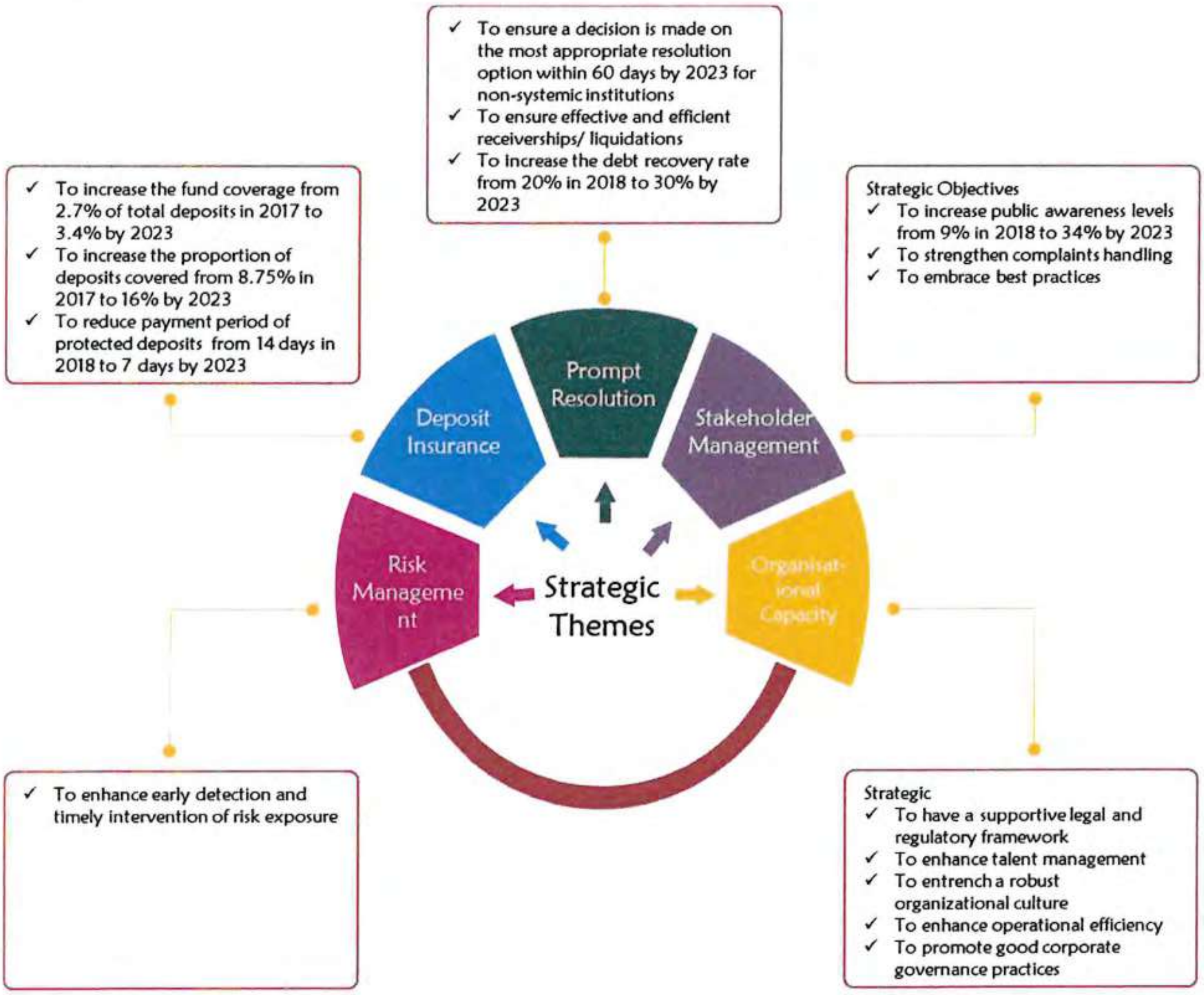
The evaluation of the financial year ending June 2022 was conducted and the Corporation scored very good.

STATEMENT OF PERFOMANCE AGAINST PREDETERMINED OBJECTIVES

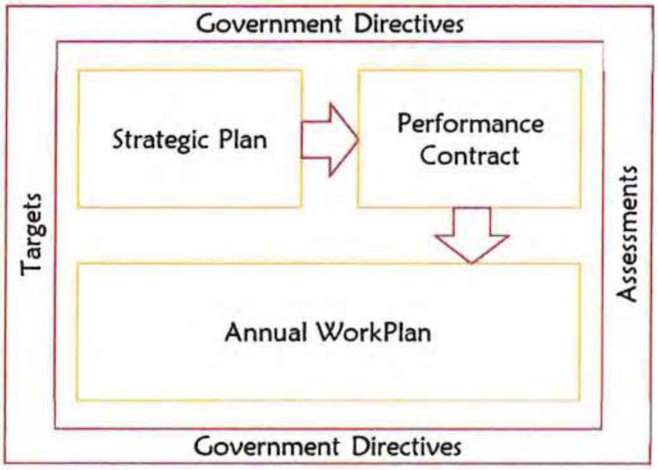
The Corporation's performance objectives are defined in its five-year Strategic Plan (2018 - 2023) and as a Government agency, KDIC signs annual Performance Contract with the parent ministry, The National Treasury and Planning.

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

Strategic Pillars and Themes;



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



the Corporation and The National Treasury and Planning. Throughout the corporate performance management process that starts with strategic planning to performance contracting, the Corporation incorporates the requirements of various government directives issued from time to time.

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

Achievement of strategic objectives

Strategic Pillar	Objective	KPI	Activities	Achievements
Risk Management	Enhance early detection and timely intervention of risk exposure	Implement an early detection and intervention framework	Review and implement a risk assessment framework (CAMEL)	Implemented
			Implement early detection and intervention framework	Conducted offsite surveillance on 53 member institutions. We also conducted capacity building on Crisis Preparedness and Contingency Planning and prompt resolution.
			Stakeholder engagement on sound risk management	The Corporation conducted 9 stakeholder engagement sessions covering all our member institutions during the year
Deposit Insurance	Achieve a coverage ratio of 23.25% by 2023	Increase in coverage ratio	Collect the deposit insurance premium (Kshs.6.8B)	The Corporation assessed and collected Kshs. 6.8B.
			Prudent investment of Funds - Income (Kshs.13.6B)	The Corporation's prudently invested monies from the fund to maximize return while managing liquidity. This led to a revenue of Kshs.14.5B against a target of Kshs.13.6B.
Stakeholder Management	Increase public awareness levels from 9% in 2018 to 40% in 2023	Increase public awareness index	Conduct a targeted public awareness campaign	The Corporation conducted a public awareness campaign in collaboration with print, electronic and digital media aimed at sensitizing the public on KDIC mandate as well as enhancing confidence on safe-banking
			Develop and disseminate IEC Material	The Corporation distributed IEC material to members of the public during the year. These were KDIC branded merchandise to encourage the public to take up formal banking

Strategic Pillar	Objective	KPI	Activities	Achievements
Prompt Resolution	Increase the debt recovery rate from 20% in 2018 to 30% by 2023	Debt recovery growth rate	Adopt alternative dispute resolution methods	The Corporation employed Alternative Dispute Resolution methods in debt recovery for institutions in liquidation.
			Implement convenient loan repayment options	The Corporation is in the process of implementing a mobile application that shall enable debtors of institutions in liquidation to pay their debts through e-citizen.
			Increase the number of loan repayment methods	
Organizational capacity	Enhance absorption rate (Allocated funds)	Budget utilization	Implementation of approved establishment	The Corporation's staff compliment is at 31% of its approved staff establishment.
			Develop and disseminate IEC Material	The Corporation distributed IEC material to members of the public during the year. These were KDIC branded merchandise to encourage the public to take up formal banking

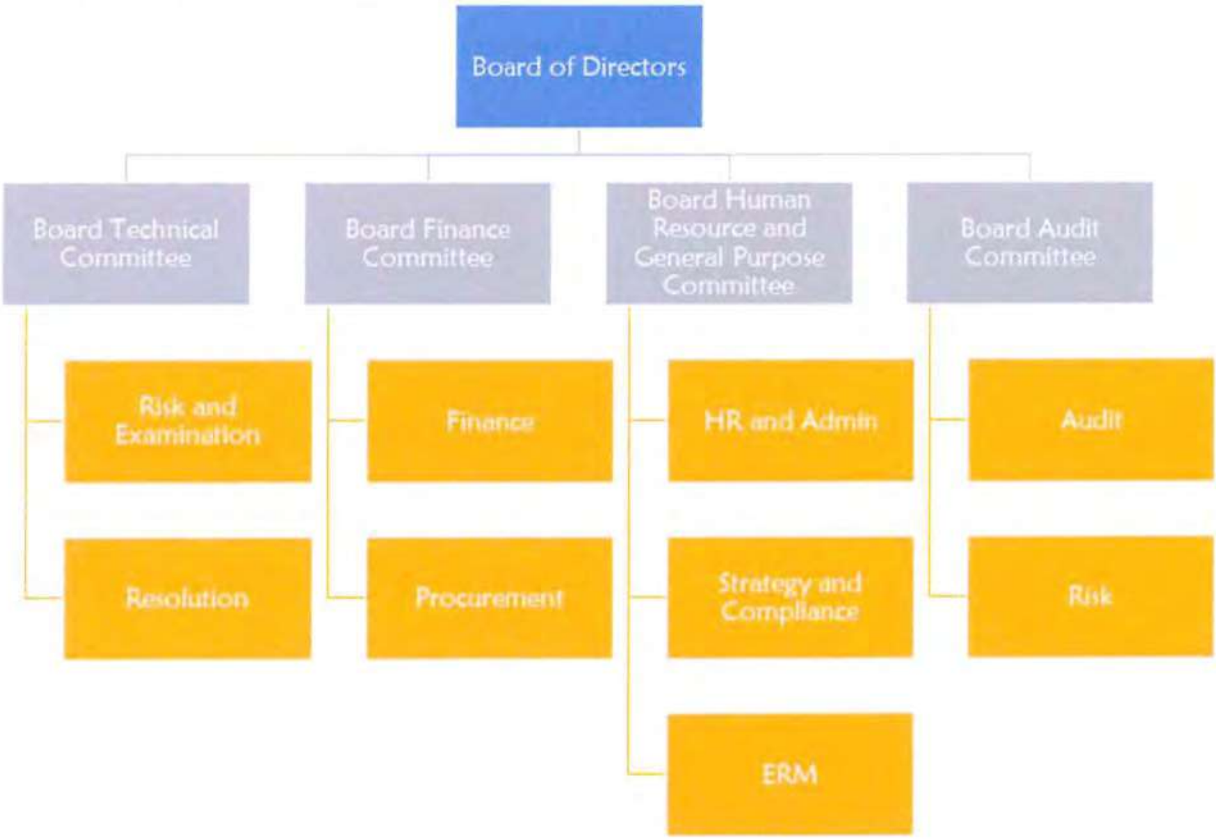
CORPORATE GOVERNANCE STATEMENT

The Board of Directors ensure that corporate governance is adhered to in the operations of the Corporation through development of various policies, processes, systems and procedures. Through compliance with the Constitution of Kenya, *Mwongozo*, which is the Code of Governance for State Corporations, the KDI Act, 2012 and all applicable legislations, the Corporation continues to embrace good corporate governance practices.

The Corporation, in adopting the best practices that foster corporate governance and sustainable development, has embraced the use of Quality Management Systems and Enterprise Risk Management System as part of its processes.

Governance Structure

According to the KDI Act 2012, *"Mwongozo"*, and the Board Charter KDIC has adopted the following governance structure: -



Statutes

- Constitution Of Kenya
- Kenya Deposit Insurance Act, No.10 Of 2012
- Banking Act Cap 488
- Micro Finance Act No. 19 Of 2006
- Land Act No. 6 Of 2012
- Sectional Properties Act
- Land Registration Act No. 3 Of 2012
- Movable Property Securities Act No. 13 Of 2017
- Public Finance Management Act No. 18 Of 2012
- Public Procurement And Asset Disposal Act No. 33 Of 2015
- Leadership & Integrity Act No. 19 Of 2012
- Occupational Safety & Health Act No. 15 Of 2007

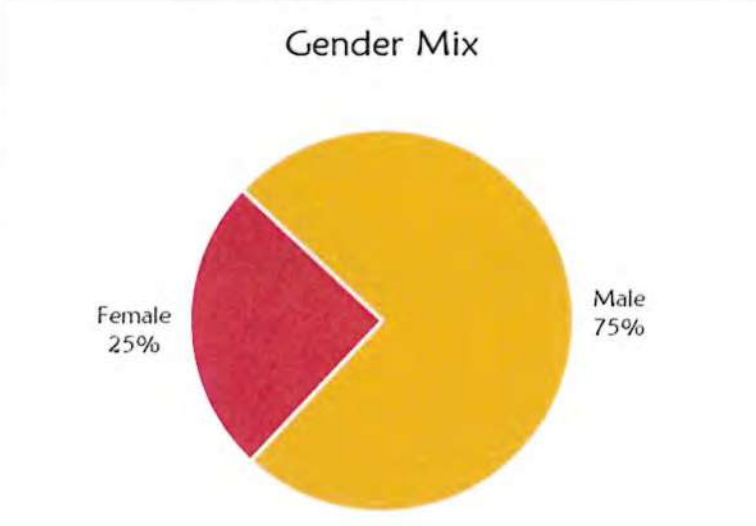
Best Practice

- Government Circulars
- Mwongozo Code Of Conduct For State Corporations
- IADI Core Principles For Effective Deposit Insurance Systems
- FSB Key Attributes

Board of Directors

The Constitution of KDIC's Board is governed by the provisions of Section 7 of the Kenya Deposit Insurance Act, 2012. The Act provides that the Board shall comprise 10 members including the Chairperson and the Chief Executive Officer. During the year under review, the board to the Corporation was reconstituted through the appointment of the Chairperson and 3 other members making the total number of directors 10.

The Gender distribution of the board for the year under review is as shown in the table below where there were 6 Male directors and 2 female directors. This excludes the two alternate directors and the representative from the Inspectorate of State Corporations.



Board Committees

The Board, in order to undertake its mandate effectively and efficiently, has four committees, which have its delegated authority. The Board endeavours to make the best use of the range of skills across the Board and share responsibility. Each Board Committee has in place a Charter that defines its oversight mandate.

Membership to Board Committees

Board Technical Committee (BTC)	Board Finance Committee (BFC)	Board HR, Strategy & General-Purpose Committee (HSGPC)	Board Audit Committee (BAC)
Ms. Anne Agimba (Chairperson)	Dr. Habil Olaka (Chairperson)	Ms. Anne Agimba (Chairperson)	Mr. John B. Maina (Chairperson)
Dr. Habil Olaka	Mr. Mohamed Adow	Mr. Mohamed Adow	Mr. John Njera
Mr. Mohamed Adow	Mr. John Njera	Mr. John Njera	Dr. Patrick Njoroge
Dr. Patrick Njoroge	CEO, KDIC	Mr. John B. Maina	Ms. Anne Agimba
CEO, KDIC		CEO, KDIC	

Board Committee Functions

COMMITTEE	TERMS OF REFERENCE
Board Technical Committee (BTC)	To consider and recommend policy documents relating to the following for Board approval: - ✓ Resolution. ✓ Risk & Examination.
Board Finance Committee (BFC)	(i) To consider and recommend policy documents relating to the following for Board approval:- ✓ Finance ✓ Procurement (ii) To review and recommend to the Board the following reports: - ✓ Budgets and procurement plans ✓ Annual accounts and thereafter submit to the Office of the Auditor General (OAG). The Committee has a duty to ensure that the accounts with supporting documentation are submitted to the OAG within three (3) months after the end of the financial year. ✓ Quarterly financial and Performance Contract reports.
Board HR, Strategy & General Purpose Committee (BHSGPC)	**Human resource** (i) To consider and make recommendations to the board on the matters touching on Human Resource Management and compliance with relevant HR legislation, policies and procedures **Strategy** (ii) Guide the Board on the development and implementation of the Strategic Plan. (iii) Provide oversight on matters relating to the Business Continuity Plan (BCP) **Risk** (iv) To guide and make recommendations to the board on the Corporation's implementation of the Enterprise Risk Framework and recommend the same to the Board for approval. (v) To guide and recommend to the board on the appropriate risk appetite and tolerance statements.
Board Audit Committee (BAC)	(i) Risk management and internal controls. (ii) Financial reporting and disclosure matters. (iii) External auditor oversight responsibilities. (iv) Internal audit oversight responsibilities.

Board Meetings

The Board has in place an annual work plan and Almanac that sets out the Board activities in a year. The Board meets at least once every quarter, and additionally, when necessary. The annual work plan and calendar are prepared at the beginning of the year and the board papers and agenda are circulated in advance of each meeting. During the year ending 30th June, 2022, the Board held a total of five board meetings and various committee sittings in compliance with the requirements of *Mwongozo* as shown in the table below:-

Board Director	Board Meetings	Board Technical Committee (BTC),	Board Finance Committee (BFC)	Board HR, Strategy & General-Purpose Committee (BHSGPC).	Board Audit Committee (BAC),
Carol Musyoka (Chairperson)	5	N/A	N/A	N/A	N/A
Mr. John Njera	4	N/A	4	2	3
Mr. Mohamed Adow	4	4	4	2	N/A
Dr. Patrick Njoroge	3	2	N/A	N/A	2
Dr. Habil Olaka	5	3	4	N/A	N/A
Ms. Anne Agimba	5	4	N/A	4	2
Mr. John B. Maina	5	N/A	N/A	3	3
Dr. Nur Nassir Abdi	-	-	-	-	-
Mr. Joseph Musyimi	1	-	-	-	-
CEO KDIC	5	4	4	3	N/A

Role of the Board

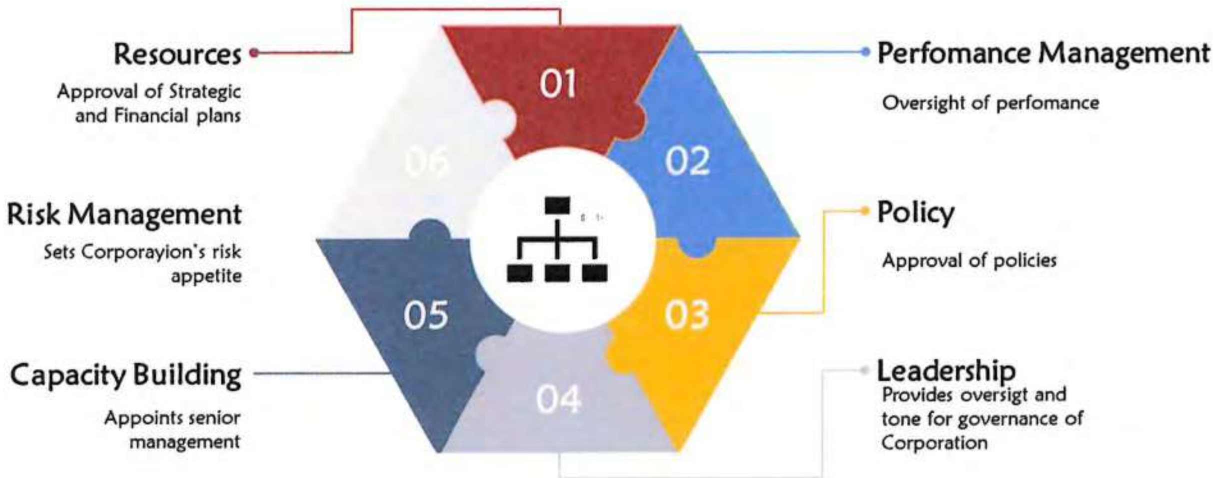
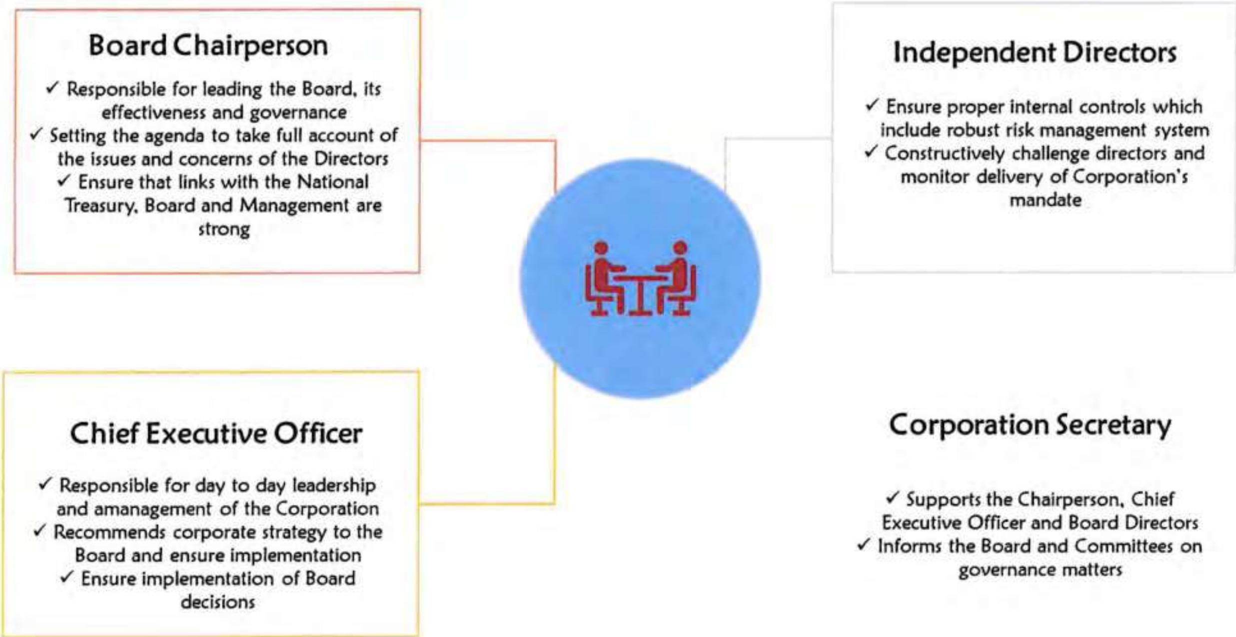


Figure 4: Role of the Board

Separation of Roles and Responsibilities

The roles of the Chairperson, Independent Director, Chief Executive Officer and Corporation Secretary are distinct from each other and are performed by different people.

Figure 5: Roles and Responsibilities



BOARD EFFECTIVENESS

The effectiveness of the board is achieved through implementation of the principles shown in the chart below

Delegation of Authority

The Board Charter sets out the authority and matters reserved for determination and approval by the Board and those to be performed by the Committees and Management.

In exercising its mandate, the board has delegated to its committees the authority to consider all management proposals prior to the proposals being tabled before the Board. Board committee chairpersons are then tasked with the responsibility of presenting the committee decisions to the full board for consideration.

The decisions of the board are communicated to management through the Corporation Secretary, who is also tasked by the board with the duty of updating the board on the implementation status.

During the year under review, the board in compliance with good governance and in compliance with the KDI Act, 2012 delegated the function of day-to-day management of the affairs of the Corporation to the CEO.

Independence of the Board

The KDI Act provides that a majority of its directors should be independent. Accordingly, the Board members are considered to be independent when they are separated from management, and are not conflicted to the extent of interfering with the management of the affairs of KDIC, or any other members' capacity to act independently on issues that are in the best interest of the Corporation.

Access to Information and Independent Advice

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

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

Conflict of Interest

The Directors are each responsible to notify the Chairperson and the Corporation Secretary of any actual or potential conflict of interest situations as soon as they arise.

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

Any Director with a material personal interest in any matter being considered during any Board or committee meeting will not vote on the matter or be present when the matter is being discussed and considered. During the year 2021/2022, except for the directorship held by the Permanent Secretary, National Treasury, the Attorney General and the Governor Central Bank of Kenya, CEO, Kenya Banker's Association all other directors of the Corporation were considered independent. No incidences of material conflict of interest were identified for any of the independent Directors.

Succession Planning

The appointment of independent directors is undertaken by the Cabinet Secretary (National Treasury) in line with the KDI Act and other applicable laws.

The independent board members, as noted in the Gazette Notice appointing them, are expected to serve a term of three years. To ensure that there is continuity, the appointments of the board members is conducted in a manner which ensures that the terms of the independent board members do not end at the same time. The Corporation promptly notifies the Cabinet Secretary of any vacancy in the Board.

Communication Policy

The board adopts top down and bottom-up approach to communication. The board receives board papers, using the E-board platform for efficiency, from management through the Corporation Secretary. Board resolutions on their part are communicated to management through the Corporation Secretary.

Externally, the board has delegated to the CEO the mandate of being the official spokesperson of the Corporation.

Board Induction and Training

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

The Board during the 2021/2022 financial year conducted induction sessions for the newly appointed Board Directors to familiarise them with the operations of the Corporation. In order to keep the Members up to date with the latest developments in board operations, the Board had an opportunity, in March 2022, to be trained on the Role of the Public Sector Board of Governance, Role of the board in Public Procurement and KDIC's crisis preparedness and bank Resolution Framework. Further training through the *"Boards that lead programme"* and Public Sector Advanced Leadership programme was undertaken in May and June 2022 respectively.

Governance Audit

The *Mwongozo* Code of Conduct provides that State Corporations are required to undertake periodic governance audits after every two years.

During the period under review, the Corporation, under the guidance of the Board conducted a legal and governance audit. The Corporation was evaluated and found to have an overall ranking of "Good". This is the highest ranking, which denotes that KDIC has demonstrated good practice in the majority of the compliance areas. Implementation of the findings will facilitate improving the Corporation's general compliance thereby facilitating it realize its vision within a culture of good corporate governance and compliance.

Board Evaluation

The Board has in place a procedure for assessment of its performance and that of the Board Committees and individual directors annually not only as a measure of their performance, but also to comply with the *Mwongozo* code of corporate governance. During the financial year under review, the State Corporations Advisory Committee (SCAC) evaluated the Board's performance and documented areas of improvement for implementation in the Financial Year 2022/2023.

The areas of improvement identified have been used to facilitate the development of the training needs of the board of directors. For instance, training on *'Finance for non-finance members'* has been identified as an area for improvement for board members that lack a finance background.

Risk Management Governance

Risk is an inherent part of the KDIC's business and the effective management of risk is a fundamental enabler of our strategic plan. The strategy for managing risk is aimed towards depositor protection and enabling sustained performance.

This is achieved through the Risk Management Framework of the Corporation. The Corporation is exposed to both financial and non-financial risks and is committed to having risk management policies, processes and practices that support a high standard of governance. This

enables management to undertake prudent risk-taking activities. The Board oversees the risk management strategy and framework taking into account the risk appetite, requirements of the KDI Act 2012 and strategic and mandate of the Corporation.
This includes setting and reviewing the risk appetite, monitoring the effectiveness of the risk management framework and making changes to it.

Risk Management Framework

KDIC's risk management function oversees a Risk Management Framework to allow KDIC identify, measure and manage risks within a Board-approved risk appetite.
The KDIC's risk management is based on the 'three lines of defense' model. The first line of defence for the Corporation is facilitated by the management and staff who are responsible for identifying and managing risks as they conduct their functions. The Second line of defence is through implementation of policies, procedure and frameworks that facilitate compliance and enable review to confirm adequacy of controls. The third line of defence, is conducted by the Internal Audit team, which facilitates quality assurance and makes their findings to the Board through the Board Audit Committee.

Policies and Codes of Conduct

KDIC maintains and has in place policies and codes of conduct that capture not only our legal obligations, but also the reasonable expectations of our stakeholders, including customers. These policies apply to all employees and Directors of KDIC, and to anyone working on the Corporation's behalf, including contractors and consultants. The Corporation adopts zero tolerance to all forms of corruption, bribery and unethical business practices.

Ethical Conduct

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

Board Remuneration

The remuneration of the Board is guided by SCAC and the applicable laws. The Chairperson is paid a monthly honorarium as stipulated in her letter of appointment. Board members are paid a sitting allowance that is based on the number of meetings attended.

Compliance with IADI Core Principles for Effective Deposit Insurance Systems

The International Associational of Deposit Insurers is the umbrella body that promotes guidance and international cooperation on deposit insurance, globally. KDIC is one of the inaugural members of the association which was founded in 2002, and has a current membership of 86 deposit insurers. The IADI Core principles *(16 in number)* for effective deposit insurers are developed for adoption by jurisdictions considering the adoption or reform of their deposit insurance systems.

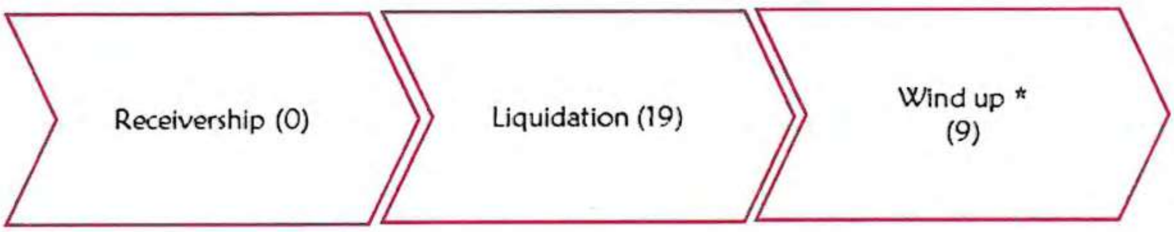
The Corporation continuously aligns its operations and legal framework to the guidance of these principles, and was voted the best deposit insurer in the world, in 2016.

MANAGEMENT DISCUSSION AND ANALYSIS

PROMPT RESOLUTION OF FAILED BANKS AND MICROFINANCE BANKS

The Kenya Deposit Insurance Corporation (KDIC) being the country's sole resolution authority continued executing its mandate of receiving, liquidating and winding up of failed institutions. This was guided by the KDI Act, 2012.

Table 1: Number of Institutions in receivership, liquidation and wound-up



* The 9 wound up institutions were wound up between 2007 and 2019. See table 5 for details.

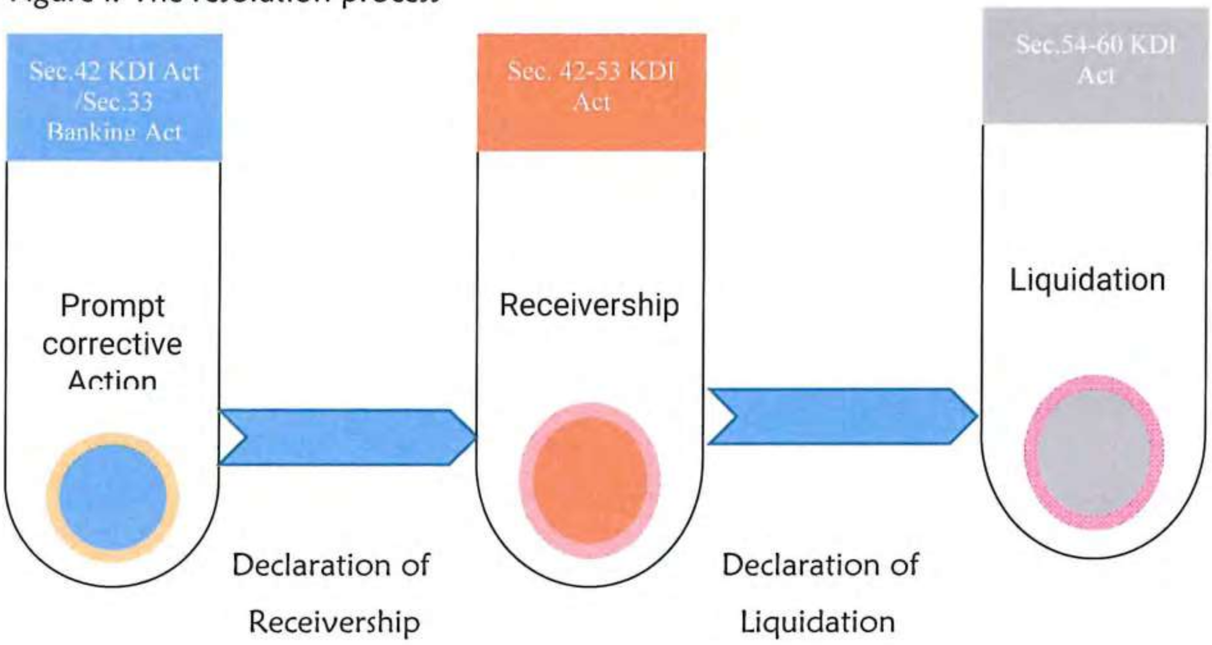
Resolution Process

The Corporation is appointed by the Central Bank of Kenya, as the sole and exclusive receiver of any banking institution that has been put under receivership. KDIC explores ways of resolving the bank but if this fails it recommends to CBK that the residual institution be liquidated. However, should the process prove to be unviable economically, KDIC applies to the High Court for an order to terminate the liquidation thus winding up the institution in accordance with KDI Act 2012.

In executing this mandate, the Corporation seeks to ensure that the resolution process is carried out in an effective and efficient manner.

The diagram below illustrates the resolution process of a banking institution;

Figure i: The resolution process



Initiatives implemented during the year in review

To ensure timely resolution of the troubled financial institutions, the Corporation implemented several initiatives as illustrated in the diagram below.

1. Receivership

During this stage the Corporation is appointed the receiver to manage the assets and liabilities of the bank with the aim of resolving it and t preserving its value for the benefit of depositors and creditors. During the financial year 2021/2022, Imperial Bank Ltd Bank which was the only institution in receivership until 8th December 2022 when in it was placed in liquidation.

2. Liquidation

Liquidation is last option in the resolution process where the depositors are promptly paid their insured deposits. Subsequently, the depositors are paid dividend pay-outs from funds realised from loan repayments and realization of assets.

During the financial year, the Corporation was appointed Liquidator of Imperial Bank Limited (IL). This increased to nineteen, the total number of Institutions in liquidation. However, before the Corporation could start carrying out its role as Liquidator, the High Court via a court order dated 22nd December 2022 stalled the process of Imperial bank (IL) being in liquidation.

The following milestones were achieved during the year in review:

Operational Efficiency	✓ Closure of 3 branches of Imperial Bank (IL) ✓ Reduction of workforce at Imperial Bank (IL)
Payment of protected deposits	✓ Kshs. 563.1 Million had been paid to 1,464 depositors of Chase bank Ltd (IL) in protected deposits ✓ Kshs.14.7 Million had been paid out to depositors of Charterhouse Bank (IL)
Payments to depositors and creditors	✓ Payments to depositors of Dubai Bank Ltd(IL), Kenya Finance Bank Ltd (IL) and Euro Bank Ltd (IL) commenced during the year
Investment in the ICT Infrastructure	✓ Development and successful testing of the KDIC Mobile App that will provide an alternative debt recovery channel

a. Closure of Branches and rationalization of staff

For more efficient management of the bank, the Corporation continued Consolidate the operations of the institution through closure of branches throughout the country and reduction of the staff work force which helped reduce the operating costs and promote operational efficiency. As at the end of the financial year the Imperial Bank in liquidation had closed three (3) out of the remaining nine (9) branches.

b. Payment of protected deposits

The Corporation, having been appointed as Liquidator of two financial institutions i.e., Chase Bank Ltd (IL) and Charterhouse Bank (IL), continued making payment of protected deposits in line with section 33 of the KDI Act, 2012.

Depositors of Chase Bank Ltd (IL) and Charterhouse Bank (IL) became the first beneficiaries of the enhanced protected payment of Kshs. 500,000 per depositor.

By the end of the financial year 2021/2022, Kshs. 565,936,288 had been paid to 1,464 depositors of Chase bank Ltd (IL) in protected deposits out of a projected payment of Kshs. 1.04 billion for 3,102 depositors representing 54.42% of the total protected deposits.

Charterhouse Bank Ltd (IL) had also commenced making payment of the protected deposits but was stalled by a court injunction. As a result of this as at 30th June 2022 only Kshs.14.25 million had been paid out its depositors.

c. Payments to depositors and creditors:

In the financial year 2021/2022, the Board of Directors approved payment of dividends to creditors and uninsured depositors of three institutions in liquidation i.e., Dubai Bank Ltd (IL), Kenya Finance Bank Ltd (IL) and Euro Bank Ltd (IL) for a period of one year from 31st March 2022.This was as a result loan recoveries and realization of assets of delinquent debtors.

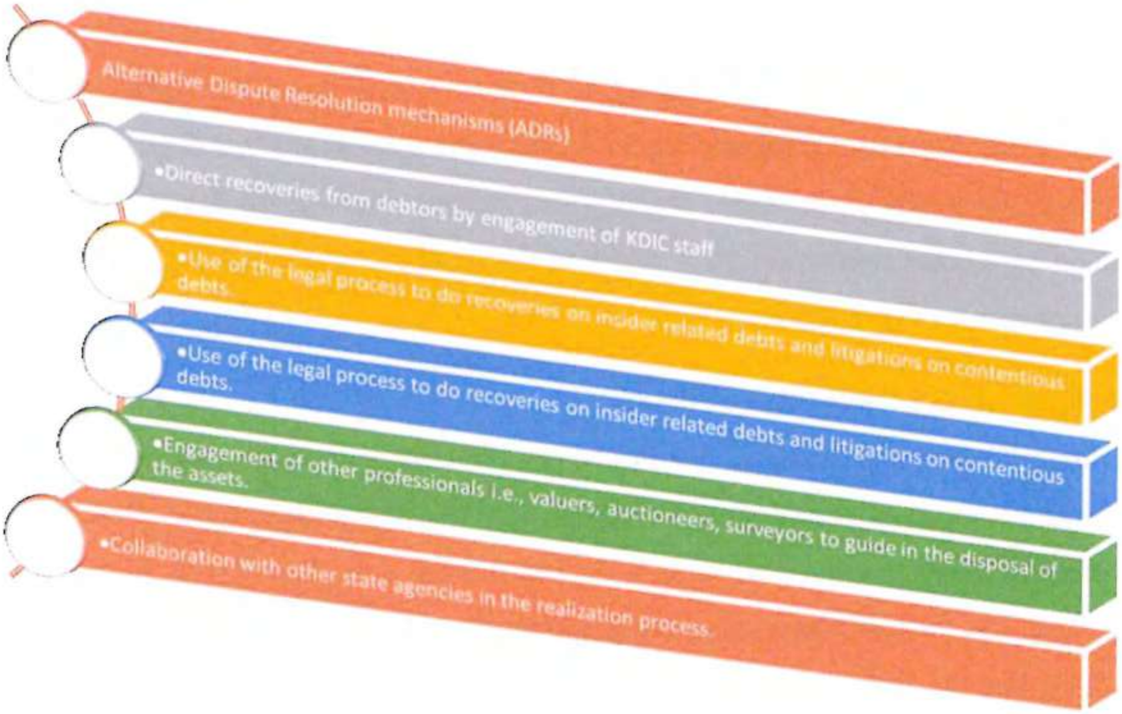
Chase Bank Ltd (IL) and Charterhouse Bank Ltd (IL) are still in the process of paying protected deposits and thus have not commenced the process of paying uninsured depositors and creditors. Imperial bank is yet to pay protected deposits stalled by a court injunction.

d. Investment in the ICT Infrastructure

To ensure timely payment to depositors and creditors of the institutions in liquidation, the Corporation developed and successfully tested a digital banking platform dabbed the KDIC mobile APP.The App will allow debtors of the failed banks to make loan repayments from their mobile phones and access their loan balances. This innovation will not only boost the loan recovery efforts by offering a convenient repayment method but also make KDIC the global pioneer deposit Insurer that has fully integrated mobile banking services with its liquidation processes.

e. Management of the Assets

The Corporation traced, preserved and realized assets of institutions under liquidation employed various strategies in its debt recovery efforts during the year under review. These strategies include:



The Liquidator, in undertaking asset realization continued to undertake valuation of the physical assets to determine their market value before disposal to ensure maximum recovery. Through adoption of various methods and strategies the Corporation increased its debt recoveries to Kshs.984.2 million up from Kshs.529.5 million the previous financial year.

