

REPUBLIC OF KENYA



*Enhancing Accountability*

THE NATIONAL ASSEMBLY  
PAPERS LAID

**REPORT**

DATE: 27 FEB 2025

DAY:

Thursday

PARLIAMENT  
OF KENYA  
LIBRARY

TABLED  
BY:

Aan Naomi Wago, MP  
Deputy Majority Party Whip

OF  
PRESENTED AT  
THE TABLE:

A. Shisuko

**THE AUDITOR-GENERAL**

**ON**

**DEPOSIT INSURANCE FUND - KENYA DEPOSIT  
INSURANCE CORPORATION**

**FOR THE YEAR ENDED  
30 JUNE, 2024**

2023/2024 at the Gathiuru forest block of Mt. Kenya Forest and in a tree growing event on 13<sup>th</sup> November 2023 in Nairobi during the national tree growing day.



*The KDIC Board Chair Mrs. Hannah W. Muriithi, EBS, plants a tree at Kessup during the event held on 1<sup>st</sup> July 2023*



*Director, Bank Resolution Mr. David Irungu (3<sup>rd</sup> left) during a tree planting event held on 13<sup>th</sup> November 2023 in Murang'a*

To promote sustainability of the tree growing efforts, KDIC collaborated with Nature Kenya who will ensure that the planted seedlings will be cared for over the next 3 years at which point, the trees will have matured. Beyond the many environmental benefits accruing from tree growing, the fruit trees planted shall also benefit the local communities economically.



*Planting of 5,000 trees at the Gathiuru forest block of Mt. Kenya Forest on 03<sup>rd</sup> May 2024*

The Corporation employed additional operational initiatives around environmental preservation including the implementation of an Electronic Document Management System which aims to significantly reduce the amount of paper used in the office and an initiative on energy conservation through awareness creation on reduced use of electricity in the office.

## 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 30<sup>th</sup> June 2024 which show the state of the Kenya Deposit Insurance Fund's affairs.

### Principal activities

The Corporation is established and administered under the Kenya Deposit Insurance Act, 2012. 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 Kenya Deposit Insurance Fund for the year ended 30<sup>th</sup> June 2024 are set out in the Statement of Profit or Loss and Other Comprehensive Income on page 1 of financial statements.

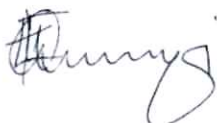
### Directors

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 10 of this annual 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 ended 30<sup>th</sup> June 2024.

By Order of the Board.



Eunice Kitche - Oduor

30<sup>th</sup> September 2024

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 Kenya Deposit Insurance Fund, which give a true and fair view of the state of affairs and operating results of the Fund at the end of the financial year 2023 - 2024.

The Directors are also required to ensure that the Fund 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 Fund's financial statements, which give a true and fair view of the state of affairs of the Fund for period June 30, 2024. 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 Fund'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

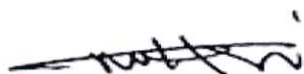
The Directors are of the opinion that the Fund's financial statements give a true and fair view of the state of Corporation's transactions during the financial year ended June 30, 2024, and of the Fund's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the Fund, which have been relied upon in the preparation of the Fund's financial statements as well as the adequacy of the systems of internal financial control.

In preparing the financial statements, the Directors have assessed the entity'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 Fund's financial statements were approved by the Board on 30<sup>th</sup> September 2024 and signed on the Board's behalf by:



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



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Mrs. Hellen Chepkwony  
Chief Executive Officer

# REPUBLIC OF KENYA

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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, 2024 - KENYA DEPOSIT INSURANCE CORPORATION**

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### PREAMBLE

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

- A. Report on 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 the 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 the 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, risk management environment and internal controls, developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

An Unmodified Opinion is issued when the Auditor-General concludes that the financial statements are fairly presented in accordance with the applicable financial reporting framework. The Report on Financial Statements should be read together with the Report on Lawfulness and Effectiveness in the Use of Public Resources, and the Report on Effectiveness of Internal Controls, Risk Management, and Governance.

The three parts of the report aim to address the Auditor-General's statutory roles and responsibilities 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

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*Report of the Auditor-General on Deposit Insurance Fund for the year ended 30 June, 2024 - Kenya Deposit Insurance Corporation*

30 June, 2024 and the statement of profit or loss and other comprehensive income, statement of changes in fund balance, statement of cash flows and 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 present fairly, in all material respects, the financial position of Kenya Deposit Insurance Fund as at 30 June, 2024 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 Public Finance Management Act, 2012 and the Kenya Deposit Insurance 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 the 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 judgement, are of most significance in the audit of the financial statements. There were no key audit matters to report in the year under review.

### **Other Information**

The Management is responsible for the Other Information set out on page iii to lxxxvi which comprise of Key Entity Information, Report of the Chairperson, Report of the Chief Executive Officer, Statement of Performance Against Predetermined Objectives, Corporate Governance Statement, Management Discussion and Analysis, Environmental and Sustainability Reporting, Report of the Directors and the Statement of Director's Responsibilities. The Other Information does not include the financial statements and my audit report thereon.

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

My opinion on the financial statements does not cover the Other Information and, accordingly, I do not express an audit opinion or any form of assurance thereon.

## REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE 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 3000 and ISSAI 4000. The standards require 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 comply 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 THE 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 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 controls, 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 these financial statements in accordance with International Financial Reporting Standards and for maintaining effective internal controls 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 controls, risk management and 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 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 comply 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**

My responsibility is to conduct an audit of the financial statements in accordance with Article 229(4) of the Constitution, Section 35 of the Public Audit Act, 2015 and the International Standards for Supreme Audit Institutions (ISSAIs). The standards require that, in conducting the audit, I obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, whether due to fraud or error and to issue an auditor's report that includes my opinion in accordance with Section 48 of the Public Audit Act, 2015. 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 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 conducting the audit, Article 229(6) of the Constitution also requires that I express a conclusion on whether or not 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 addition, I consider the entity's control environment in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7(1) (a) of the Public Audit Act, 2015.

Further, I am required to submit the audit report in accordance with Article 229(7) of the Constitution.

Detailed description of my responsibilities for the audit is located at the Office of the Auditor-General's website at: <https://www.oagkenya.go.ke/auditor-generals-responsibilities-for-audit/>. This description forms part of my auditor's report.