Debt recovery & Asset realization as at June 30, 2022

19
Institutions in Liquidation

Kshs.144.1 B
Total Loans as at Liquidation

Kshs.529.5 M
Total Collections 2020/2021

Kshs.984.2 M
Total Collections 2021/2022

Details of Institutions in Liquidation:

Trade Bank Ltd (IL)

Trade bank limited (in liquidation) was placed under liquidation in August 1993. Deposits as at liquidation was Ksh.3.52 billion of which Ksh. 754 million has been paid out to depositors and creditors. Total loans as at liquidation were Ksh. 3.95 billion and recoveries as at June 2022 amount to Ksh. 824 million.

Postbank Credit Ltd (IL)

Postbank Credit limited (in liquidation) was placed under liquidation in May 1993. As at liquidation, the bank had Ksh. 3.8 billion in deposits and loan and advances totaling Ksh. 3.6 billion. As at June 2022 the bank had made 15 payouts to depositors totaling Ksh. 1.5 billion. As at June 2022 the institution has been able to make loan recoveries of Kes. 502 million.

Middle Africa Finance Co. Ltd (IL)

Middle Africa Finance Company limited (in liquidation) was placed under liquidation in August 1993. As at liquidation, the bank had Ksh.242 million in depositors and loan and advances totaling Ksh. 656 Million. As at June 2022 the bank had made one payout to depositors totaling Ksh. 30 million. As at June 2022 the institution has been able to make loan recoveries of Kes. 78 million.

Pan-African Bank Ltd (IL)

Pan-African Bank limited (in liquidation) was placed under liquidation in August 1994. As at liquidation, the bank had total loans of Ksh. 1.4 billion of which Ksh 143 million as at June 2022. Total deposits as at liquidation stood at Ksh. 741 million with payouts amounting to Ksh 634 million.

Pan-African Credit and Finance Ltd (IL)

Pan-African credit and finance limited (in liquidation) was placed under liquidation in August 1994 following the closure of the parent company, Pan-African bank limited. The institutions has recovered Ksh 144.7 million as at June 2022 from total loans as at liquidation of Ksh. 445 million. The depositor amounts as at liquidation was kes 139 Million. Deposit payouts as at June 2022 were Ksh. 260 million.

Thabiti Finance Company Ltd (IL)

Thabiti finance company limited (in liquidation) was placed under liquidation in December 1994. As at liquidation, the institution had total loans of ksh. 905 million and total deposits of Ksh. 899 million. Loan recoveries as at June 2022 were Ksh. 127 million which has resulted to pay outs to depositors of Ksh. 340 million.

Meridian Biao Bank Ltd (IL)

Meridian biao bank limited (in liquidation) was placed under liquidation in April 1996. total deposits as at liquidation were Ksh 805 million against Ksh. 224 million in total loans. Payments to depositors as at June 2022 amount to Ksh. 385.6 million while loan recoveries were Ksh. 103 million.

Kenya Finance Bank Ltd (IL)

Kenya finance bank limited (in liquidation) was placed under liquidation in October 1996. As at liquidation, the institution had Ksh. 2.0 billion in total loans and Ksh. 1.52 billion in deposits. As at June 2022, the institution had made loan recoveries of Ksh. 536 million. As at 30th June 2022 four payouts to depositors had been made to depositors and the institution had commenced payment of the 5th payout to depositors.

Ari Bank Corporation Ltd (IL)

Ari bank corporation bank limited (in liquidation) was placed under liquidation in December 1997. Total loans bank as at liquidation were Ksh. 637 million of which Ksh 147.6 million has been recovered by June 2022. Total deposits as at liquidation was Ksh. 287 million of which Ksh 57.8 million by June 2022.

Prudential Bank Ltd (IL)

Prudential bank limited (in liquidation) was placed under liquidation in May 2000. As at liquidation, the institution held Ksh. 600 million in total deposits. Of this amount, Ksh. 228 million has been paid to depositors.

Reliance Bank Ltd (IL)

Reliance bank limited (in liquidation) was placed under liquidation in September 2000. As at liquidation, the institution held Ksh. 969 million in total deposits. As at June 2022, the institution had made loan recoveries totaling Ksh. 225 million and payout to depositors of Ksh. 192 million.

Trust Bank Ltd (IL)

Trust bank limited (in liquidation) was placed under liquidation in August 2001. Total loans as at liquidation stood at Ksh. 13.8 billion of which Ksh. 1.72 billion has been recovered as at June 2022. As at June 2022 Ksh. 2.23 billion has been paid out to depositors.

Euro Bank Ltd (IL)

Euro bank limited (in liquidation) was placed under liquidation in February 2003. Total loans as at liquidation stood at Ksh. 3.8 billion. Total deposits as at liquidation stood at Ksh. 2.04 billion of which Ksh. 73 million has been paid out to depositors as at June 2022.

Prudential Building Society Ltd (IL)

Prudential building society bank limited (in liquidation) was placed under liquidation in January 2004. As at liquidation, the institution held Ksh. 3.2 billion in total deposits and Ksh. 2.04 billion in total loans. The institution has recovered Ksh. 272.18 million of the loans and paid out Ksh. 219 million to depositors.

Daima Bank Ltd (IL)

Daima bank limited (in liquidation) was placed under liquidation in June 2005. As at liquidation, the institution held Ksh. 680 million in total deposits and Ksh. 802 million in total loans. The institution has recovered Ksh. 493 million of the loans and paid out Ksh. 306 million to depositors.

Dubai Bank Ltd (IL)

Dubai bank limited (in liquidation) was placed under liquidation in August 2015. As at liquidation, the institution held Ksh. 1.36 billion in total deposits and Ksh. 4.2 billion in total loans. The institution has recovered Ksh. 297 million of the loans and paid out Ksh. 144 million to depositors.

Chase Bank Ltd (IL)

Chase bank limited (in liquidation) was placed in receivership in April 2016 and subsequently placed under liquidation in April 2021. As at liquidation, the institution held Ksh. 24 billion in total loans of which Ksh. 757 million has been recovered. As at 30th June 2022 Kes 566 Million had been paid out in protected deposits

Charterhouse Bank Ltd (IL)

Charterhouse bank limited (in liquidation) was placed under liquidation in May 2021. The Charterhouse commenced payment of protected deposits however this was stopped by Court order. As at liquidation, the institution held Ksh. 2.9 Billion in deposits and Kshs.20.7 Billion in loans

Imperial Bank Ltd (IL)

Imperial bank limited (in liquidation) was placed under liquidation in December 2021. However, liquidation process was suspended through a Court order. The Corporation estimates a pay out of Ksh 2 billion in protected deposits.

3. Winding up

Winding up is the last stage of the resolution process implying no more recovery and therefore liquidation process is deemed complete. KDIC has successfully wound up 9 (nine) institutions as at 30th June 2022. All the 9 institutions were wound up in prior financial years as detailed below.

Table 5: List of wound-up Institutions.

No.	Institution	Liquidation Date	Date Wound up
1	Allied Credit Ltd	20-Aug-93	06-Nov-07
2	International Finance Ltd	16-Apr-93	06-Nov-07

3	Trade Finance Ltd	18-Aug-93	23-Sep-08
4	Diners Finance Co. Ltd	20-Aug-93	07-Nov-08
5	Nairobi Finance Ltd	20-Aug-93	16-Aug-10
6	Inter-Africa Credit Finance Ltd	31-Jan-93	07-Sep-12
7	Central Finance Ltd	19-May-93	07-Sep-12
8	Heritage Bank Ltd	13-Sep-96	22-Nov-14
9	Fortune Finance Co. Ltd	14-Sep-00	15-Feb-19

Challenges faced in asset tracing and realization

Despite achievements in the resolution process, the Corporation faced various challenges which included;

Challenges
o Continued delays in determination of ongoing court cases
o Inadequate documentation of borrowers' information
o Debtors with capability but unwillingness to repay their debts
o Loans which were unsecured / uncollateralized
o Difficulty in tracing judgement debtors' properties for realization
o COVID 19 pandemic continued to slow down the economy

That Corporation continued to employ debt restructuring systems which considered the financial status and debt repayment capabilities of debtors who owe delinquent debt to the Institutions in liquidation.

Despite this, the Corporation continued to amicably engage stakeholders and judicial system to ensure that outstanding issues are resolved in the interest of depositors and creditor. The Corporation encourages the various stakeholders to reach out as we continue to resolve these institutions.

RISK & EXAMINATION

Commercial Banks and Mortgage Finance Institution

Commercial banks recorded a strong performance in the period under review mainly due to continued recovery from the Covid-19 pandemic, capital injection, and streamlined operations resulting to increased efficiency.

1.1 Capital Adequacy

Core capital to total risk-weighted assets increased from 16.87% in June 2022 as compared to 28.12% in June 2021. Total capital to risk-weighted assets increased from 18.39% in June 2021 as compared to 19.10% in June 2022. This was attributed to continued capital-raising activities through borrowing.

1. 2 Asset Quality

Net non-performing loans to total loans ratio increased to 6.90% in June 2022 as compared to 5.84% in June 2021. Gross Non-performing loans increased to KES. 514 billion in June 2022 from KES. 428 billion in June 2021. This was attributed to slow recovery of some sectors such as tourism and hospitality, as well as agriculture and manufacturing.

1.3 Earnings

Profit before tax increased by 26% from KES. 95 billion in June 2021 to KES. 119 billion in June 2022. The increase was mainly due to increase in dividend income and foreign exchange trading income compared to the same period in the previous year. There was significant reduction in loan loss provisions by 5% and rental charge by 7% due to closure of branches upon adoption of digital technologies in service delivery.

1.4 Liquidity

Commercial banks reported an average liquidity ratio of 58.66% in June 2022 compared to 63.20% in June 2021. This was due to an increase in total short-term liabilities by 9% and decrease in net liquid assets by 2%.

1.5 Performance Rating

The corporation conducted a profiling for member institutions based on the CAMEL 5 scale model. Commercial banks were on average rated as strong as at June 2022. Commercial banks rated very strong, strong, good, fair and weak were 1, 21, 11, 5 and 1 respectively.

Performance of Microfinance banks

The membership to the deposit insurance scheme consisted of 14 microfinance banks. These recorded a fair performance in the period under review.

2.1 Capital Adequacy

Core capital to total risk weighted assets improved significantly to 15.51% in June 2022 as compared to -9.07% in June 2021. Total capital to risk weighted assets increased from -29.14% in June 2021 to 17.17% in June 2022. This was attributed to acquisition of four microfinance banks, Choice Microfinance bank, Daraja Microfinance bank, Key Microfinance bank and Uwezo Microfinance bank that resulted to capital injection.

2.2 Asset Quality

Net non-performing loans to total loans ratio declined from 22.45% in June 2021 as compared to 17.87% in June 2022. Gross Non-performing loans increased to KES. 13.27 billion in June 2022 from KES. 8.33 billion in June 2021. This is attributed to slow recovery of some sectors such as tourism and hospitality, as well as the agriculture and manufacturing.

2.3 Earnings

Profit before tax improved by 26% from KES. 117 million deficits in June 2021 to KES. 83 million in June 2022. The improvement was mainly due to an increase in government securities income and other interest income as of June 2022 compared to the same period in the previous year. There was a significant reduction in loan loss provisions by 5% and foreign exchange trading income.

2.4 Liquidity

Microfinance banks reported an average liquidity ratio of 98.56% in June 2022 compared to 66% in June 2021. This is attributed to successful capital-raising efforts by microfinance banks.

	Commercial Banks	Microfinance Banks
CAPITAL ADEQUACY	Core capital to total risk-weighted assets June 2022: 16.87% June 2021: 28.12%	Core capital to total risk-weighted assets June 2022: 15.51% June 2021: -9.07%
ASSET QUALITY	Net non-performing loans to total loans ratio June 2022: 6.90% June 2021: 5.84%	Net non-performing loans to total loans ratio June 2022: 17.87% June 2021: 22.45%
MANAGEMENT	Cost to income ratio June 2022: 58.26% June 2021: 59.08%	Cost to income ratio June 2022: 101.18% June 2021: 98.71%
EARNING	Profit before tax June 2022: 119 billion June 2021: 95 billion	Profit before tax June 2022: 117 million June 2021: 83 million
LIQUIDITY	Liquidity ratio June 2022: 58.66% June 2021: 63.20%	Liquidity ratio June 2022: 98.56% June 2021: 66%

Deposit Insurance and Fund Management

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

During the period under review, the Deposit Insurance Scheme had fifty-three (53) member institutions classified in three categories as follows: 38 Commercial Banks, 14 Microfinance Banks and 1 Mortgage Finance Institution. The number of members declined from 55 the previous year after placing Charterhouse Bank (under statutory management) and Chase Bank (in Receivership) - in liquidation in April and May 2021 respectively.

Membership to the Deposit Insurance Scheme

Commercial Banks	Mortgage Finance	Microfinance Banks
38	1	14

Fund Management

Deposit Insurance Fund

Fund Balance	Investment Income	Premium Income
163 billion	16.2 billion	6.8 billion

Premium Contribution

The Corporation successfully rolled out the differential premium system, also known as the risk-based premium system, in the banking sector in July 2021. The differential premium system was implemented to replace the flat rate system which had the advantage of being relatively easy to understand and administer but failed to take into considerations the level of risk that a bank

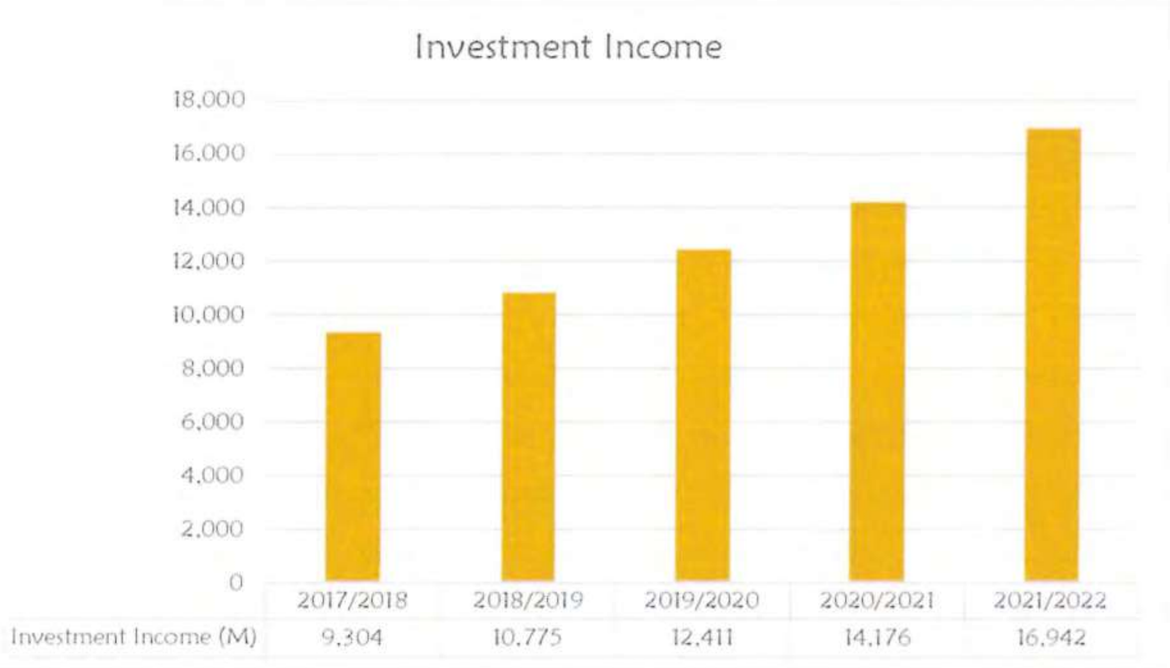
poses to the deposit insurance fund and the banking system. The risk based premium system is aimed at enhancing equity and market discipline amongst member institutions.
The Corporation collected premiums worth Ksh. 6.8 billion in the year ending June 2022 and increase from Ksh 5.6 billion in the year ended June 2021. The increase was majorly due to increase in total deposits and adoption of the risk based premium assessment system.

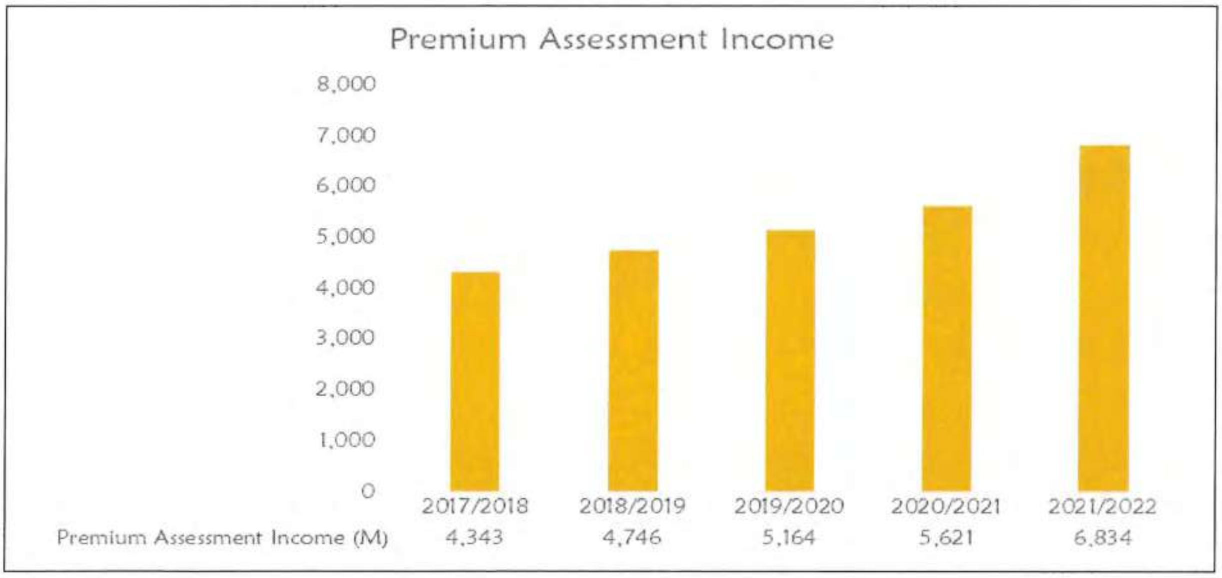
The deposit liability for the industry closed at KES 4.6 trillion, an increase of 6.75% Year-on-Year (yoy) from the KES 4.3 trillion as of June 2021. This has maintained a steady growth of 2% per quarter - a major signal of recovery of the sector from the pandemic and continued depositors' confidence in the banking system.

At a coverage level of KES 500,000, the Fund is capable of covering 21% of the insured deposits amounting to Ksh. 744 billion, a growth of 1.4% from 19.6% representing Ksh. 645 billion recorded in the previous year. The Corporation has continued to put in place measures to ensure that the protected amount is aligned with recommended IADI thresh hold of 20% of the total value of industry deposits.

The number of deposit accounts held by customers has been on an upward trend since 2019. In 2022, the number of accounts in the sector was 72 million registering a yoy growth of 9.35% from 65 million the previous year. This was a strong indicator of recovery to the sector after the pandemic where the number of accounts declined from 69.3 million in 2020 to 65.9 million in 2021.

The Corporation carried out a satisfaction survey on the implementation of the risk based premium model and majority of the members applauded the approach, and specifically the stakeholder engagements, employed ahead of the roll out. Going forward, the Corporation will continue to review the model with a view to aligning it with best practice and recommendations from the survey.


Investment Income
18,000
16,000
14,000
12,000
10,000
8,000
6,000
4,000
2,000
0
2017/2018
2018/2019
2019/2020
2020/2021
2021/2022
Investment Income (M)
9,304
10,775
12,411
14,176
16,942


Premium Assessment Income
8,000
7,000
6,000
5,000
4,000
3,000
2,000
1,000
0
2017/2018
2018/2019
2019/2020
2020/2021
2021/2022
Premium Assessment Income (M)
4,343
4,746
5,164
5,621
6,834

Rulemaking and Policy Guidance

The Corporation has continued to guide the market in compliance with KDI Act. KDIC issued Circular No 1 of 2021 that provided guidance on data submission. This arose from the need to entrench the submission of accurate, timely and comprehensive data, so as to support the implementation of the risk-based premium assessment model which relies fully on financial data The Circular provided guidance on the timeliness of data to be submitted, comprehensiveness required and validation for accuracy. The Corporation requires member institutions to provide reconciliation statements where appropriate to address variances in sets of data and for decision making.

Capacity Building

KDIC continues to building organisational resilience in crisis management and bank resolution. The Corporation conducted crisis-preparedness and bank resolution simulation training to the following stakeholders:

1. The National Treasury
2. The Corporation staff
3. Policyholders Compensation Fund (PCF)
4. Deposit Insurers and Central Banks from 12 African countries

Public Awareness

The Corporation continued to roll out its public awareness initiatives across the year in review, targeting specific categories of stakeholders. Such initiatives included engagements with the KDIC membership, the Institute of Certified Public Accountants of Kenya (ICPAK) as well as the Institute of Certified Investment and Financial Analysts (ICIFA).

The Corporation leveraged these initiatives to disseminate to participants, a number of Information, Education and Communication materials, aimed at increasing the Corporation's

Public Awareness Index and contributing to the stability of the country's financial sector. Further, the Chief Executive Officer was prominently featured on all the major television stations as well as radios. The engagement by the CEO, blended well with KDIC's public awareness campaign that was airing on the same channels. As such, KDIC continued to inspire confidence amongst bank depositors in the country. Here is a photo of the CEO during one of his media interviews with a local station during the year in review.

ICT INNOVATIONS TO ENHANCE SERVICE DELIVERY

Overview

During the Financial Year 2021/22, the Corporation continued to implement automation projects and also initiated new ones with the aim of ensuring manual processes are automated to enhance efficiency.

Having launched Tier II modular data center in the previous financial year, the Corporation embarked on an audit to give an assurance that the operations of the data center meet the required ICT standards as outlined by the Government through Information, Communication and Technology Authority (ICTA). The ICT systems & operations of the data center and ICT security is supported by various adopted ICT Governance frameworks among them being ISO 27001:2013 Information Security Management Systems (ISMS). The Corporation is keen to ensure that all information assets are secured by value, importance, confidentiality, accuracy and are authentic.

The Corporation developed and operationalized ICT policy which was approved by the Board for implementation.

Data security & integrity is one of the critical components in KDIC's operations, during this period, the Corporation engaged a consultant to carry out penetration testing so as to test existing ICT systems and applications security controls are adequate and provide a status report for further implementation. This project among others are now at different levels of implementation as summarized below.

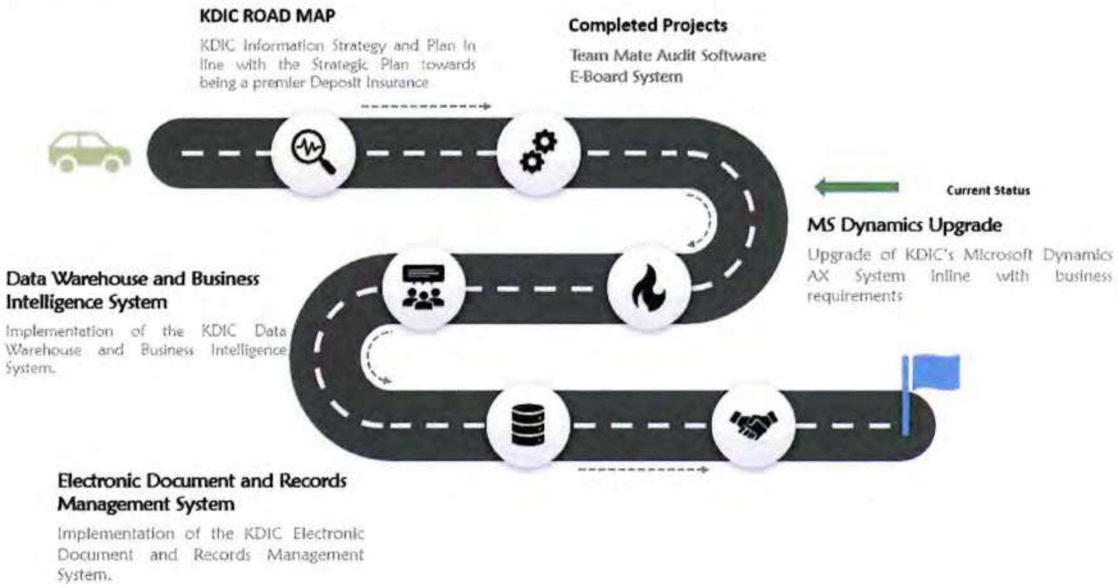
Secure ICT Infrastructure

To ensure secure ICT Infrastructure the Corporation has invested on licensed software's for the network devices & firewalls security devices, servers & workstation operating systems and teammate audit software.

The Corporation has also signed contracts with various vendors who undertake quarterly preventive maintenance of the ICT systems to ensure business continuity and limit systems failure. Notably the modular datacenter, servers, Uninterruptible Power Supplies (UPSs) and printers.

The Corporation has also committed to undertake network penetration testing. This is a simulated cyber-attack against the Corporation's ICT systems to check for exploitable vulnerabilities, measure the feasibility of systems or end-user compromise and evaluate any related consequences such incidents may have on the involved resources or operations.

ICT Projects



Electronic Data Warehouse & Business Intelligence - (EDW & BI)

For KDIC to perform its mandate as a risk minimizer, an Electronic Data Warehouse and Business Intelligence (EDW&BI) platform is required for effective and up to date monitoring of member institution operations, trend analysis and, if need be, initiation of corrective actions. At a strategic level, the platform is central to the implementation of the Risk Based Approach to

Deposit Insurance, which is one of the pillars of the KDIC strategy and supports the achievements of 18 Core Principles of Deposit Insurance.

It is intended that the platform will provide the desired information solution to enhance sound risk management and help KDIC deal with inherent risk in the individual member institution well as stability of the wider financial industry in Kenya.

KDIC is transforming its Information Ecosystem, and the EDW & BI components are central to this transformation. The information ecosystem is scalable, robust, and centralized, effectively supporting KDIC's day-to-day operations whilst continuously challenging the institutions to discover, learn, and act.

The Electronic Data Warehouse & Business Intelligence (EDW & BI) solution is specially designed for the Corporation to help in managing risks in the financial system and ensuring compliance and timely reporting. Once commissioned it will eliminate the need to dedicate resources to manually generate compliance reports as it automates regulatory reporting. It also ensures data quality, accuracy, integrity and auditability.

Enterprise document & Records Management System (EDRMS)

The Corporation embarked on the implementation of Enterprise Document & Records Management system to provide a comprehensive solution for managing the creation, capturing, indexing, storage, retrieval of current & historical records. This will transform KDIC's management of records currently being undertaken manually, thus ensuring efficiency and protection of high-value as well as critical information. Once commissioned, the system will contribute immensely to the automation journey as outlined in the strategic plan.

Mobile Application

The Corporation developed digital banking platform that enables debtors of failed banks to make loan repayments from their mobile phones as well as accessing their loan balances and statement. The platform is also being used for disbursement of pay-outs to members of the institutions, an innovative way of embracing technological advancement in mobile banking.

Upgrade of the Enterprise Resource Plan (ERP)

The Corporation initiated the upgrade of ERP system to integrate all processes and functions. The objective is to automate key processes such as Finance, Supply Chain, Human Resource, Fund Management, and Deposit Insurance to provide services to the internal and external customers effectively and efficiently

ENVIRONMENTALITY AND SUSTAINABLITY REPORTING

Joint Sustainability Statement from the Chairperson and CEO

Sustainability is a key agenda for the Corporation as a risk minimizer, deposit insurer and resolution authority. KDIC recognizes that the materialization of climate-related risks may negatively impact Deposit Insurance Fund and infrastructure, while also hampering the operations and resilience of banks and the financial system as a whole. This would in turn impede the Corporation's ability to deal with bank failures by ensuring timely payouts.

At KDIC, we are committed to be part of this journey in ensuring that as we discharge our mandate, sustainability is part of our day-to-day activities. We have embedded sustainability to our core values and strategic pillars to ensure a sense of accountability and continuous monitoring. This has also been incorporated in our reporting, which is aligned to UN Sustainable Development Goals (SDG), IADI Core Principles and other local and international standards that emphasize the need to meet Environmental, Social and Governance (ESG) commitments.

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

Hellen Chepkwony
Ag.Chief Executive Officer

Human Capital

KDIC considers its human capital as an important and integral part of all its operations. The Corporation is committed to being an equal opportunity employer by attracting, recruiting, and retaining skilled employees who will support in implementation of its strategic objectives. Further, KDIC is committed to promote equity and foster equality at the place of work. The Corporation has therefore ensured that recruitment and retention of employees is anchored in its policies thus ensuring acquisition of the right talent and skills into the company. KDIC invests in a mix of human resource development strategies, including training, employee wellness, employee appreciation, competitive salaries, and career promotion.

Human Resource Policies

The Corporation also maintains comprehensive Human Resource Policies that guide all Human Resource processes. The objective of the policies is aligned with the Constitution of Kenya 2010, Labour Laws, Public Service Commission Guidelines and other related regulations.

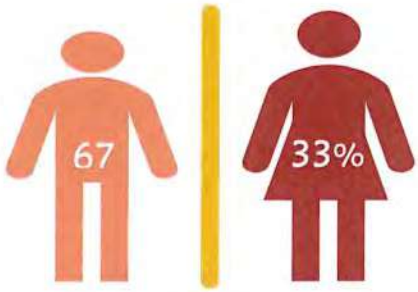
i) Staff Statistics

During the year under review, KDIC's staff compliment was seventy (70), spread across its three Directorates of Resolution, Risk & Examination and Corporate Services. The staff number include thirteen (13) senior management staff on contract, forty-four (44) staff on Permanent and Pensionable terms, four (4) were on secondment from the Central Bank of Kenya and nine

(9) students on internship and attachment. During the financial year, the Corporation through robust employee retention strategies had a low staff turnover of only 2.8%.

ii) **Diversity, Inclusivity and Youth Empowerment**

The Corporation has a commitment to diversity and inclusivity in its workforce. It's recruitment strategy focuses on providing work opportunities for marginalized groups to ensure that our staff composition reflects all communities, gender, age groups and persons with disability. KDIC is progressively implementing the constitutional principle on the composition of Persons with Disability among its staff.

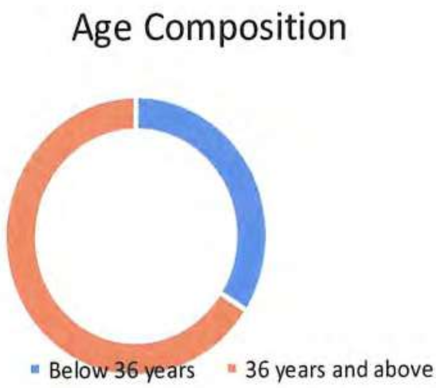


Currently 4.3% of its entire workforce represent a category of persons living with disability.

Ending all forms of gender discrimination is key to economic growth and development as per the Sustainable Development Goal 5. KDIC is making strides towards attaining gender parity as per the Constitutional requirement. Currently the ration of men to women among its staff stands at 67% and 33% respectively.

Through deliberate recruitment strategies the Corporation has ensured that a substantial part of its employees comprise of youth. The youth composition of the Corporation's staff stands at 34%.

Further, KDIC has put in place measures that support youth development and empowerment by engaging internship and attachment students which is in line with government's policies. The Corporation is determined to ensure diversity of its workforce and has deliberately focused on providing opportunities to marginalized



groups to ensure that its workforce reflects all the communities within the country. Opportunities are availed to each employee to enable them develop to their full potential irrespective of their race, ethnicity, gender, marital status, age, disability, religious belief and personal political affiliation.

iii) **Talent Attraction and Development**

The Corporation aspires to attract, retain and build its employees' strengths and capabilities through learning and development based on strategic objectives. KDIC has invested in employee learning and development to build and enhance technical and leadership competencies in a manner that enables it to attain its strategic plans whilst supporting employees to attain their career goals and aspirations.

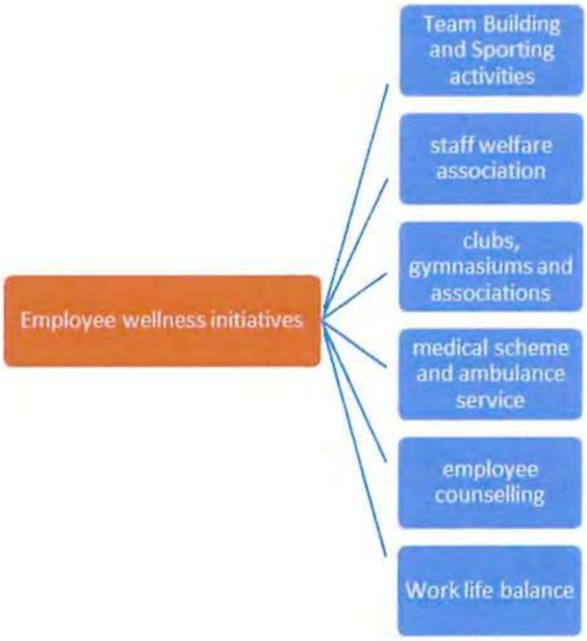
During the year, all the employees of the Corporation were taken through training and development with a view to equipping them with skills and enhancing their productivity. This was in line with the 40 hours minimum requirement contained in the Human Resource Development Policy from the Public Service Commission of Kenya. The skills development program by the Corporation is based on a training need analysis conducted at the beginning of the financial year and skills/performance gap assessment based on employee feedback from annual performance assessment. This has given our employees the opportunity to upskill attain higher productivity since employees are able to execute their tasks with excellence.

The Corporation has a fully functional training room and resource centre that facilitates learning and development. It also continues to encourage the use of online learning platforms that offers training content and services with 100% cloud access, anytime, anywhere.

iv) Employee Wellness

Health coverage is integral in achieving Sustainable Development Goal 3. In this regard, the Corporation believes that the health and wellness of its employees is of paramount importance not only for optimum performance but also for individual employee wellbeing. KDIC endeavors to create an environment where the organization cares for its employees and individual employees care for each other and work towards achieving the success of the organization.

KDIC promotes safety in all its operational and work environments, in line with the provisions of the Occupational Safety and Health Act (2007). To improve safety culture, KDIC has put in place an Environmental Sustainability, Occupational Safety and Health Committee which conducted relevant safety inspections in conjunction with Directorate of Safety Services, training and staff sensitization.



The Corporation has ensured that the employees have adequate work space, furniture, tools and equipment's to facilitate effective and efficient service delivery at its UAP/Old Mutual Tower offices and Go down premises. KDIC also maintains a robust staff medical, Group life and Group Personal Accident Insurance Schemes. To ensure employee's physical wellness, the Corporation procured gym facilities where its staff can undertake physical exercises and sporting activities.

The Corporation has operationalized and domesticated the Health Government Guidelines of 2018, for securing a breastfeeding- friendly working environment. This has been implemented through internal policies and measures. Areas of focus include provision of at least three (3) months paid maternity leave for female employees and two (2) weeks paternity leave for male employees, work life balance through flexible working arrangements such as flexi time and working from home for new mothers.

During the financial year 2021/2022, the Corporation continued to implement enhanced safety measures to support and protect staff from the Covid – 19 pandemic and ensure they are equipped with the information and resources needed. The Medicare Scheme has been enhanced to cover testing and treatment costs associated with Covid-19.

v) Performance Management

KDIC has adopted a performance management system based on the Balanced Score Card approach which is key in monitoring employee performance at all levels where quarterly Staff Performance Appraisals are conducted. The Corporation continues to implement a culture of high performance where talent is well managed and rewarded. Performance targets are cascaded downwards from top leadership to other staff to set annual targets. The Quarterly appraisals were used to identify skills gaps and thus inform training areas to be undertaken.

vi) Industrial Relations

In line with the Sustainable Development Goal 8, KDIC is committed to providing a decent working environment, upholding Labour relations and its fundamental principles and rights at work as enshrined in the Constitution of Kenya, 2010 including right to fair labour practices, right to fair remuneration, right to reasonable working conditions, right to form, join or participate in the activities and programmes of a trade union. In this regard unionizable employees of KDIC are encouraged to join an appropriate trade union of their choice without hindrance.

vii) Employee Remuneration and Reward

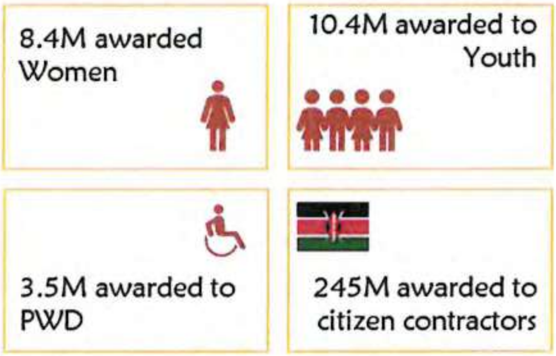
The Corporation commits to implement Sustainable Development Goal 10. The Corporation strives to remunerate its employees in a manner that supports the achievement of its mandate whilst attracting and retaining requisite skills and motivating high levels of performance. The remuneration policies adopted by the Corporation ensures fairness across diversity lines eliminating gender pay gaps and facilitating equal pay for equal work. This enables us to compete effectively in the labour market and to recruit and retain high calibre employees and ensure that remuneration is managed in an affordable and sustainable manner. The Corporation's remuneration strategies have been developed in line with the guidelines provided by the Salaries and Remuneration Commission and The National Treasury.