  
FCPA Nancy Gathungu, CBS  
**AUDITOR-GENERAL**

Nairobi

27 December, 2024

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30TH JUNE 2024

	Note	2024 Kes'000	2023 Kes'000
<b>REVENUE</b>			
Assessment income	6	7,738,891	7,353,545
Investment income	7	26,963,480	20,432,847
Other Income	8	-	733
		<u>34,702,370</u>	<u>27,787,125</u>
		=====	=====
<b>EXPENSES</b>			
Transfer to KDIC expense	9	865,607	789,423
Finance Costs	10	147,928	111,401
		<u>1,013,535</u>	<u>900,823</u>
		=====	=====
<b>SURPLUS FOR THE YEAR BEFORE TAXATION</b>		<b>33,688,836</b>	<b>26,886,302</b>
Taxation	1(e)	-	-
<b>SURPLUS FOR THE YEAR AFTER TAXATION</b>		<b>33,688,836</b>	<b>26,886,302</b>
Other comprehensive income		-	-
<b>TOTAL COMPREHENSIVE INCOME</b>		<b>33,688,836</b>	<b>26,886,302</b>
		=====	=====

**STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2024**

	Note	2024 KShs'000	2023 KShs'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Government securities	11	153,153,581	127,086,201
		_____	_____
		153,153,581	127,086,201
		_____	_____
<b>Current assets</b>			
Government securities Maturing between 91 days & 364 days	11	48,994,067	39,854,485
Government securities Maturing Within 90 Days	11	17,746,493	20,274,476 (R)
Receivables	12	4,743,050	3,826,581 (R)
Cash and bank balances	13	214,116	99,593
		_____	_____
		71,697,727	64,055,136
		_____	_____
<b>TOTAL ASSETS</b>		224,851,308	191,141,337
		=====	=====
<b>FUND BALANCE AND LIABILITIES</b>			
Fund balance		224,328,394	190,550,127 (R)
<b>Current liabilities</b>			
Payables and accruals	-	-	- (R)
Payable to Staff Loan Fund	14	522,914	591,210
		_____	_____
		522,914	591,210
		_____	_____
<b>Non- Current Liabilities</b>			
	-	-	-
		_____	_____
		-	-
		_____	_____
<b>TOTAL FUND BALANCE AND LIABILITIES</b>		224,851,308	191,141,337
		=====	=====

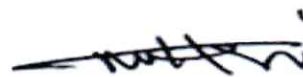
The financial statements were approved on 30<sup>th</sup> September 2024 and signed on its behalf by:



Chief Executive Officer  
Hellen Chepkwony



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



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



**STATEMENT OF CHANGES IN FUND BALANCE FOR THE YEAR ENDED 30 JUNE 2024**

	2024	2023
	Fund balance	Fund balance
	Kshs '000	Kshs '000
As at 1st July	190,550,127	160,143,556
(Transfer of Accumulated Surplus from KDIC)	89,431	105,304
Prior Year Adjustment		3,414,965
Surplus for the year	33,688,836	26,886,302
	—————	—————
As at 30 June	224,328,394	190,550,127
	=====	=====

## STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2024

	Note	2024 KShs'000	2023 KShs'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Surplus for the year		33,688,836	26,886,302
<i>Adjustment for:</i>			
Interest Income	7	-26,963,480	-20,432,847
Transfer to KDIC expense (Non-cash)	9	865,607	789,423
Cash transfers to KDIC		-826,000	-719,000
<i>Changes in working capital:</i>			
Receivables	12	-916,469	-
Payables and accruals	14	-68,296	144,881
		<hr/>	<hr/>
Net cash generated from operating activities		5,780,198	6,668,758
		=====	=====
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of Government Securities	11	-168,757,071	-93,782,611
Proceeds from Disposal of Government Securities	11	144,114,600	93,618,824
Interest Received		17,816,551	14,882,211
		<hr/>	<hr/>
Net cash (used in)/generated from investment activities		-6,825,920	14,718,425
		=====	=====
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
		-	-
		<hr/>	<hr/>
Net cash generated from financing activities		-	-
		=====	=====
Net (decrease)/increase in cash and cash equivalents		-1,045,722	21,387,183
CASH AND CASH EQUIVALENTS AT 1 JULY 2023		23,513,258	2,126,075
		<hr/>	<hr/>
CASH AND CASH EQUIVALENTS AT 30 JUNE 2024	13	22,467,536	23,513,258
		=====	=====

**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2024**

	2023/2024 BUDGET	ADST	FINAL BUDGET	ACTUAL INCOME/ EXPENDITURE	PERFORMANCE DIFFERENCE IN KSHS.	% UTILIZATION
NOTE Revenue				Kshs.000		
16(I) Assessment Income	7,794,667	-	7,794,667	7,738,891	-55,777	99.28%
16(II) Investment Income	18,528,828	-	18,528,828	26,963,480	8,434,652	145.52%
16(III) Other Income	-	-	-	-	-	100.00%
<b>Total Revenues</b>	<b>26,323,495</b>	<b>-</b>	<b>26,323,495</b>	<b>34,702,370</b>	<b>8,378,875</b>	
Expenditure						
16(IV) Finance Cost	-	-	-	147,928	-147,928	0.00%
<b>Sub-total</b>				<b>147,928</b>	<b>-147,928</b>	
16(V) Transfer to KDIC- Opex	1,129,129	-	1,129,129	865,607	263,522	76.66%
16(VI) Transfer to KDIC - Capex	30,000	-	30,000	29,961	39	99.87%
<b>Total expenditures</b>	<b>1,159,129</b>	<b>-</b>	<b>1,159,129</b>	<b>895,568</b>	<b>263,561</b>	
<b>Net Surplus</b>	<b>25,164,366</b>		<b>25,164,366</b>	<b>33,688,836</b>	<b>8,642,437</b>	
	=====		=====	=====	=====	

## 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. However, cash flow statement is not prepared using the accrual basis of accounting but cash basis of accounting.

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

The financial statements have been prepared in accordance with the Public Finance Management Act, 2012, the Kenya Deposit Insurance Act, 2012, the State Corporation's Act

(Cap.446) and International Financial Reporting Standards (IFRS). The accounting policies adopted have been consistently applied to all the years presented.

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

#### **i) Relevant new standards and amendments to published standards effective for the year ended 30 June 2024**

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

The amendments, applicable to annual periods beginning on or after 1st January 2024, clarify a criterion in IAS 1 for classifying a liability as non-current: the requirement for an entity to have the right to defer settlement of the liability for at least 12 months after the reporting period. The amendments are effective for annual periods beginning on or after January 1, 2024.

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

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

#### **ii) Relevant New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2024**

**IFRS 18 Presentation and Disclosure in Financial statements**

The objective of IFRS 18 is to set out requirements for the presentation and disclosure of information in general purpose financial statements (financial statements) to help ensure they

provide relevant information that faithfully represents an entity's assets, liabilities, equity, income and expenses. The new standard is effective for annual periods beginning on or after January 1, 2027. Earlier application is permitted.

iii) Early adoption of standards

The Corporation did not early – adopt any new or amended standards in year 2023/2024.

#### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

a) Revenue recognition

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

b) 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	<i>over the lease period</i>
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.

**c) 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.

**d) 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.

**e) 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 depreciation over the period of the lease.

**f) 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.

**g) 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.

**h) 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.

**i) Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of

**Kenya Deposit Insurance Corporation – Deposit Insurance Fund  
Annual Reports and Financial Statements for the year ended June 30, 2024**

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

**j) 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.

**k) Rounding off Difference**

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

**l) 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.

**m) 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.

**n) 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.

**o) 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.

**p) 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, 2024.

**q) 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. Provisions made include provisions for leave, gratuity, audit fees, bad debts

**r) Budget information**

The budget for FY 2023-2024 was approved on 30<sup>th</sup> June 2023. 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.

s) **Translation of foreign currencies**

The accounting records are maintained in the functional currency of the primary economic environment in which the entity operates, Kenya Shillings. Transactions in foreign currencies during the year/period are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Any foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

t) **Comparative figures**

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

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, 2024.