Viii) Career Mobility and Succession Management

The Corporation maintains a Career Framework that maps out how its employees can progress in the careers and at the same time addresses skills gap. In this regard the organization has developed and maintains career progression guidelines which clearly stipulate the various requirements for career growth. The Corporation has continued to initiate and implement strategies to ensure its staff benefit from the framework. This framework also defines, attracts, motivates, and facilitates retention of critical skills required its operations. The corporation also endeavours to identify succession gaps and the potential talent required to fill the same. The gaps identified are then remedied through the development and career progression of our employees. Staff development initiatives have been put in place to create a cohort of qualified staff who are able to undertake new roles or additional responsibilities.

Procurement

The public procurement and asset disposal by the Corporation is guided by the by the following values and principles of the Constitution and relevant legislation—principles of integrity under the Leadership and Integrity Act, 2012; promotion of local industry, sustainable development and protection of the environment; and promotion of citizen contractors.



Contracts awarded

The Corporation has been carrying out its procurement activities in accordance with the above mentioned principles in a manner that allows maximum participation by the youth, women and people living with disability. During the period under review, the Corporations procurement budget including ongoing projects was Ksh 267,592,500. The Corporation had set aside Ksh 14,997,500 for AGPO, which was 30% of the total procurement budget after excluding the ongoing projects. The Corporation managed to award tenders valued at KES 22,251,720 to AGPO which was 148% of the target.

The Corporation is required to reserve 2% of the 30% of Procurement Budget Reserved AGPOS for PWDs. The target for the year was KES 299,950 and the actual achievement was KES 3,483,720.

Corporate Social Responsibility

The Corporation is committed to the implementation of Sustainable Development Goal 13. This is through regularly allocating time and resources to various activities aligned to affordable healthcare for all and environmental conservation. In the year under review, the corporation partnered with Nature Kenya and Kijabe Environmental Volunteers (KENVO) for a tree planting initiative as part of the Corporation's Corporate Social Responsibility (CSR) objectives. Nine staff members representing various department participated in the exercise. The partnership will see to the planting and nurturing of 5,000 trees in Kereita Forest, one of the many forests in Kikuyu Escarpment. This is a continuation of the environmental conservation agenda which has seen the Corporation plant 10,000 trees to date, in various counties and in partnership with various stakeholders.

KDIC remains committed to the global call and agenda for urgent action, to combat climate change and its devastating impact.

Challenges

In its quest to contribute towards the above Sustainable Development Goal Initiatives, the Corporation faces challenges that include limited budgetary allocations, delayed budget approval, lengthy procurement processes and limited human resource. The Corporation is however committed to identify ways of overcoming the above challenges to ensure support for the SDGs.

REPORT OF THE DIRECTORS

The Directors of the Kenya Deposit Insurance Corporation submit their report together with the audited financial statements for the year ended 30th June 2022 which show the state of the Corporation's affairs.

Principal activities

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

Results

The financial results of the Corporation for the year ended 30th June 2022 are set out in the Statement of Profit or Loss and Other Comprehensive Income on page 90.

Directors

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

Auditors

The Auditor General is responsible for the statutory audit of the Corporation in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015 for the year/period ended 30th June 2022 in accordance to section 23 of the Public Audit Act, 2015 which empowers the Auditor General to appoint an auditor to audit on his behalf.

By Order of the Board.

Eunice Kitche – Oduor

30th September 2022

Corporation Secretary

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

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

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

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

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

The Directors are of the opinion that the Corporation's financial statements give a true and fair view of the state of Corporation's transactions during the financial year ended June 30, 2022, and of the Corporation's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the Corporation, which have been relied upon in the preparation of the Corporation's financial statements as well as the adequacy of the systems of internal financial control.

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

Approval of the financial statements

The Corporation's financial statements were approved by the Board on 30th September 2022 and signed on the Board's behalf by:

Hannah W. Muriithi, EBS	Hellen Chepkwony
Chairperson of the Board of Directors	**Ag.Chief Executive Officer**

REPUBLIC OF KENYA

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OFFICE OF THE AUDITOR-GENERAL

Enhancing Accountability

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

REPORT OF THE AUDITOR-GENERAL ON KENYA DEPOSIT INSURANCE CORPORATION FOR THE YEAR ENDED 30 JUNE, 2022

PREAMBLE

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

A. Report on the Financial Statements that considers whether the financial statements are fairly presented in accordance with the applicable financial reporting framework, accounting standards and the relevant laws and regulations that have a direct effect on the financial statements.

B. Report on Lawfulness and Effectiveness in Use of Public Resources which considers compliance with applicable laws, regulations, policies, gazette notices, circulars, guidelines and manuals and whether public resources are applied in a prudent, efficient, economic, transparent and accountable manner to ensure Government achieves value for money and that such funds are applied for the intended purpose.

C. Report on Effectiveness of Internal Controls, Risk Management and Governance which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, the risk management environment and the internal controls, developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

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

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

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying financial statements of Kenya Deposit Insurance Corporation set out on pages 1 to 40, which comprise of the statement of financial position as at 30 June, 2022 and the statement of profit or loss and other comprehensive income, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual performance for the year then ended, and a summary of significant accounting policies and other explanatory information, in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Kenya Deposit Insurance Corporation as at 30 June, 2022, and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards and comply with the Kenya Deposit Insurance Act, 2012 (Revised 2013) and the Public Finance Management Act, 2012.

Basis for Opinion

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

Key Audit Matters

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

Other Matter

Budgetary Control and Performance

The statement of comparison of budget and actual amounts for the year ended 30 June, 2022 reflects final receipts budget and actual on comparable basis of Kshs.1,112,193,637 and Kshs.782,277,007 respectively resulting to an under funding of Kshs.329,916,630 or 30% of the budget. Similarly, the statement reflects final expenditure budget and actual on comparable basis of Kshs.1,112,193,637 and Kshs.782,277,007 respectively resulting to an under-expenditure of Kshs.329,916,630 or 30% of the budget.

The underperformance affected the planned activities and may have impacted negatively on service delivery to the public.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

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

Responsibilities of Management and the Board of Directors

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

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

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

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

Auditor-General's Responsibilities for the Audit

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

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

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Corporation's ability to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Corporation to cease to continue to sustain services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Corporation to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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

CPA Nancy Gathungu, CBS
<u>AUDITOR-GENERAL</u>

Nairobi

31 March, 2023

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30TH JUNE 2022

	Note	2022 KShs'000	2021 KShs'000
REVENUE			
Assessment income		-	5,621,133
Investment income		-	14,175,969
Transfer from DIF	6	700,192	-
Other Income	7	-	68,432
		700,192	19,865,534
EXPENSES			
Staff costs	8(a)	294,410	277,949
Administration and establishment expenses	8(b)	211,147	218,355
Finance Cost	8(c)	7,032	5,289
Board Expenses	8(d)	12,944	3,239
Depreciation and Amortisation	9, 10, 11,12	174,659	198,466
Deposit Pay-off		-	1,360,964
		700,192	2,064,262
SURPLUS FOR THE YEAR BEFORE TAXATION		0	17,801,271
Taxation	1(e)	0	0
SURPLUS FOR THE YEAR AFTER TAXATION		0	17,801,271
Other comprehensive income		0	0
TOTAL COMPREHENSIVE INCOME		0	17,801,271

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2022

	Note	2022 KShs'000	2021(Audited) KShs'000
ASSETS			
Non-current assets			
Property and equipment	9	624,898	548,904
Intangible assets	10	16,634	23,299
Prepaid operating lease rentals	11	77,629	2,627
Right of Use of asset	12	99,392	153,667
Loans Receivable		-	86,151
Government Securities		-	90,991,373
		818,553	91,806,022
Current assets			
Receivables and prepayments	13	49,342	60,426
Inventories	14	1,814	3,954
Cash and bank balances	15	27,989	943,799
Government securities		-	49,197,665
		79,145	50,205,843
TOTAL ASSETS		897,699	142,011,865
RESERVE AND LIABILITIES			
Accumulated Reserve		512,593	140,284,019
Current liabilities			
Payables and accruals	16	293,285	1,581,449
Lease Liability	17	51,162	53,854
		344,447	1,635,303
Non-Current Liabilities			
Lease Liability	17	40,658	92,542
		40,658	92,542
TOTAL RESERVE AND LIABILITIES		897,699	142,011,865

The financial statements were approved on 30th September 2022 and signed on its behalf by:

Ag. Chief Executive Officer	Head of Finance	Chairperson of the Board of Directors
Hellen Chepkwony	Mogeni Ong'era ICPAK M/NO: 19116	Hannah W. Muriithi, EBS

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2022

	Net Assets Kshs'000	Net Assets Kshs'000
	2022	2021
As at 1st July	140,284,019	122,422,197
Prior Year Adjustment	(9,838)	60,551
Revaluation Reserve-Go down	157,111	-
Transfer of accumulated Fund balance to Deposit Insurance Fund	(139,170,331)	-
Transfer of accumulated Surplus to Staff Loan Scheme	(748,368)	-
Surplus for the year	-	17,801,271
As at 30 June	512,593	140,284,019

The Statement of changes in Fund balance has been adjusted to factor in the revaluation reserve arising from the revaluation of the Go down during the year by Kshs.157M.

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2022

	Note	2022 KShs'000	2021 KShs'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Surplus for the year		-	17,801,271
Adjustment for:			
Depreciation of property and equipment	9	167,896	166,779
Amortisation of software	10	6,665	31,588
Amortisation of prepaid operating lease rentals	11	98	98
Interest Income		-	-14,175,969
Interest Expense		7,032	5,289
Changes in working capital:			
Receivables and prepayments		72,309	-27,745
Inventory		2,140	-2,606
Deffered Income		-	(66,849)
Payables and accruals		(108,602)	1,291,516
Net cash generated from operating activities		147,539	5,023,373
CASH FLOWS FROM FINANCING ACTIVITIES			
Principal on lease	17	(54,576)	(55,966)
Interest paid on lease	17	(7,032)	(5,289)
Net cash generated from financing activities		(61,609)	(61,255)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of intangible assets	10	-	-19,687
Purchase of property and equipment	9	(113,840)	(260,345)
Purchase of government securities		-	(65,036,242)
Disposal of government securities		-	50,389,089
Staff loans disbursed		-	(95,407)
Interest received		-	10,908,853
Net cash (used in)/generated from investment activities		(113,840)	(4,113,740)
Net (decrease)/increase in cash and cash equivalents		(27,909)	848,379
CASH AND CASH EQUIVALENTS AT 1 JULY 2021		55,898	14,233,196
CASH AND CASH EQUIVALENTS AT 30 JUNE 2022	15	27,989	15,081,575

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2022

NOTE		2021/2022 BUDGET	ADJST	FINAL BUDGET	ACTUAL INCOME/ EXPENDITURE	PERFORMANCE DIFFERENCE IN KSHS.	% UTILIZATION
	Revenue						
20(I)	Transfer from DIF	968,423,970	-	1,112,193,637	782,277,007	329,916,630	70.34%
Total Revenues		**968,423,970**	-	**1,112,193,637**	**782,277,007**	**329,916,630**	
	Expenditure						
20(II)	Compensation of Employees	276,031,000	81,385,105	357,416,105	294,409,624	63,006,481	82.37%
20(III)	Goods and Services	284,374,350	55,792,260	340,166,610	214,912,736	125,253,874	63.18%
20(IV)	Office Rent and Parking fees	80,775,620	6,592,302	87,367,922	16,210,138	71,157,784	18.55%
20(V)	Depreciation/Amortisation	215,243,000	-	215,243,000	174,659,341	40,583,659	81.15%
20(VI)	Capital Budget	112,000,000	-	112,000,000	82,085,168	29,914,832	73.29%
Total expenditures		**968,423,970**	**143,769,667**	**1,112,193,637**	**782,277,007**	**329,916,630**	-
Net Surplus		-	-	-	-	-	

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

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

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

The financial statements are prepared on a going concern basis.

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

The financial statements have been prepared on accrual basis.

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

The financial statements have been prepared in accordance with the Public Finance Management Act,2012, the Kenya Deposit Insurance Act,2012, the State Corporation's Act (Cap.446) and

International Financial Reporting Standards (IFRS). The accounting policies adopted have been consistently applied to all the years presented.

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

i) Relevant new standards and amendments to published standards effective for the year ended 30 June 2022

IAS 1 — Presentation of Financial Statements

The amendment, applicable to annual periods beginning on or after 1 January 2022, provides a subsidiary that becomes a first-time adopter later than its parent with an exemption relating to the measurement of its assets and liabilities. The exemption does not apply to components of equity.

The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted.

IAS 16 — Property, Plant and Equipment

The amendments, applicable to annual periods beginning on or after 1 January 2022, prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing an asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss

The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted

IAS 37 — Onerous Contracts

The amendments clarify that for the purpose of assessing whether a contract is onerous, the cost of fulfilling the contract includes both the incremental costs of fulfilling that contract and an allocation of other costs that relate directly to fulfilling contracts. They are effective for contracts for which an entity has not yet fulfilled all its obligations on or after 1 January 2022.

The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted.

IFRS 1 — Subsidiary as a First-time Adopter

The amendment, applicable to annual periods beginning on or after 1 January 2022, provides a subsidiary that becomes a first-time adopter later than its parent with an exemption relating to the measurement of its assets and liabilities.

The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted.

IFRS 9 — Fees in the '10 per cent' Test for De-recognition of Financial Liabilities

The amendment, applicable to annual periods beginning on or after 1 January 2022, to IFRS 9 clarifies the fees that a company includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted.

IAS 41 — Taxation in Fair Value Measurements

The amendment, applicable to annual periods beginning on or after 1 January 2022, to IAS 41 removed the requirement to exclude taxation cash flows when measuring fair value. This amendment aligned the requirements in IAS 41 on fair value measurement with those in other IFRS

The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted.

ii) Relevant New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2022

IFRS 17 - Insurance Contracts

The new standard, effective for annual periods beginning on or after 1st January 2023, establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts issued. It also requires similar principles to be applied to reinsurance contracts held and investment contracts with discretionary participation features issued. The objective is to ensure that entities provide relevant information in a way that faithfully represents those contracts. The Company does not issue insurance contracts.

IAS 1 -Classification of Liabilities as Current or Non-current

The amendments, clarify a criterion in IAS 1 for classifying a liability as non-current: the requirement for an entity to have the right to defer settlement of the liability for at least 12 months after the reporting period.

IAS 1 - Disclosure of Accounting Policies

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

IAS 12-Income Taxes

IAS 12, "Income Taxes" implements a so-called 'comprehensive balance sheet method' of accounting for income taxes which recognizes both the current tax consequences of transactions and events and the future tax consequences of the future recovery or settlement of the carrying amount of an entity's assets and liabilities.
Differences between the carrying amount and tax base of assets and liabilities, and carried forward tax losses and credits, are recognized, with limited exceptions, as deferred tax liabilities or deferred tax assets, with the latter also being subject to a 'probable profits' test.

IAS 8- Accounting Policies, Errors and Estimates

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

The Directors do not plan to apply any of the above until they become effective. Based on their assessment of the potential impact of application of the above, they do not expect that there will be a significant impact on the Corporation's financial statements.

iii) Early adoption of standards

The Corporation did not early – adopt any new or amended standards in year 2021/2022.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

a) Revenue recognition

The Corporation accrues its income through financing by the Deposit Insurance Fund equivalent to its expenditure for the year.

b) Translation of foreign currencies

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

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

c) Retirement Benefit Obligation

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

d) Taxation

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

e) Rounding off Difference

The Corporation in preparation of the financial statements has rounded off its figures to the nearest thousand.

f) Financial assets and liabilities

(i) Recognition

The Corporation's receivables are measured at amortised cost.

(ii) Classification

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

(iii) Other financial liabilities

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

(iv) Identification and measurement of impairment of financial assets

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

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

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

(v) Derecognition

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

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

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

(vi) Offsetting of financial assets and financial liabilities

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

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

(vii) Fair value of financial assets and liabilities

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

g) Impairment for non-financial assets

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

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

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

h) Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents comprise cash on hand, and bank balances.

i) Property ,Plant and equipment

(i) Recognition and measurement

All categories of property, plant and equipment are initially recorded at cost less accumulated depreciation and impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset.

(ii) Subsequent costs

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

(iii) Depreciation

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

Long-term leasehold land	*over the lease period*
Buildings	2.00%
Computer equipment	33.33%
ICT equipment	20.00%
Office equipment, furniture and fittings	20.00%
Motor vehicles	25.00%

Intangible assets (Software)	25.00%

Depreciation methods, useful lives and residual values are reassessed and adjusted, if appropriate, at each reporting date. Gains and losses on disposal of property and equipment are determined by reference to their carrying amount and are recognized in profit or loss in the year in which they arise.

j) Intangible assets

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. The Corporation does not have any internally generated intangible assets.

k) Amortisation and impairment of intangible assets

Amortisation is calculated on the straight-line basis over the estimated useful life of the intangible asset. All intangible assets are reviewed annually for impairment. Where the carrying amount of an intangible asset is assessed as greater than its estimated recoverable amount, an impairment loss is recognised so that the asset is written down immediately to its estimated recoverable amount.

l) Related parties

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

m) Grants

Other grants are recognized initially as deferred income at fair value when there is reasonable assurance that they will be received and the Corporation will comply with the conditions. The grants are amortized at the rate of 20% per annum on a reducing balance over a useful life of 5 years. The Corporation's grant was amortized in the last financial year. No grant was received in the year.

n) Inventory

Inventory comprises of stationery and other consumables. Inventories are stated at the lower of cost or net realizable value. Cost is calculated using the weighted average cost method. Net realizable value represents the estimated selling price less all estimated total costs.

o) Right of Use Asset

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses. Whenever the entity incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognized and measured under IAS 37. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories. Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. The depreciation starts at the commencement date of the lease. The right-of-use assets are presented as a separate line in the consolidated statement of financial position.

The Corporation has leased office space and the right of use of the asset have recognized an asset with subsequent deprecation over the period of the lease.

p) Trade and other receivables

Trade and other receivables are recognized at fair values less allowances for any uncollectible amounts. These are assessed for impairment on a continuing basis. An estimate is made of doubtful receivables based on a review of all outstanding amounts at the year end. Bad debts are written off after all efforts at recovery have been exhausted.

q) Subsequent events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2022.

r) Provisions

Provisions were raised and management determined an estimate based on the information available. Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date.(include provisions applicable for your organization e.g. provision for bad debts, provisions of obsolete stocks and how management estimates these provisions)

s) Budget information

The budget for FY 2021-2022 was approved on 30th June 2021. However, the Corporation requested for additional budget and approval was granted on 28th January 2022. Further, reallocations were approved vide approval letter dated 6th June 2022.

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

t) Comparative figures

The Comparative figures for the previous financial year have been amended or reconfigured to conform to the required changes in presentation. The Financial statements have been amended to reflect the operations of the Deposit Insurance Fund, Staff Loan Fund and Kenya Deposit Insurance Corporation Separately.

u) Subsequent events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2022.

5. RISK MANAGEMENT

Structure and reporting

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

Board Audit Committee

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

Internal Audit and Risk Management Unit

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

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

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

Having implemented Team Mate Software, the Corporation has enhanced its efficiency in the internal audit process through documentation of various reports and tracking of progress of audits.

(a) Credit risk

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

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

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

	2022 Shs'000	2021 Shs'000
Bank and cash balances	27,989	943,799
Receivables	49,342	60,426
Government securities		
	77,331	1,004,224

The aging of receivables at the reporting date was:

	2022	2021
Not past due	-	-
Past due 0 – 30 days	8,464	28,890
Past due 31 – 90 days	10,499	2,994
Past due above 90 days	30,379	28,542
	49,342	60,426

(b) Currency risk

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

(c) Liquidity risk management

Liquidity risk is the risk that the Corporation will encounter difficulty in meeting obligations arising from its financial liabilities. The Corporation's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, without incurring unacceptable losses or risking damage to the Corporation's reputation. In the course of its operations, the Corporation has sundry receivables. Simultaneously it carries current liabilities in form of sundry payables and accruals. The entity matches its current assets to the current liabilities falling due to mitigate the risk of low liquidity.

The Corporation's financial liabilities amount to Kshs. 386 million (2021 - Kshs. 549 million) and are all short term. The financial liabilities relate to payables arising from amounts owed to vendors from supply of goods and services. To meet its obligations, the Corporation is funded by the Deposit Insurance Fund in cases of insufficient liquidity.

RISK MANAGEMENT (Continued)

c. Fair Value

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

	Other financial liability	Loans and receivables	Held to maturity	Total carrying value	Fair value
	KShs '000	KShs '000	KShs '000	KShs '000	KShs '000
2022					
Financial assets					
Cash and bank balances	-	27,989	-	27,989	27,989
Receivables	-	49,342	-	49,342	49,342
	-	77,331	-	77,331	77,331
Financial liabilities					
Amounts due to related parties	-	-	-	-	-
Lease Liability	91,820	-	-	-	91,820
Payables and accruals	293,285	-	-	293,285	293,285
	385,106	-	-	293,285	385,106
2021					
Financial assets					
Cash and bank balances	-	943,799	-	943,799	943,799
Receivables	-	47,045	-	47,045	47,045
	-	990,844	-	990,844	990,844
Financial liabilities					
Amounts due to related parties	-	-	-	-	-
Lease Liability	146,396	-	-	-	146,396
Payables and accruals	1,581,449	-	-	1,581,449	1,581,449
	1,727,846	-	-	1,581,449	1,727,846

(a) Critical accounting estimates and assumptions

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

(i) Property and equipment

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

(ii) Impairment of receivables

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

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

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

6 Transfer From Deposit Insurance Fund (DIF)

The Corporation draws its income to fund operational expenditure from the Deposit Insurance fund. The amounts drawn from the fund are guided by the approved annual budgetary allocations. Recurrent expenditure for the year ended 30th June 2021 was not transferred from DIF since all activities were undertaken by the Corporation. The income drawn from the fund for the year to meet its recurrent expenditure is as follows;

	2022 KShs'000	2021 KShs'000
Transfer from DIF	700,192	-
Total	700,192	-

Additionally, Capital expenditure of Kshs.82M has been funded by Deposit Insurance Fund as reflected in the Statement of Budget. The increase in expenditure is attributable to implementation of approved activities, recruitment of additional staff and recovery of operations post covid-19 pandemic.

7 OTHER INCOME

	2022 KShs'000	2021 KShs'000
Grant income	-	66,849
	-	66,849

Grant income relates to grants received from Financial Sector Support Programme for the development of Disaster Recovery Centre. The grant income was amortised in full during the last financial year.

8 ADMINISTRATION COSTS

	2022	2021
	KShs'000	KShs'000
a. Staff Costs		
Staff salaries	254,086	241,174
Gratuity	21,551	20,951
Medical Expenses	17,029	13,807
Subscriptions	1,744	2,017
	294,410	277,949

Staff costs increased during the period due to on boarding of staff during the year as per approved budget.

Medical expenses increased in line with increased staff establishment.

Gratuity expenses increased due to annual increments which were effected on basic pay as per provisions on the contracts for annual increments.

b. Administration and establishment expenses

Consultancy expenses are largely Corporation's engagement of services of recruitment consultancy (Ksh.2.9M) and Information Security Management System Certification (Kshs.2.2M).

Public awareness is among the key pillars of the Corporation's strategic plan (2018-2023). During the year the Corporation continued with its activities geared towards promoting public confidence through stakeholder engagement.

	2022	2021
	KShs'000	KShs'000
Auditors' remuneration	1,500	2,050
Occupancy costs	16,210	16,742
Training Expenses	51,437	37,335
Workplace committees	118	479
Consultancy expenses	12,388	22,126
Telephone and Postage	1,648	1,289
Printing costs	9,004	4,470
Provision for debts	1,185	396
Staff Welfare	8,815	8,844
General Office maintenance	5,489	5,226
Utilities-Electricity, Water &Security Services	6,665	5,216
Motor vehicle running expenses	5,771	2,104
Core Mandate Activities	30,429	2,199
Assets insurance expenses	5,087	2,747
Treasury Bond Amortization	-	58,724
Publicity Expenses	26,284	35,617
ICT Maintenance expenses	27,131	11,791
Research Expenses	1,985	1,000
	211,147	218,355

c. Finance Costs

	2022	2021
	KShs'000	KShs'000
Principal on lease payments	54,576	55,966
Interest expense	7,032	5,289
	61,609	61,255

d. Board expenses

	2022	2021
	KShs'000	KShs'000
Fees to Directors	3,582	660
Other Directors' Expenses	9,362	2,579
	12,944	3,239

Board expenses increased in the year under reporting as for the better part of 2020/2021, the Corporation did not have a fully constituted board. On 6th October 2021, independent directors of the board and Chairperson were appointed and subsequently, the implementation of activities as per the calendar resulted in increase in expenditure.

9 PROPERTY, PLANT AND EQUIPMENT

	Buildings	Motor vehicles	Furniture & Fittings	Computers	ICT Equipment	Office & Kitchen Equipment	Work in Progress	Total
COST	Kshs.'000'							
At 1st July 2020	19,224	41,603	203,728	31,885	176,451	29,343	72,381	574,615
Additions	-	-	12,342	37,260	16,928	147	193,668	260,345
At 30th June 2021	19,224	41,603	216,070	69,146	193,379	29,490	266,049	834,961
At 1st July 2021	19,224	41,603	216,070	69,146	193,379	29,490	266,049	834,961
Additions	-	-	25,303	1,928	85,460	1,148		113,840
Revaluation	82,013	-	-	-	-	-	-	82,013
Adjustment	-	- 1	-	-	-	-	1,455	1,454
At 30th June 2022	101,237	41,602	241,373	71,074	278,839	30,639	264,594	1,029,357
DEPRECIATION								
At 1st July 2020	6,835	23,603	21,127	18,240	84,662	18,844	-	173,311
Charge for the year	359	7,007	53,284	11,311	35,491	5,175	-	112,627
Adjustment	-	-	118.02	-	-	-	-	118
Disposals	-	-	-	-	-	-		-
At 30th June 2021	7,194	30,610	74,529	29,551	120,153	24,019	-	286,056
At 1st July 2021	7,194	30,610	74,529	29,551	120,153	24,019	-	286,056
Charge for the year	235	6,103	55,011	10,085	40,590	1,596	-	113,621
Adjustment	-	0	4,782	-	-	-	-	4,782
Disposals	-	-	-	-	-	-		-
At 30th June 2022	7,429	36,714	134,322	39,636	160,743	25,615	-	404,459
NET BOOK VALUES								
At 30th June 2021	12,030	10,993	141,541	39,595	73,226	5,471	266,049	548,904
At 30th June 2022	93,807	4,888	107,051	31,438	118,097	5,024	264,594	624,898

The additions during the year of Kshs. 113M mainly comprises of the capitalization of ICT servers (Kshs.83M) and closure of final accounts for partitioning works (Kshs.23M).

The Corporation contracted the Ministry of Lands and Physical Planning to revalue its Go down to reflect its fair value. The revalued amount is Kshs.171M comprising of Kshs. 77M and Kshs. 94M for the land and buildings respectively.

The work in progress balance of Kshs.265M is largely comprised of Data Warehouse and Business Intelligent System, and other ICT infrastructure that the Corporation is in the process of implementing. The systems will support the achievement of the risk minimization mandate through timely receipt of data and analysis and data ensure data security.

10 INTANGIBLE ASSETS

Intangible assets held by the Corporation are Computer Software with the major ones being the ERP system, e-Board system and server software.

COST	**Kshs'000**
At 1st July 2020	122,628
Additions	19,687
At 30th June 2021	142,315
At 1st July 2021	142,315
Additions	-
At 30th June 2022	**142,315**
AMORTIZATION	
At 1st July 2020	87,428
Charge for the Year	31,588
At 30th June 2021	**119,016**
At 1st July 2021	119,016

Charge for the Year	6,665
At 30th June 2022	**125,681**
Net Book Value	
At 30th June 2021	23,299
At 30th June 2022	16,634

11 PREPAID OPERATING LEASE RENTALS

The Corporation owns a parcel of land on which there is a go down. The land is leasehold and is depreciated over the term of the 75-year lease that lapses in 2047.

COST	Kshs.'000
At 1st July 2020	4,522
Additions	-
At 30th June 2021	4,522
At 1st July 2021	4,522
Additions	-
Revaluation	75,100
At 30th June 2022	79,622
AMORTIZATION	
At 1st July 2020	1,795
Charge for the Year	98
At 30th June 2021	1,894
At 1st July 2021	1,894
Charge for the Year	98
At 30th June 2022	1,992
NET BOOK VALUES	
At 30th June 2021	2,628
At 30th June 2022	77,630

12 RIGHT OF USE OF ASSET

The Corporation has a 5.5 years lease for its office premises at the UAP Old-Mutual Tower. The lease lapses in lapses in April 2024. In line with the newly adopted IFRS 16 Leases, we have recognised the leased office space as a non-current asset and made corresponding commitments on the lease liabilities.

	Buildings - Office Lease	Total(Kshs.' 000)
COST		
At 1st July 2020	262,034	262,034
Additions	-	0
At 30th June 2021	262,034	262,034
At 1st July 2021	262,034	262,034
Additions	-	-
Revaluation	-	-
Adjustment	-	-
At 30th June 2022	262,034	262,034
DEPRECIATION		
At 1st July 2020	54,214	54,214
Charge for the year	54,152	54,152
Adjustment		
Disposals		-
At 30th June 2021	108,366	108,366
At 1st July 2021	108,366	108,366
Charge for the year	54,276	54,276
Adjustment	-	0
Disposals		-
At 30th June 2022	162,642	162,642
NET BOOK VALUES		
At 30th June 2021	153,668	153,668
At 30th June 2022	99,392	99,392

13 RECEIVABLES & PREPAYMENTS

	2022 Shs'000	2021 Shs'000
Prepayments & Deposits	529	2,619
Other Receivables	50,751	47,045
Staff Loans Receivable	0	10,762
Less: Provision for Bad Debts	(1,938)	-
	49,342	60,426

Prepayments & Deposits are made for credit facilities to facilitate access to services by the Corporation particularly fuel and motor vehicle maintenance. The decrease is a result of prepayments utilized post covid-19 pandemic.

Other Receivables largely comprise of billings to institutions in receivership which are under the management of KDIC. These relate to the reimbursement of expenses that KDIC incurs on behalf of the institutions such as staff costs and operational expenses. Further, the KDI Act, 2012, allows the Corporation to advance funds to an institution under the Corporation's management and such advances are accounted for as receivables.

Provision for bad debts for the year ended 30th June 2021 is reported under payables and accruals

14 INVENTORIES

Inventories comprise of stationery and other general office consumables

	2022 Shs'000	2021 Shs'000
Inventories	1,814	3,954

15 CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise of cash in hand and cash at bank as follows:

	2022 Shs'000	2021 Shs'000
Cash and bank balance	27,989	943,799
Government Securities Maturing within 90 days (2022 balance transferred to fund financial statements)	-	14,137,776
	27,989	15,081,575

The Cash & Bank balance is made up of		
Cash in Hand	-	-
KDIC's Fund Current Account	-	518,509
KDIC'S Fund Investment Account	-	369,392
KDIC's Corporation Current Account	27,989	55,898
	27,989	943,799

16 TRADE PAYABLES & ACCRUALS

	2022 Shs'000	2021 Shs'000
Retention fees payable to contractors	-	10,988
Provision for Staff Leave Days	6,256	5,971
Provision for Gratuity	69,332	47,780
Provision for audit fees	1,500	3,000
Provision for Deposit Payoff	-	1,179,562
Sundry payables and accruals	216,198	334,148
	293,285	1,581,449

The provision for gratuity at Kshs.69M represents gratuity payable to staff on contract terms. The increase from Kshs.48M as at the last financial year is due to provision for gratuity payable for the financial year 2021/2022.

Sundry payables and accruals are trade payables that were outstanding as at the reporting date. The increase is due to accrual of commitments for services and goods of high value works that had not been paid by year end 2021/2022.

17 LEASE (OFFICE SPACE)

The Corporation has a 5.5 years lease for its office premises at the UAP Old-Mutual Tower. The lease lapses in lapses in April 2024. In line with the newly adopted IFRS 16 Leases, we have recognised the leased office space as a non-current asset and made corresponding commitments on the lease as liabilities.

	2022 KShs'000	2021 KShs'000
Total lease commitments	146,396	202,362
Less: Lease Liability honoured	(54,576)	(55,966)
Total Lease Liability	91,820	146,396
Payable within one year	51,162	53,854
Payable after one year	40,658	92,542
	91,820	146,396

18 RETIREMENT BENEFIT OBLIGATION

The Corporation's employees are eligible for retirement benefits under a defined contribution plan.The defined contribution plan is funded by the Corporation as the sponsor at a rate of 20% and employee 10% of basic pay. The Corporation recognizes contributions to the fund in the profit and loss account in the year to which they relate. The Corporation also contributes to a statutory defined contribution Pension Scheme, the National Social Security Fund (NSSF)

	2022 Shs'000	2021 Shs'000
Employee Contribution (Defined Contribution Plan)	6,303	6,213
Employer Contribution (Defined Contribution Plan)	12,605	12,426
NSSF-Statutory Deduction	249	240
	19,157	18,880

19 RELATED PARTY TRANSACTIONS

	2022 Shs'000	2021 Shs'000
Directors' emoluments and senior management remuneration		
Fees to Directors	3,582	660
Other Directors' Expenses	9,362	2,579
Remuneration to senior management	52,236	48,622
,-Cash and balances held with Central Bank of Kenya	27,989	943,799
	93,169	995,660

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

20 EXPLANATION OF PERFOMANCE ON THE STATEMENT OF BUDGET & ACTUAL COMPARISON

The total approved corporate budget for the year under review was Kshs. 1,112 M being Kshs. 1,000M for recurrent budget and Kshs. 112M for capital expenditure. The gross budget utilization was Kshs. 782M or 70%.

I. The Corporation's operations are fully funded by the income generated Deposit Insurance Fund. This funding is guided by the approved budgetary allocations annually. Despite the approvals, the Corporation exercise prudence in management of financial resources by drawing from the fund on a need basis. During the year, the Corporation was financed Kshs.700M for operational expenditure and Kshs.82 M for capital expenditure.

II. The Corporation had a budget provision of Kshs. 357M for compensation to employees compared to Kshs.294M, a utilization of 82%. Some of the employees planned for were to be recruited during the financial year. However, the on boarding of staff was delayed, awaiting approval of additional budget.

III. The Corporation budgeted for Kshs. 340M for goods and services of which Kshs. 214M or 63% was utilized. The low utilization is attributed to delay in approval of budget revision and transfers during the year.

IV. The Rent and Parking fees was budgeted at Kshs. 87M compared to the actual of Kshs.77M. This is a utilization of 88%. The variance is due to provision for review of rent as provided for in the lease agreement that was not effected during the year.

V. The Depreciation & amortization at Kshs.174M was below budget due to ICT systems that had been planned for commissioning early in the financial year but the implementation of the respective projects delayed. The acquisition of Data Warehouse and business intelligence system is at the final stages of implementation

VI. Capital expenditure for the year was Kshs. 82M, representing a utilization of 72% against a budget of Kshs.112M. The expenditure is largely on ICT expenditure which includes; upgrade of ERP at Kshs.51M, procurement of additional computers at Kshs.4M and Network Penetration testing at Kshs.16M.

APPENDICES

APPENDIX 1: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

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

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

Hellen Chepkwony

Ag. Chief Executive Officer

REPUBLIC OF KENYA

OFFICE OF THE AUDITOR-GENERAL

Enhancing Accountability

REPORT

OF

THE AUDITOR-GENERAL

ON

DEPOSIT INSURANCE FUND

FOR THE YEAR ENDED 30 JUNE, 2022

KENYA DEPOSIT INSURANCE CORPORATION

KENYA DEPOSIT INSURANCE CORPORATION

ANNUAL REPORTS AND FINANCIAL STATEMENTS FOR DEPOSIT INSURANCE FUND

FOR THE FINANCIAL YEAR ENDING JUNE 30, 2022

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

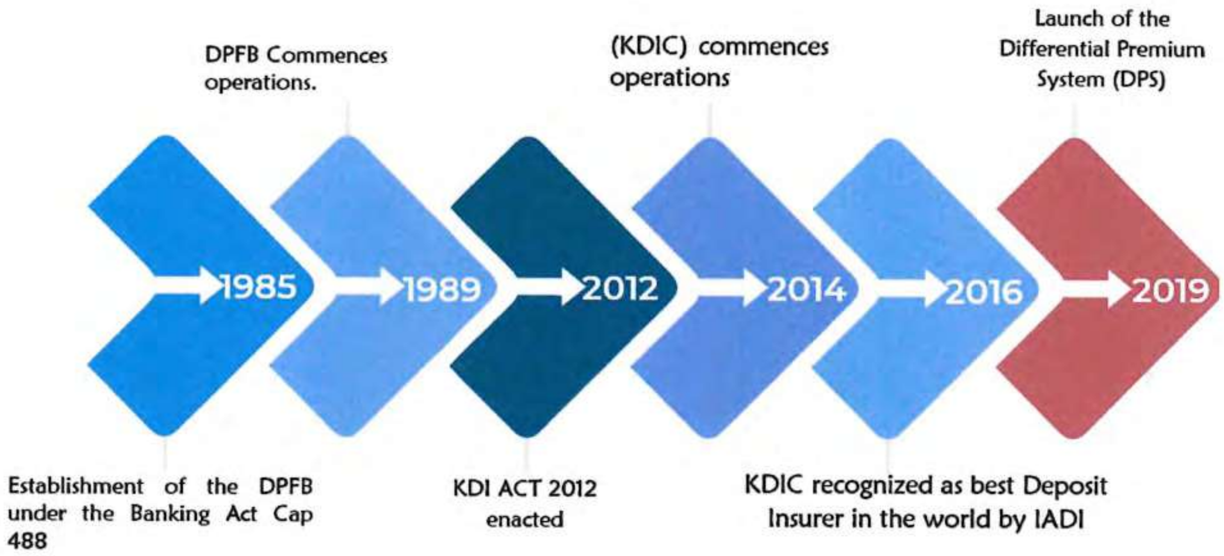
TABLE OF CONTENTS PAGE

KEY CORPORATE INFORMATION

Our Journey

The Corporation's rich legacy spans over 37 years. KDIC evolved from the Deposit Protection Fund Board established in 1985 through the Banking Act, to an autonomous state corporation governed by the Kenya Deposit Insurance Act of 2012. The journey has seen the growth of the Deposit Insurance Fund from Ksh. 300 million seed capital granted by the Ministry of Finance in 1989, to Ksh.160Bn as at June 30, 2022. This has been possible through the support of the government, safety net players, the banking sector and the diligence of the Board of Directors, management and staff.

KDIC continues to write the story of depositor protection, resolution of failed banks and minimization of risks in the banking sector.



Principal Activities

The Corporation's Principal activities as mandated by the KDI Act is to;

Principal Activities

Our Vision, Mission and Strategic Themes

VISION
To be a premier deposit insurance scheme

MISSION
To promote public confidence in the Financial system through deposit Insurance, risk management and timely

Our Values

Figure 2: Core Values

DIRECTORS

The Directors who served during the quarter ending 30th June 2022 were as follows;

1.	Ms. Carol Musyoka	- Chairperson (Appointed 6th October 2021)
2.	Hon. Amb. Ukur Yatani, EGH	- Cabinet Secretary, The National Treasury & Planning
3.	Dr. Patrick Njoroge	- Governor, Central Bank of Kenya
4.	Dr. Habil Olaka	- Director
5.	Hon. Paul Kariuki	- Attorney General
6.	Mr. John Benson Maina	- Director (Re -Appointed 6th October 2021)
7.	Ms. Anne Agimba	- Director (Appointed 6th October 2021)
8.	Mr. John Njera	- Alternate to Cabinet Secretary, The National Treasury & Planning
9.	Mr. Mohamed Deiss Adow	- Alternate to Attorney General
10.	Mr. Joshua Mutisya Musyoka	- Director (Appointed 6th October 2021)
11.	Mr. Mohamud A. Mohamud	- Chief Executive Officer (Ex-officio)
12.	Mr. Arthur Karagu	- Representative, Inspectorate of State Corporations

Corporation Secretary

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

Registered Office and Corporate Headquarters:

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

Corporate Contacts:

Telephone: +254 20 66770000, +254 709 043000
E-mail: customercare@kdic.go.ke
Website: www.kdic.go.ke

Corporate Banker:

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

Independent Auditors:

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

Principal Legal Advisers:

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

THE BOARD OF DIRECTORS

CAROL MUSYOKA
CHAIRPERSON, BOARD OF DIRECTORS

Carol Musyoka has several years of financial leadership experience. She has extensive deal origination, negotiation, structuring and execution experience, having been involved in several landmark corporate finance transactions in Kenya. Her executive management and board experience includes her role as the Corporate Director, Barclays Bank of Kenya as well as the Executive Director and Chief Operating Officer of K-Rep Bank, Kenya's first micro finance institution.

Carol has had considerable credit risk and corporate banking experience and training over her banking career, at both Barclays and Citibank. She currently sits as a non-executive director on the boards of East Africa Breweries Ltd where she chairs the Board Numeration and Remuneration Committee as well as the Board Investment Committee and British American Tobacco Ltd all of which are Nairobi Stock Exchange listed companies. She also chairs the Board of Kenya Deposit Insurance Corporation and is a non-executive director in the government investment company ICDC.

She has previously served on, and retired from the Boards of at least 15 private, public and Not for Profit organizations including BOC Gases, Business Registration Services where she chaired the Board, Competition Authority of Kenya where she chaired the Board Human Resources Committee, Institute of Economic Affairs, the national carrier, Kenya Airways, Opportunity Kenya and the African Legal Support Facility of the African Development Bank.

Carol currently provides bespoke training solutions to a number of multinational and locally owned companies in the region on Leadership and Corporate Governance. She has also been a co-facilitator on Fast Forward, a local leadership development program that provides "Leadership Unusual" insights to Chief Executive Officers and C-Suite Management of leading Kenyan companies (www.sunwords.com). For the last nine years, Carol has also been the Academic Director for the corporate

	governance programs at Strathmore University Business School. On an international level, Carol is part of the Durham, North Carolina based Duke Corporate Education (www.dukece.com) faculty and is involved in providing leadership deliveries for some of their global clients. Carol has also provided strategic leadership training to clients of CapitalPlus Exchange, a Chicago based organization that provides peer-learning events to small business banking financial institutions in Africa and Asia (www.capplusexchange.org). Her skills in breaking down complex financial events and contextualizing the same to local situations have been well received and are a constant feature of her weekly Monday articles in Kenya's leading business newspaper, the Business Daily. Carol is a holder of a Bachelor of Law degree from the University of Nairobi and a Master of Law degree from Cornell University, USA. Carol, a recipient of the 2010 Eisenhower Fellowship for International Leadership, lives in Nairobi, Kenya.
 CABINET SECRETARY, THE NATIONAL TREASURY,	Hon. Ambassador Ukur Kanacho Yatani is the Cabinet Secretary, National Treasury & Planning Ministry. Prior to the current appointment, Hon. Yatani served as Cabinet Secretary for Labour and Social Protection. CS Yatani has rich experience in public administration, politics, diplomacy and governance, acquired from working in various sectors of the Public Sector since joining the Civil Service in 1992. Between June 2009 and October 2012, he served as Kenya's Ambassador to Austria with Accreditation to Hungary and Slovakia and Permanent Representative to the United Nations in Vienna. In this position, he aggressively pursued and advanced Kenya's foreign interests. He held senior leadership positions at various diplomatic and international agencies such as International Atomic Energy Agency (IAEA), United Nations Organization on Drugs and Crimes (UNODC), United Nations Industrial Development Organization (UNIDO), Vice Chairperson of United Nations Convention Against Transnational Organized Crime (UNTOC), Vice President of Convention on Crime Prevention and Criminal Justice (CCPJ), and, chair of African Group of Ambassadors among

	others. During the period 2006-2007 while serving Member of Parliament for North Horr constituency, CS Yatani also served as an Assistant minister for Science and Technology. He served as a pioneer Governor of Marsabit County between 2013 and 2018, the largest County in the Republic of Kenya. Between 1992—2015, he served in different positions in Kenya's Public Administration including a District Commissioner, where he sharpened his management and administrative skills. He has a Master of Arts in Public Administration and Public Policy, University of York, United Kingdom, acquired in 2005; and a Bachelor of Arts in Economics, Egerton University, Kenya, earned in 1991.
 JUSTICE PAUL KIHARA KARIUKI; ATTORNEY GENERAL OF THE REPUBLIC OF KENYA.	Justice Paul Kihara Kariuki is currently the Attorney General of the Republic of Kenya and the immediate former President of the Court of Appeal. He began his career in law after being admitted to the bar in 1978, soon after completing his post-graduate diploma in law at the Kenya School of Law, Nairobi. Consequently, Justice Kariuki has worked with several legal establishments including Ndungu Njoroge and Kwach Advocates, and Hamilton Harrison and Mathews Advocates in Nairobi. In 2003, Justice Kariuki was appointed to the position of Principal and Chief Executive Officer of the Kenya School of Law. Later the same year, he was appointed Judge of the High Court where he served in both the civil and commercial divisions of the Court for several years. Between 2009 and 2013, Justice Kariuki served as the first director at the Judicial Training Institute, where he was instrumental in establishing all the operational systems for the technical arm of the judiciary incorporating professional development for all judges, magistrates and all cadres of the paralegal staff at the Judiciary. Upon his appointment to the Court of Appeal in 2013, Justice Kariuki immensely contributed to the decentralization of the Court of Appeal to Malindi, Kisumu and Nyeri counties. He also directed the development of

	the blueprint ten-point strategy for the transformation of the court, culminating in the Court of Appeal Bill and the Strategic Plan for the Court of Appeal in Kenya. Justice Kariuki has served as Chancellor or Honorary Legal Advisor for The Anglican Church of Kenya, Member of the Kenya Anti-Corruption Authority Advisory Board and as chair of Thomas Barnado House and Rotary International. He is an esteemed member of the Law Society of Kenya, Commonwealth Lawyers Association and the International Bar Association. He has deep interests in gardening, classical music, theater and drama, playing squash and cricket.
 DR. PATRICK NJOROGE; THE GOVERNOR CENTRAL BANK OF KENYA	Dr. Patrick Njoroge is the Central Bank Governor following his appointment in June 2015. Dr. Njoroge holds a PhD in Economics from Yale University, USA, as well as masters and bachelor's degrees in Economics, both from the University of Nairobi. Prior to joining the Central Bank, Dr. Njoroge worked for 20 years with the International Monetary Fund (IMF), in Washington, D.C., USA. He served in various capacities among them; the advisor to the IMF Deputy Managing Director, Deputy Division Chief in the IMF's Finance Department and IMF Mission Chief for the Commonwealth of Dominica. In addition, Dr. Njoroge worked as an economist at the Ministry of Finance and as a planning officer at the Ministry of Planning here in Kenya. Professionally, Dr. Njoroge has a keen interest in Macroeconomics, Economic Policy, International Finance, Development Economics, Econometrics and Monetary Policy.
 DR.HABIL OKUNDA OLAKA DIRECTOR	Dr. Habil Olaka is the Chief Executive Officer of the Kenya Bankers Association, following his appointment in 2010.He previously worked with the East African Development Bank (EADB), serving in different capacities among them; Director of Operations, Resident Manager-Kenya, Manager-Risk and Control, Chief and Internal Auditor. In addition, Dr. Olaka also worked with Banque Indosuez (now Bank of Africa) where he served as the Internal Auditor having started his career at Price Waterhouse Coopers, Nairobi. He holds a First-Class Honours (BSc) degree in Electrical Engineering from the University of Nairobi, MBA in Finance

	from Manchester Business School in the UK and a Doctorate degree in Business Administration from USIU-A. Besides the Kenya Deposit Insurance Corporation, Dr. Olaka sits on a number of other boards, among them; the Higher Education Loans Board, Kenya School of Monetary Studies, Federation of Kenya Employers, Centre for Corporate Governance, Boards of Trustees of the National Research Fund and the Butere ACK Diocese. He is a member of the Institute of the Certified Public Accountants (CPA) Kenya and the Chartered Financial Analyst (CFA) Institute.
 MR.JOHN BENSON .M.MAINA DIRECTOR	Mr. John Benson Maina holds a Bachelor of arts (Econ.) Honours and MA (Econ.) degrees, both from the University of Nairobi. He began his career as an economist at then, Ministry of Finance, currently National Treasury. He later joined Central Bank of Kenya, where he worked in Research, Bank Supervision and External Payments and Reserves Management Departments. Mr. Maina has extensive experience in central banking, particularly, in areas of regulation and restructuring of banks undergoing financial challenges. He coordinated the financial sector study, which formed the basis for reforms in the banking sector, including liquidation of insolvent banking institutions during the first major banking crisis in the country. He was involved in strengthening the onsite supervision system and offsite reporting system to improve surveillance over the banking sector. In addition, Mr. Maina supervised the execution of Central Bank of Kenya foreign exchange reserves, involving investment of surplus foreign exchange reserves offshore. The onset of the aforementioned banking crisis prompted the establishment of Deposit Protection Fund Board (DPFB) - now Kenya Deposit Insurance Corporation-to revive the waning public confidence in the banking sector. Mr. Maina was one of the officers involved in setting up the DPF, after being attached to the Federal Deposit Insurance Corporation in USA for training in bank resolution.

ANNE AGIMBA;
DIRECTOR

Ms. Anne Agimba holds a Bachelor of Law degree from The University of Nairobi, Post Graduate diploma from Kenya School of Law and an Advocate of the High Court of Kenya. In her practice , She has specialised in areas of Commercial and Conveyancing Law, Intellectual Property Law, Banking, Insurance & Financial Services Law, Securities Documentation, Insolvency Law, Labour Law, Landlord & Tenant Law, Company & Co-operative Societies Law, Trust Law and Succession Law and Policy Formulation, Legislative drafting and Education

Ms. Agimba as a Senior Partner at Agimba & Associates, Advocates, Heads the Corporate, Commercial and Conveyancing Law Department.

She routinely advises Local and International Banks, Financial Institutions, Pension Funds, Insurance Companies, Non-Governmental Organizations, Charitable Foundations, Trust Companies, both on formations of appropriate structures (trusts, foundations, companies, partnerships, LLPs), policy and regulatory support, contracts, taxation, debt recovery, legal research, Intellectually Property Rights, Employment Rights and lease/property issues.

MR. MOHAMUD A. MOHAMUD; CHIEF EXECUTIVE OFFICER

Mr. Mohamud Ahmed Mohamud is the substantive Chief Executive Officer of the Kenya Deposit Insurance Corporation (KDIC). He is an astute, forthright and accomplished financial professional with keen insights and experience in deposit insurance.

Having risen through the ranks at Central Bank of Kenya, Mr. Mohamud is credited with a number of achievements since his appointment at the helm of the nascent Corporation in 2017. As such, he has proactively been involved in deposit insurance activities that have put his name on the world map thus becoming one of the international assessors on compliance with the best practices in deposit insurance.

In addition, he has locally spearheaded major milestones such as the upward review of deposit coverage limit, implementation of Risk-based Premium model and major public awareness campaigns and stakeholder management, geared towards entrenching the concept of deposit insurance in Kenya.

Mr. Mohamud has thus assessed many jurisdictions including Nigeria, Tanzania, India, Trinidad and Tobago, Poland, Switzerland and Sweden. Further, as an expert in resolution of failed banks, Mr. Mohamud has extensively facilitated international conferences on deposit insurance.
It is perhaps due to this rich grounding, legacy, contribution and recognition that Mr. Mohamud added yet another feather to his cap, when he was unanimously endorsed as the new Chairman and President of the African Regional Committee (ARC) of the International Association of Deposit Insurers (IADI).
The election saw Mr. Mohamud, who also chairs IADI Member Relations Committee, becoming the first Kenyan in history to chair the regional body, ARC-IADI.

Besides his extensive training in leadership as well as deposit insurance, Mr. Mohamud holds a Bachelor's degree in Economics from the University of Nairobi and an MBA in Strategic Management from Moi university, a tremendous achievement for the man with a humble beginning in the County of Samburu.

MRS. EUNICE KITCHE-ODUOR; DEPUTY GENERAL MANAGER, BOARD SECRETARY & HEAD OF LEGAL

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

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

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

SENIOR MANAGEMENT TEAM

 MR. MOHAMUD AHMED MOHAMUD; CHIEF EXECUTIVE OFFICER	Mr. Mohamud Ahmed Mohamud is the substantive Chief Executive Officer of the Kenya Deposit Insurance Corporation (KDIC). He is an astute, forthright and accomplished financial professional with keen insights and experience in deposit insurance. Having risen through the ranks at Central Bank of Kenya, Mr. Mohamud is credited with a number of achievements since his appointment at the helm of the nascent Corporation in 2017. As such, he has proactively been involved in deposit insurance activities that have put his name on the world map thus becoming one of the international assessors on compliance with the best practices in deposit insurance. In addition, he has locally spearheaded major milestones such as the upward review of deposit coverage limit, implementation of Risk-based Premium model and major public awareness campaigns and stakeholder management, geared towards entrenching the concept of deposit insurance in Kenya. Mr. Mohamud has thus assessed many jurisdictions including Nigeria, Tanzania, India, Trinidad and Tobago, Poland, Switzerland and Sweden. Further, as an expert in resolution of failed banks, Mr. Mohamud has extensively facilitated international conferences on deposit insurance. It is perhaps due to this rich grounding, legacy, contribution and recognition that Mr. Mohamud added yet another feather to his cap, when he was unanimously endorsed as the new Chairman and President of the African Regional Committee (ARC) of the International Association of Deposit Insurers (IADI). The election saw Mr. Mohamud, who also chairs IADI Member Relations Committee, becoming the first Kenyan in history to chair the regional body, ARC-IADI. Besides his extensive training in leadership as well as deposit insurance, Mr. Mohamud holds a Bachelor's degree in Economics from the University of Nairobi and an MBA in Strategic Management from Moi university, a

	tremendous achievement for the man with a humble beginning in the County of Samburu.
 MR. PAUL MANGA; GENERAL MANAGER, RISK & EXAMINATION	Mr. Paul Manga heads the Directorate of Risk and Examination. He has 15 years of experience in the banking sector having worked with both local and international institutions. As a finance and risk professional, Mr. Manga has worked for seven years in the departments of Finance & Accounts, Treasury Operations and Market Risk functions at the Standard Chartered Bank, during which he made significant contribution to the institution's overall growth. In addition, Mr. Manga was a Senior Market Risk Analyst and Regional Business Manager (EA) at the Kenya Commercial Bank – Group Treasury, for a period of 8 years He holds a BSc degree in Agriculture Engineering; MBA (Finance Option); Post Graduate Diploma in Business Management; Certified Investment and Finance Analyst-CIFA (K); ACI Dealing and ACI Operation for Treasury. He is a member of the Institute of Certified Investment and Finance Analyst (ICIFA)
 MR. DAVID IRUNGU; GENERAL MANAGER, RESOLUTIONS	Mr. David Irungu heads the Directorate of Resolutions. He oversees the resolution process of the 18 institutions in liquidation and 1 bank in receivership. Mr Irungu has a wealth of experience in strategy formulation and implementation, fundraising for debt and equity, business growth and development, sales and relationship management, Compliance and risk management, budgeting, financial planning and performance monitoring. He is the former Chief Executive Officer at KEY Micro Finance Bank Ltd. He also served as the Senior Business Growth & Development Manager-Supreme Banking at the Equity Bank (K) Limited – Operations Division. Mr. Irungu holds a Master of Science degree in Finance and Investments from Kenya Methodist University (KEMU), a Bachelor of Commerce (finance

	option) from the University of Nairobi and is a Certified Public accountant C.P.A (K) and PRINCE 11 practitioner.
 **MR. ROBERT INGASIRA MBARANI; GENERAL MANAGER, CORPORATE SERVICES**	Mr. Robert Mbarani heads the Directorate of Corporate Services. With a career spanning over 20 years, Mr Mbarani has gained immense experience in Finance, Accounting, Human Resource and project management, having worked with various organizations in the Public Sector. As the head of Corporate Services function, Mr. Mbarani offers strategic leadership to the Finance, Human Resource, Communications and Information Technology divisions of the Corporation. He holds an MBA in Finance from Moi University and a Bachelor of Arts (Mathematics and Economics) from the University of Nairobi. In addition, Mr. Mbarani holds a higher Diploma in Human Resource Management. He is a member of the Institute of Human Resource Management (IHRM) as well as Institute of Certified Accountants of Kenya (ICPAK). Mr. Mbarani has successfully attended various management courses on Corporate Governance, Risk Management and Strategic Management.
 **MRS. EUNICE KITCHE-ODUOR; DEPUTY GENERAL MANAGER, BOARD SECRETARY & HEAD OF LEGAL**	Eunice Kitche-Oduor (Mrs) is a legal practitioner currently working with KDIC as the Corporation's Secretary and head of legal. She has practiced law for over 18 years, thus gaining hands-on experience and exposure in legal practice, leadership and management. She has actively practiced litigation and conveyancing for four years. Before joining KDIC, Mrs. Oduor worked for 14 years as company secretary and head of legal in various state corporations. She has served in various capacities within government, boards and CEOs and in the process, accumulated a unique appreciation of government thinking and direction in the boards of State Corporations.

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

CHAIRPERSON'S STATEMENT

On behalf of the Board of Directors and Management, I am pleased to present to you the Annual Report and Financial Statements of the Kenya Deposit Insurance Corporation for the year ended 30th June 2022.

The last 12 months were extraordinary, especially with the country preparing for the General Elections as the financial sector continued to recover from the effects of the COVID-19 Pandemic. This notwithstanding, Kenya's financial services sector, alongside other sectors of the economy have shown considerable resilience against the global and political challenges faced.
The Kenyan financial sector reported growth under the period in review specifically on the macroeconomic environment and banking sector performance. Subsequently, the Corporation leveraged on this recovery for development, and to realize its mandate, general public policy and improve on performance.

Macroeconomic Environment

According to the World Bank's June 2022 Report, the global economy is projected to grow at a slower rate of 2.9% in 2022. This is largely driven by a projected 3.4% slow growth in emerging markets and developing economies, coupled with a 2.6% deceleration in advanced economies. The slow growth has been driven by rising energy prices, less favorable financial conditions, and supply chain disruptions, all of which have been exacerbated by the war in Ukraine.

Macroeconomic Highlights

GDP Growth	Inflation Rate	Central Bank Rate
2.9%*	7.9%	7.5%

During the period under review, Overall inflation increased to 7.9% in June 2022 from 6.3% in June 2021. The increase was majorly due to increases in food and energy prices. The increase in global commodity prices and supply chain disruptions resulted in the Monetary Policy Committee tightening the monetary policy in order to further anchor inflation expectations by raising the Central Bank Rate (CBR) to 7.5% in May 2022.

Banking Sector Performance

The banking sector remained stable within the period under review with total assets of KES. 6.3 trillion in June 2022 an increase from 5.7 trillion in June 2021. Loans and advances increased by 16% from KES. 2.76 trillion in June 2021 to KES. 3.19 trillion in June 2022. Total deposits increased by 8% from KES. 4.27 trillion in June 2021 to KES. 4.68 trillion in June 2022. The growth was attributed to the mobilization of deposits through agency banking and mobile phone platforms.

Banking Sector

Total Deposits	No. of Accounts	Insured Deposits
4.6 trillion	72 million	744 billion

The sector recorded a strong performance in the period under review mainly due to continued recovery from the COVID-19 pandemic.

Strategic Analysis

The Corporation's resilience and commitment towards its key mandate was seen in its continued strive towards implementation of the Strategic Plan 2018-2023 and key objectives for the year, in alignment to the Kenya Development Agenda towards economic growth and establishment of a vibrant and globally competitive financial sector.

In line with this strategic focus, the Corporation enhanced its offsite surveillance mechanism to safeguard the Deposit Insurance Fund and promote confidence in the banking system. Further, the Corporation instituted contingency planning and crisis preparedness programs, and enhanced consultations with stakeholders for collaboration in safeguarding depositor interests.

As the custodian of the country's Deposit Insurance Fund, the Corporation continued to manage the Deposit Insurance Fund prudently, as guided by the KDIC Investment Policy; to ensure viability, robustness and adequacy of the Fund in the unlikely event of bank failure.

Further, the Corporation made pay-outs of protected deposits to depositors of Chase Bank Ltd (IL) and Charterhouse Bank Ltd (IL), which were placed in liquidation in the period under review. Besides, KDIC, being the country's Resolution Authority, continued to manage institutions in Liquidation, by tracing, preserving and realising assets for the benefit of depositors and creditors of those banks.

In line with our strategic objective of partnering and collaborating with key stakeholders, the Corporation conducted various stakeholder consultative forums in pursuit of common goals. These forums, contributed towards the achievement of critical milestones in the period under review. Such engagements heralded strengthened partnerships with member institutions on public awareness and information sharing, corporation with banks for prompt payment of deposits to customers of Imperial Bank Ltd (IR) as well as Chase Bank Ltd (IL).

In the realisation of our strategic theme on organisational capacity, the Corporation recognises that the Kenyan people are the most valuable resource. Consequently, various capacity building programs were implemented in the period under review. Most of these programs were aligned to deposit insurance, prompt resolution and contingency planning.

Beyond the implementation of our core objectives, we have continuously become aware of our impact on the environment and community. In this regard, the Corporation has implemented various initiatives towards preserving our ecosystem, and also played a part in enhancing the country's healthcare system. KDIC remains devoted to its Corporate Social Responsibility commitments in support of Vision 2030.

The Board

During the period under review, the Board of Directors was reconstituted in the 2nd Quarter of the financial year 2021/2022 which led to the appointment of 4 independent Board Directors, including the Chairperson. This facilitated the Corporation's activities geared at achieving its mandate noting that the previous financial year, 2020/2021, came to an end with the Corporation's Board not being fully constituted. As a milestone, the reconstituted board has the benefit of having two female Directors up from the previous board that was graced by a one female Director.

Future Outlook

Going forward, the Corporation remains steadfast in its resolve to be a premier deposit insurance scheme. To achieve this dream, we will pursue digitization of our operations and processes, to remain aligned with global changes. Further, we are seeking to review the Deposit Insurance legal framework to enhance the efficacy of the Corporation's mandate. In line with the Risk Minimization objective, we look forward to the entrenchment and benefits of Differential Premium System. Additionally, we plan to enhance various capacities within the organisation, and pursue best practice in Deposit Insurance.

Additionally, in compliance with *Mwongozo - The Code of Governance for State Corporations*, the Corporation intends to implement the findings of the Legal & Corporate Governance Audit, conducted in the just concluded financial year. The Corporation was evaluated and found to have an overall ranking of "Good". This is the highest ranking, which denotes that KDIC has demonstrated good practice in the majority of the compliance areas. Implementation of the findings will facilitate improving the Corporation's general compliance thereby facilitating it realize its vision within a culture of good corporate governance and compliance.

Acknowledgements

In conclusion, may I express my sincere gratitude to my fellow Board Members, for their personal commitment and service to the people of Kenya during this period. Similarly, on my behalf and that of the Board of Directors, I commend the Chief Executive Officer, Management and Staff of the Corporation for their invaluable support and selfless service towards the achievement of great milestones this far.

Lastly, I acknowledge the robust partnership and contribution of our member Institutions. This collaborative partnership, that is guided by our parent ministry, The National Treasury and Planning, has continued to foster financial stability in Kenya's banking system. We look forward to deepening this engagement for public good.

Hannah W. Muriithi, EBS

Chairperson of the Board of Directors

REPORT OF THE CHIEF EXECUTIVE OFFICER

I am pleased to present the Annual Report and Financial Statements for the 2021/2022 financial year.

General Overview

KDIC continued to focus on post COVID-19 recovery in the year under review, by upscaling operations to ensure that the Corporation delivers on the Strategic Plan and GOK Performance Contracting commitments. The key areas of focus in the year under review included growth of the Deposit Insurance Fund, payment of protected deposits and dividend pay-outs to depositors of failed banks, collection of outstanding loans, enhancing organizational capacity and improvement of the Information and Communication technology (ICT) infrastructure.

Operating Environment

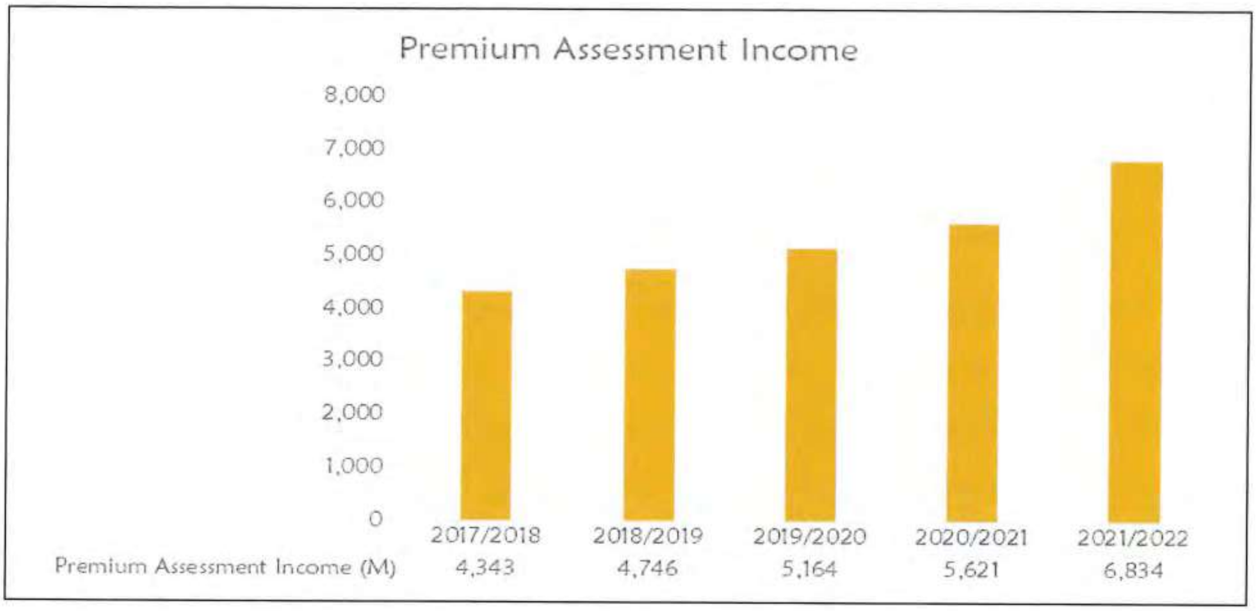
The banking sector remained resilient in the year under review, recording improved performance indicators all-around. Banks continued to align their operating models in response to changes in the environment, resulting to an increased adoption of digitalization, improved capital adequacy ratios, and acquisition of small banking entities to ensure their sustainability.

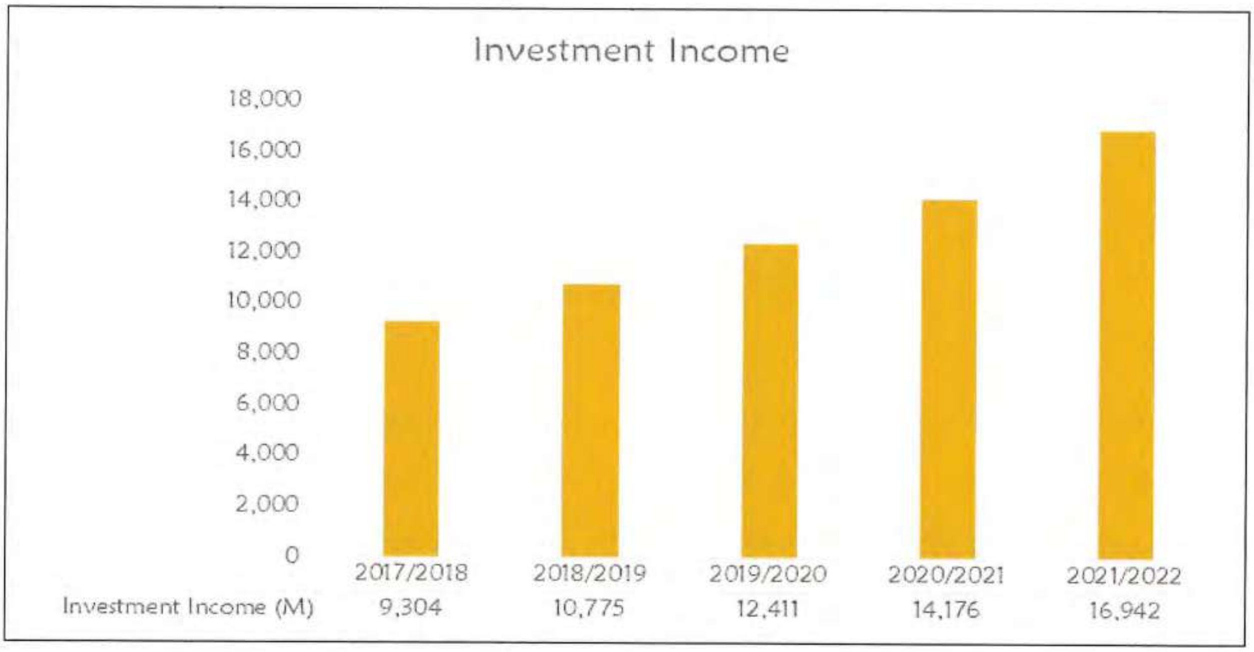
There was a remarkable increase in deposits to Ksh. 4.6 trillion, compared to Ksh. 3.8 trillion in the previous reporting period, while insured deposits increased to Ksh. 744 billion compared to Ksh. 645 billion recorded last year. Additional details of other performance indicators are given in subsequent sections of this report.

Financial Performance

Despite the economic challenges and uncertainties caused by the global pandemic, the Deposit Insurance Fund continued to grow recording a 14% increase from Ksh. 140 B recorded in the previous year, to Ksh. 160B. The premium assessed also recorded an increase as a result of growth in total deposits held by banks and the implementation of the risk-based premium assessment model.

The Corporations investment income also increased by 19%, from the Kshs 14B recorded in the previous year to Kshs. 16.9B. The graphs below represent the trend in investment income and premium income over the years;





I am pleased to state that in addition to our stellar financial performance, KDIC was awarded the Financial Reporting Award (FiRe Award) after emerging first runners up in the International

Financial Reporting Standards (IFRS) - State Corporations Category for the 2019 / 2020 Annual Report and Financial Statements.

Risk Management

The Corporation implemented the Risk-Based Premium Assessment Model in July 2021, after the one-year implementation moratorium given on account of the Covid-19 pandemic. While this model resulted to increased contributions by Member Institutions, the fundamental objective of Differential Premium Systems is to provide an incentive to banks, to minimize risks, and this in turn protects deposits.

Further, KDIC continued to enhance relations with member institutions, who remain the key stakeholder in the achievement of the deposit protection and financial stability objectives. During the period under review, the Corporation held forums with bank representatives to discuss various thematic areas, including feedback on the Risk-Based Premium Assessment model, implementation of the Electronic Data Warehouse system and data submission requirements.

Organizational Capacity

KDIC continues to ensure that inclusion, equity and professionalism define the working environment. This has been achieved by continuously training staff on deposit insurance, crisis management, bank resolution simulation and other key support function topics. In the year under review, various capacity building programs were conducted internally within the Corporation.

In the quest to becoming a Premier Deposit Insurer – KDIC conducted three capacity building seminars for various partners. KDIC held a Regional Crisis Preparedness and Bank Resolution Simulation conference for Deposit Insurers and Central Banks in Africa. This training forum attracted 42 participants from 12 countries, setting a precedent for conducting future programs. A similar program was conducted for officers of the National Treasury, to foster partnership and build capacity for prompt bank resolution. The Corporation was also engaged by the Policyholders Compensation Fund (PCF), to share knowledge on management of the Fund, risk minimization and resolution practices.

Further, KDIC continued to embrace best standards in its operations through the maintenance of the Enterprise Risk Management and Business Continuity Management system and ISO Quality Management Systems. The Corporation also embarked on a journey to transform its Information and Communication Technology (ICT) ecosystem, through the implementation of the Electronic Data Warehouse and Business Intelligence (EDW-BI) system, Electronic Document and Records Management System (EDRMS), as well as the upgrade of the Enterprise Resource Planning (ERP) system. On the same note, CIO Africa awarded the Corporation the Gold Award as first runners up for the implementation of Enterprise Resource Planning (ERP) systems in the Public Sector category.

Indeed, the staff of the Corporation remain the most valued resource, even as they implement the organisation's strategy and programs. In the year under review, KDIC enhanced its Performance Management System by implementing the Balanced Score Card (BSC) Methodology. This approach is expected to entrench the performance driven culture that KDIC prides itself in, while providing incentives for exceptional performance.

Deposit Insurance and Prompt Resolution

The Corporation continues to manage the Deposit Insurance Fund, together with the assets of 19* banks in liquidation in the interest of depositors.

During the period under review, Ksh. 565 million of protected deposits was paid to 58% of depositors of Chase Bank Ltd (IL). Charterhouse Bank (IL) also commenced payment of the protected deposits after its Liquidation was assented to by the Central Bank of Kenya. As at June 30, 2022 Ksh. 14.25 million had been paid out in protected deposits, but the same was stalled as a result of a court injunction. The Corporation collected Ksh. 984 million in outstanding debt, compared to Ksh. 500 million collected in the previous period.

Further, the Corporation continued to consolidate the operations of Imperial Bank Ltd (IL), which was placed in Liquidation on December 8, 2021. As at the end of the financial year, the Liquidation Agent closed an additional three (3) branches out of the remaining nine (9) branches.

Future Outlook

Indeed, the Management and staff remain committed to delivering on the Corporation's mandate, in the interest of depositors and to foster financial stability. We have continued to align our strategies, programs and operations to international best practise, to ensure that the country's deposit insurance system remains viable and resilient.

Looking into the future, the Corporation intends to develop the 2024 -2028 Strategic Plan, to succeed the current 2018 – 2023 Strategic Plan. Further, the Corporation continues the review of the Kenya Deposit Insurance Act of 2012 – which began in March 2021, with the aim of ensuring identified gaps are resolved for the seamless implementation of our mandate. Other identified initiatives include the documentation of Resolution Plans, also known as Living Wills by banks to support prompt resolution, implementation of the whistle blowing policy to support risk minimization in banks, and leveraging on technology and existing stakeholder relations to increase public awareness.

The Corporation remains cognisant of risks that are emerging in the Financial Services environment, and how these impact Member Institutions, the Deposit Insurance Fund, and the Corporation's sustainability. Firstly, whereas the rapid digitization of financial and communication technologies portends a great opportunity for improved service delivery, access and efficiency – the dynamic operating environment poses cyber security risks to financial institutions. KDIC is also aware of the impact of movement of deposits from physical branches to digital platforms, on its prompt resolution goal.

Secondly, following the issuance of Guidance on Climate-Related Risk Management by the Central Bank of Kenya, to banks, it is expected that operations, governance and reporting structures will change to entrench compliance.

Appreciation

Indeed, this has been a year when KDIC has achieved great milestones, and this has been possible due to the support of various stakeholders. My sincere gratitude goes to our member institutions, consisting of all commercial banks and micro-finance banks operating in the country, for the growing partnership and collaboration in risk minimization and data sharing. I also wish to most sincerely thank the Board of Directors for their commitment and guidance during the year in review. On the same note, I recognize the diligence, dedication and teamwork of the management and staff and their selfless contribution to the Corporation's agenda.