**5. Significant Judgments and Sources of Estimation Uncertainty**

The preparation of the Entity's financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

**a) Estimates and assumptions**

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Corporation based its assumptions and estimates on parameters available when the financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Entity. Such changes are reflected in the assumptions when they occur.

**b) Useful lives and residual values**

The useful lives and residual values of assets are assessed using the following indicators to inform potential future use and value from disposal:

The condition of the asset

The nature of the asset, its susceptibility and adaptability to changes in technology and processes

The nature of the processes in which the asset is deployed

Availability of funding to replace the assets

**c) 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, and are discounted to present value where the effect is material.

**6. 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.

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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:

	2024 Shs’000	2023 Shs’000
Bank and cash balances	214,116	99,593
Government securities	219,894,142	190,354,351
	—————	—————
	220,108,258	190,453,944
	=====	=====

(b) Currency risk

**Kenya Deposit Insurance Corporation – Deposit Insurance Fund  
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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 KShs’000	1 – 5 years KShs’000	6 – 10 years KShs’000	10 years KShs’000	Total KShs’000
<b>2024</b>						
Investments held to maturity		66,740,561	24,075,339	43,883,400	85,194,843	219,894,142
<b>Interest sensitivity gap at 30 June 2024</b>	16.76%	66,740,561	24,075,339	43,883,400	85,194,843	219,894,142
<b>2023</b>						
Investments held to maturity		65,096,210	38,704,362	60,281,543	26,272,236	190,354,351
<b>Interest sensitivity gap at 30 June 2023</b>	16.76%	65,096,210	38,704,362	60,281,543	26,272,236	190,354,351

*(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.

	2024 Shs'000	2023 Shs'000
Effect on surplus for the year of a +5% change in interest rates	1,684,502	1,344,315
Effect on surplus for the year of a -5% change in interest rates	-1,684,502	-1,344,315
	<u>                    </u>	<u>                    </u>

(d) Liquidity risk management

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

The Fund's financial liabilities amount to Kes. 522Mn (2023 - Kes. 591 million) and are all payable in the short term. The financial liability relates to amounts payable to staff mortgage and car loan scheme.

The Corporation has restated the financial liability of Kshs.2.727M (FY 2022/23) that related to protected deposits for Institutions in liquidation. The restatement has been occasioned by subrogation of the amounts paid to protected depositors and recognising the same as accounts receivable.

**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 KShs '000	Loans and receivables KShs '000	Held to maturity KShs '000	Total carrying value KShs '000	Fair value KShs '000
<b>2024</b>					
<b>Financial assets</b>					
Cash and bank balances	-	214,116	-	214,116	214,116
Government Securities	-	-	219,894,142	-	219,894,142
	-	<b>214,116</b>	<b>219,894,142</b>	<b>214,116</b>	<b>220,108,258</b>
<b>Financial liabilities</b>					
Payables and accruals	-	-	-	-	-
	-	-	-	-	-
<b>2023</b>					
<b>Financial assets</b>					
Cash and bank balances	-	99,593	-	99,593	99,593
Government Securities	-	-	190,354,351	-	190,354,351
	-	<b>99,593</b>	<b>190,354,351</b>	<b>99,593</b>	<b>190,453,944</b>
<b>Financial liabilities</b>					
Payables and accruals	-	-	-	-	-
	-	-	-	-	-

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.

	2024 KShs'000	2023 KShs'000
Total average deposits of institutions assessed as contributors	4,807,919,133	5,211,597,252
- Contributions from Commercial Banks	7,655,643	7,261,740
Contribution from Deposit Taking Microfinance	83,248	91,805
<b>Total assessment income</b>	<b>7,738,892</b>	<b>7,353,545</b>

The growth in premiums for the financial year ended 30<sup>th</sup> June 2024 is attributable to growth in deposits held by member financial institutions. Comparative to the previous year, despite the decline in the total average deposits, the fund registered a growth in assessment income as a result of continued application of risk based premium assessment model.

## 7 INVESTMENT INCOME

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

	2024 KShs'000	2023 KShs'000
<i>(i) Interest earned on treasury bills</i>		
Discount on 91-day treasury bills	2,444,166	350,580
Discount on 182-day treasury bills	2,728,967	616,109
Discount on 364-day treasury bills	2,884,324	4,102,467
	8,057,457	5,069,157
<i>(ii) Interest earned on treasury bonds</i>		
Interest on Treasury Bonds	18,779,043	15,246,824
Discount on purchase	126,980	116,867
Amortisation of premium	-147,928	-111,401
	18,906,023	15,363,691
<b>Total investment income</b>	<b>26,963,480</b>	<b>20,432,847</b>

During the year under review, The Corporation recorded a growth in its investment income compared to previous year as a result of improved rates of return from government securities.

## 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.

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	2024 KShs'000	2023 KShs'000
Penalty charges on late contributions	-	323
Wound up Institution	-	410
	<hr/>	<hr/>
	-	733
	<hr/>	<hr/>

During the year no penalty on premiums were received for late contributions, since all premiums were paid on time.

#### 9. TRANSFER TO KDIC EXPENSES

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

	2024 KShs'000	2023 KShs'000
Transfer for KDIC Operations	865,607	789,423
	<hr/>	<hr/>
Total	865,607	789,423
	<hr/>	<hr/>

#### 10. FINANCE COST

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

Kenya Deposit Insurance Corporation – Deposit Insurance Fund  
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	2024 KShs'000	2023 KShs'000
Treasury Bonds-Premium amortization	147,928	111,401
	<hr/>	<hr/>
	147,928	111,401
	<hr/> <hr/>	<hr/> <hr/>

## 11. 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:

	2024 Shs'000	2023 Shs'000
Government Securities (Treasury Bills & Bonds) Maturing within 90 days (Note 17)	17,746,493	20,274,476
Treasury bills maturing after 91 days from date of placement	44,304,933	33,332,150
Treasury bonds maturing within 1 year	4,689,135	6,522,335
Treasury bonds maturing after 1 year	153,153,581	127,086,201
	<hr/>	<hr/>
	219,894,142	187,215,163
	<hr/> <hr/>	<hr/> <hr/>
Comprising:		
Maturing within 1 year	66,740,561	60,128,961
Maturing after 1 year	153,153,581	127,086,201
	<hr/>	<hr/>
	219,894,142	187,215,163
	<hr/> <hr/>	<hr/> <hr/>

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

## 12. RECEIVABLES

	2024 KShs'000	2023 KShs'000
Receivables-Accrued interest on Bonds	4,506,926	3,139,188
Receivables-Subrogated	236,124	687,393
	<hr/>	<hr/>
<b>Total</b>	<b>4,743,050</b>	<b>3,826,581</b>
	<hr/> <hr/>	<hr/> <hr/>