I also thank our parent ministry, The National Treasury and Planning for the support and cordial relationship we continue to enjoy. KDIC has also benefited greatly from the growing partnership with various government agencies and financial services regulators, and we remain eternally grateful.

It is my hope that we will all continue working together, in the interest of depositors, and to foster financial stability.

Hellen Chepkwony

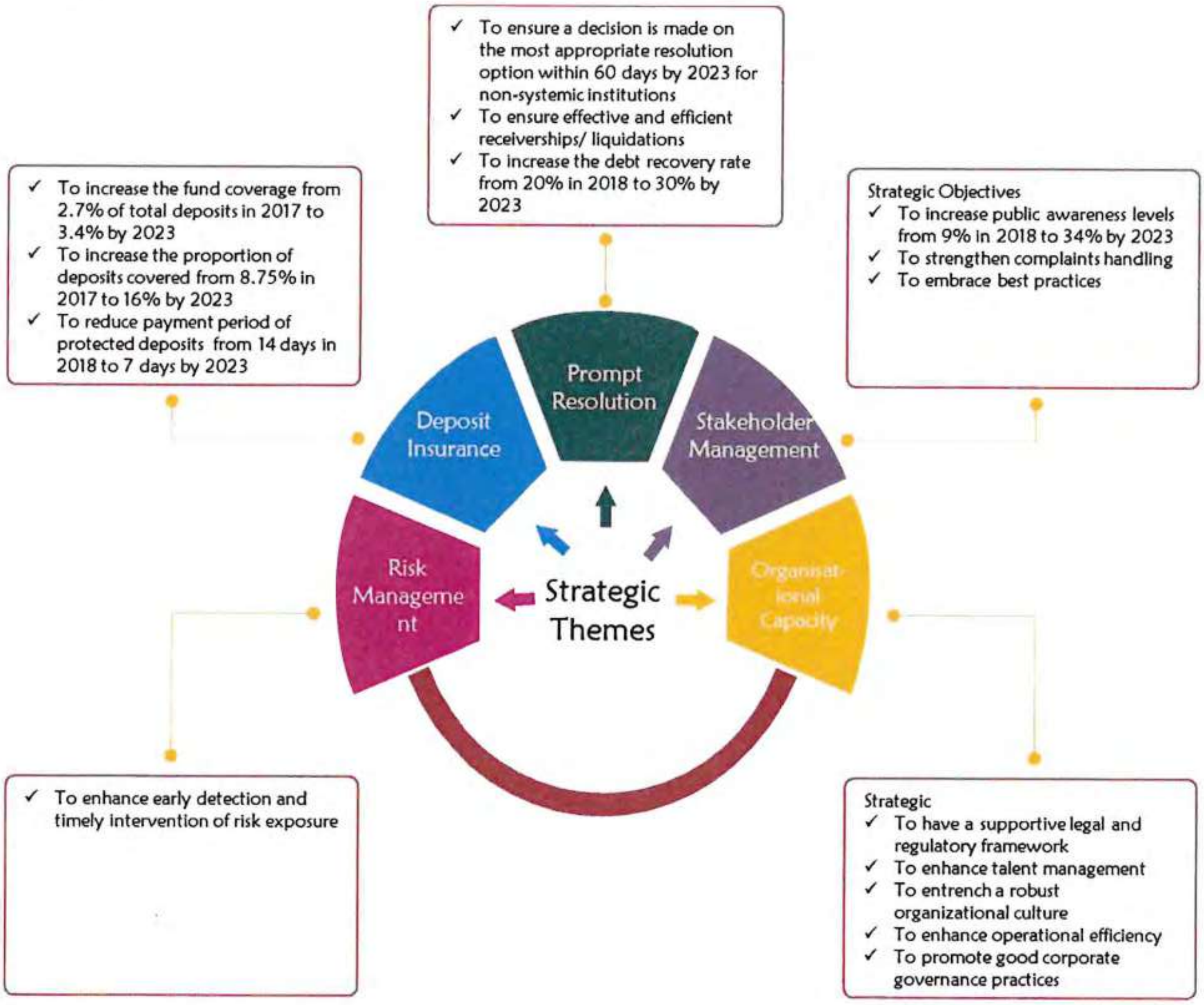
Ag. Chief Executive Officer

STATEMENT OF PERFOMANCE AGAINST PREDETERMINED OBJECTIVES

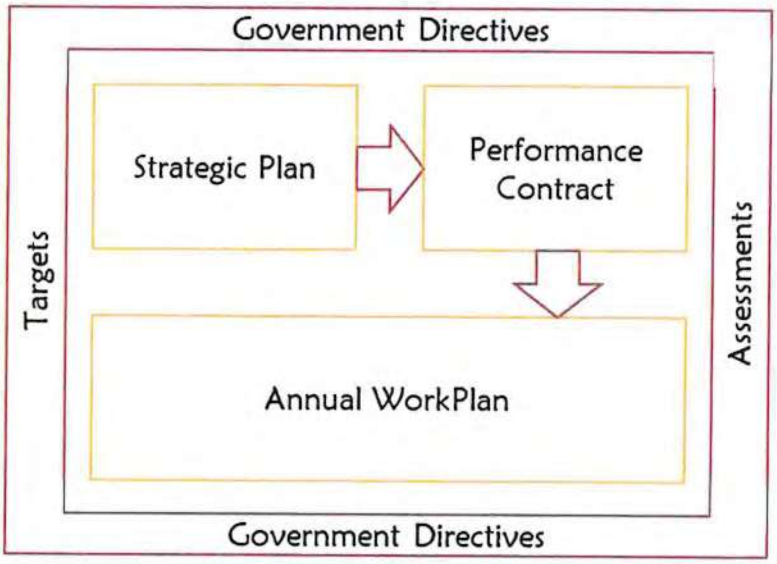
The Corporation's performance objectives are defined in its five-year Strategic Plan (2018 - 2023) and as a Government agency, KDIC signs annual Performance Contract with the parent ministry, The National Treasury and Planning.

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

Strategic Pillars and Themes;



The Corporation's Strategic Plan is broken down to annual work plans that define the initiatives for the plan's coverage period. During the implementation of the strategic plan through the annual work plans, the Corporation further defines its Performance Contract for a year of operation and this contract is signed by the Corporation and The National Treasury and Planning. Throughout the corporate performance management process that starts with strategic planning to performance contracting, the Corporation incorporates the requirements of various government directives issued from time to time.



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

Achievement of strategic objectives

Strategic Pillar	Objective	KPI	Activities	Achievements
Risk Management	Enhance early detection and timely intervention of risk exposure	Implement an early detection and intervention framework	Review and implement a risk assessment framework (CAMEL)	Implemented
			Implement early detection and intervention framework	Conducted offsite surveillance on 53 member institutions. We also conducted capacity building on Crisis Preparedness and Contingency Planning and prompt resolution.
			Stakeholder engagement on sound risk management	The Corporation conducted 9 stakeholder engagement sessions covering all our member institutions during the year
Deposit Insurance	Achieve a coverage ratio of 23.25% by 2023	Increase in coverage ratio	Collect the deposit insurance premium (Kshs.6.8B)	The Corporation assessed and collected Kshs. 6.8B.
			Prudent investment of Funds - Income (Kshs.13.6B)	The Corporation's prudently invested monies from the fund to maximize return while managing liquidity. This led to a revenue of Kshs.14.5B against a target of Kshs.13.6B.
Stakeholder Management	Increase public awareness levels from 9% in 2018 to 40% in 2023	Increase public awareness index	Conduct a targeted public awareness campaign	The Corporation conducted a public awareness campaign in collaboration with print, electronic and digital media aimed at sensitizing the public on KDIC mandate as well as enhancing confidence on safe-banking
			Develop and disseminate IEC Material	The Corporation distributed IEC material to members of the public during the year. These were KDIC branded merchandise to encourage the public to take up formal banking

Strategic Pillar	Objective	KPI	Activities	Achievements
Prompt Resolution	Increase the debt recovery rate from 20% in 2018 to 30% by 2023	Debt recovery growth rate	Adopt alternative dispute resolution methods	The Corporation employed Alternative Dispute Resolution methods in debt recovery for institutions in liquidation.
			Implement convenient loan repayment options	The Corporation is in the process of implementing a mobile application that shall enable debtors of institutions in liquidation to pay their debts through e-citizen.
			Increase the number of loan repayment methods	
Organizational capacity	Enhance absorption rate (Allocated funds)	Budget utilization	Implementation of approved establishment	The Corporation's staff compliment is at 31% of its approved staff establishment.
			Develop and disseminate IEC Material	The Corporation distributed IEC material to members of the public during the year. These were KDIC branded merchandise to encourage the public to take up formal banking

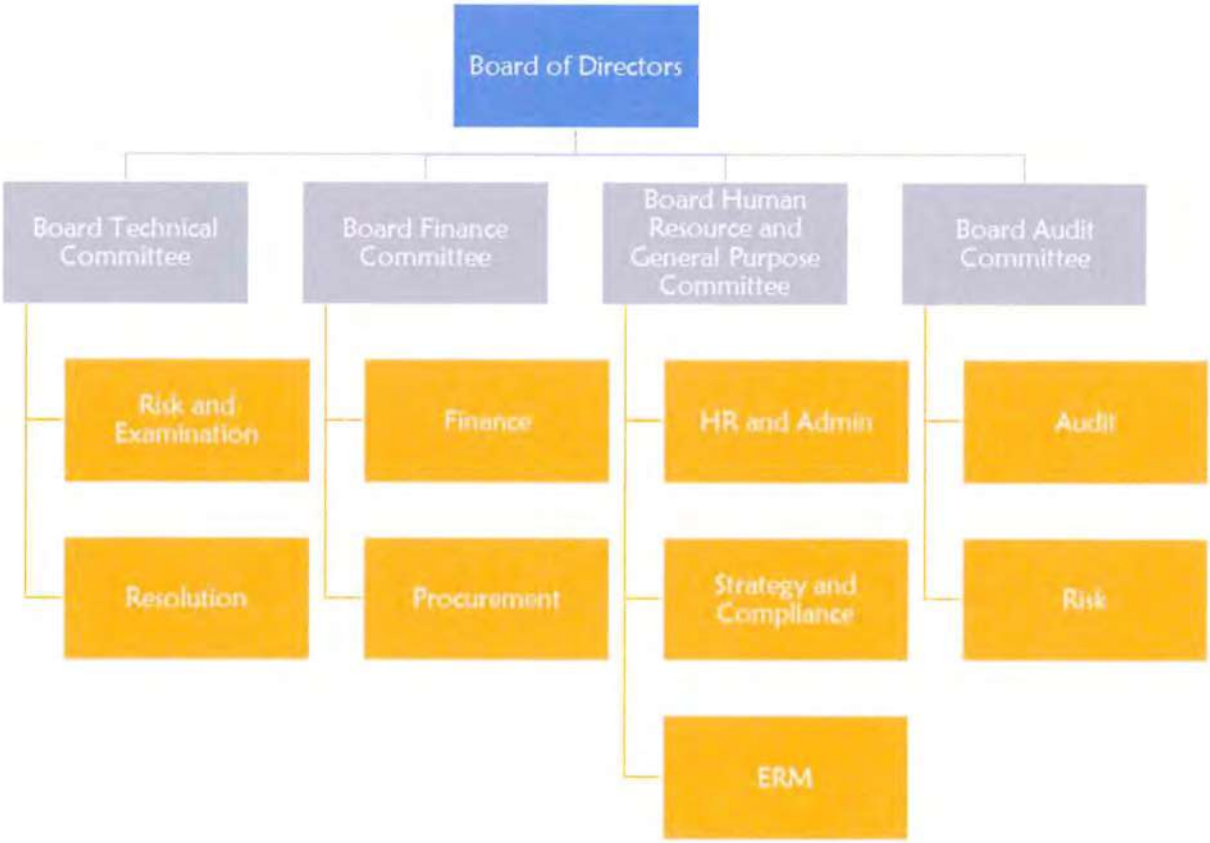
CORPORATE GOVERNANCE STATEMENT

The Board of Directors ensure that corporate governance is adhered to in the operations of the Corporation through development of various policies, processes, systems and procedures. Through compliance with the Constitution of Kenya, *Mwongozo*, which is the Code of Governance for State Corporations, the KDI Act, 2012 and all applicable legislations, the Corporation continues to embrace good corporate governance practices.

The Corporation, in adopting the best practices that foster corporate governance and sustainable development, has embraced the use of Quality Management Systems and Enterprise Risk Management System as part of its processes.

Governance Structure

According to the KDI Act 2012, *"Mwongozo"*, and the Board Charter KDIC has adopted the following governance structure: -

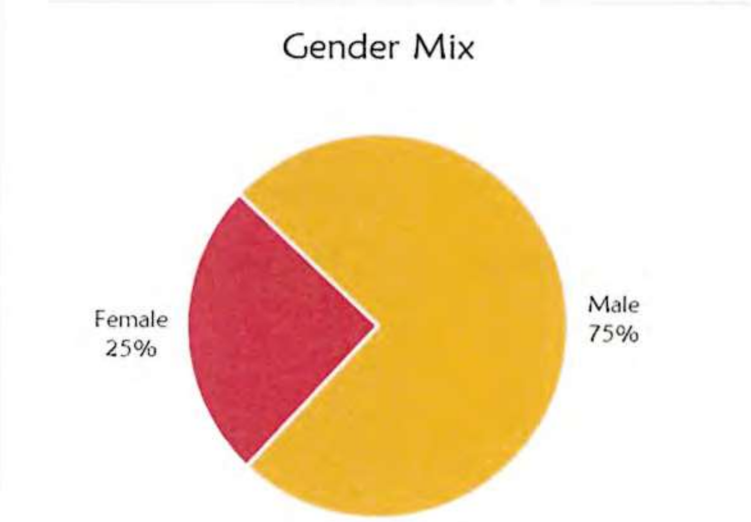


Statutes	Best Practice
Constitution Of Kenya	Government Circulars
Kenya Deposit Insurance Act, No.10 Of 2012	Mwongozo Code Of Conduct For State Corporations
Banking Act Cap 488	IADI Core Principles For Effective Deposit Insurance Systems
Micro Finance Act No. 19 Of 2006	FSB Key Attributes
Land Act No. 6 Of 2012	
Sectional Properties Act	
Land Registration Act No. 3 Of 2012	
Movable Property Securities Act No. 13 Of 2017	
Public Finance Management Act No. 18 Of 2012	
Public Procurement And Asset Disposal Act No. 33 Of 2015	
Leadership & Integrity Act No. 19 Of 2012	
Occupational Safety & Health Act No. 15 Of 2007	

Board of Directors

The Constitution of KDIC's Board is governed by the provisions of Section 7 of the Kenya Deposit Insurance Act, 2012. The Act provides that the Board shall comprise 10 members including the Chairperson and the Chief Executive Officer. During the year under review, the board to the Corporation was reconstituted through the appointment of the Chairperson and 3 other members making the total number of directors 10.

The Gender distribution of the board for the year under review is as shown in the table below where there were 6 Male directors and 2 female directors. This excludes the two alternate directors and the representative from the Inspectorate of State Corporations.



Board Committees

The Board, in order to undertake its mandate effectively and efficiently, has four committees, which have its delegated authority. The Board endeavours to make the best use of the range of skills across the Board and share responsibility. Each Board Committee has in place a Charter that defines its oversight mandate.

Membership to Board Committees

Board Technical Committee (BTC)	Board Finance Committee (BFC)	Board HR, Strategy & General-Purpose Committee (HSGPC)	Board Audit Committee (BAC)
Ms. Anne Agimba (Chairperson)	Dr. Habil Olaka (Chairperson)	Ms. Anne Agimba (Chairperson)	Mr. John B. Maina (Chairperson)
Dr. Habil Olaka	Mr. Mohamed Adow	Mr. Mohamed Adow	Mr. John Njera
Mr. Mohamed Adow	Mr. John Njera	Mr. John Njera	Dr. Patrick Njoroge
Dr. Patrick Njoroge	CEO, KDIC	Mr. John B. Maina	Ms. Anne Agimba
CEO, KDIC		CEO, KDIC	

Board Committee Functions

COMMITTEE	TERMS OF REFERENCE
Board Technical Committee (BTC)	To consider and recommend policy documents relating to the following for Board approval: - ✓ Resolution. ✓ Risk & Examination.
Board Finance Committee (BFC)	(i) To consider and recommend policy documents relating to the following for Board approval:- ✓ Finance ✓ Procurement (ii) To review and recommend to the Board the following reports: - ✓ Budgets and procurement plans ✓ Annual accounts and thereafter submit to the Office of the Auditor General (OAG). The Committee has a duty to ensure that the accounts with supporting documentation are submitted to the OAG within three (3) months after the end of the financial year. ✓ Quarterly financial and Performance Contract reports.
Board HR, Strategy & General Purpose Committee (BHSGPC)	**Human resource** (i) To consider and make recommendations to the board on the matters touching on Human Resource Management and compliance with relevant HR legislation, policies and procedures **Strategy** (ii) Guide the Board on the development and implementation of the Strategic Plan. (iii) Provide oversight on matters relating to the Business Continuity Plan (BCP) **Risk** (iv) To guide and make recommendations to the board on the Corporation's implementation of the Enterprise Risk Framework and recommend the same to the Board for approval. (v) To guide and recommend to the board on the appropriate risk appetite and tolerance statements.
Board Audit Committee (BAC)	(i) Risk management and internal controls. (ii) Financial reporting and disclosure matters. (iii) External auditor oversight responsibilities. (iv) Internal audit oversight responsibilities.

Board Meetings

The Board has in place an annual work plan and Almanac that sets out the Board activities in a year. The Board meets at least once every quarter, and additionally, when necessary. The annual work plan and calendar are prepared at the beginning of the year and the board papers and agenda are circulated in advance of each meeting. During the year ending 30th June, 2022, the Board held a total of five board meetings and various committee sittings in compliance with the requirements of *Mwongozo* as shown in the table below:-

Board Director	Board Meetings	Board Technical Committee (BTC),	Board Finance Committee (BFC)	Board HR, Strategy & General-Purpose Committee (BHSGPC).	Board Audit Committee (BAC),
Carol Musyoka (Chairperson)	5	N/A	N/A	N/A	N/A
Mr. John Njera	4	N/A	4	2	3
Mr. Mohamed Adow	4	4	4	2	N/A
Dr. Patrick Njoroge	3	2	N/A	N/A	2
Dr. Habil Olaka	5	3	4	N/A	N/A
Ms. Anne Agimba	5	4	N/A	4	2
Mr. John B. Maina	5	N/A	N/A	3	3
Dr. Nur Nassir Abdi	-	-	-	-	-
Mr. Joseph Musyimi	1	-	-	-	-
CEO KDIC	5	4	4	3	N/A

Role of the Board

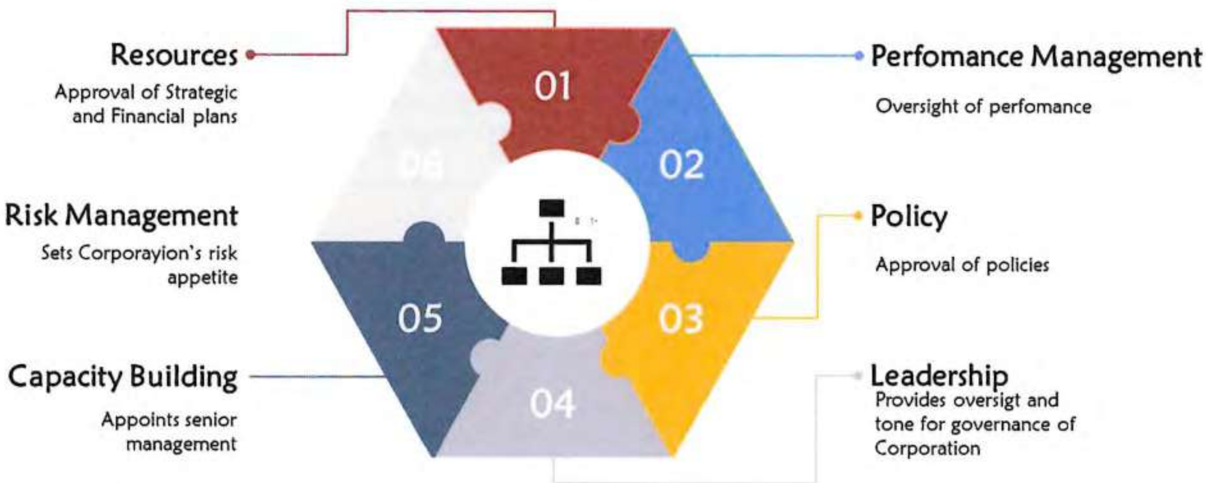
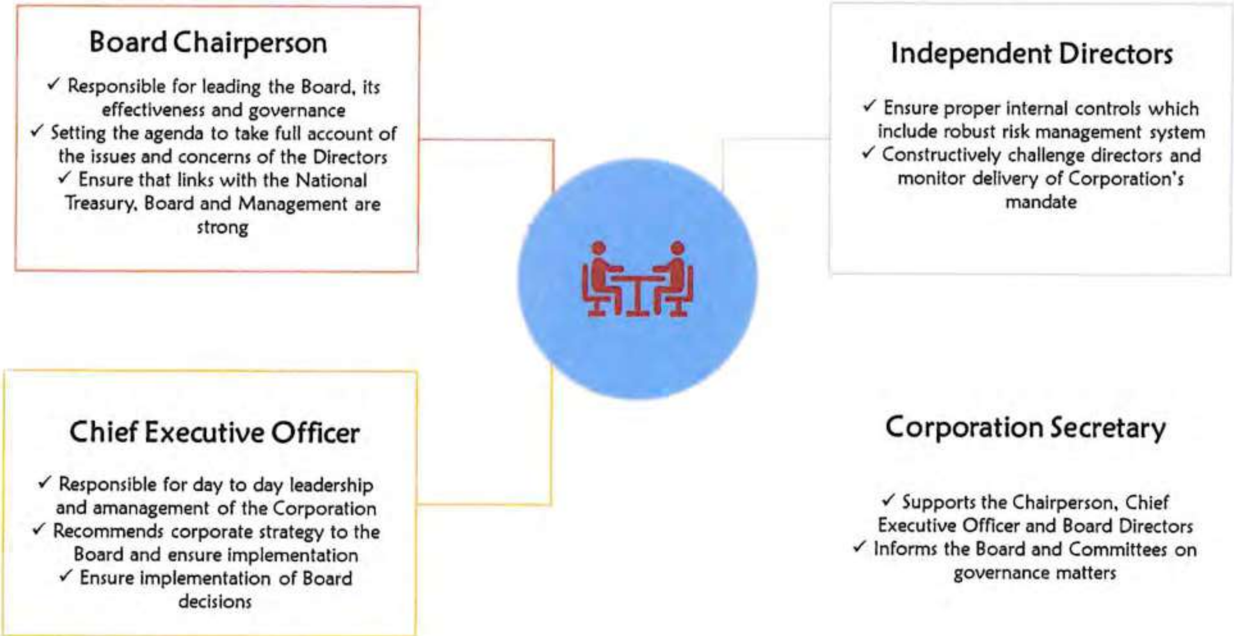


Figure 4: Role of the Board

Separation of Roles and Responsibilities

The roles of the Chairperson, Independent Director, Chief Executive Officer and Corporation Secretary are distinct from each other and are performed by different people.

Figure 5: Roles and Responsibilities



BOARD EFFECTIVENESS

The effectiveness of the board is achieved through implementation of the principles shown in the chart below

Delegation of Authority

The Board Charter sets out the authority and matters reserved for determination and approval by the Board and those to be performed by the Committees and Management.

In exercising its mandate, the board has delegated to its committees the authority to consider all management proposals prior to the proposals being tabled before the Board. Board committee chairpersons are then tasked with the responsibility of presenting the committee decisions to the full board for consideration.

The decisions of the board are communicated to management through the Corporation Secretary, who is also tasked by the board with the duty of updating the board on the implementation status.

During the year under review, the board in compliance with good governance and in compliance with the KDI Act, 2012 delegated the function of day-to-day management of the affairs of the Corporation to the CEO.

Independence of the Board

The KDI Act provides that a majority of its directors should be independent. Accordingly, the Board members are considered to be independent when they are separated from management, and are not conflicted to the extent of interfering with the management of the affairs of KDIC, or any other members' capacity to act independently on issues that are in the best interest of the Corporation.

Access to Information and Independent Advice

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

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

Conflict of Interest

The Directors are each responsible to notify the Chairperson and the Corporation Secretary of any actual or potential conflict of interest situations as soon as they arise.

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

Any Director with a material personal interest in any matter being considered during any Board or committee meeting will not vote on the matter or be present when the matter is being discussed and considered. During the year 2021/2022, except for the directorship held by the Permanent Secretary, National Treasury, the Attorney General and the Governor Central Bank of Kenya, CEO, Kenya Banker's Association all other directors of the Corporation were considered independent. No incidences of material conflict of interest were identified for any of the independent Directors.

Succession Planning

The appointment of independent directors is undertaken by the Cabinet Secretary (National Treasury) in line with the KDI Act and other applicable laws.

The independent board members, as noted in the Gazette Notice appointing them, are expected to serve a term of three years. To ensure that there is continuity, the appointments of the board members is conducted in a manner which ensures that the terms of the independent board members do not end at the same time. The Corporation promptly notifies the Cabinet Secretary of any vacancy in the Board.

Communication Policy

The board adopts top down and bottom-up approach to communication. The board receives board papers, using the E-board platform for efficiency, from management through the Corporation Secretary. Board resolutions on their part are communicated to management through the Corporation Secretary.

Externally, the board has delegated to the CEO the mandate of being the official spokesperson of the Corporation.

Board Induction and Training

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

The Board during the 2021/2022 financial year conducted induction sessions for the newly appointed Board Directors to familiarise them with the operations of the Corporation. In order to keep the Members up to date with the latest developments in board operations, the Board had an opportunity, in March 2022, to be trained on the Role of the Public Sector Board of Governance, Role of the board in Public Procurement and KDIC's crisis preparedness and bank Resolution Framework. Further training through the *"Boards that lead programme"* and Public Sector Advanced Leadership programme was undertaken in May and June 2022 respectively.

Governance Audit

The *Mwongozo* Code of Conduct provides that State Corporations are required to undertake periodic governance audits after every two years.

During the period under review, the Corporation, under the guidance of the Board conducted a legal and governance audit. The Corporation was evaluated and found to have an overall ranking of "Good". This is the highest ranking, which denotes that KDIC has demonstrated good practice in the majority of the compliance areas. Implementation of the findings will facilitate improving the Corporation's general compliance thereby facilitating it realize its vision within a culture of good corporate governance and compliance.

Board Evaluation

The Board has in place a procedure for assessment of its performance and that of the Board Committees and individual directors annually not only as a measure of their performance, but also to comply with the *Mwongozo* code of corporate governance. During the financial year under review, the State Corporations Advisory Committee (SCAC) evaluated the Board's performance and documented areas of improvement for implementation in the Financial Year 2022/2023.

The areas of improvement identified have been used to facilitate the development of the training needs of the board of directors. For instance, training on *'Finance for non-finance members'* has been identified as an area for improvement for board members that lack a finance background.

Risk Management Governance

Risk is an inherent part of the KDIC's business and the effective management of risk is a fundamental enabler of our strategic plan. The strategy for managing risk is aimed towards depositor protection and enabling sustained performance.

This is achieved through the Risk Management Framework of the Corporation. The Corporation is exposed to both financial and non-financial risks and is committed to having risk management policies, processes and practices that support a high standard of governance. This enables management to undertake prudent risk-taking activities. The Board oversees the risk management strategy and framework taking into account the risk appetite, requirements of the KDI Act 2012 and strategic and mandate of the Corporation. This includes setting and reviewing the risk appetite, monitoring the effectiveness of the risk management framework and making changes to it.

Risk Management Framework

KDIC's risk management function oversees a Risk Management Framework to allow KDIC identify, measure and manage risks within a Board-approved risk appetite.
The KDIC's risk management is based on the 'three lines of defense' model. The first line of defence for the Corporation is facilitated by the management and staff who are responsible for identifying and managing risks as they conduct their functions. The Second line of defence is through implementation of policies, procedure and frameworks that facilitate compliance and enable review to confirm adequacy of controls. The third line of defence, is conducted by the Internal Audit team, which facilitates quality assurance and makes their findings to the Board through the Board Audit Committee.

Policies and Codes of Conduct

KDIC maintains and has in place policies and codes of conduct that capture not only our legal obligations, but also the reasonable expectations of our stakeholders, including customers. These policies apply to all employees and Directors of KDIC, and to anyone working on the Corporation's behalf, including contractors and consultants. The Corporation adopts zero tolerance to all forms of corruption, bribery and unethical business practices.

Ethical Conduct

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

Board Remuneration

The remuneration of the Board is guided by SCAC and the applicable laws. The Chairperson is paid a monthly honorarium as stipulated in her letter of appointment. Board members are paid a sitting allowance that is based on the number of meetings attended.

Compliance with IADI Core Principles for Effective Deposit Insurance Systems

The International Associational of Deposit Insurers is the umbrella body that promotes guidance and international cooperation on deposit insurance, globally. KDIC is one of the inaugural members of the association which was founded in 2002, and has a current membership of 86 deposit insurers. The IADI Core principles *(16 in number)* for effective deposit insurers are developed for adoption by jurisdictions considering the adoption or reform of their deposit insurance systems.

The Corporation continuously aligns its operations and legal framework to the guidance of these principles, and was voted the best deposit insurer in the world, in 2016.

MANAGEMENT DISCUSSION AND ANALYSIS

RISK AND EXAMINATION

Commercial Banks and Mortgage Finance Institution

Commercial banks recorded a strong performance in the period under review mainly due to continued recovery from the Covid-19 pandemic, capital injection, and streamlined operations resulting to increased efficiency.

1.1 Capital Adequacy

Core capital to total risk-weighted assets increased from 16.87% in June 2022 as compared to 28.12% in June 2021. Total capital to risk-weighted assets increased from 18.39% in June 2021 as compared to 19.10% in June 2022. This was attributed to continued capital-raising activities through borrowing.

1. 2 Asset Quality

Net non-performing loans to total loans ratio increased to 6.90% in June 2022 as compared to 5.84% in June 2021. Gross Non-performing loans increased to KES. 514 billion in June 2022 from KES. 428 billion in June 2021. This was attributed to slow recovery of some sectors such as tourism and hospitality, as well as agriculture and manufacturing.

1.3 Earnings

Profit before tax increased by 26% from KES. 95 billion in June 2021 to KES. 119 billion in June 2022. The increase was mainly due to increase in dividend income and foreign exchange trading income compared to the same period in the previous year. There was significant reduction in loan loss provisions by 5% and rental charge by 7% due to closure of branches upon adoption of digital technologies in service delivery.

1.4 Liquidity

Commercial banks reported an average liquidity ratio of 58.66% in June 2022 compared to 63.20% in June 2021. This was due to an increase in total short-term liabilities by 9% and decrease in net liquid assets by 2%.

1.5 Performance Rating

The corporation conducted a profiling for member institutions based on the CAMEL 5 scale model. Commercial banks were on average rated as strong as at June 2022. Commercial banks rated very strong, strong, good, fair and weak were 1, 21, 11, 5 and 1 respectively.

Performance of Microfinance banks

The membership to the deposit insurance scheme consisted of 14 microfinance banks. These recorded a fair performance in the period under review.

2.1 Capital Adequacy

Core capital to total risk weighted assets improved significantly to 15.51% in June 2022 as compared to -9.07% in June 2021. Total capital to risk weighted assets increased from -29.14% in June 2021 to 17.17% in June 2022. This was attributed to acquisition of four microfinance banks, Choice Microfinance bank, Daraja Microfinance bank, Key Microfinance bank and Uwezo Microfinance bank that resulted to capital injection.

2.2 Asset Quality

Net non-performing loans to total loans ratio declined from 22.45% in June 2021 as compared to 17.87% in June 2022. Gross Non-performing loans increased to KES. 13.27 billion in June 2022 from KES. 8.33 billion in June 2021. This is attributed to slow recovery of some sectors such as tourism and hospitality, as well as the agriculture and manufacturing.

2.3 Earnings

Profit before tax improved by 26% from KES. 117 million deficits in June 2021 to KES. 83 million in June 2022. The improvement was mainly due to an increase in government securities income and other interest income as of June 2022 compared to the same period in the previous year. There was a significant reduction in loan loss provisions by 5% and foreign exchange trading income.

2.4 Liquidity

Microfinance banks reported an average liquidity ratio of 98.56% in June 2022 compared to 66% in June 2021. This is attributed to successful capital-raising efforts by microfinance banks.

	Commercial Banks	Microfinance Banks
CAPITAL ADEQUACY	Core capital to total risk-weighted assets June 2022: 16.87% June 2021: 28.12%	Core capital to total risk-weighted assets June 2022: 15.51% June 2021: -9.07%
ASSET QUALITY	Net non-performing loans to total loans ratio June 2022: 6.90% June 2021: 5.84%	Net non-performing loans to total loans ratio June 2022: 17.87% June 2021: 22.45%
MANAGEMENT	Cost to income ratio June 2022: 58.26% June 2021: 59.08%	Cost to income ratio June 2022: 101.18% June 2021: 98.71%
EARNING	Profit before tax June 2022: 119 billion June 2021: 95 billion	Profit before tax June 2022: 117 million June 2021: 83 million
LIQUIDITY	Liquidity ratio June 2022: 58.66% June 2021: 63.20%	Liquidity ratio June 2022: 98.56% June 2021: 66%

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During the period under review, the Deposit Insurance Scheme had fifty-three (53) member institutions classified in three categories as follows: 38 Commercial Banks, 14 Microfinance Banks and 1 Mortgage Finance Institution. The number of members declined from 55 the previous year after placing Charterhouse Bank (under statutory management) and Chase Bank (in Receivership) - in liquidation in April and May 2021 respectively.

Membership to the Deposit Insurance Scheme

Commercial Banks	Mortgage Finance	Microfinance Banks
38	1	14

Fund Management

Deposit Insurance Fund

Fund Balance	Investment Income	Premium Income
163 billion	16.2 billion	6.8 billion

Premium Contribution

The Corporation successfully rolled out the differential premium system, also known as the risk-based premium system, in the banking sector in July 2021. The differential premium system was implemented to replace the flat rate system which had the advantage of being relatively easy to understand and administer but failed to take into considerations the level of risk that a bank poses to the deposit insurance fund and the banking system. The risk based premium system is aimed at enhancing equity and market discipline amongst member institutions.

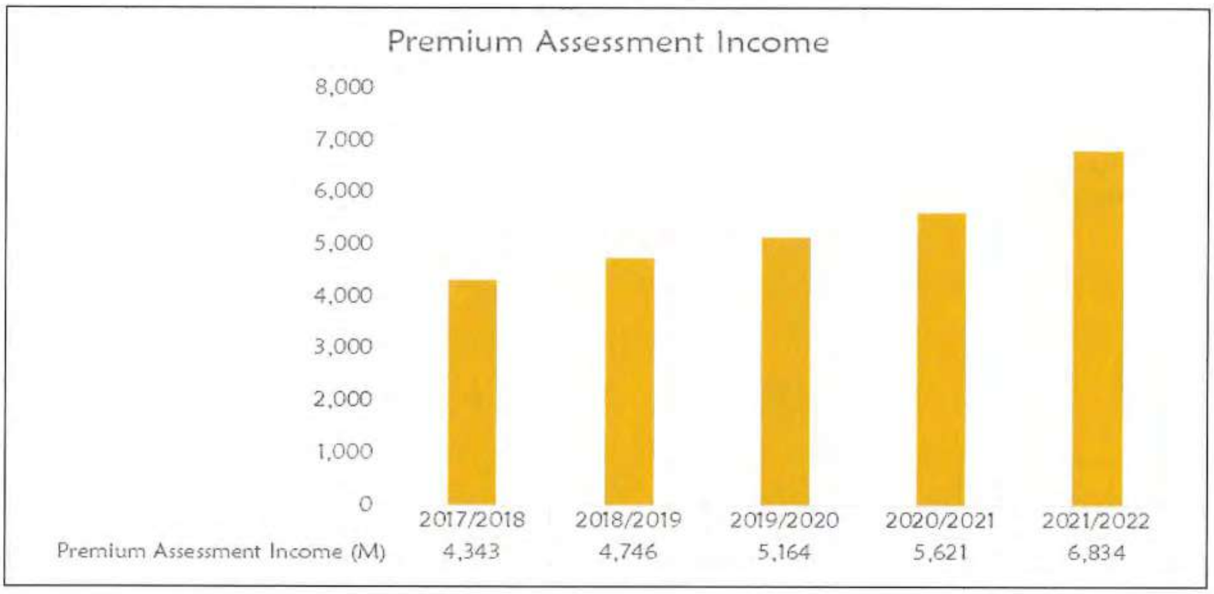
The Corporation collected premiums worth Ksh. 6.8 billion in the year ending June 2022 and increase from Ksh 5.6 billion in the year ended June 2021. The increase was majorly due to increase in total deposits and adoption of the risk based premium assessment system.

The deposit liability for the industry closed at KES 4.6 trillion, an increase of 6.75% Year-on-Year (yoy) from the KES 4.3 trillion as of June 2021. This has maintained a steady growth o 2% per quarter - a major signal of recovery of the sector from the pandemic and continued depositors' confidence in the banking system.

At a coverage level of KES 500,000, the Fund is capable of covering 21% of the insured deposits amounting to Ksh. 744 billion, a growth of 1.4% from 19.6% representing Ksh. 645 billion recorded in the previous year. The Corporation has continued to put in place measures to ensure that the protected amount is aligned with recommended IADI thresh hold of 20% of the total value of industry deposits.

The number of deposit accounts held by customers has been on an upward trend since 2019. In 2022, the number of accounts in the sector was 72 million registering a yoy growth of 9.35% from 65 million the previous year. This was a strong indicator of recovery to the sector after the pandemic where the number of accounts declined from 69.3 million in 2020 to 65.9 million in 2021.

The Corporation carried out a satisfaction survey on the implementation of the risk based premium model and majority of the members applauded the approach, and specifically the stakeholder engagements, employed ahead of the roll out. Going forward, the Corporation will continue to review the model with a view to aligning it with best practice and recommendations from the survey.