KDIC restated its financial statement for the financial year 2022 2023 in compliance with KDI Act 2012 which requires that: Where the Corporation makes a payment in respect of any deposit, the Corporation shall be subrogated. Upon payment of an insured deposit, the Corporation shall be entitled to receive from the institution an amount equal to the insolvency payment paid by the Corporation on account of its claims of any customer or depositor. During the period under review, Subrogated claims of Kshs.236 comprises of amounts owed by Imperial bank in Liquidation for payment of protected deposits (Kshs.216M) and Chase Bank in Liquidation (Kshs.19.6M)

## 13. CASH AND CASH EQUIVALENTS

	2024 KShs'000	2023 KShs'000
Government Securities Maturing within 90 days	17,746,493	20,274,476
Accrued Interest on Treasury Bonds	4,506,926	3,139,188
Cash and bank balance	214,116	99,593
	<hr/>	<hr/>
	<b>22,467,535</b>	<b>23,513,258</b>
	<hr/> <hr/>	<hr/> <hr/>
The Cash & Bank balance is made up of		
KDIC's Fund Corporation Investment Account	190,925	987
KDIC'S Fund Investment Account	23,190	98,607
	<hr/>	<hr/>
	<b>214,116</b>	<b>99,593</b>
	<hr/> <hr/>	<hr/> <hr/>

#### 14. PAYABLE TO STAFF LOAN FUND

	2024 Kshs'000	2023 Kshs'000
Staff loans Fund Balance as at 1st July	756,105	751,904
Interest Received by KDIC for the year	6,208	4,201
Staff loans advanced as at 30th June	-239,399	-164,895
	<hr/>	<hr/>
Staff Loans Payable as at 30th June	522,914	591,210
	<hr/> <hr/>	<hr/> <hr/>

The trade payables for the financial year 2022 2023 have been restated in compliance with KDI Act 2012 which requires that; Where the Corporation makes a payment in respect of any deposit, the Corporation shall be subrogated. Upon payment of an insured deposit, the Corporation shall be entitled to receive from the institution an amount equal to the insolvency payment paid by the Corporation on account of its claims of any customer or depositor.

#### 15. RELATED PARTY TRANSACTIONS

	2024 Shs'000	2023 Shs'000
Cash and balances held with Central Bank of Kenya	214,116	99,593
Investments in Government Securities through the Central Bank of Kenya	219,894,142	190,354,351
	<hr/>	<hr/>
	220,108,258	190,453,944
	<hr/> <hr/>	<hr/> <hr/>

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.

## 16. EXPLANATION OF PERFORMANCE ON THE STATEMENT OF BUDGET & ACTUAL COMPARISON

The total approved revenue budget for the year under review was Kes. 26,323 M being Kes. 7,795 M for assessment income and Kes. 18,528 M for investment income. The utilization of the income has been appropriated to cater for approved Corporation's expenditure budget of Kes. 1,159M.

- I. The assessed contributions from member Institutions was Kes. 7,738 B against a budget of Kes.7,795B. This represents 99% achieved of the revised premium income target for the year.
- II. Returns on investments in Government Securities were higher than the budget at Kes. 26,963 B as compared to a budget of Kes. 18,528 B this represents a growth of Kes. 8,435 M or 45%. This was attributable to the management's improved to improved return on government securities, 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. Finance costs relate to premium charged on acquisition of treasury bonds at a premium. The premium is amortized over the tenure of the bond.
- IV. The Corporation's operations are fully funded by the income generated Deposit Insurance Fund. This funding is guided by the approved budgetary allocations annually. Despite the approvals, the Corporation exercise prudence in management of financial resources by drawing from the fund on a need basis. During the year, the Corporation's total expenditure financed was Kes.896M, with recurrent expenditure of Kes.866M and Kes.29.9M for capital expenditure.

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)
1 – Emphasis of matter	The statement of comparison of budget and actual reflects actual revenue of Kshs. 27,787,125,000 against a final budget of Kshs. 22,484,928,000 resulting to excess revenue of Kshs. 5,302,197,000 or 24% of the budget. Similarly, the statement reflects actual expenditure of Kshs. 808,102,000 against a budget of Kshs. 1,230,321,000 resulting to an under-expenditure of Kshs. 422,219,000 or 34% of the budget. The significant over collection of revenue and under-expenditure could be a pointer to challenges in the budgeting process resulting in unrealistic budget estimate. There is need for management to relook into the budgeting process to ensure a more realistic budget.	The excess of revenue over the budgeted amount was due to higher return in government securities. The rates are influenced by several external factors including monetary policy which is not within the control and prediction of KDIC. The under expenditure was due to a low budget absorption by the Corporation (presented in the Corporation’s financial statements).	Nelson Nyongesa Ag. Deputy Director, Finance	Not resolved	1 <sup>st</sup> January 2024



Chief Executive Officer

Hellen Chepkwony(Mrs.)



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**KENYA DEPOSIT INSURANCE CORPORATION**

Annual Report and Financial Statements for Deposit Insurance Fund

for the Financial Year Ending June 30, 2024

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

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## ACRONYMS AND GLOSSARY OF TERMS

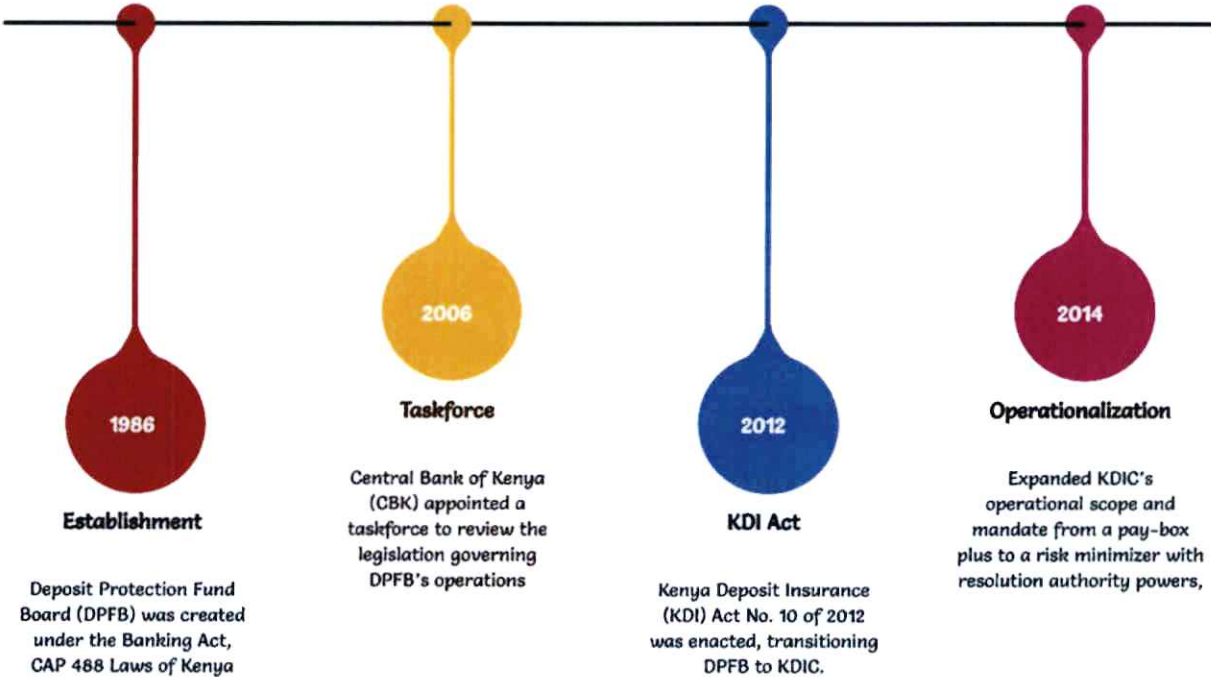
IFRS	International Financial Reporting Standards
KDIC	Kenya Deposit Insurance Corporation
IADI	International Association of Deposit Insurers
CBK	Central Bank of Kenya
QMS	Quality Management System
ERM	Enterprise Risk Management
SP	Strategic Plan
IR	In Receivership
IL	In Liquidation
EDW	Electronic Data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