Rulemaking and Policy Guidance

The Corporation has continued to guide the market in compliance with KDI Act. KDIC issued Circular No 1 of 2021 that provided guidance on data submission. This arose from the need to entrench the submission of accurate, timely and comprehensive data, so as to support the implementation of the risk-based premium assessment model which relies fully on financial

data The Circular provided guidance on the timeliness of data to be submitted, comprehensiveness required and validation for accuracy. The Corporation requires member institutions to provide reconciliation statements where appropriate to address variances in sets of data and for decision making.

Capacity Building

KDIC continues to building organisational resilience in crisis management and bank resolution. The Corporation conducted crisis-preparedness and bank resolution simulation training to the following stakeholders:

1. The National Treasury
2. The Corporation staff
3. Policyholders Compensation Fund (PCF)
4. Deposit Insurers and Central Banks from 12 African countries

Public Awareness

The Corporation continued to roll out its public awareness initiatives across the year in review, targeting specific categories of stakeholders. Such initiatives included engagements with the KDIC membership, the Institute of Certified Public Accountants of Kenya (ICPAK) as well as the Institute of Certified Investment and Financial Analysts (ICIFA).

The Corporation leveraged these initiatives to disseminate to participants, a number of Information, Education and Communication materials, aimed at increasing the Corporation's Public Awareness Index and contributing to the stability of the country's financial sector. Further, the Chief Executive Officer was prominently featured on all the major television stations as well as radios. The engagement by the CEO, blended well with KDIC's public awareness campaign that was airing on the same channels. As such, KDIC continued to inspire confidence amongst bank depositors in the country. Here is a photo of the CEO during one of his media interviews with a local station during the year in review.


VISION
To be a premier deposit insurance

ICT INNOVATIONS TO ENHANCE SERVICE DELIVERY

Overview

During the Financial Year 2021/22, the Corporation continued to implement automation projects and also initiated new ones with the aim of ensuring manual processes are automated to enhance efficiency.

Having launched Tier II modular data center in the previous financial year, the Corporation embarked on an audit to give an assurance that the operations of the data center meet the required ICT standards as outlined by the Government through Information, Communication and Technology Authority (ICTA). The ICT systems & operations of the data center and ICT security is supported by various adopted ICT Governance frameworks among them being ISO 27001:2013 Information Security Management Systems (ISMS). The Corporation is keen to ensure that all information assets are secured by value, importance, confidentiality, accuracy and are authentic.

The Corporation developed and operationalized ICT policy which was approved by the Board for implementation.

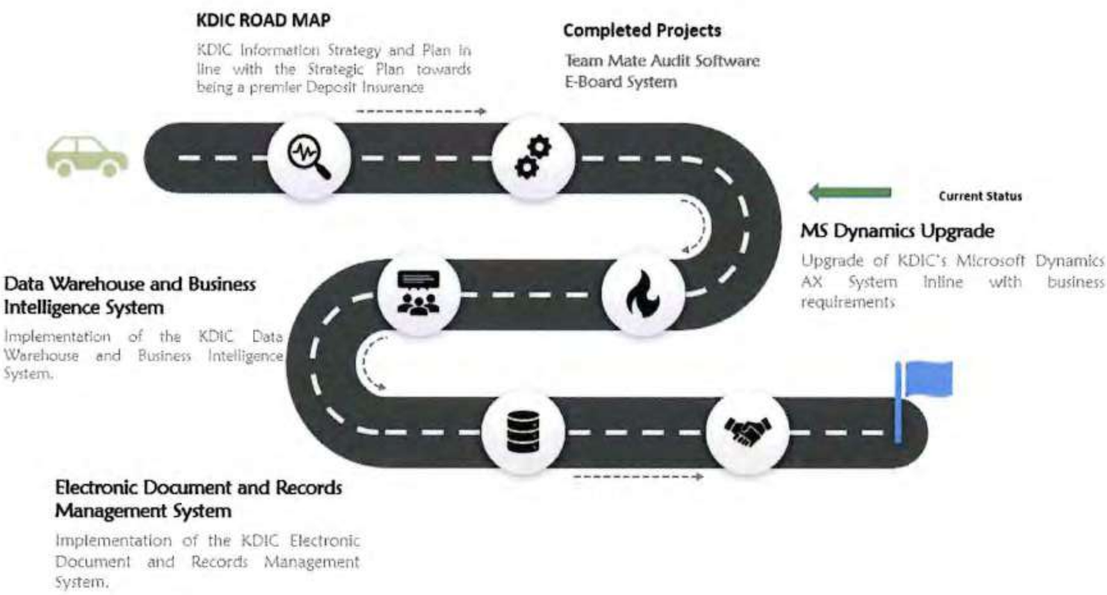
Data security & integrity is one of the critical components in KDIC's operations, during this period, the Corporation engaged a consultant to carry out penetration testing so as to test existing ICT systems and applications security controls are adequate and provide a status report for further implementation. This project among others are now at different levels of implementation as summarized below.

Secure ICT Infrastructure

To ensure secure ICT Infrastructure the Corporation has invested on licensed software's for the network devices & firewalls security devices, servers & workstation operating systems and teammate audit software.

The Corporation has also signed contracts with various vendors who undertake quarterly preventive maintenance of the ICT systems to ensure business continuity and limit systems failure. Notably the modular datacenter, servers, Uninterruptible Power Supplies (UPSs) and printers.

The Corporation has also committed to undertake network penetration testing. This is a simulated cyber-attack against the Corporation's ICT systems to check for exploitable vulnerabilities, measure the feasibility of systems or end-user compromise and evaluate any related consequences such incidents may have on the involved resources or operations.



ICT

Projects

Electronic Data Warehouse & Business Intelligence - (EDW & BI)

For KDIC to perform its mandate as a risk minimizer, an Electronic Data Warehouse and Business Intelligence (EDW&BI) platform is required for effective and up to date monitoring c member institution operations, trend analysis and, if need be, initiation of corrective actions. At a strategic level, the platform is central to the implementation of the Risk Based Approach to Deposit Insurance, which is one of the pillars of the KDIC strategy and supports the achievements of 18 Core Principles of Deposit Insurance.

It is intended that the platform will provide the desired information solution to enhance sound risk management and help KDIC deal with inherent risk in the individual member institution well as stability of the wider financial industry in Kenya.

KDIC is transforming its Information Ecosystem, and the EDW & BI components are central to this transformation. The information ecosystem is scalable, robust, and centralized, effectively supporting KDIC's day-to-day operations whilst continuously challenging the institutions to discover, learn, and act.

The Electronic Data Warehouse & Business Intelligence (EDW & BI) solution is specially designed for the Corporation to help in managing risks in the financial system and ensuring compliance and timely reporting. Once commissioned it will eliminate the need to dedicate resources to manually generate compliance reports as it automates regulatory reporting. It also ensures data quality, accuracy, integrity and auditability.

Enterprise document & Records Management System (EDRMS)

The Corporation embarked on the implementation of Enterprise Document & Records Management system to provide a comprehensive solution for managing the creation, capturing, indexing, storage, retrieval of current & historical records. This will transform KDIC's management of records currently being undertaken manually, thus ensuring efficiency and protection of high-value as well as critical information. Once commissioned, the system will contribute immensely to the automation journey as outlined in the strategic plan.

Mobile Application

The Corporation developed digital banking platform that enables debtors of failed banks to make loan repayments from their mobile phones as well as accessing their loan balances and statement. The platform is also being used for disbursement of pay-outs to members of the institutions, an innovative way of embracing technological advancement in mobile banking.

Upgrade of the Enterprise Resource Plan (ERP)

The Corporation initiated the upgrade of ERP system to integrate all processes and functions. The objective is to automate key processes such as Finance, Supply Chain, Human Resource, Fund Management, Deposit Insurance to provide services to the internal and external customers effectively and efficiently

REPORT OF THE DIRECTORS

The Directors of the Kenya Deposit Insurance Corporation submit their report together with the audited financial statements for the year ended 30th June 2022 which show the state of the Corporation's affairs.

Principal activities

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

Results

The financial results of the Corporation for the year ended 30th June 2022 are set out in the Statement of Profit or Loss and Other Comprehensive Income on page 80.

Directors

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

Auditors

The Auditor General is responsible for the statutory audit of the Corporation in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015 for the year/period ended 30th June 2022 in accordance to section 23 of the Public Audit Act, 2015 which empowers the Auditor General to appoint an auditor to audit on his behalf.

Approval of Financial Statements

The financial statements were approved on................

By Order of the Board.

Eunice Kitche - Oduor
30th September 2022
Corporation Secretary

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

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

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

(i) Maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period;

(ii) Maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Corporation;

(iii) Designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud;

(iv) Safeguarding the assets of the Corporation;

(v) Selecting and applying appropriate accounting policies; and

(vi) Making accounting estimates that are reasonable in the circumstances.

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

The Directors are of the opinion that the Corporation's financial statements give a true and fair view of the state of Corporation's transactions during the financial year ended June 30, 2022, and of the Corporation's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the Corporation, which have been relied upon in the preparation of the Corporation's financial statements as well as the adequacy of the systems of internal financial control.

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

Approval of the financial statements

The Corporation's financial statements were approved by the Board on 30th September 2022 and signed on the Board's behalf by:

Hannah W. Muriithi, EBS	Hellen Chepkwony
Chairperson of the Board of Directors	**Ag.Chief Executive Officer**

REPUBLIC OF KENYA

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E-mail: info@oagkenya.go.ke
Website: www.oagkenya.go.ke

OFFICE OF THE AUDITOR-GENERAL

Enhancing Accountability

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

REPORT OF THE AUDITOR-GENERAL ON DEPOSIT INSURANCE FUND FOR THE YEAR ENDED 30 JUNE, 2022 – KENYA DEPOSIT INSURANCE CORPORATION

PREAMBLE

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

A. Report on the Financial Statements that considers whether the financial statements are fairly presented in accordance with the applicable financial reporting framework, accounting standards and the relevant laws and regulations that have a direct effect on the financial statements.

B. Report on Lawfulness and Effectiveness in Use of Public Resources which considers compliance with applicable laws, regulations, policies, gazette notices, circulars, guidelines and manuals and whether public resources are applied in a prudent, efficient, economic, transparent and accountable manner to ensure Government achieves value for money and that such funds are applied for the intended purpose.

C. Report on Effectiveness of Internal Controls, Risk Management and Governance which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, the risk management environment and the internal controls, developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

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

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

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying financial statements of Deposit Insurance Fund set out on pages 1 to 33, which comprise of the statement of financial position as at 30 June, 2022, and the statement of profit or loss and other comprehensive income, statement of changes fund balance, statement of cash flows and statement of comparison of budget and actual amount for the year then ended, and a summary of significant accounting policies and other explanatory information, in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Deposit Insurance Fund as at 30 June, 2022, and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards and comply with the Kenya Deposit Insurance Act, 2012 (Revised 2013) and the Public Finance Management Act, 2012.

Basis for Opinion

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

Key Audit Matters

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

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

Responsibilities of Management and the Board of Directors

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

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

Management is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Section 47 of the Public Audit Act, 2015.

In addition to the responsibility for the preparation and presentation of the financial statements described above, Management is also responsible for ensuring that the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities which govern them, and that public resources are applied in an effective way.

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

Auditor-General's Responsibilities for the Audit

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

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

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

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

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

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

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.

- Conclude on the appropriateness of the Management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Fund to cease to continue to sustain its services.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Fund to express an opinion on the financial statements.

- Perform such other procedures as I consider necessary in the circumstances.

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

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

CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

31 March, 2023

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30TH JUNE 2022

	Note	2022 KShs'000
REVENUE		
Assessment income	6	6,834,393
Investment income	7	16,942,132
Other Income	8	1,390
		23,777,915
EXPENSES		
Transfer to KDIC expense	9	700,192
Deposit Pay-Offs	10	2,054,001
Finance Costs	11	50,497
		2,804,690
SURPLUS FOR THE YEAR BEFORE TAXATION		20,973,225
Taxation	1(e)	0
SURPLUS FOR THE YEAR AFTER TAXATION		20,973,225
Other comprehensive income		0
TOTAL COMPREHENSIVE INCOME		20,973,225

Separate financial statements of the Deposit Insurance Fund are being prepared for the first time. As such, there are no comparative figures in these financial statements.

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2022

	Note	2022 KShs'000
ASSETS		
Non-current assets		
Government securities	13	104,840,394
		104,840,394
Current assets		
Government securities Maturing between 91 days & 364 days	13	56,640,750
Government securities Maturing Within 90 Days	13	2,043,997
Cash and bank balances	14	82,077
		58,766,825
TOTAL ASSETS		163,607,219
FUND BALANCE AND LIABILITIES		
Fund balance		160,143,556
Current liabilities		
Payables and accruals	15	2,837,162
Payable to Staff Loan Fund	16	626,501
		3,463,663
Non- Current Liabilities		
	-	-
		-
TOTAL FUND BALANCE AND LIABILITIES		163,607,219

The financial statements were approved on 30th September 2022 and signed on its behalf by:

Ag. Chief Executive Officer Hellen Chepkwony	Head of Finance Mogeni Ong'era ICPAK M/NO: 19116	Chairperson of the Board of Directors Hannah W. Muriithi, EBS

STATEMENT OF CHANGES IN FUND BALANCE FOR THE YEAR ENDED 30 JUNE 2022

	Fund balance 2022 Kshs'000
As at 1st July (Transfer of Accumulated Surplus from KDIC)	139,170,331
Surplus for the year	20,973,225
As at 30 June	160,143,556

The Deposit Insurance Fund started reporting independently from KDIC during the year ended 30th June 2022. The opening balances have been transferred from KDIC to the Deposit Insurance Fund.

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2022

	Note	2022 KShs'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Surplus for the year		20,973,225
Adjustment for:		
Interest Income	7	(16,942,132)
Changes in working capital:		
Payables and accruals	15,16	(3,463,663)
Net cash generated from operating activities		567,430
CASH FLOWS FROM FINANCING ACTIVITIES		-
Net cash generated from financing activities		-
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Government Securities	13	(94,215,491)
Proceeds from Disposal of Government Securities	13	68,426,050
Interest Received		12,322,408
Net cash (used in)/generated from investment activities		(13,467,033)
Net (decrease)/increase in cash and cash equivalents		(12,899,603)
CASH AND CASH EQUIVALENTS AT 1 JULY 2021		15,025,677
CASH AND CASH EQUIVALENTS AT 30 JUNE 2022	14	2,126,075

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2022

NOTE		2021/2022 BUDGET	ADJST	FINAL BUDGET	ACTUAL INCOME/ EXPENDITURE	PERFORMANCE DIFFERENCE IN KSHS.	% UTILIZATION
	Revenue						
18(I)	Assessment Income	5,892,104,595	-	6,834,393,456	6,834,393,456	-	116%
18(II)	Investment Income	13,555,606,203	-	13,555,606,203	16,942,131,635	3,386,525,432	124%
18(III)	Other Income	-	-	-	1,389,715	1,389,715	100%
Total Revenues		**19,447,710,799**	-	**20,389,999,659**	**23,777,914,806**	**3,387,915,147**	
	Expenditure						
18(IV)	Deposit Pay-off	-	-	-	2,054,001,405	(2,054,001,405)	0%
18(V)	Finance Cost	-	-	-	50,496,587	(50,496,587)	0%
	Sub-total				**2,104,497,991**	**(2,104,497,991)**	
18(VI)	Transfer to KDIC- Opex	856,423,970	143,769,667	1,000,193,637	700,191,839	300,001,798	
18(VII)	Transfer to KDIC - Capex	112,000,000	-	112,000,000	82,085,168	29,914,832	73%
Total expenditures		**968,423,970**	**143,769,667**	**1,112,193,637**	**782,277,007**	**329,916,630**	-
Net Surplus		**18,479,286,829**		**19,277,806,022**	**20,891,139,808**	**953,500,526**	

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

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

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

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

The financial statements have been prepared on accrual basis.

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

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

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

i) Relevant new standards and amendments to published standards effective for the year ended 30 June 2022

IAS 1 — Presentation of Financial Statements

The amendment, applicable to annual periods beginning on or after 1 January 2022, provides a subsidiary that becomes a first-time adopter later than its parent with an exemption relating to the measurement of its assets and liabilities. The exemption does not apply to components of equity. The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted.

IAS 16 — Property, Plant and Equipment

The amendments, applicable to annual periods beginning on or after 1 January 2022, prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing an asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss. The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted

IAS 37 — Onerous Contracts

The amendments clarify that for the purpose of assessing whether a contract is onerous, the cost of fulfilling the contract includes both the incremental costs of fulfilling that contract and an allocation of other costs that relate directly to fulfilling contracts. They are effective for contracts for which an entity has not yet fulfilled all its obligations on or after 1 January 2022. The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted.

IFRS 1 — Subsidiary as a First-time Adopter

The amendment, applicable to annual periods beginning on or after 1 January 2022, provides a subsidiary that becomes a first-time adopter later than its parent with an exemption relating to the measurement of its assets and liabilities. The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted.

IFRS 9 — Fees in the '10 per cent' Test for De-recognition of Financial Liabilities

The amendment, applicable to annual periods beginning on or after 1 January 2022, to IFRS 9 clarifies the fees that a company includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted.

IAS 41 — Taxation in Fair Value Measurements

The amendment, applicable to annual periods beginning on or after 1 January 2022, to IAS 41 removed the requirement to exclude taxation cash flows when measuring fair value. This amendment aligned the requirements in IAS 41 on fair value measurement with those in other IFRS. The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted.

ii) Relevant New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2022

IFRS 17 - Insurance Contracts

The new standard, effective for annual periods beginning on or after 1st January 2023, establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts issued. It also requires similar principles to be applied to reinsurance contracts held and investment contracts with discretionary participation features issued. The objective is to ensure that entities provide relevant information in a way that faithfully represents those contracts. The Company does not issue insurance contracts.

IAS 1 -Classification of Liabilities as Current or Non-current

The amendments, clarify a criterion in IAS 1 for classifying a liability as non-current: the requirement for an entity to have the right to defer settlement of the liability for at least 12 months after the reporting period.

IAS 1 - Disclosure of Accounting Policies

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

IAS 12-Income Taxes

IAS 12, "Income Taxes" implements a so-called 'comprehensive balance sheet method' of accounting for income taxes which recognizes both the current tax consequences of transactions and events and the future tax consequences of the future recovery or settlement of the carrying amount of an entity's assets and liabilities.

Differences between the carrying amount and tax base of assets and liabilities, and carried forward tax losses and credits, are recognized, with limited exceptions, as deferred tax liabilities or deferred tax assets, with the latter also being subject to a 'probable profits' test.

IAS 8- Accounting Policies, Errors and Estimates

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

The Directors do not plan to apply any of the above until they become effective. Based on their assessment of the potential impact of application of the above, they do not expect that there will be a significant impact on the Corporation's financial statements.

iii) Early adoption of standards

The Corporation did not early – adopt any new or amended standards in year 2021/2022.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

a) Revenue recognition

Assessed income comprises contributions levied to the contributory member institutions and is recognized in the period when they are receivable. Such contributions are assessed based on an institution's total deposit liabilities during the period of 12 months prior to the date of levy notice and its risk profile and premium payable will be computed through a system known as Differential Premium System (DPS).

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

b) Translation of foreign currencies

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

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

c) Provisions for payments to depositors

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

d) Retirement Benefit Obligation

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

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

e) Taxation

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

f) Rounding off Difference

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

g) Financial assets and liabilities

(i) Recognition

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

(ii) Classification

The Deposit Insurance Fund classifies its financial assets in the held-to-maturity category. The Fund classifies its financial liabilities as measured at amortised cost. Management determines the classification of its investments at initial recognition.

(iii) Held-to-maturity

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

(iv) Other financial liabilities

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

(v) Identification and measurement of impairment of financial assets

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

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

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

(vi) Derecognition

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

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

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

(vii) Offsetting of financial assets and financial liabilities

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

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

(viii) Fair value of financial assets and liabilities

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

h) Impairment for non-financial assets

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

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

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

i) Investment held for sale

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

j) Cash and cash equivalents

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

k) Property ,Plant and equipment

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

l) Intangible assets

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

The Fund does not have any internally generated intangible assets.

m) Related parties

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

n) Subsequent events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2022

o) Provisions

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

p) Budget information

The budget for FY 2021-2022 was approved on 30th June 2021. However, the Corporation requested for additional budget and approval was granted on 28th January 2022. Further, re-allocations were approved vide approval letter dated 6th June 2022.

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

q) Comparative figures

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

r) Subsequent events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2022.

5. RISK MANAGEMENT

Structure and reporting

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

Board Audit Committee

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

Deposit Insurance and Risk Management Section

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

Internal Audit and Risk Management Unit

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

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

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

To enhance efficiency in internal audit process, the Corporation rolled out the use of Team Mate to align all documentation and tracking of issues on one platform in November 2020. The implementation supports the audits of the Deposit Insurance Fund.

(a) Credit risk

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

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

	2022 Shs'000
Bank and cash balances	82,077
Government securities	163,525,142
	163,607,219

(b) Currency risk

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

(c) Market Risk

(i) Interest rate risk management

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

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

	Effective Interest Rate	Upto 1 year	1 – 5 years	6 – 10 years	10 years	Total
		KShs'000	KShs'000	KShs'000	KShs'000	KShs'000
2022						
Investments held to maturity		58,684,748	38,681,795	42,828,649	23,329,949	163,525,142
Interest sensitivity gap at 30 June 2022	11.30%	58,684,748	38,681,795	42,828,649	23,329,949	163,525,142

(ii) Interest rate risk management

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

	2022
	Shs'000
Effect on surplus for the year of a +5% change in interest rates	847,107
Effect on surplus for the year of a -5% change in interest rates	(847,107)

(d) Liquidity risk management

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

The Fund's financial liabilities amount to Kshs. 2,837 Mn (2021 - Kshs. 1,179 million) and are all payable in the short term. This financial liability relates to provision for payment for protected deposits for Institutions in liquidation. The increase in financial liabilities has been occasioned by provision of amount payable to protected deposits for imperial bank.

RISK MANAGEMENT (Continued)

e. Fair Value

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

	Other financial liability	Loans and receivables	Held to maturity	Total carrying value	Fair value
	KShs '000	KShs '000	KShs '000	KShs '000	KShs '000
2022					
Financial assets					
Cash and bank balances	-	82,077	-	82,077	82,077
Government Securities	-	-	163,525,142	-	163,525,142
	-	**82,077**	**163,525,142**	**82,077**	**163,607,219**
Financial liabilities					
Payables and accruals	2,837,162	-	-	2,837,162	2,837,162
	2,837,162	-	-	**2,837,162**	**2,837,162**

a. **Critical accounting estimates and assumptions**

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

b. **Critical judgements in applying the entity's accounting policies**

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

6 ASSESSMENT INCOME

Towards the mandate of Deposit Insurance, the Corporation charges a premium to insured member institutions. The assessed premium is calculated on differential premium system. During the year all member institutions minimum premium payable is Kshs.300,000.

	2022 **KShs'000**
Total average deposits of institutions assessed as contributors	4,169,726,200
Contributions from Commercial Banks	6,672,122
Contribution from Deposit Taking Microfinance	162,271
Total assessment income	6,834,393

The premiums for the year ended 2021 has nil balances since the Fund started reporting as an independent entity for the year ended 30th June 2022. Premiums for the year 2021 were reported under Kenya Deposit Insurance Corporation Financial Statements.

7 INVESTMENT INCOME

KDIC's manages the Deposit Insurance Fund and grows it through investment in government securities issued by the Central Bank of Kenya. Investment income for the year ended 2021 has nil balances since the Fund started reporting as an independent entity for the year ended 30th June 2022.Investment income earned from securities during the year is as follows;

	2022
	KShs'000
(i) Interest earned on treasury bills	
Discount on 91 day treasury bills	150,412
Discount on 182 day treasury bills	396,166
Discount on 364 day treasury bills	3,356,979
	3,903,557
(ii) Interest earned on treasury bonds	
Interest on Treasury Bonds	12,936,737
Discount on purchase	101,838
Amortisation of premium	-50,497
	13,038,575
Total investment income	16,942,132

8. OTHER INCOME

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

	2022
	KShs'000
Penalty charges on late contributions	592
Wound up Institution (Fortune Finance)	797
	1,389

Additionally, in other income are collections that were received of Kshs.0.797 from Fortune Finance an institution that had been wound up.

9. TRANSFER TO KDIC EXPENSES

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

	2022
	KShs'000
Transfer for KDIC Operations	700,192
Total	700,192

10. DEPOSIT PAY-OFF

Deposits Pay-Offs expense is the total protected deposits that were payable to the depositors of Imperial Bank in Liquidation as at the end of year. The Corporation has not disbursed any amount during the financial year for Imperial Bank due to ongoing court cases.

	2022 KShs'000
Chase Bank (In Liquidation)	-
Charterhouse Bank (In Liquidation)	-
Imperial Bank (In Liquidation)	2,054,001
Total	2,054,001

The deposits pay off expense for the year 2021 was reported under Kenya Deposit Insurance Financial Statements.

11. FINANCE COST

The finance cost arises from treasury bonds acquired at a premium during the year and amortized over the tenure of the bond.

	2022 KShs'000
Treasury Bonds-Premium amortization	50,497
	50,497

13. GOVERNMENT SECURITIES

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

	2022
	Shs'000
Government Securities (Treasury Bills & Bonds) Maturing within 90 days(Note 17)	2,043,997
Treasury bills maturing after 91 days from date of placement	50,394,410
Treasury bonds maturing within 1 year	6,246,341
Treasury bonds maturing after 1 year	104,840,394
	163,525,142
Comprising:	
Maturing within 1 year	58,684,748
Maturing after 1 year	104,840,394
	163,525,142

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

14. CASH AND CASH EQUIVALENTS

	2022
	Shs'000
Government Securities Maturing within 90 days	2,043,997
Cash and bank balance	82,077
	2,126,075
The Cash & Bank balance is made up of	
Cash in Hand	-
KDIC's Fund Current Account	72,196
KDIC'S Fund Investment Account	9,881
	82,077

15. TRADE PAYABLES & ACCRUALS

	2022
	KShs'000
Chase Bank (In Liquidation)	480,687
charter House Bank (In Liquidation)	302,473
Imperial Bank (In Liquidation)	2,054,001
Total	2,837,162

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

Description	Date Placed in Liquidation	Value of Protected Deposits (Kshs.')	Deposits Paid to date as at 30th June 2022(Kshs.)	Balance as at 30th June 2022(Kshs.)
Chase Bank(IL)	14th May 2021	1,043,750,852	563,063,881	480,686,971
Charter House Bank(IL)	7th May 2021	317,212,879	14,739,692	302,473,187
Imperial Bank(IL)	8th Dec. 2021	2,054,001,405	-	2,054,001,405
Total		**3,414,965,135**	**577,803,572**	**2,837,161,563**

16. PAYABLE TO STAFF LOAN FUND

	2022
	Kshs'000
Staff loans as at 1st July	748,368
Interest Received by KDIC	3,537
Staff loans advanced as at 30th June	-125,403
Staff Loans Receivable as at 30th June	626,501

17. RELATED PARTY TRANSACTIONS

	2022
	Shs'000
Cash and balances held with Central Bank of Kenya	82,077
Investments in Government Securities through the Central Bank of Kenya	163,525,142
	163,607,219

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

18. EXPLANATION OF PERFOMANCE ON THE STATEMENT OF BUDGET & ACTUAL COMPARISON

The total approved revenue budget for the year under review was Kshs. 20,393 M being Kshs. 5,892M for assessment income and Kshs. 13,556 M for investment income. The utilization of the income has been appropriated to cater for approved Corporation's expenditure budget of Kshs. 1,112M .

I. The assessed contributions from member Institutions was Kshs.6.8B against a budget of Kshs.6.8B. This represents 100% achieved of the revised premium income target for the year.

II. Returns on investments in Government Securities were higher than the budget at Kshs. 16.9B as compared to a budgeted Kshs. 13.6B this represents a growth of Kshs. 3,386M or 24%. This was attributable to the management's improved portfolio balancing and prudent investment. Further, investable funds from increase in premium received led to the growth of the total funds available for investments.

III. The Fund levies penalties on late payment of premium contribution by member institutions. During the year, Kshs.591,663 was received as penalties.

IV. Deposit Payoff expenses relates to provision for payment of protected deposits for Imperial Bank in Liquidation.

V. Finance costs relate to premium on charged on acquisition of treasury bonds at a premium. The premium is amortized over the tenure of the bond.

VI. The Corporation's operations are fully funded by the income generated Deposit Insurance Fund. This funding is guided by the approved budgetary allocations annually. Despite the approvals, the Corporation exercise prudence in management of financial resources by drawing from the fund on a need basis. During the year, the Corporation's total expenditure financed was Kshs.782M.

APPENDICES

APPENDIX 1: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

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

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

Ag. Chief Executive Officer

Hellen Chepkwony

REPUBLIC OF KENYA

OFFICE OF THE AUDITOR-GENERAL

Enhancing Accountability

REPORT

OF

THE AUDITOR-GENERAL

ON

STAFF MORTGAGE AND CAR LOAN SCHEME

FOR THE YEAR ENDED 30 JUNE, 2022

KENYA DEPOSIT INSURANCE CORPORATION

KENYA DEPOSIT INSURANCE CORPORATION

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR STAFF MORTGAGE & CAR LOAN SCHEME

FOR THE FINANCIAL YEAR ENDING JUNE 30, 2022

Prepared in accordance with the Accrual Basis of Accounting Method under the International Public Sector Accounting Standards (IPSAS)

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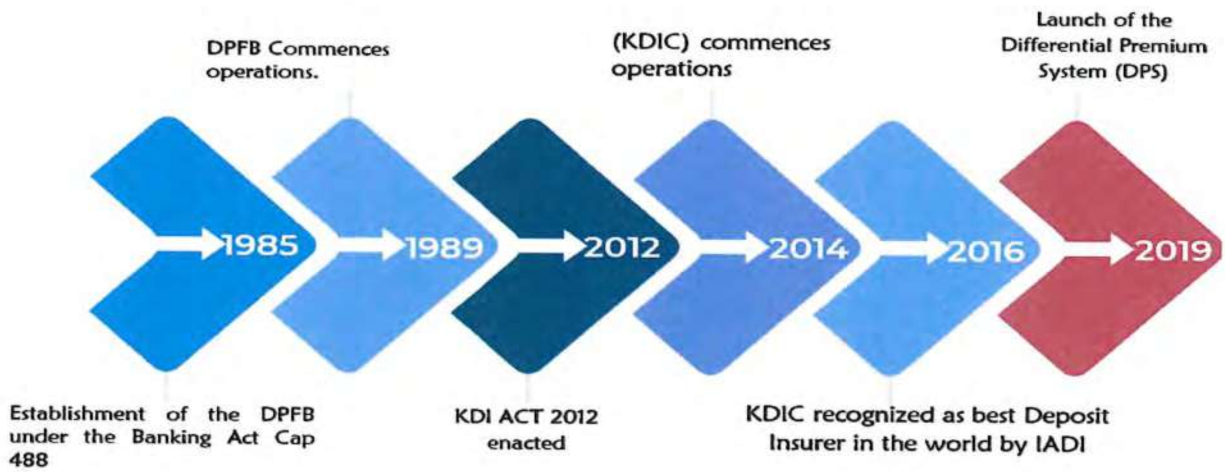
KEY SCHEME INFORMATION

Our journey

The Corporation's rich legacy spans over 37 years. KDIC evolved from the Deposit Protection Scheme Board established in 1985 through the Banking Act, to an autonomous state corporation governed by the Kenya Deposit Insurance Act of 2012. The journey has seen the growth of the Deposit Insurance Scheme from Kshs. 300 million seed capital granted by the Ministry of Finance in 1989, to Ksh.160Bn as at June 30, 2022. This has been possible through the support of the government, safety net players, the banking sector and the diligence of the Board of Directors, management and staff.

KDIC as a State Corporation operates within various statutes and government directives as issued from time to time. The Salaries and Remuneration Commission circular SRC/023/12/2014 of 17th December 2014 established a Car Loan and Mortgage schemes for the public services and guidelines on how the schemes shall be run. KDIC implemented the provisions of the circular and thus the established The Staff Mortgage & Car Loan Scheme. The revolving Scheme is wholly owned by Kenya Deposit Insurance Corporation and is domiciled in Kenya.



Principal Activities

The principal activity of the Scheme is to disburse Mortgage and Car Loans to staff of Kenya Deposit Insurance Corporation. The Scheme is administered by the staff Loans Committee of KDIC appointed by management and charged with the responsibility of processing loans and disbursement of loans from applicants in accordance with approved policy and regulations. The Corporation is responsible for the day-to-day operations.

Our Vision, Mission and Strategic Themes

The Scheme is managed by the Kenya Deposit Insurance Corporation and hence its vision, mission and operating values are anchored on the Corporation's corporate strategy.

Our Values

Figure 2: Core Values

DIRECTORS

The Directors who served during the quarter ending 30th June 2022 were as follows;

1.	Ms. Carol Musyoka	- Chairperson (Appointed 6th October 2021)
2.	Hon. Amb. Ukur Yatani, EGH	- Cabinet Secretary, The National Treasury & Planning
3.	Dr. Patrick Njoroge	- Governor, Central Bank of Kenya
4.	Dr. Habil Olaka	- Director
5.	Hon. Paul Kariuki	- Attorney General
6.	Mr. John Benson Maina	- Director (Re -Appointed 6th October 2021)
7.	Ms. Anne Agimba	- Director (Appointed 6th October 2021)
8.	Mr. John Njera	- Alternate to Cabinet Secretary, The National Treasury & Planning
9.	Mr. Mohamed Deiss Adow	- Alternate to Attorney General
10.	Mr. Joshua Mutisya Musyoka	- Director (Appointed 6th October 2021)
11.	Mr. Mohamud A. Mohamud	- Chief Executive Officer (Ex-officio)
12.	Mr. Arthur Karagu	-Representative, Inspectorate of State Corporations

Corporation Secretary

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

Registered Office and Corporate Headquarters:

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

Corporate Contacts:

Telephone: +254 20 66770000, +254 709 043000
E-mail: customercare@kdic.go.ke
Website: www.kdic.go.ke

Corporate Banker:

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

Independent Auditors:

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

Principal Legal Advisers:

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

THE BOARD OF DIRECTORS

CAROL MUSYOKA
CHAIRPERSON, BOARD OF DIRECTORS

Carol Musyoka has several years of financial leadership experience. She has extensive deal origination, negotiation, structuring and execution experience, having been involved in several landmark corporate finance transactions in Kenya. Her executive management and board experience includes her role as the Corporate Director, Barclays Bank of Kenya as well as the Executive Director and Chief Operating Officer of K-Rep Bank, Kenya's first micro finance institution.

Carol has had considerable credit risk and corporate banking experience and training over her banking career, at both Barclays and Citibank. She currently sits as a non-executive director on the boards of East Africa Breweries Ltd where she chairs the Board Numeration and Remuneration Committee as well as the Board Investment Committee and British American Tobacco Ltd all of which are Nairobi Stock Exchange listed companies. She also chairs the Board of Kenya Deposit Insurance Corporation and is a non-executive director in the government investment company ICDC.

She has previously served on, and retired from the Boards of at least 15 private, public and Not for Profit organizations including BOC Gases, Business Registration Services where she chaired the Board, Competition Authority of Kenya where she chaired the Board Human Resources Committee, Institute of Economic Affairs, the national carrier, Kenya Airways, Opportunity Kenya and

	the African Legal Support Facility of the African Development Bank. Carol currently provides bespoke training solutions to a number of multinational and locally owned companies in the region on Leadership and Corporate Governance. She has also been a co-facilitator on Fast Forward, a local leadership development program that provides "Leadership Unusual" insights to Chief Executive Officers and C-Suite Management of leading Kenyan companies (www.sunwords.com). For the last nine years, Carol has also been the Academic Director for the corporate governance programs at Strathmore University Business School. On an international level, Carol is part of the Durham, North Carolina based Duke Corporate Education (www.dukece.com) faculty and is involved in providing leadership deliveries for some of their global clients. Carol has also provided strategic leadership training to clients of CapitalPlus Exchange, a Chicago based organization that provides peer-learning events to small business banking financial institutions in Africa and Asia (www.capplusexchange.org). Her skills in breaking down complex financial events and contextualizing the same to local situations have been well received and are a constant feature of her weekly Monday articles in Kenya's leading business newspaper, the Business Daily. Carol is a holder of a Bachelor of Law degree from the

	University of Nairobi and a Master of Law degree from Cornell University, USA. Carol, a recipient of the 2010 Eisenhower Fellowship for International Leadership, lives in Nairobi, Kenya.
 CABINET SECRETARY, THE NATIONAL TREASURY,	Hon. Ambassador Ukur Kanacho Yatani is the Cabinet Secretary, National Treasury & Planning Ministry. Prior to the current appointment, Hon. Yatani served as Cabinet Secretary for Labour and Social Protection. CS Yatani has rich experience in public administration, politics, diplomacy and governance, acquired from working in various sectors of the Public Sector since joining the Civil Service in 1992. Between June 2009 and October 2012, he served as Kenya's Ambassador to Austria with Accreditation to Hungary and Slovakia and Permanent Representative to the United Nations in Vienna. In this position, he aggressively pursued and advanced Kenya's foreign interests. He held senior leadership positions at various diplomatic and international agencies such as International Atomic Energy Agency (IAEA), United Nations Organization on Drugs and Crimes (UNODC), United Nations Industrial Development Organization (UNIDO), Vice Chairperson of United Nations Convention Against Transnational Organized Crime (UNTOC), Vice President of Convention on Crime Prevention and Criminal Justice (CCPJ), and, chair of African Group of Ambassadors among others. During the period 2006-2007 while serving Member of Parliament for North Horr constituency, CS Yatani also

	served as an Assistant minister for Science and Technology. He served as a pioneer Governor of Marsabit County between 2013 and 2018, the largest County in the Republic of Kenya. Between 1992—2015, he served in different positions in Kenya's Public Administration including a District Commissioner, where he sharpened his management and administrative skills. He has a Master of Arts in Public Administration and Public Policy, University of York, United Kingdom, acquired in 2005; and a Bachelor of Arts in Economics, Egerton University, Kenya, earned in 1991.
 JUSTICE PAUL KIHARA KARIUKI; ATTORNEY GENERAL OF THE REPUBLIC OF KENYA.	Justice Paul Kihara Kariuki is currently the Attorney General of the Republic of Kenya and the immediate former President of the Court of Appeal. He began his career in law after being admitted to the bar in 1978, soon after completing his post-graduate diploma in law at the Kenya School of Law, Nairobi. Consequently, Justice Kariuki has worked with several legal establishments including Ndungu Njoroge and Kwach Advocates, and Hamilton Harrison and Mathews Advocates in Nairobi. In 2003, Justice Kariuki was appointed to the position of Principal and Chief Executive Officer of the Kenya School of Law. Later the same year, he was appointed Judge of the High Court where he served in both the civil and commercial divisions of the Court for several years.