## KEY ENTITY INFORMATION

### Background Information

The Kenya Deposit Insurance Corporation (KDIC) was established under the Kenya Deposit Insurance Act, Cap 487C. As a State Corporation and the country’s Resolution Authority, established a Deposit Insurance Fund pursuant to section 20 of KDI Act. KDIC manages the Deposit Insurance Fund and resolves banks at various stages including receivership, liquidation and winding-up of any failing member institutions with a view to foster financial stability by minimizing risks within the banking sector.

Kenya’s deposit protection framework has a rich history spanning over 38 years. In 1986, the Deposit Protection Fund Board (DPFB) was created under the Banking Act, CAP 488 Laws of Kenya and seed capital KES 300 million provided by the National Treasury in 1992 to facilitate the mandate of DPFB. The Board’s mandate was to offer deposit protection to customers of member institutions, promote public confidence and foster stability in the financial sector.



DPFB as a deposit insurer functioned as a pay-box plus, focusing solely on payment of protected deposits, to depositors of failed banks and carrying out bank liquidation. However, challenges in administering of this framework, especially inability to separate the role of regulator and deposit insurer, led the Central Bank of Kenya (CBK) to appoint a taskforce in March 2006 to review the Depositor protection and Bank Resolution framework. This taskforce reviewed the legislation governing DPFB's operations and recommended a new legal framework to improve and clarify its governance framework and expand its mandate to provide its autonomy, and enhance corporate governance structure.

DPFB carried out the IADI assessment of compliance with Core principles in 2008 that augmented the recommendations of the legal review to enhance the role and operations of the Resolution Authority. Arising from the reviews, the Kenya Deposit Insurance (KDI) Act No. 10 of 2012, Cap 487C, was enacted, transitioning DPFB to KDIC. The Act became operational in July 2014, marking a new era of deposit protection in Kenya. It expanded KDIC's operational scope and mandate from a pay-box plus to a risk minimizer with resolution authority powers, aligning its operations with international best practices.

### **Key Milestones**

In the 38 years of its existence, the Corporation has achieved the following milestones around its key focus areas:

#### **a. Deposit Insurance Fund**

The Corporation's goal is to offer a deposit insurance scheme for customers of its member institutions. Currently, the Corporation includes 38 Commercial Banks and 14 Micro-Finance Banks. As of June 2024, these member institutions held total deposits of Kes. 5.6 billion across 112.5 million customer accounts.

KDIC oversees the country's Deposit Insurance Fund, which has grown from an initial capital of Kes. 300 million in 1992 to Kes. 224 billion as of June 30, 2024. The Fund is financed through annual premiums paid by member institutions and interest income from the Fund's investments.

KDIC review the coverage limit, amount a depositor is paid when a bank is in liquidation, in 2020 from Kes 100,000 to 500,000. Therefore, each depositor is insured up to KES 500,000 per bank.

#### **b. Risk Minimization**

The Kenya Deposit Insurance Corporation (KDIC) is tasked with encouraging implementation of sound risk management among its member institutions. To achieve this, KDIC has introduced the Risk-Based Premium Assessment model, also known as the Differential Premium System. Under this system, the premium contributions of member institutions are determined by their total average deposit amounts and risk profiles. Essentially, banks with strong and effective risk management systems benefit from lower premium rates, while those with higher risk profiles face higher premiums contributions. This approach aims to motivate banks to maintain sound risk management systems that align with their risk appetite. Additionally, KDIC has established an early detection and intervention framework to ensure that KDIC detects, develops and implements a proactive response if a member institution encounters distress.

#### **c. Resolution of Problem Banks**

As the country's Resolution Authority, the Corporation is mandated to promptly receive, liquidate and wind-up failed banks, to restore confidence in and promote stability of the banking system. Problem banks cause strain to the financial system by causing panic amongst depositors and other players in the banking system.

Currently, the Corporation is overseeing the liquidation of 19 institutions and has fully wound up 9 institutions. Through the resolution mandate, the Corporation has paid protected deposits for all of the institutions in liquidation, and continues to make regular payments to depositors upon realising of the assets and collection of debts of the failed banks.

To preserve the Corporation's experience in the resolution of failed banks, the resolution experiences of six banks have so far been documented. This includes detailed accounts of each bank's journey before failure, covering aspects such as licensing, profile, role in the banking industry, and the weaknesses that led to their collapse. This documentation aims

to maintain institutional memory of resolutions and serve as a valuable resource for capacity development in the future.

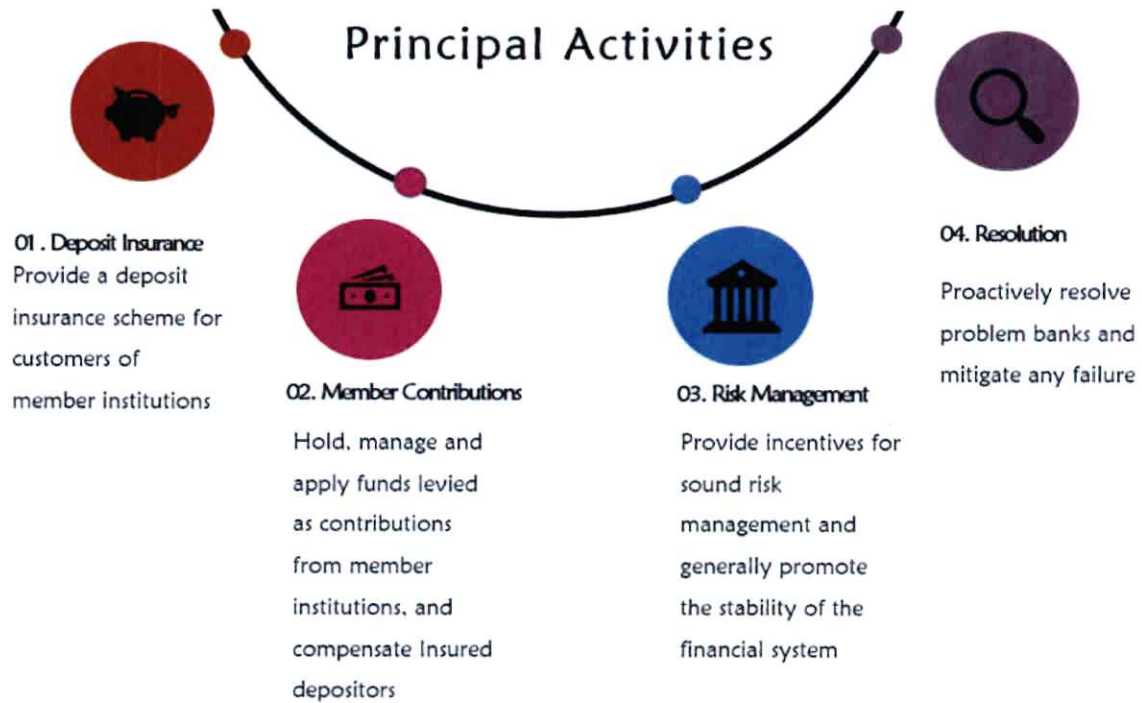
**d. Institutional Capacity Development**

This focus area is designed to support the Corporation in achieving its primary mandates. Firstly, it involves refining the legal framework to enhance deposit insurance, minimize risks, and ensure the prompt resolution of problematic banks. Another key deliverable is improved talent management, aimed at attracting and retaining skilled personnel to bolster service delivery. This is complemented by fostering a robust organizational culture focused on high performance and the achievement of strategic objectives. Lastly, this focus area ensures enhanced operational efficiency and the promotion of good corporate governance practices.

Supporting this focus area are a robust Enterprise Risk Management framework, a Quality Management System (ISO 9001:2015), and an effective Performance Management System.

## Principal Activities, Our Vision, Mission and Strategic Themes

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



### MISSION



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

### VISION



A reliable, effective deposit insurer and resolution authority



**Our Values**



**Teamwork**  
 We commit to work together to achieve the Corporation's strategic goals



**Accountability**  
 We shall take responsibility for decisions taken and be able to explain, clarify and justify actions



**Innovativeness**  
 We shall endeavour to harness new ideas to achieve organizational transformation.



**Integrity**  
 We commit to do the right thing with honesty and transparency



**Customer Focus**  
 We promise to consistently deliver an experience that exceeds the customers' needs and expectation



**Professionalism**  
 We commit to be strategic, efficient and deliver quality service.

## DIRECTORS

The Directors who served during the year ending 30<sup>th</sup> June 2024 were as follows;

- |                                   |  |
|-----------------------------------|--|
| 1. Mrs. Hannah W. Muriithi, EBS   | Chairperson (Appointed 20 <sup>th</sup> January 2023)  |
| 2. Prof. Njuguna Ndung'u CBS      | Cabinet Secretary, National Treasury & Economic Planning (Appointed 22 <sup>nd</sup> September 2022) |
| 3. Mr. John Njera                 | Alternate to Cabinet Secretary, The National Treasury & Planning                                     |
| 4. Hon. Justin B. N. Muturi E.G.H | Attorney General (Appointed November 2022)   |
| 5. Mr. Mohamed Deiss Adow         | Alternate to Attorney General  |
| 6. Dr. Kamau Thugge EBS, MBS, CBS | Governor, Central Bank of Kenya (Appointed 19 <sup>th</sup> June 2023)                               |
| 7. Mr. Kennedy Abuga              | Alternate to CBK Governor  |
| 8. Dr. Habil Olaka                | Director representing the Kenya Bankers Association  |
| 9. Ms. Melissa Ng'ania            | Director (Appointed 20 <sup>th</sup> January 2023)   |
| 10. Ms. Anne Rimbaine Lengereded  | Director (Appointed 20 <sup>th</sup> January 2023)   |
| 11. Mr. James Agembe Akali        | Director (Appointed 20 <sup>th</sup> January 2023)   |
| 12. Mr. Joseph Kipkemoi Ngetich   | Director (Appointed 20 <sup>th</sup> January 2023)   |
| 13. Mrs. Hellen Chepkwony         | Chief Executive Officer (Appointed 23 <sup>rd</sup> April 2023)                                      |

### Corporation Secretary

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

### Registered Office and Corporate Headquarters:

Kenya Deposit Insurance Corporation  
23<sup>rd</sup> 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](mailto:customercare@kdic.go.ke)  
Website: [www.kdic.go.ke](http://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**

The Board of Directors has the overall oversight responsibility of the Staff Mortgage and Car Loan Scheme. As detailed in the section on corporate governance, this responsibility is administered through various committees of the Board that have specific roles. The Board of Directors during the financial year ending were;



Mrs. Hannah W. Muriithi,  
EBS  
Chairperson

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


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


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


Her leadership acumen extends beyond the legal domain, as she is also proficient in strategic leadership at both executive and management levels. She possesses a keen eye for efficiency and effectiveness, enabling successful implementation of strategic plans.


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

She is revered for her outstanding leadership skills, ensuring that deliverables are of exceptional quality and always on time. She has proven her talent as a change manager, successfully orchestrating organizational restructuring efforts that align with the organization's goals.

	<p>This dedication and commitment to duty has seen Mrs. Muriithi bestowed with positions of responsibility. She was the Founder Chairperson of the Board of Kenya National Highways Authority (KeNHA), where she spearheaded the operationalization of the organization from inception to become one of the revered parastatals in the Country. Further, she served as the Chairperson of the National Hospital Insurance Fund (NHIF) and the Agriculture, Fisheries, and Food Authority (AFFA).</p> <p>Mrs. Muriithi’s invaluable contributions and accomplishments have garnered recognition, thus receiving the prestigious Presidential Award of 'Order of the Elder of the Burning Spear' (EBS), for her role in the successful implementation of the upgraded Nairobi-Thika (A2) Superhighway.</p> <p>Mrs. Muriithi is an active member of the Law Society of Kenya and the Institute of Certified Public Secretaries of Kenya, where she contributes her expertise to the legal and corporate governance communities.</p> <p>She holds a Master’s degree in Business Administration from Moi University, a Bachelor of Law (LLB. Hons.) from the University of Nairobi, and a Diploma in Law, Kenya School of Law. She is also a Certified Public Secretary of Kenya, an Accredited Governance and Legal Auditor, and serves as a Commissioner for Oaths and Notary Public.</p>
 <p>Prof. Njuguna Ndung’u,          CBS Cabinet Secretary,          National Treasury &amp;          Economic Planning</p>	<p>Prof. Njuguna Ndung’u is the Cabinet Secretary, National Treasury &amp; Economic Planning. He was appointed Cabinet Secretary by President William Samoei Ruto on September 27, 2022. Prior to the current appointment, Prof. Ndung’u was serving as the Executive Director of the African Economic Research Consortium (AERC), a Pan African premier capacity building network of researchers, trainers, students, universities, policy makers and international resource persons. He is an associate professor of economics at the University of Nairobi, Kenya and the immediate former Governor, Central Bank of Kenya.</p> <p>Prof. Ndung’u has been a member of the Global Advisory Council of the World Economic Forum, Visiting Fellow of Practice at Blavatnik School of Government, Oxford University, Director of Training at AERC, Program specialist at IDRC and Team Leader in</p>