	Between 2009 and 2013, Justice Kariuki served as the first director at the Judicial Training Institute, where he was instrumental in establishing all the operational systems for the technical arm of the judiciary incorporating professional development for all judges, magistrates and all cadres of the paralegal staff at the Judiciary. Upon his appointment to the Court of Appeal in 2013, Justice Kariuki immensely contributed to the decentralization of the Court of Appeal to Malindi, Kisumu and Nyeri counties. He also directed the development of the blueprint ten-point strategy for the transformation of the court, culminating in the Court of Appeal Bill and the Strategic Plan for the Court of Appeal in Kenya. Justice Kariuki has served as Chancellor or Honorary Legal Advisor for The Anglican Church of Kenya, Member of the Kenya Anti-Corruption Authority Advisory Board and as chair of Thomas Barnado House and Rotary International. He is an esteemed member of the Law Society of Kenya, Commonwealth Lawyers Association and the International Bar Association. He has deep interests in gardening, classical music, theater and drama, playing squash and cricket.

 DR. PATRICK NJOROGE; THE GOVERNOR CENTRAL BANK OF KENYA	Dr. Patrick Njoroge is the Central Bank Governor following his appointment in June 2015. Dr. Njoroge holds a PhD in Economics from Yale University, USA, as well as masters and bachelor's degrees in Economics, both from the University of Nairobi. Prior to joining the Central Bank, Dr. Njoroge worked for 20 years with the International Monetary Scheme (IMF), in Washington, D.C., USA. He served in various capacities among them; the advisor to the IMF Deputy Managing Director, Deputy Division Chief in the IMF's Finance Department and IMF Mission Chief for the Commonwealth of Dominica. In addition, Dr. Njoroge worked as an economist at the Ministry of Finance and as a planning officer at the Ministry of Planning here in Kenya. Professionally, Dr. Njoroge has a keen interest in Macroeconomics, Economic Policy, International Finance, Development Economics, Econometrics and Monetary Policy.
 DR.HABIL OKUNDA OLAKA DIRECTOR	Dr. Habil Olaka is the Chief Executive Officer of the Kenya Bankers Association, following his appointment in 2010.He previously worked with the East African Development Bank (EADB), serving in different capacities among them; Director of Operations, Resident Manager-Kenya, Manager-Risk and Control, Chief and Internal Auditor. In addition, Dr. Olaka also worked with Banque Indosuez (now Bank of Africa) where he served as the Internal Auditor having started his career at Price Waterhouse Coopers, Nairobi.

	He holds a First-Class Honours (BSc) degree in Electrical Engineering from the University of Nairobi, MBA in Finance from Manchester Business School in the UK and a Doctorate degree in Business Administration from USIU-A. Besides the Kenya Deposit Insurance Corporation, Dr. Olaka sits on a number of other boards, among them; the Higher Education Loans Board, Kenya School of Monetary Studies, Federation of Kenya Employers, Centre for Corporate Governance, Boards of Trustees of the National Research Scheme and the Butere ACK Diocese. He is a member of the Institute of the Certified Public Accountants (CPA) Kenya and the Chartered Financial Analyst (CFA) Institute.
 MR.JOHN BENSON .M.MAINA DIRECTOR	Mr. John Benson Maina holds a Bachelor of arts (Econ.) Honours and MA (Econ.) degrees, both from the University of Nairobi. He began his career as an economist at then, Ministry of Finance, currently National Treasury. He later joined Central Bank of Kenya, where he worked in Research, Bank Supervision and External Payments and Reserves Management Departments. Mr. Maina has extensive experience in central banking, particularly, in areas of regulation and restructuring of banks undergoing financial challenges. He coordinated the financial sector study, which formed the basis for reforms in the banking sector, including liquidation of

	insolvent banking institutions during the first major banking crisis in the country. He was involved in strengthening the onsite supervision system and offsite reporting system to improve surveillance over the banking sector. In addition, Mr. Maina supervised the execution of Central Bank of Kenya foreign exchange reserves, involving investment of surplus foreign exchange reserves offshore. The onset of the aforementioned banking crisis prompted the establishment of Deposit Protection Scheme Board (DPFB) - now Kenya Deposit Insurance Corporation-to revive the waning public confidence in the banking sector. Mr. Maina was one of the officers involved in setting up the DPF, after being attached to the Federal Deposit Insurance Corporation in USA for training in bank resolution.

 ANNE AGIMBA; DIRECTOR	Ms. Anne Agimba holds a Bachelor of Law degree from The University of Nairobi, Post Graduate diploma from Kenya School of Law and an Advocate of the High Court of Kenya. In her practice, She has specialised in areas of Commercial and Conveyancing Law, Intellectual Property Law, Banking, Insurance & Financial Services Law, Securities Documentation, Insolvency Law, Labour Law, Landlord & Tenant Law, Company & Co-operative Societies Law, Trust Law and Succession Law and Policy Formulation, Legislative drafting and Education Ms. Agimba as a Senior Partner at Agimba & Associates, Advocates, Heads the Corporate, Commercial and

	Conveyancing Law Department. She routinely advises Local and International Banks, Financial Institutions, Pension Schemes, Insurance Companies, Non-Governmental Organizations, Charitable Foundations, Trust Companies, both on formations of appropriate structures (trusts, foundations, companies, partnerships, LLPs), policy and regulatory support, contracts, taxation, debt recovery, legal research, Intellectually Property Rights, Employment Rights and lease/property issues.

MR. MOHAMUD A. MOHAMUD;
CHIEF EXECUTIVE OFFICER

Mr. Mohamud Ahmed Mohamud is the substantive Chief Executive Officer of the Kenya Deposit Insurance Corporation (KDIC). He is an astute, forthright and accomplished financial professional with keen insights and experience in deposit insurance.

Having risen through the ranks at Central Bank of Kenya, Mr. Mohamud is credited with a number of achievements since his appointment at the helm of the nascent Corporation in 2017. As such, he has proactively been involved in deposit insurance activities that have put his name on the world map thus becoming one of the international assessors on compliance with the best practices in deposit insurance.

In addition, he has locally spearheaded major milestones such as the upward review of deposit coverage limit, implementation of Risk-based Premium model and major public awareness campaigns and stakeholder management, geared towards entrenching the concept of deposit insurance in Kenya.

Mr. Mohamud has thus assessed many jurisdictions including Nigeria, Tanzania, India, Trinidad and Tobago, Poland, Switzerland and Sweden. Further, as an expert in resolution of failed banks, Mr. Mohamud has extensively facilitated international conferences on deposit insurance.
It is perhaps due to this rich grounding, legacy, contribution and recognition that Mr. Mohamud added yet another feather to his cap, when he was unanimously endorsed as

	the new Chairman and President of the African Regional Committee (ARC) of the International Association of Deposit Insurers (IADI). The election saw Mr. Mohamud, who also chairs IADI Member Relations Committee, becoming the first Kenyan in history to chair the regional body, ARC-IADI. Besides his extensive training in leadership as well as deposit insurance, Mr. Mohamud holds a Bachelor's degree in Economics from the University of Nairobi and an MBA in Strategic Management from Moi university, a tremendous achievement for the man with a humble beginning in the County of Samburu.
 **MRS. EUNICE KITCHE-ODUOR; DEPUTY GENERAL MANAGER, BOARD SECRETARY & HEAD OF LEGAL**	Eunice Kitche-Oduor (Mrs) is a legal practitioner currently working with KDIC as the Corporation's Secretary and head of legal. She has practiced law for over 18 years, thus gaining hands-on experience and exposure in legal practice, leadership and management. She has actively practiced litigation and conveyancing for four years. Before joining KDIC, Mrs. Oduor worked for 14 years as company secretary and head of legal in various state corporations. She has served in various capacities within government, boards and CEOs and in the process, accumulated a unique appreciation of government thinking and direction in the boards of State Corporations. Eunice holds a Bachelor of laws degree (LLB), from the University of Nairobi, a diploma in law from the Kenya School of Law and a Masters of Business Administration in

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

SENIOR MANAGEMENT TEAM

MR. MOHAMUD AHMED MOHAMUD; CHIEF EXECUTIVE OFFICER

Mr. Mohamud Ahmed Mohamud is the substantive Chief Executive Officer of the Kenya Deposit Insurance Corporation (KDIC). He is an astute, forthright and accomplished financial professional with keen insights and experience in deposit insurance.

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	Mr. Paul Manga heads the Directorate of Risk and Examination. He has 15 years of experience in the banking sector having worked with both local and international institutions. As a finance and risk professional, Mr. Manga has worked for seven years in the departments of Finance & Accounts, Treasury Operations and Market Risk functions at the Standard Chartered Bank, during which he made significant contribution to the institution's overall growth. In

MR. PAUL MANGA; GENERAL MANAGER, RISK & EXAMINATION	addition, Mr. Manga was a Senior Market Risk Analyst and Regional Business Manager (EA) at the Kenya Commercial Bank – Group Treasury, for a period of 8 years He holds a BSc degree in Agriculture Engineering; MBA (Finance Option); Post Graduate Diploma in Business Management; Certified Investment and Finance Analyst- CIFA (K); ACI Dealing and ACI Operation for Treasury. He is a member of the Institute of Certified Investment and Finance Analyst (ICIFA)
 **MR. DAVID IRUNGU; GENERAL MANAGER, RESOLUTIONS**	Mr. David Irungu heads the Directorate of Resolutions. He oversees the resolution process of the 18 institutions in liquidation and 1 bank in receivership. Mr Irungu has a wealth of knowledge in Fund raising for debt and equity, business growth and development, sales and relationship management, Compliance and risk management, budgeting, financial planning and performance monitoring. He is the former Chief Executive Officer at KEY Micro Finance Bank Ltd. He also served as the Senior Business Growth & Development Manager- Supreme Banking at the Equity Bank (K) Limited – Operations Division. Mr. Irungu holds a Master of Science degree in Finance and Investments from Kenya Methodist

	University (KEMU), a Bachelor of Commerce (finance option) from the University of Nairobi and is a Certified Public accountant C.P.A (K) and PRINCE 11 practitioner.
 MR. ROBERT INGASIRA MBARANI; GENERAL MANAGER, CORPORATE SERVICES	Mr. Robert Mbarani heads the Directorate of Corporate Services. With a career spanning over 20 years, Mr Mbarani has gained immense experience in Finance, Accounting, Human Resource and project management, having worked with various organizations in the Public Sector. As the head of Corporate Services function, Mr. Mbarani offers strategic leadership to the Finance, Human Resource, Communications and Information Technology divisions of the Corporation. He holds an MBA in Finance from Moi University and a Bachelor of Arts (Mathematics and Economics) from the University of Nairobi. In addition, Mr. Mbarani holds a higher Diploma in Human Resource Management. He is a member of the Institute of Human Resource Management (IHRM) as well as Institute of Certified Accountants of Kenya (ICPAK). Mr. Mbarani has successfully attended various management courses on Corporate Governance, Risk Management and Strategic Management.

MRS. EUNICE KITCHE-ODUOR; DEPUTY GENERAL MANAGER, BOARD SECRETARY & HEAD OF LEGAL

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

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

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

CHAIRPERSON'S STATEMENT

On behalf of the Board of Directors and Management, I am pleased to present to you the Annual Report and Financial Statements of the Staff Mortgage and Car Loans Scheme for the year ended 30th June 2022.

The last 12 months were extraordinary, especially with the country preparing for the General Elections as the financial sector continued to recover from the effects of the COVID-19 Pandemic. This notwithstanding, Kenya's financial services sector, alongside other sectors of the economy have shown considerable resilience against the global and political challenges faced.

The Kenyan financial sector reported growth under the period in review specifically on the macroeconomic environment and banking sector performance. Subsequently, the Corporation leveraged on this recovery for development, and to realize its mandate, general public policy and improve on performance.

Macroeconomic Environment

According to the World Bank's June 2022 Report, the global economy is projected to grow at a slower rate of 2.9% in 2022. This is largely driven by a projected 3.4% slow growth in emerging markets and developing economies, coupled with a 2.6% deceleration in advanced economies. The slow growth has been driven by rising energy prices, less favorable financial conditions, and supply chain disruptions, all of which have been exacerbated by the war in Ukraine.

Macroeconomic Highlights

GDP Growth	Inflation Rate	Central Bank Rate
2.9%*	7.9%	7.5%

During the period under review, Overall inflation increased to 7.9% in June 2022 from 6.3% in June 2021. The increase was majorly due to increases in food and energy prices. The increase in global commodity prices and supply chain disruptions resulted in the Monetary Policy Committee tightening the monetary policy in order to further anchor inflation expectations by raising the Central Bank Rate (CBR) to 7.5% in May 2022.

Banking Sector Performance

The banking sector remained stable within the period under review with total assets of KES. 6.3 trillion in June 2022 an increase from 5.7 trillion in June 2021. Loans and advances increased by 16% from KES. 2.76 trillion in June 2021 to KES. 3.19 trillion in June 2022. Total deposits increased by 8% from KES. 4.27 trillion in June 2021 to KES. 4.68 trillion in June 2022. The growth was attributed to the mobilization of deposits through agency banking and mobile phone platforms.

Banking Sector

Total Deposits	No. of Accounts	Insured Deposits
4.6 trillion	72 million	744 billion

The sector recorded a strong performance in the period under review mainly due to continued recovery from the COVID-19 pandemic.

Strategic Analysis

The Corporation's resilience and commitment towards its key mandate was seen in its continued strive towards implementation of the Strategic Plan 2018-2023 and key objectives for the year, in alignment to the Kenya Development Agenda towards economic growth and establishment of a vibrant and globally competitive financial sector.

In line with this strategic focus, the Corporation enhanced its offsite surveillance mechanism to safeguard the Deposit Insurance Scheme and promote confidence in the banking system. Further, the Corporation instituted contingency planning and crisis preparedness programs, and enhanced consultations with stakeholders for collaboration in safeguarding depositor interests.

As the custodian of the country's Deposit Insurance Scheme, the Corporation continued to manage the Deposit Insurance Scheme prudently, as guided by the KDIC Investment Policy; to ensure viability, robustness and adequacy of the Scheme in the unlikely event of bank failure.

Further, the Corporation made pay-outs of protected deposits to depositors of Chase Bank Ltd (IL) and Charterhouse Bank Ltd (IL), which were placed in liquidation in the period under review. Besides, KDIC, being the country's Resolution Authority, continued to manage institutions in Liquidation, by tracing, preserving and realising assets for the benefit of depositors and creditors of those banks.

In line with our strategic objective of partnering and collaborating with key stakeholders, the Corporation conducted various stakeholder consultative forums in pursuit of common goals. These forums, contributed towards the achievement of critical milestones in the period under review. Such engagements heralded strengthened partnerships with member institutions on public awareness and information sharing, corporation with banks for prompt payment of deposits to customers of Imperial Bank Ltd (IR) as well as Chase Bank Ltd (IL).

In the realisation of our strategic theme on organisational capacity, the Corporation recognises that the Kenyan people are the most valuable resource. Consequently, various capacity building programs were implemented in the period under review. Most of these programs were aligned to deposit insurance, prompt resolution and contingency planning.

Beyond the implementation of our core objectives, we have continuously become aware of our impact on the environment and community. In this regard, the Corporation has implemented various initiatives towards preserving our ecosystem, and also played a part in enhancing the country's healthcare system. KDIC remains devoted to its Corporate Social Responsibility commitments in support of Vision 2030.

The Board

During the period under review, the Board of Directors was reconstituted in the 2nd Quarter of the financial year 2021/2022 which led to the appointment of 4 independent Board Directors, including the Chairperson. This facilitated the Corporation's activities geared at achieving its mandate noting that the previous financial year, 2020/2021, came to an end with the Corporation's Board not being fully constituted. As a milestone, the reconstituted board has the benefit of having two female Directors up from the previous board that was graced by a one female Director.

Future Outlook

Going forward, the Corporation remains steadfast in its resolve to be a premier deposit insurance scheme. To achieve this dream, we will pursue digitization of our operations and processes, to remain aligned with global changes. Further, we are seeking to review the Deposit Insurance legal framework to enhance the efficacy of the Corporation's mandate. In line with the Risk Minimization objective, we look forward to the entrenchment and benefits of Differential Premium System. Additionally, we plan to enhance various capacities within the organisation, and pursue best practice in Deposit Insurance.

Additionally, in compliance with *Mwongozo - The Code of Governance for State Corporations*, the Corporation intends to implement the findings of the Legal & Corporate Governance Audit, conducted in the just concluded financial year. The Corporation was evaluated and found to have an overall ranking of "Good". This is the highest ranking, which denotes that KDIC has demonstrated good practice in the majority of the compliance areas. Implementation of the findings will facilitate improving the Corporation's general compliance thereby facilitating it realize its vision within a culture of good corporate governance and compliance.

Acknowledgements

In conclusion, may I express my sincere gratitude to my fellow Board Members, for their personal commitment and service to the people of Kenya during this period. Similarly, on my behalf and that of the Board of Directors, I commend the Chief Executive Officer, Management and Staff of the

Corporation for their invaluable support and selfless service towards the achievement of great milestones this far.

Lastly, I acknowledge the robust partnership and contribution of our member Institutions. This collaborative partnership, that is guided by our parent ministry, The National Treasury and Planning, has continued to foster financial stability in Kenya's banking system. We look forward to deepening this engagement for public good.

Hannah W. Muriithi, EBS

Chairperson of the Board of Directors

REPORT OF THE CHIEF EXECUTIVE OFFICER

I am pleased to present the Annual Report and Financial Statements for the 2021/2022 financial year.

General Overview

KDIC continued to focus on post COVID-19 recovery in the year under review, by upscaling operations to ensure that the Corporation delivers on the Strategic Plan and GOK Performance Contracting commitments. The key areas of focus in the year under review included growth of the Deposit Insurance Scheme, payment of protected deposits and dividend pay-outs to depositors of failed banks, collection of outstanding loans, enhancing organizational capacity and improvement of the Information and Communication technology (ICT) infrastructure.

Operating Environment

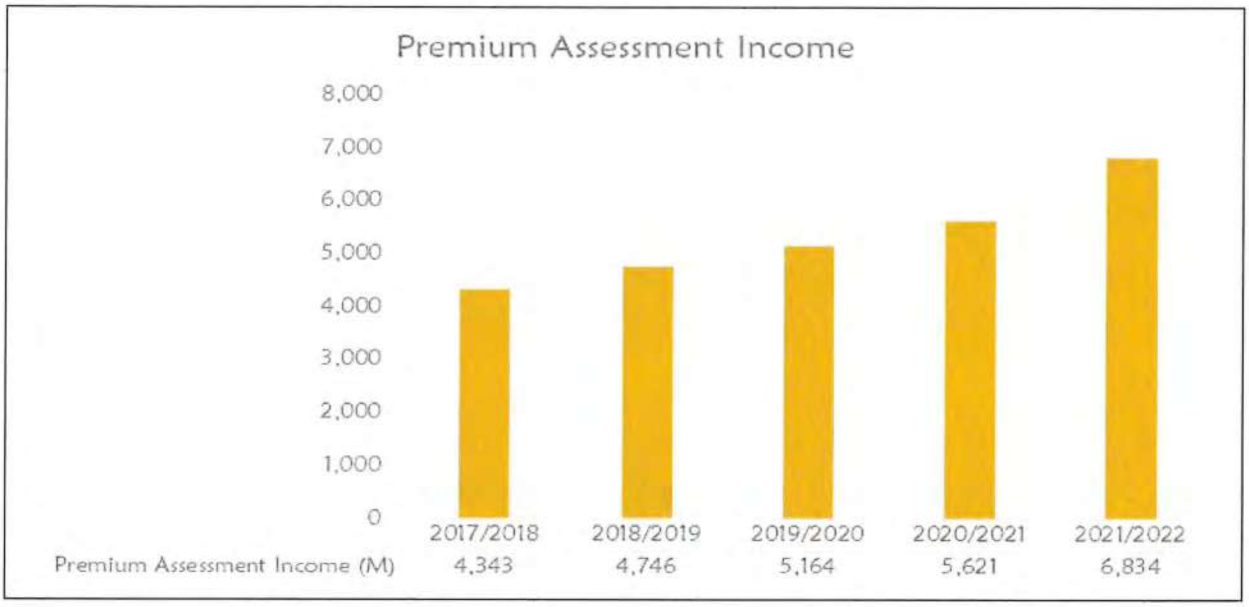
The banking sector remained resilient in the year under review, recording improved performance indicators all-around. Banks continued to align their operating models in response to changes in the environment, resulting to an increased adoption of digitalization, improved capital adequacy ratios, and acquisition of small banking entities to ensure their sustainability.

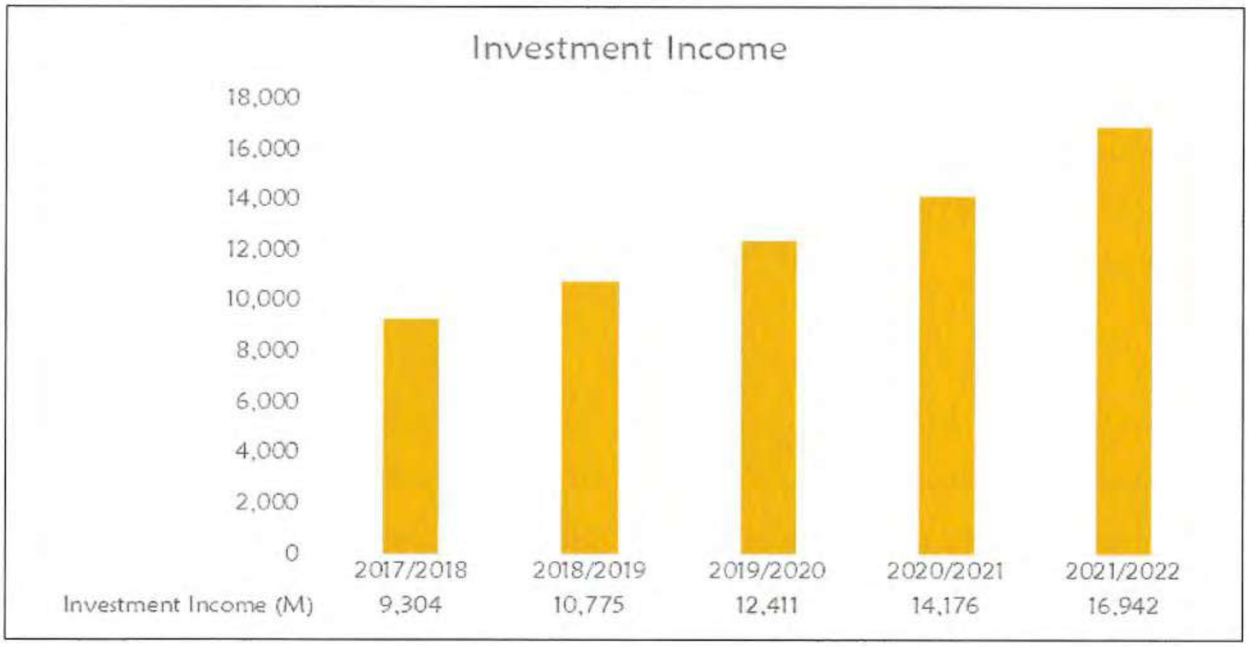
There was a remarkable increase in deposits to Ksh. 4.6 trillion, compared to Ksh. 3.8 trillion in the previous reporting period, while insured deposits increased to Ksh. 744 billion compared to Ksh. 645 billion recorded last year. Additional details of other performance indicators are given in subsequent sections of this report.

Financial Performance

Despite the economic challenges and uncertainties caused by the global pandemic, the Deposit Insurance Scheme continued to grow recording a 14% increase from Ksh. 140 B recorded in the previous year, to Ksh. 160B. The premium assessed also recorded an increase as a result of growth in total deposits held by banks and the implementation of the risk-based premium assessment model.

The Corporations investment income also increased by 19%, from the Kshs 14B recorded in the previous year to Kshs. 16.9B. The graphs below represent the trend in investment income and premium income over the years;





I am pleased to state that in addition to our stellar financial performance, KDIC was awarded the Financial Reporting Award (FiRe Award) after emerging first runners up in the International Financial

Reporting Standards (IFRS) - State Corporations Category for the 2019 / 2020 Annual Report and Financial Statements.

Risk Management

The Corporation implemented the Risk-Based Premium Assessment Model in July 2021, after the one-year implementation moratorium given on account of the Covid-19 pandemic. While this model resulted to increased contributions by Member Institutions, the Schemeamental objective of Differential Premium Systems is to provide an incentive to banks, to minimize risks, and this in turn protects deposits.

Further, KDIC continued to enhance relations with member institutions, who remain the key stakeholder in the achievement of the deposit protection and financial stability objectives. During the period under review, the Corporation held forums with bank representatives to discuss various thematic areas, including feedback on the Risk-Based Premium Assessment model, implementation of the Electronic Data Warehouse system and data submission requirements.

Organizational Capacity

KDIC continues to ensure that inclusion, equity and professionalism define the working environment. This has been achieved by continuously training staff on deposit insurance, crisis management, bank resolution simulation and other key support function topics. In the year under review, various capacity building programs were conducted internally within the Corporation.

In the quest to becoming a Premier Deposit Insurer – KDIC conducted three capacity building seminars for various partners. KDIC held a Regional Crisis Preparedness and Bank Resolution Simulation conference for Deposit Insurers and Central Banks in Africa. This training forum attracted 42 participants from 12 countries, setting a precedent for conducting future programs. A similar program was conducted for officers of the National Treasury, to foster partnership and build capacity for prompt bank resolution. The Corporation was also engaged by the Policyholders Compensation Scheme (PCF), to share knowledge on management of the Scheme, risk minimization and resolution practices.

Further, KDIC continued to embrace best standards in its operations through the maintenance of the Enterprise Risk Management and Business Continuity Management system and ISO Quality Management Systems. The Corporation also embarked on a journey to transform its Information and Communication Technology (ICT) ecosystem, through the implementation of the Electronic Data Warehouse and Business Intelligence (EDW-BI) system, Electronic Document and Records Management System (EDRMS), as well as the upgrade of the Enterprise Resource Planning (ERP) system. On the same note, CIO Africa awarded the Corporation the Gold Award as first runners up for the implementation of Enterprise Resource Planning (ERP) systems in the Public Sector category.

Indeed, the staff of the Corporation remain the most valued resource, even as they implement the organisation's strategy and programs. In the year under review, KDIC enhanced its Performance Management System by implementing the Balanced Score Card (BSC) Methodology. This approach is expected to entrench the performance driven culture that KDIC prides itself in, while providing incentives for exceptional performance.

Deposit Insurance and Prompt Resolution

The Corporation continues to manage the Deposit Insurance Scheme, together with the assets of 19* banks in liquidation in the interest of depositors.

During the period under review, Ksh. 565 million of protected deposits was paid to 58% of depositors of Chase Bank Ltd (IL). Charterhouse Bank (IL) also commenced payment of the protected deposits after its Liquidation was assented to by the Central Bank of Kenya. As at June 30, 2022 Ksh. 14.25 million had been paid out in protected deposits, but the same was stalled as a result of a court injunction. The Corporation collected Ksh. 984 million in outstanding debt, compared to Ksh. 500 million collected in the previous period.

Further, the Corporation continued to consolidate the operations of Imperial Bank Ltd (IL), which was placed in Liquidation on December 8, 2021. As at the end of the financial year, the Liquidation Agent closed an additional three (3) branches out of the remaining nine (9) branches.

Future Outlook

Indeed, the Management and staff remain committed to delivering on the Corporation's mandate, in the interest of depositors and to foster financial stability. We have continued to align our strategies, programs and operations to international best practise, to ensure that the country's deposit insurance system remains viable and resilient.

Looking into the future, the Corporation intends to develop the 2024 -2028 Strategic Plan, to succeed the current 2018 – 2023 Strategic Plan. Further, the Corporation continues the review of the Kenya Deposit Insurance Act of 2012 – which began in March 2021, with the aim of ensuring identified gaps are resolved for the seamless implementation of our mandate. Other identified initiatives include the documentation of Resolution Plans, also known as Living Wills by banks to support prompt resolution, implementation of the whistle blowing policy to support risk minimization in banks, and leveraging on technology and existing stakeholder relations to increase public awareness.

The Corporation remains cognisant of risks that are emerging in the Financial Services environment, and how these impact Member Institutions, the Deposit Insurance Scheme, and the Corporation's sustainability. Firstly, whereas the rapid digitization of financial and communication technologies portends a great opportunity for improved service delivery, access and efficiency – the dynamic operating environment poses cyber security risks to financial institutions. KDIC is also aware of the impact of movement of deposits from physical branches to digital platforms, on its prompt resolution goal.

Secondly, following the issuance of Guidance on Climate-Related Risk Management by the Central Bank of Kenya, to banks, it is expected that operations, governance and reporting structures will change to entrench compliance.

Appreciation

Indeed, this has been a year when KDIC has achieved great milestones, and this has been possible due to the support of various stakeholders. My sincere gratitude goes to our member institutions, consisting of all commercial banks and micro-finance banks operating in the country, for the growing partnership and collaboration in risk minimization and data sharing. I also wish to most sincerely thank the Board of Directors for their commitment and guidance during the year in review. On the same note, I recognize the diligence, dedication and teamwork of the management and staff and their selfless contribution to the Corporation's agenda.

I also thank our parent ministry, The National Treasury and Planning for the support and cordial relationship we continue to enjoy. KDIC has also benefited greatly from the growing partnership with various government agencies and financial services regulators, and we remain eternally grateful.

It is my hope that we will all continue working together, in the interest of depositors, and to foster financial stability.

Hellen Chepkwony

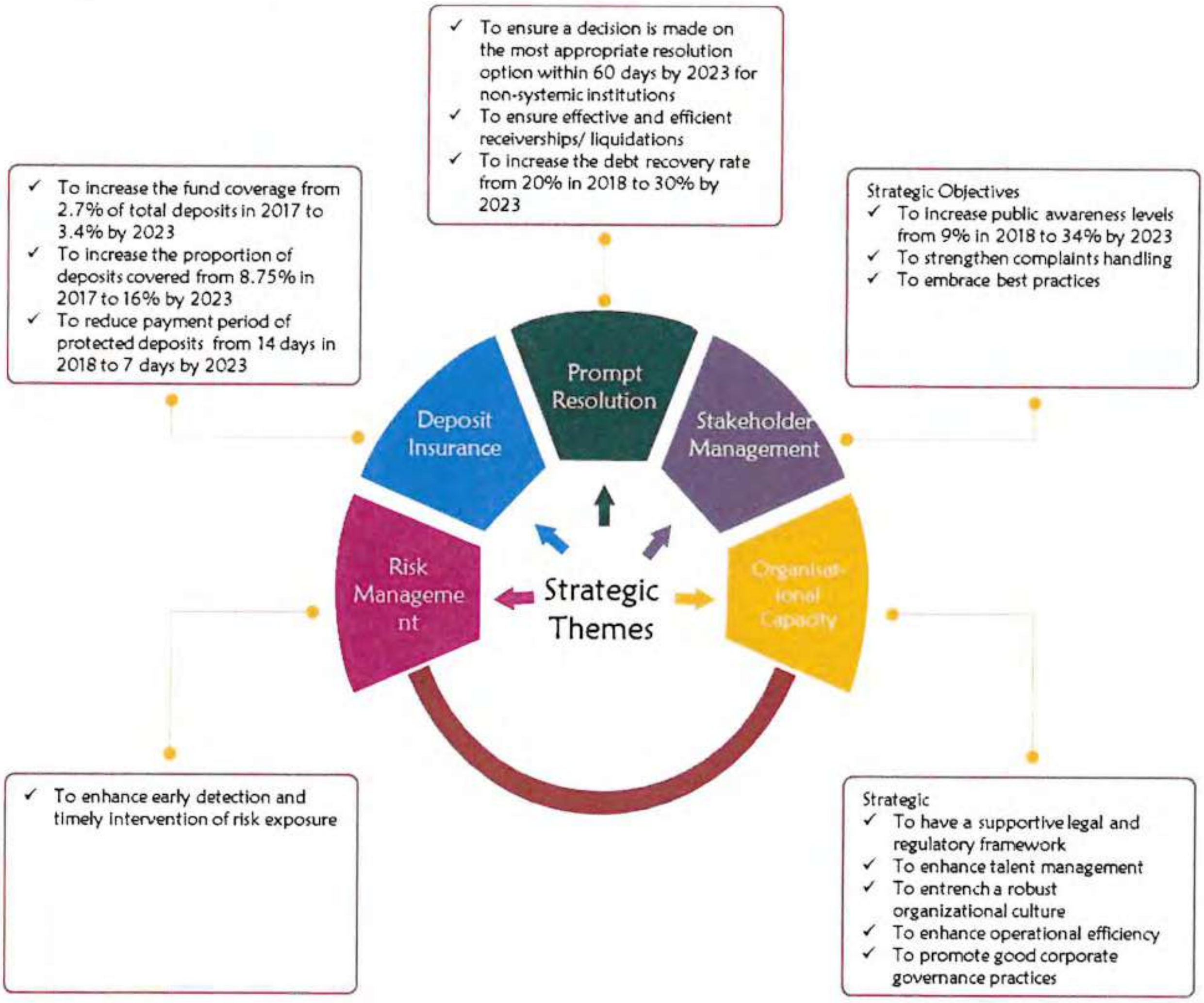
Ag. Chief Executive Officer

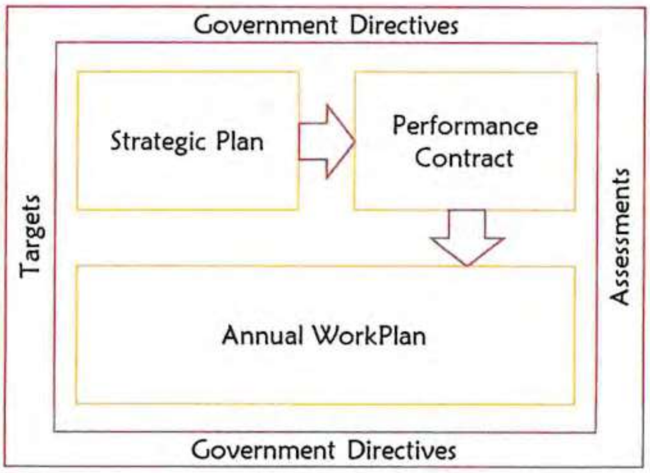
STATEMENT OF PERFOMANCE AGAINST PREDETERMINED OBJECTIVES

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

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

Strategic Pillars and Themes;





The Corporation's Strategic Plan is broken down to annual work plans that define the initiatives for the plan's coverage period. During the implementation of the strategic plan through the annual work plans, the Corporation further defines its Performance Contract for a year of operation and this contract is signed by the Corporation and The National Treasury and Planning. Throughout the corporate performance management process that starts with strategic planning to performance contracting, the Corporation incorporates the requirements of various government directives issued from time to time.