	<p>Macro-modelling at the Kenya Institute for Public Policy Research and Analysis. He holds a PhD in economics from University of Gothenburg, Sweden. He is a Member of Brookings Africa Growth Initiative, Member of the Advisory Committee of the Alliance for Financial Inclusion, that coordinates financial inclusion policies in Africa, Asia and Latin America, and Senior Advisor for the UNCDF-based Better Than Cash Alliance.</p>
 <p>Dr. Kamau Thugge EBS, MBS, CBS          Governor, Central Bank of Kenya</p>	<p>Dr. Kamau Thugge C.B.S., is the tenth Governor of the Central Bank of Kenya (CBK), and has been in office since June 19, 2023.</p> <p>Dr. Thugge joined CBK after a long and distinguished career in the international and Kenyan public service. He worked in the International Monetary Fund (IMF) in both policymaking and non-policymaking departments. These include the Policy Review and Development Department and the Trade Policy Division. In these roles, Dr. Thugge helped to design the Highly Indebted Poor Countries Initiative (HIPC) as well as other policy initiatives. He also worked on various Article IV missions. Dr. Thugge also served as Mission Chief to Botswana and Lesotho in the wake of the Global Financial Crisis.</p> <p>Dr. Thugge has held various senior roles in Kenya, including as the Head of the Fiscal and Monetary Affairs Department at the National Treasury, as Economic Secretary and as Senior Economic Advisor. Dr. Thugge also served as Principal Secretary at the National Treasury, and lately as Senior Advisor to the President and Head of Fiscal and Budget Affairs. Dr. Thugge helped to design and implement various laws including the Public Finance Management Act, the Commission on Revenue Allocation Act, the Independent Officers (Appointment) Act, the Public Procurement and Disposal of Assets Act, and many more. In these roles, he also served on various boards including that of the Central Bank of Kenya, the Monetary Policy Advisory Committee (and later the Monetary Policy Committee), the Kenya Revenue Authority and the Capital Markets Authority.</p>

	<p>The Governor holds a Bachelor’s Degree from the Colorado College, and Master’s and PhD Degrees in Economics from Johns Hopkins University in the United States.</p>
 <p>Hon. Justin B. N. Muturi          E.G.H The Attorney          General</p>	<p>Hon. Justin B. N. Muturi E.G.H is the Attorney General of the Republic of Kenya and has been in office since November 2022.</p> <p>Hon. Muturi joined the Office of the Attorney General with a distinguished career in public service and held several prominent leadership positions regionally and in Kenya. He is the immediate former Speaker of the National Assembly and Chair, Parliamentary Service Commission (PSC) for the period 2013-2022. During his tenure, he championed reforms in the administration of resources and efficiency of Committees of the House. He also issued key rulings and guidelines to the National Assembly to ensure full implementation of the constitutional mandate of the House.</p> <p>Hon. Muturi worked as the Chairperson of the Centre for Multi-Party Democracy during the period 2011 – 2013 and his role was instrumental in initiating reforms for the management of political parties in Kenya in the quest for promoting democracy.</p> <p>Hon. Muturi was a member of the National Assembly, Siakago Constituency, Embu County for the period 1999 – 2007 and played an instrumental role in the Constitutional review process culminating in the adoption of the 2010 among other key achievements in the Parliament.</p> <p>Hon. Muturi served in the Judiciary for fifteen (15) years before retiring as Principal Magistrate at the Nairobi Law Courts. While holding this position, he served as the Chairperson of the Kenya Judges and Magistrates Association.</p> <p>Hon. Muturi has made significant contributions regionally where he held various leadership positions including the President of the Board of the African Parliamentarians Network Against Corruption</p>

	<p>(2018), and Chairperson of the Executive Committee of Commonwealth Parliamentary Association (Africa Region) (2018).</p> <p>Mr. Muturi holds a Bachelor of Law (LLB. Hons.) from the University of Nairobi, and a Postgraduate Diploma in Law, Kenya School of Law.</p>
 <p>Mr. James Agembe Akali              Director</p>	<p>Mr. James Akali is a distinguished Senior Finance and Operations expert with over 15 years of valuable expertise in the public and private sectors, including NGOs and projects funded by reputable organizations such as USAID, PEPFAR, Global Fund, and World Bank. He has a demonstrable track record of implementing industry best practices in accounting, finance, operations, and administration.</p> <p>Currently serving as the Finance and Administration Director at OGRA Foundation, Mr. Akali oversees various operational teams, including finance, grants, human resources, administration, procurement, logistics, security, and information technology.</p> <p>Mr. Akali is highly skilled in financial planning and budget management, contributing significantly to organizational goals. He is well-versed in implementation of financial policies and establishment of internal controls to ensure the proper utilization of resources as well as transparency.</p> <p>Throughout his career, Mr. Akali has managed USAID-funded contracts, demonstrating comprehensive knowledge of USAID regulations and compliance. He possesses strong problem-solving abilities and adapts quickly to changing circumstances, providing innovative solutions to complex issues. His ability to establish strong relationships with stakeholders enhances his effectiveness as a leader.</p> <p>He is a member of Chartered Institute of Public Accountants of Kenya (ICPAK) and currently pursuing a Ph.D. (Finance) and ACCA Certification.</p> <p>Mr. Akali who is currently pursuing his Ph.D in Finance, holds an MBA in Business Administration – (Finance) from Maseno University, a Bachelor’s degree in Business Administration (BBA-Finance) from Maseno University, a Diploma in Business Management as well as a Certificate in Project Management from Metropolitan School of Business and Management, United Kingdom.</p>

 <p>Ms. Melissa Ng'ania              Director</p>	<p>Ms. Melissa Ng'ania is an outstanding legal professional with excellent personal competencies and an impressive career spanning over 10 years.</p> <p>She has been actively involved in various legal firms and boards, contributing her legal expertise to matters of public interest. Ms. Ng'ania is deeply devoted to community service and has served as the legal advisor to All Saints' Cathedral Nairobi since 2019, offering valuable guidance on legal matters impacting the Church.</p> <p>Ms. Ng'ania is also a dedicated trainer with the Red Cross Society, where she provides pro bono legal training on the rights of key populations and persons living with HIV and AIDS. As such, she has been involved in mentorship programs through the Law Society of Kenya, actively contributing to the development of young lawyers.</p> <p>As a member of the Environment and Land Court Bar Bench under the Law Society of Kenya, Ms. Ng'ania played a vital role in providing recommendations and guidelines on court proceedings during the Covid-19 pandemic.</p> <p>She is currently serving as the Managing Partner at Ng'ania and Company Advocates, a private legal practice based in Nairobi, Kenya.</p> <p>As a committed legal professional, Melissa is an active member of the Law Society of Kenya, LSK Court of Appeal Bar Bench and LSK Practice Standard &amp; Ethics committee. Additionally, she holds a membership with the Chartered Institute of Arbitrators and is a certified mediator trained by the Mediation Training Institute.</p> <p>She is currently pursuing a Doctor of Philosophy (PhD) in Law at the University of Nairobi. Ms. Ng'ania holds a Master of Laws (LLM) with specialty in Law, Governance and Democracy from the University of Nairobi, a Bachelor of Laws (LLB) from Makerere University and a Post-Graduate Diploma from the Kenya School of Law.</p>
	<p>Mr. Joseph Ng'etich is a dedicated and accomplished professional, with a passion for People Management and Human Resource (HR) Development. With a remarkable career spanning over two decades, Mr. Ng'etich has honed his expertise in various disciplines, including Performance Management, Leadership, Talent Development, Strategy, Planning, Business Growth, Change</p>



Mr. Joseph K. Ng'etich  
Director

Management, and Procurement. His dedication to excellence is evident in his pursuit of higher education and continuous professional development.