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

Achievement of strategic objectives

Strategic Pillar	Objective	KPI	Activities	Achievements
Risk Management	Enhance early detection and timely intervention of risk exposure	Implement an early detection and intervention framework	Review and implement a risk assessment framework (CAMEL)	Implemented
			Implement early detection and intervention framework	Conducted offsite surveillance on 53 member institutions. We also conducted capacity building on Crisis Preparedness and Contingency Planning and prompt resolution.
			Stakeholder engagement on sound risk management	The Corporation conducted 9 stakeholder engagement sessions covering all our member institutions during the year
Deposit Insurance	Achieve a coverage ratio of 23.25% by 2023	Increase in coverage ratio	Collect the deposit insurance premium (Kshs.6.8B)	The Corporation assessed and collected Kshs. 6.8B.
			Prudent investment of Funds - Income (Kshs.13.6B)	The Corporation's prudently invested monies from the fund to maximize return while managing liquidity. This led to a revenue of Kshs.14.5B against a target of Kshs.13.6B.
Stakeholder Management	Increase public awareness levels from 9% in 2018 to 40% in 2023	Increase public awareness index	Conduct a targeted public awareness campaign	The Corporation conducted a public awareness campaign in collaboration with print, electronic and digital media aimed at sensitizing the public on KDIC mandate as well as enhancing confidence on safe-banking
			Develop and disseminate IEC Material	The Corporation distributed IEC material to members of the public during the year. These were KDIC branded merchandise to encourage the public to take up formal banking

Strategic Pillar	Objective	KPI	Activities	Achievements
Prompt Resolution	Increase the debt recovery rate from 20% in 2018 to 30% by 2023	Debt recovery growth rate	Adopt alternative dispute resolution methods	The Corporation employed Alternative Dispute Resolution methods in debt recovery for institutions in liquidation.
			Implement convenient loan repayment options	The Corporation is in the process of implementing a mobile application that shall enable debtors of institutions in liquidation to pay their debts through e-citizen.
			Increase the number of loan repayment methods	
Organizational capacity	Enhance absorption rate (Allocated funds)	Budget utilization	Implementation of approved establishment	The Corporation's staff compliment is at 31% of its approved staff establishment.
			Develop and disseminate IEC Material	The Corporation distributed IEC material to members of the public during the year. These were KDIC branded merchandise to encourage the public to take up formal banking

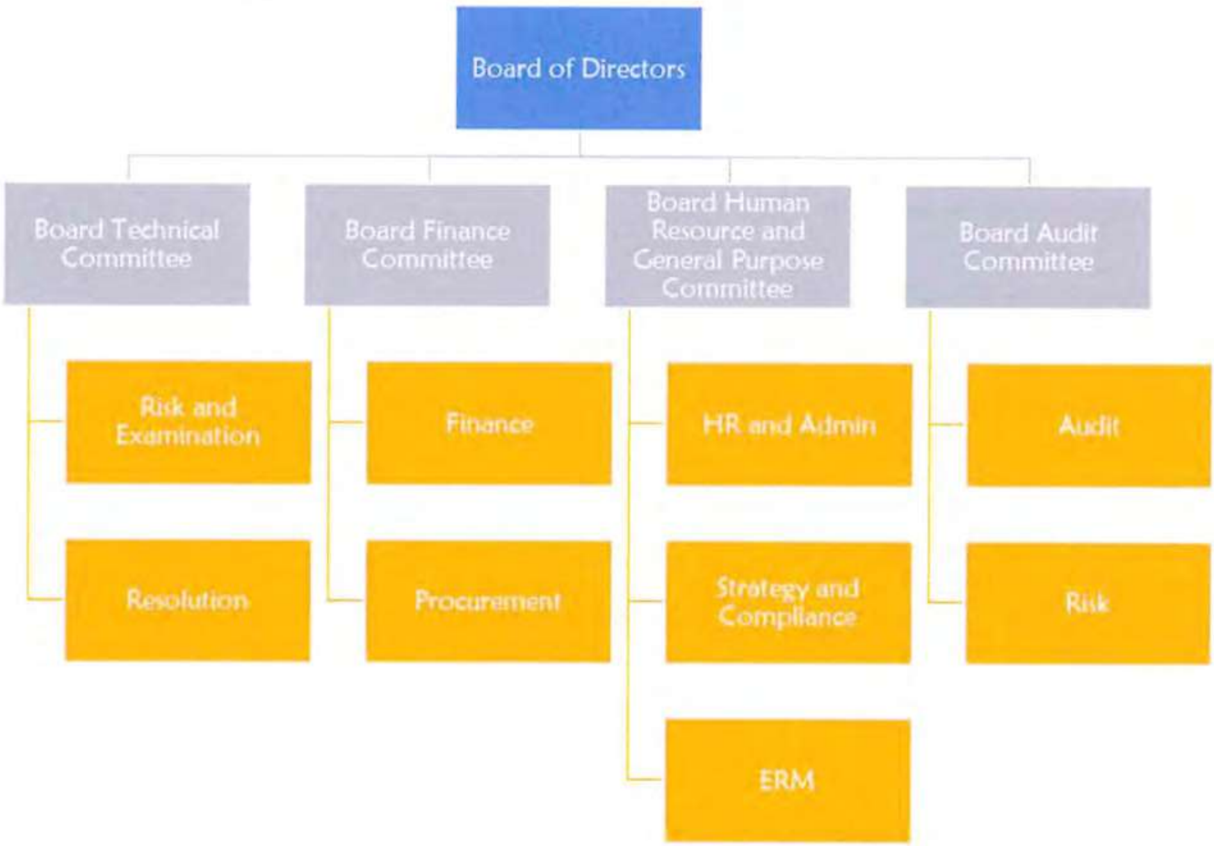
CORPORATE GOVERNANCE STATEMENT

The Board of Directors ensure that corporate governance is adhered to in the operations of the Corporation through development of various policies, processes, systems and procedures. Through compliance with the Constitution of Kenya, *Mwongozo*, which is the Code of Governance for State Corporations, the KDI Act, 2012 and all applicable legislations, the Corporation continues to embrace good corporate governance practices.

The Corporation, in adopting the best practices that foster corporate governance and sustainable development, has embraced the use of Quality Management Systems and Enterprise Risk Management System as part of its processes.

Governance Structure

According to the KDI Act 2012, *"Mwongozo"*, and the Board Charter KDIC has adopted the following governance structure: -

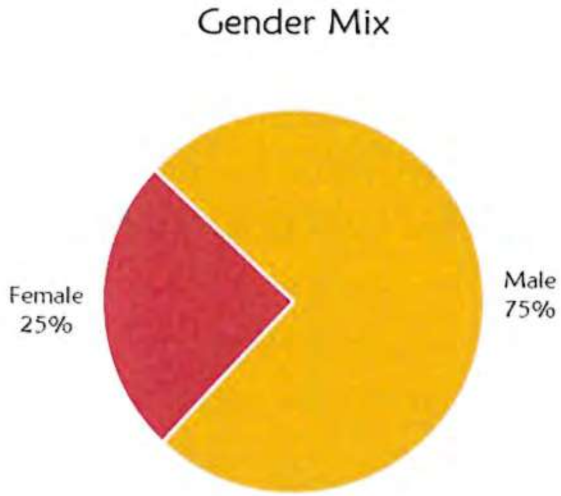


Statutes	Best Practice
Constitution Of Kenya	Government Circulars
Kenya Deposit Insurance Act, No.10 Of 2012	Mwongozo Code Of Conduct For State Corporations
Banking Act Cap 488	IADI Core Principles For Effective Deposit Insurance Systems
Micro Finance Act No. 19 Of 2006	FSB Key Attributes
Land Act No. 6 Of 2012	
Sectional Properties Act	
Land Registration Act No. 3 Of 2012	
Movable Property Securities Act No. 13 Of 2017	
Public Finance Management Act No. 18 Of 2012	
Public Procurement And Asset Disposal Act No. 33 Of 2015	
Leadership & Integrity Act No. 19 Of 2012	
Occupational Safety & Health Act No. 15 Of 2007	

Board of Directors

The Constitution of KDIC's Board is governed by the provisions of Section 7 of the Kenya Deposit Insurance Act, 2012. The Act provides that the Board shall comprise 10 members including the Chairperson and the Chief Executive Officer. During the year under review, the board to the Corporation was reconstituted through the appointment of the Chairperson and 3 other members making the total number of directors 10.

The Gender distribution of the board for the year under review is as shown in the table below where there were 6 Male directors and 2 female directors. This excludes the two alternate directors and the representative from the Inspectorate of State Corporations.



Board Committees

The Board, in order to undertake its mandate effectively and efficiently, has four committees, which have its delegated authority. The Board endeavours to make the best use of the range of skills across the Board and share responsibility. Each Board Committee has in place a Charter that defines its oversight mandate.

Membership to Board Committees

Board Technical Committee (BTC)	Board Finance Committee (BFC)	Board HR, Strategy & General-Purpose Committee (HSGPC)	Board Audit Committee (BAC)
Ms. Anne Agimba (Chairperson)	Dr. Habil Olaka (Chairperson)	Ms. Anne Agimba (Chairperson)	Mr. John B. Maina (Chairperson)
Dr. Habil Olaka	Mr. Mohamed Adow	Mr. Mohamed Adow	Mr. John Njera
Mr. Mohamed Adow	Mr. John Njera	Mr. John Njera	Dr. Patrick Njoroge
Dr. Patrick Njoroge	CEO, KDIC	Mr. John B. Maina	Ms. Anne Agimba
CEO, KDIC		CEO, KDIC	

Board Committee Functions

COMMITTEE	TERMS OF REFERENCE
Board Technical Committee (BTC)	To consider and recommend policy documents relating to the following for Board approval: - ✓ Resolution. ✓ Risk & Examination.
Board Finance Committee (BFC)	(i) To consider and recommend policy documents relating to the following for Board approval: - ✓ Finance ✓ Procurement (ii) To review and recommend to the Board the following reports: - ✓ Budgets and procurement plans ✓ Annual accounts and thereafter submit to the Office of the Auditor General (OAG). The Committee has a duty to ensure that the accounts with supporting documentation are submitted to the OAG within three (3) months after the end of the financial year. ✓ Quarterly financial and Performance Contract reports.
Board HR, Strategy & General-Purpose Committee (BHSGPC)	**Human resource** (i) To consider and make recommendations to the board on the matters touching on Human Resource Management and compliance with relevant HR legislation, policies and procedures **Strategy**

	(ii) Guide the Board on the development and implementation of the Strategic Plan. (iii) Provide oversight on matters relating to the Business Continuity Plan (BCP) **Risk** (iv) To guide and make recommendations to the board on the Corporation's implementation of the Enterprise Risk Framework and recommend the same to the Board for approval. (v) To guide and recommend to the board on the appropriate risk appetite and tolerance statements.
Board Audit Committee (BAC)	(i) Risk management and internal controls. (ii) Financial reporting and disclosure matters. (iii) External auditor oversight responsibilities. (iv) Internal audit oversight responsibilities.

Board Meetings

The Board has in place an annual work plan and Almanac that sets out the Board activities in a year. The Board meets at least once every quarter, and additionally, when necessary. The annual work plan and calendar are prepared at the beginning of the year and the board papers and agenda are circulated in advance of each meeting. During the year ending 30th June, 2022, the Board held a total of five board meetings and various committee sittings in compliance with the requirements of *Mwongozo* as shown in the table below:-

Board Director	Board Meetings	Board Technical Committee (BTC),	Board Finance Committee (BFC)	Board HR, Strategy & General-Purpose Committee (BHSGPC).	Board Audit Committee (BAC),
Carol Musyoka (Chairperson)	5	N/A	N/A	N/A	N/A
Mr. John Njera	4	N/A	4	2	3
Mr. Mohamed Adow	4	4	4	2	N/A
Dr. Patrick Njoroge	3	2	N/A	N/A	2
Dr. Habil Olaka	5	3	4	N/A	N/A
Ms. Anne Agimba	5	4	N/A	4	2
Mr. John B. Maina	5	N/A	N/A	3	3
Dr. Nur Nassir Abdi	-	-	-	-	-
Mr. Joseph Musyimi	1	-	-	-	-
CEO KDIC	5	4	4	3	N/A

Role of the Board

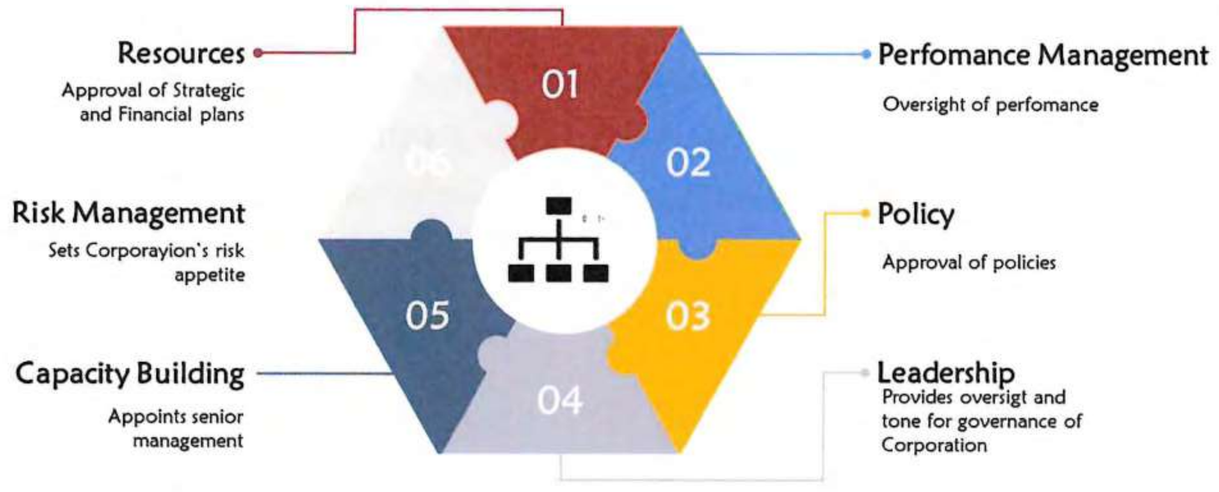
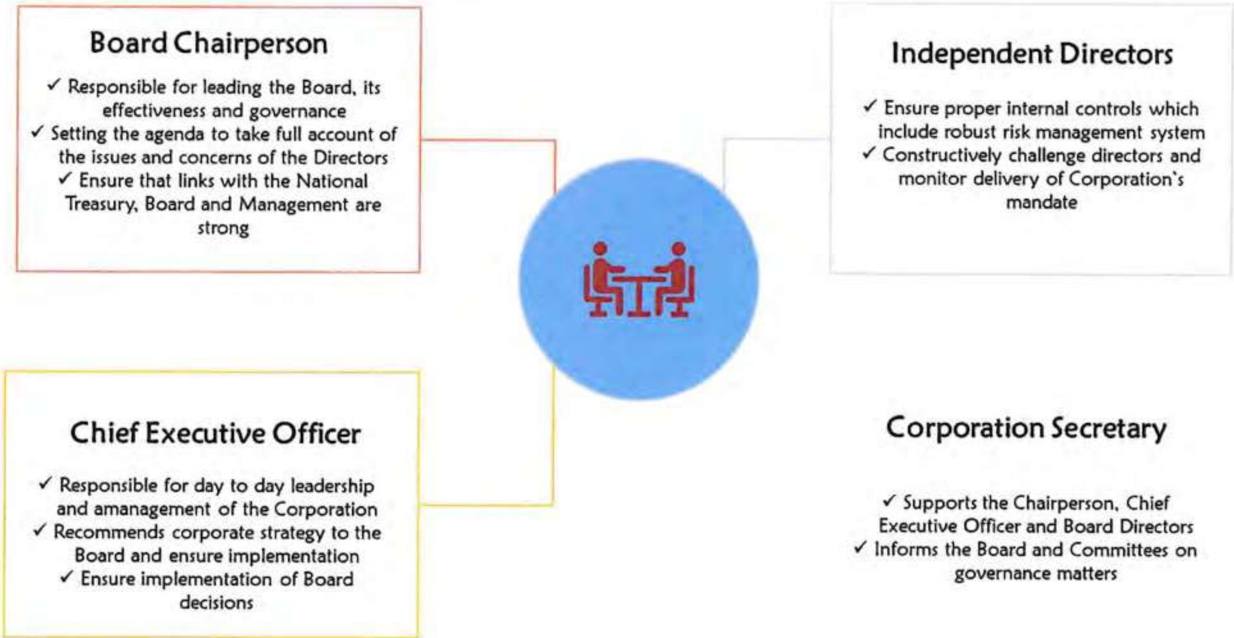


Figure 4: Role of the Board

Separation of Roles and Responsibilities

The roles of the Chairperson, Independent Director, Chief Executive Officer and Corporation Secretary are distinct from each other and are performed by different people.

Figure 5: Roles and Responsibilities



BOARD EFFECTIVENESS

The effectiveness of the board is achieved through implementation of the principles shown in the chart below

Delegation of Authority

The Board Charter sets out the authority and matters reserved for determination and approval by the Board and those to be performed by the Committees and Management.

In exercising its mandate, the board has delegated to its committees the authority to consider all management proposals prior to the proposals being tabled before the Board. Board committee chairpersons are then tasked with the responsibility of presenting the committee decisions to the full board for consideration.

The decisions of the board are communicated to management through the Corporation Secretary, who is also tasked by the board with the duty of updating the board on the implementation status.

During the year under review, the board in compliance with good governance and in compliance with the KDI Act, 2012 delegated the function of day-to-day management of the affairs of the Corporation to the CEO.

Independence of the Board

The KDI Act provides that a majority of its directors should be independent. Accordingly, the Board members are considered to be independent when they are separated from management, and are not conflicted to the extent of interfering with the management of the affairs of KDIC, or any other members' capacity to act independently on issues that are in the best interest of the Corporation.

Access to Information and Independent Advice

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

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

Conflict of Interest

The Directors are each responsible to notify the Chairperson and the Corporation Secretary of any actual or potential conflict of interest situations as soon as they arise.

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

Any Director with a material personal interest in any matter being considered during any Board or committee meeting will not vote on the matter or be present when the matter is being discussed and considered. During the year 2021/2022, except for the directorship held by the Permanent Secretary, National Treasury, the Attorney General and the Governor Central Bank of Kenya, CEO, Kenya Banker's Association all other directors of the Corporation were considered independent. No incidences of material conflict of interest were identified for any of the independent Directors.

Succession Planning

The appointment of independent directors is undertaken by the Cabinet Secretary (National Treasury) in line with the KDI Act and other applicable laws.

The independent board members, as noted in the Gazette Notice appointing them, are expected to serve a term of three years. To ensure that there is continuity, the appointments of the board members is conducted in a manner which ensures that the terms of the independent board members do not end at the same time. The Corporation promptly notifies the Cabinet Secretary of any vacancy in the Board.

Communication Policy

The board adopts top down and bottom-up approach to communication. The board receives board papers, using the E-board platform for efficiency, from management through the Corporation Secretary. Board resolutions on their part are communicated to management through the Corporation Secretary.

Externally, the board has delegated to the CEO the mandate of being the official spokesperson of the Corporation.

Board Induction and Training

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

The Board during the 2021/2022 financial year conducted induction sessions for the newly appointed Board Directors to familiarise them with the operations of the Corporation. In order to keep the Members up to date with the latest developments in board operations, the Board had an opportunity, in March 2022, to be trained on the Role of the Public Sector Board of Governance, Role of the board in Public Procurement and KDIC's crisis preparedness and bank Resolution Framework. Further training through the *"Boards that lead programme"* and Public Sector Advanced Leadership programme was undertaken in May and June 2022 respectively.

Governance Audit

The *Mwongozo* Code of Conduct provides that State Corporations are required to undertake periodic governance audits after every two years.

During the period under review, the Corporation, under the guidance of the Board conducted a legal and governance audit. The Corporation was evaluated and found to have an overall ranking of "Good". This is the highest ranking, which denotes that KDIC has demonstrated good practice in the majority of the compliance areas. Implementation of the findings will facilitate improving the Corporation's general compliance thereby facilitating it realize its vision within a culture of good corporate governance and compliance.

Board Evaluation

The Board has in place a procedure for assessment of its performance and that of the Board Committees and individual directors annually not only as a measure of their performance, but also to comply with the *Mwongozo* code of corporate governance. During the financial year under review, the State Corporations Advisory Committee (SCAC) evaluated the Board's performance and documented areas of improvement for implementation in the Financial Year 2022/2023.

The areas of improvement identified have been used to facilitate the development of the training needs of the board of directors. For instance, training on *'Finance for non-finance members'* has been identified as an area for improvement for board members that lack a finance background.

Risk Management Governance

Risk is an inherent part of the KDIC's business and the effective management of risk is a Scheme amental enabler of our strategic plan. The strategy for managing risk is aimed towards depositor protection and enabling sustained performance.

This is achieved through the Risk Management Framework of the Corporation. The Corporation is exposed to both financial and non-financial risks and is committed to having risk management policies, processes and practices that support a high standard of governance. This enables management to undertake prudent risk-taking activities. The Board oversees the risk management strategy and framework taking into account the risk appetite, requirements of the KDI Act 2012 and strategic and mandate of the Corporation.
This includes setting and reviewing the risk appetite, monitoring the effectiveness of
the risk management framework and making changes to it.

Risk Management Framework

KDIC's risk management function oversees a Risk Management Framework to allow KDIC identify, measure and manage risks within a Board-approved risk appetite.

The KDIC's risk management is based on the 'three lines of defense' model. The first line of defence for the Corporation is facilitated by the management and staff who are responsible for identifying and managing risks as they conduct their functions. The Second line of defence is through implementation of policies, procedure and frameworks that facilitate compliance and enable review to confirm adequacy of controls. The third line of defence, is conducted by the Internal Audit team, which facilitates quality assurance and makes their findings to the Board through the Board Audit Committee.

Policies and Codes of Conduct

KDIC maintains and has in place policies and codes of conduct that capture not only our legal obligations, but also the reasonable expectations of our stakeholders, including customers. These policies apply to all employees and Directors of KDIC, and to anyone working on the Corporation's behalf, including contractors and consultants. The Corporation adopts zero tolerance to all forms of corruption, bribery and unethical business practices.

Ethical Conduct

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

Board Remuneration

The remuneration of the Board is guided by SCAC and the applicable laws. The Chairperson is paid a monthly honorarium as stipulated in her letter of appointment. Board members are paid a sitting allowance that is based on the number of meetings attended.

Compliance with IADI Core Principles for Effective Deposit Insurance Systems

The International Associational of Deposit Insurers is the umbrella body that promotes guidance and international cooperation on deposit insurance, globally. KDIC is one of the inaugural members of the association which was founded in 2002, and has a current membership of 86 deposit insurers. The IADI Core principles *(16 in number)* for effective deposit insurers are developed for adoption by jurisdictions considering the adoption or reform of their deposit insurance systems.

The Corporation continuously aligns its operations and legal framework to the guidance of these principles, and was voted the best deposit insurer in the world, in 2016.

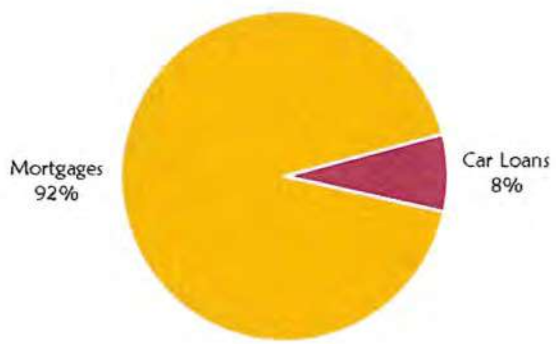
MANAGEMENT DISCUSSION AND ANALYSIS

The Kenya Deposit Insurance Corporation is established by the KDI Act, 2012 is a State Corporation and operates within various statutes and government directives. The Salaries and Remuneration Commission via circular SRC/023/12/2014 of 17th December 2014 established a Car Loan and Mortgage schemes for the public services and issued guidelines on how the schemes shall be run. KDIC sought budgetary approval from the National Treasury to operationalize the scheme and an approval of Kshs 747M was granted for the financial year 2019/2020. The scheme has since been established and has been operational.

Secondary to the guidelines issued by the Salaries and Remuneration Commission, the Corporation has developed Staff Policy on Mortgage Loan Scheme and the Staff Policy on Car Loan Scheme. Since the first loan issuance in March 2020, the scheme has issued 26 loans of Kshs. 146.8 million to staff and two have been fully repaid.

As at June 2022, the outstanding loan amount receivable from staff was Kshs. 125.4 million with Kshs. 9.5 million being car loans and Kshs 115.9 million being mortgages. During the year, the scheme issued out loans of Kshs. 44.1 million. The collections for the year were Kshs. 19.1 million with 16.1 million being through scheduled payments and Kshs. 3 million being lumpsum payments.

Loans Distribution



The scheme does not have a dedicated bank account and its Schemes are comingled with those of the Deposit Insurance Scheme thus disbursements and receipts are managed by the Corporation. The Schemes held by the Deposit Insurance Scheme attributable to Scheme (Kshs. 625 million) have been recognized in these financial statements as a receivable and in the Deposit Insurance Scheme statement as a payable. The process to open a dedicated account for the staff loans Scheme is ongoing and is expected to be finalized within the financial year 2022/2023.

REPORT OF THE DIRECTORS

The Directors of the Kenya Deposit Insurance Corporation submit their report together with the audited financial statements for the year ended 30th June 2022 which show the state of the Staff Mortgage and Car Loan Scheme affairs.

Principal activities

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

Results

The financial results of the Staff Mortgage and Car Loan Scheme for the year ended 30th June 2022 are set out in the Statement of Profit or Loss and Other Comprehensive Income on page 54.

Directors

The members of the Board of Directors who served during the year were appointed as guided by Section 7 (1) of the Kenya Deposit Insurance Act, 2012. The Directors who served during the period are shown on page 6 of this report.

Auditors

The Auditor General is responsible for the statutory audit of the Corporation in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015 for the year/period ended 30th

June 2022 in accordance to section 23 of the Public Audit Act, 2015 which empowers the Auditor General to appoint an auditor to audit on his behalf.

Approval of Financial Statements

The financial statements were approved on................

By Order of the Board.

Eunice Kitche - Oduor
30th September 2022
Corporation Secretary

STATEMENT OF MANAGEMENT'S RESPONSIBILITIES

Section 84 (1) of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the Administrator of a Scheme established by Kenya Deposit Insurance Act 2012 shall prepare financial statements for the Scheme in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board. In the absence of the Administrator of the Staff Mortgage and Car Loan Scheme, the Corporation's Board of Directors is charged with this responsibility.

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

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

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

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

The Directors are of the opinion that the Scheme's financial statements give a true and fair view of the state of Scheme's transactions during the financial year ended June 30, 2022, and of the Scheme's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the Corporation, which have been relied upon in the preparation of the Scheme's financial statements as well as the adequacy of the systems of internal financial control.

Nothing has come to the attention of the Directors to indicate that the Scheme will not remain a going concern for at least the next twelve months from the date of this statement.

Approval of the financial statements

The Scheme's financial statements were approved by the Board on 30th September 2022 and signed on the Board's behalf by:

Hannah W. Muriithi, EBS	Hellen Chepkwony
Chairperson of the Board of Directors	**Chief Executive Officer**

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

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

Responsibilities of Management and Board of Directors

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

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

Management is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Section 47 of the Public Audit Act, 2015.

In addition to the responsibility for the preparation and presentation of the financial statements described above, Management is also responsible for ensuring that the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities which govern them, and that public resources are applied in an effective way.

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

Auditor-General's Responsibilities for the Audit

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

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

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from

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OFFICE OF THE AUDITOR-GENERAL

Enhancing Accountability

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

REPORT OF THE AUDITOR-GENERAL ON STAFF MORTGAGE AND CAR LOAN SCHEME FOR THE YEAR ENDED 30 JUNE, 2022 - KENYA DEPOSIT INSURANCE CORPORATION

PREAMBLE

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

A. Report on the Financial Statements that considers whether the financial statements are fairly presented in accordance with the applicable financial reporting framework, accounting standards and the relevant laws and regulations that have a direct effect on the financial statements.

B. Report on Lawfulness and Effectiveness in use of public resources which considers compliance with applicable laws, regulations, policies, gazette notices, circulars, guidelines and manuals and whether public resources are applied in a prudent, efficient, economic, transparent and accountable manner to ensure Government achieves value for money and that such funds are applied for the intended purpose.

C. Report on Effectiveness of Internal Controls, Risk Management and Governance which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, the risk management environment and the internal controls, developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

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

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

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying financial statements of the Staff Mortgage and Car Loan Scheme set out on pages 1 to 22, which comprise of the statement of financial position as at 30 June, 2022 and the statement of financial performance, statement of changes in net assets, statement of cash flows, the statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, the financial statements presents fairly, in all material respects, the financial position of the Staff Mortgage and Car Loan Scheme as at 30 June, 2022, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Public Finance Management Act, 2012.

Basis for Opinion

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

Key Audit Matters

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

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

fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.

- Conclude on the appropriateness of the Management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Scheme's ability to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Scheme to cease to continue to sustain it services.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Scheme to express an opinion on the financial statements.

- Perform such other procedures as I consider necessary in the circumstances.

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

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

CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

31 March, 2023

STATEMENT OF FINANCIAL PERFOMANCE FOR THE YEAR ENDED 30TH JUNE 2022

	Note	2022 KShs'000
REVENUE		
Interest on loans	6	3,530
Loan application fees	6	7
		3,537
EXPENSES	7	-
		-
SURPLUS FOR THE YEAR BEFORE TAXATION		3,537
Taxation	1(e)	-
SURPLUS FOR THE YEAR AFTER TAXATION		3,537
Other comprehensive income		0
TOTAL COMPREHENSIVE INCOME		3,537

Separate financial statements of the Staff Mortgage & Car Loan Scheme are being prepared for the first time. As such, there are no comparative figures in these financial statements.

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2022

	Note	2022 KShs'000
ASSETS		
Non-current assets		
Staff Loans Receivable from staff	8	108,543
		108,543
Current assets		
Staff Loans Receivable from staff	8	16,860
Staff Loans Receivable from DIF	9	626,501
		643,361
TOTAL ASSETS		751,905
SCHEME BALANCE AND LIABILITIES		
Scheme balance		751,905
Current liabilities		
		-
Non-Current Liabilities		
		-
TOTAL SCHEME BALANCE AND LIABILITIES		751,905

The financial statements were approved on 30th September 2022 and signed on its behalf by:

Ag. Chief Executive Officer Hellen Chepkwony	Head of Finance Mogeni Ong'era ICPAK M/NO: 19116	Chairperson of the Board of Directors Hannah W. Muriithi, EBS

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2022

	2022
	Kshs'000
As at 1st July (Transfer from Kenya Deposit Insurance Corporation)	748,368
Surplus for the year	3,537
As at 30 June	751,905

The Staff Mortgage & Car Loan Scheme started reporting independently from KDIC during the year ended 30th June 2022. The opening balances have been transferred from KDIC to the Staff Mortgage & Car Loan Scheme.

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2022

	Note	2022 KShs'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Surplus for the year		3,537
Adjustment for:		
Changes in working capital;		
Increase in Staff Loans Receivable	8	(125,403)
Increase in Staff Loan funds Receivable from DIF	9	(626,501)
Net cash generated from operating activities		(748,368)
CASH FLOWS FROM FINANCING ACTIVITIES		-
Increase in the value of scheme received from DIF	8	
Net cash generated from financing activities		0
CASH FLOWS FROM INVESTING ACTIVITIES		
Staff loan scheme held by DIF	9	748,368
Net cash (used in)/generated from investment activities		748,368
Net (decrease)/increase in cash and cash equivalents		0
CASH AND CASH EQUIVALENTS AT 1 JULY 2021		-
CASH AND CASH EQUIVALENTS AT 30 JUNE 2022		0

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2022

NOTE		2021/2022 BUDGET	ADJST	FINAL BUDGET	ACTUAL INCOME/ EXPENDITURE	PERFORMANCE DIFFERENCE IN KSHS.	% UTILIZATION
	Revenue						
10	Interest Income	3,440,000	-	3,440,000	3,536,708	96,708	100.00%
Total Revenues		3,440,000	-	3,440,000	3,536,708	96,708	
	Expenditure						
10	Admin Expenses	-	-	-	-	-	
Total expenditures		-	-	-	-	-	
Net Surplus		3,440,000		3,440,000	3,536,708	96,708	

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Staff Mortgage and Car Loan Scheme is established by Kenya Deposit Insurance Corporation and derives its authority and accountability from Kenya Deposit Insurance (KDI) Act 2012. The Scheme is wholly owned by KDIC and is domiciled in Kenya. The Scheme's principal activity is to process and disburse staff mortgage and Car Loans.

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

The financial statements are prepared on a going concern basis.

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

The financial statements have been prepared on accrual basis.

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

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

3. APPLICATION OF NEW AND REVISED STANDARDS

i) Relevant new standards and amendments to published standards effective for the year ended 30 June 2022

IPSASB deferred the application date of standards from 1st January 2022 owing to Covid 19. This was done to provide entities with time to effectively apply the standards. The deferral was set for 1st January 2023.

ii) Relevant New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2022

IPSAS 41-Financial Instruments

The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of a Fund's future cash flows.

IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by:

i. Applying a single classification and measurement model for financial assets that considers the characteristics of the asset's cash flows and the objective for which the asset is held;
ii. Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and
iii. Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between a Fund's risk management strategies and the accounting treatment for instruments held as part of the risk management strategy.

The Schemes financial assets mainly relate to loans disbursed to staff and are recovered throu check off from the payroll ,thus its application assessment of the amounts, timing and uncertainty is not expected to affect the scheme.

IPSAS 42-Social Benefits

The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting Fund provides in its financial statements about social benefits. The information provided should help users of the financial statements and general-purpose financial reports assess:

(a) The nature of such social benefits provided by the Fund;

(b) The key features of the operation of those social benefit schemes; and

(c) The impact of such social benefits provided on the Fund's financial performance, financial position and cash flows.

The directors have assessed the impact of this standard and have found that it will lead to additional disclosures when effected in the financial year ending 30th June 2023.

IPSAS 43-Leases

The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of the Scheme. The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities. The Scheme has not entered into any lease contracts.

IPSAS 44- Non- Current Assets Held for Sale and Discontinued Operations

The Standard requires that assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and: Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance.

ii) **Early adoption of standards**

The Scheme did not early – adopt any new or amended standards in year 2021/2022.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

a) Revenue recognition

Interest income is accrued using the effective yield method. The effective yield discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount. The method applies this yield to the principal outstanding to determine interest income for each period.Interest income is recognized in the profit or loss for all interest on staff mortgage and car loans advanced at an interest rate of 3% per annum.

b) Budget Information

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

A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts as per the statement of comparison of budget and actual financial performance presented together with these financial statements.

c) Translation of foreign currencies

No foreign currency transaction were carried out during the year.

d) Taxation

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

e) Rounding off Difference

The Staff Mortgage and Car Loan Scheme in preparation of the financial statements has rounded off its figures to the nearest thousand.

f) Financial assets and liabilities

(i) Initial recognition and measurement

Financial assets within the scope of IPSAS 29 Financial Instruments; Recognition and Measurement are classified as financial assets at fair value through surplus or deficit, loans and receivables, held-to-maturity investments, or available-for-sale financial assets, as appropriate. The Fund determines the classification of its financial assets at initial recognition. The assets are primarily loans issued to staff through the scheme.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. Losses arising from impairment are recognized in the surplus or deficit.

(iii) Impairment of financial assets

The scheme assesses at each reporting date whether there is objective evidence that a financial asset or a Fund of financial assets is impaired. Management then follows the procedure required by Regulation 145 of the PFM Act. A financial asset of the Fund is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the Fund that can be reliably estimated. Evidence of impairment may include the following indicators:

- The debtors of the Fund are experiencing significant financial difficulty
- Default or delinquency in interest or principal payments
- The probability that debtors will enter bankruptcy or other financial reorganization
- Observable data indicates a measurable decrease in estimated future cash flows (e.g. changes in arrears or economic conditions that correlate with defaults)

(iv) Classification

The Scheme classifies its financial assets in the receivables category. The classification of its financial liabilities as measured at amortised cost.

(v) Other financial liabilities

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

(vi) Identification and measurement of impairment of financial assets

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

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

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

(vii) Derecognition

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

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

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

g) Impairment for non-financial assets

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

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

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

h) Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents comprise bank balances.

i) Property ,Plant and equipment, Intangible assets

The Staff Mortgage and Car Loan Scheme operations are carried out by the Corporation that has acquired items of property plant and equipment (PPE) thus no PPE owned by the Scheme.

j) Related parties

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

k) Trade and other receivables

Trade and other receivables are recognized at fair values less allowances for any uncollectible amounts. These are assessed for impairment on a continuing basis. An estimate is made of doubtful receivables based on a review of all outstanding amounts at the year end. Bad debts are written off after all efforts at recovery have been exhausted.

l) Subsequent events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2022.

m) Comparative figures

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

n) Subsequent events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2022.

5. RISK MANAGEMENT

Structure and reporting

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

Board Audit Committee

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

Internal Audit and Risk Management Unit

Internal audit department provides objective assurance and insight on the effectiveness and efficiency of risk management, internal control and governance processes in the Corporation. This is achieved by assessing the governance structures/practices in place, implementation of the Enterprise risk management framework and the level of compliance with the Kenya Deposit

Insurance Act, documented policies and procedures and government guidelines issued from ti to time.

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

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

To enhance efficiency in internal audit process, the Corporation rolled out the use of Team Mate to align all documentation and tracking of issues on one platform in November 2020.

(a) Credit risk

Credit risk is the risk of financial loss to the Scheme if a staff fails to meet its contractual obligations, and arises principally from the Staff Loan Scheme receivables. The Scheme's exposure to credit risk is influenced mainly by the individual characteristics of each staff on exiting from the Corporation.

(b) Currency risk

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

(c) Liquidity risk management

Liquidity risk is the risk that the Staff Loan Scheme will encounter difficulty in meeting obligations on advancement of approved mortgages and car loans. The Scheme's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its arising liabilities when due. In the course of its operations, the Scheme will operates a separate bank account to finance its operations.

The Scheme's financial assets amount to Kshs. 125 Mn (2021 - Kshs. 96Mn). The increase in financial assets has been occasioned by additional loans advanced during the year. The Scheme has no financial liabilities.

	Other financial liability	Loans and receivables	Held to maturity	Total carrying value	Fair value
	KShs '000	KShs '000	KShs '000	KShs '000	KShs '000
2022					
Financial assets					
Staff Loans receivable	-	125,403	-	125,403	125,403
	-	125,403	-	125,403	125,403
Payables and accruals		-	-	0	0
	-	-	-	-	-

(a) **Critical accounting estimates and assumptions**

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

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

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

6 Interest on Loans

The staff Loans Scheme has an approved allocation of Kshs.747M as a revolving Scheme for staff mortgage and car loans as per the approved policy guidelines. Staff loans advanced are charged an interest rate of 3% over the tenure of the loan. During the year under review, total interest on staff loans is as follows;

	2022 KShs'000
Interest on loans	3,530
Loan Application fees	7
	3,537

Additionally, on application of the mortgage or car loans, staff pay Kshs.1,000 as application fees.

Interest Income received for the year ended 30th June 2021 is reported under Kenya Deposit Insurance Corporation Financial Statements.

7. Expenses

The Staff Loan Scheme has no expenses since all operations are carried out within KDIC

8. Staff Loans

The Scheme advanced staff loans as follows;

	2022
	Kshs'000
Staff Loans Receivable as at 1st July	96,913
Staff loans advanced	44,070
Less: Repayments	(15,580)
Staff Loans Receivable as at 30th June	125,403
Comprised of:	
Receivable within 1 year	16,860
Receivable after 1 year	108,543
Total staff Loans Receivable	125,403

9. Staff Loan Scheme Receivable from KDIC

The Corporation owes Kshs.625M out of total approval of Kshs.747M after disbursement of loans on behalf of the staff loan Scheme. The balance receivable by the Scheme is as follows;

	2022
	Kshs'000
Staff loans as at 1st July	748,368
Interest Received by KDIC	3,537
Staff loans advanced as at 30th June	(125,403)
Staff Loans Receivable as at 30th June	626,501

The Staff Loans receivable of Kshs.626M relates to amounts accumulated through the Deposit Insurance Scheme (DIF). The Staff Mortgage and Car Loan Scheme was approved but all disbursements and repayments are done through the DIF, thus over the years the movement of amount receivable is as follows;

	2021 Kshs'000
As at 1st July -Staff Loans Scheme	747,015
Interest Received by KDIC	1,353
As at 30 June 2021	748,368

The Staff Mortgage and Car Loans Scheme had not budgeted administrative expenses since the scheme is managed by the Corporation.

APPENDICES

APPENDIX 1: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

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

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

Ag. Chief Executive Officer

Hellen Chepkwony