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


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


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

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

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

Prior to this, he achieved a double concentration -Master of Business Administration degree in Strategic Management and Human Resources Management from United States International

	<p>University (USIU). He also holds a Bachelor's degree in Business Administration from the esteemed University of Eastern Africa Baraton and a Higher Diploma in Human Resource Management from the prestigious Institute of Human Resource Management (IHRM).</p>
 <p>Ms. Anne Rimbaine Lengerded Director</p>	<p>Anne Lengerded is an accomplished professional with a bias in policy development and analysis as well as supplies chain management.</p> <p>Her impressive educational background, complemented by her professional qualifications, has been the driving force behind her exceptional career in her area of expertise. With her unwavering dedication to knowledge and growth, Ms. Lengerded continues to make immense contributions to various organizations and committees, leaving a lasting impact on Kenya's vital sectors.</p> <p>Ms. Lengerded is a member of the esteemed Chartered Institute of Purchasing Supplies (CIPS) and the Kenya Institute of Supplies Management (KISM), a clear testament to her commitment to staying abreast of industry best practices and continuous professional development.</p> <p>She holds a Master's degree in Public Policy and Analysis from Jomo Kenyatta University of Agriculture and Technology and a Bachelor of Arts degree in Commerce from Kenyatta university among her other academic qualifications.</p>
 <p>Dr. Habil Okunda Olaka Director (Chief Executive Officer of the Kenya Bankers Association)</p>	<p>Dr. Olaka was appointed as Chief Executive Officer of the Kenya Bankers Association (KBA) in October 2010. He is responsible for the strategic direction of the Association, covering industry advocacy, development, and sustainability. Previously he was the Director of Operations of the East African Development Bank (EADB) based in Kampala after serving as the Resident Manager in Kenya. He earlier served the Bank as the Head of Risk Management and as the Chief Internal Auditor.</p> <p>Before joining the Bank, Dr. Olaka had been with Banque Indosuez (now Bank of Africa) as the Internal Auditor. He started his career at the PricewaterhouseCoopers, Nairobi in the Audit and Business Advisory Services Division. He sits on a number of boards representing the KBA. These are Kenya Deposit Insurance Corporation (KDIC), Higher Education Loans Board (HELB),</p>

	<p>National Research Fund (NRF), Federation of Kenya Employers (FKE), and the Anti-Money Laundering Advisory Board (AMLAB) as alternate to KBA Chairman. He is the National President of the Federation of Kenya Employers and the Chairman of the board of the Centre for Corporate Governance (CCG). He also sits on the board of the National Housing Corporation (NHC).</p> <p>Dr. Olaka holds a Doctor of Business Administration from USIU-Africa, a First-Class Honours BSc degree in Electrical Engineering from the University of Nairobi, and an MBA in Finance from the Manchester Business School in the UK. His DBA dissertation was on the influence of strategic leadership on the implementation of strategy in the commercial banks in Kenya.</p> <p>He is a member of the Institute of the Certified Public Accountants of Kenya (ICPAK). He is an alumnus of the Strathmore School of Accountancy, a Certified Executive Coach and has a good command of the French language.</p>
 <p>Mrs. Hellen Chepkwony Chief Executive Officer</p>	<p>Mrs. Hellen Chepchumba Chepkwony is an astute professional with a demonstrable progressive track record in strategic leadership and management, spanning over twenty years. She is a distinguished economist and risk management professional with extensive exposure in both the public and private sectors.</p> <p>Mrs. Chepkwony’s illustrious career has seen the University of Nairobi alumna gain tacit knowledge, which has been instrumental in the creation and management of highly productive teams.</p> <p>She has thus achieved remarkable successes in her transformative agenda, striking a balance between cost reduction, efficiency and high productivity through the savvy implementation of process improvements.</p> <p>As a passionate, and service-oriented thought leader, Mrs. Chepkwony has proven ability to direct and enhance operations across dynamic environments, combining exceptional skills with a proactive work ethic and commitment to achieve organizational success.</p> <p>Mrs. Chepkwony has been instrumental in sector engagements, taking a lead role in the formulation of requisite financial policies through extensive research, immensely contributing to the entrenchment of Kenya’s economic blue-print and engagement in regional trade, fostering financial stability and more</p>

	<p>fundamentally, the overall economic agenda of the country.</p> <p>Specific highlights include her contribution to the Financial Sector Assessment Program with the International Monetary Fund, formulation of key frameworks that saw among others, KDIC's transition into a fully-fledged State Corporation and deposit insurer, resolution of problem banks as well as the upward review of the Corporation's coverage limit of Ksh. 500,000.</p> <p>Having begun her career at the then Ministry of Finance, now The National Treasury and Economic Planning, Mrs. Chepkwony has served in various capacities including her latest posting at the Central Bank of Kenya, prior to her appointment as KDIC's acting Chief Executive Officer.</p> <p>She holds M.A and B.A degrees in Economics, both from the University of Nairobi and is a member of the Institute of Risk Management.</p>
 <p>Eunice Kitche- Board Secretary &amp; Director Legal Services</p>	<p>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.</p> <p>She has actively practiced litigation and conveyancing over the years. Before joining KDIC, Mrs. Oduor worked for 14 years as company secretary and head of legal in various state corporations. She has served in various capacities within government, boards and CEOs and in the process, accumulated a unique appreciation of government thinking and direction in the boards of State Corporations.</p> <p>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.</p>

## KEY MANAGEMENT TEAM

The key management personnel who held office in the Corporation during the financial year ended 30 June 2024 were:



Hellen Chepkwony  
Chief Executive Officer

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

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

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

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

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

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

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

	<p>She holds M.A and B.A degrees in Economics, both from the University of Nairobi and is a member of the Institute of Risk Management.</p>
 <p>Paul Manga Director, Risk &amp; Examination</p>	<p>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 &amp; 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</p> <p>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)</p>
 <p>David Irungu Director, Resolutions</p>	<p>Mr. David Irungu heads the Directorate of Resolutions. He oversees the resolution process of the 18 institutions in liquidation and 1 bank in receivership.</p> <p>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 &amp; Development Manager- Supreme Banking at the Equity Bank (K) Limited – Operations Division. Mr. Irungu holds a Master of Science degree in Finance and Investments from Kenya Methodist University (KEMU), a Bachelor of Commerce (finance option) from the University of Nairobi and is a Certified Public accountant C.P.A (K) and PRINCE II practitioner.</p>

 <p>Eunice Kitche-Oduor                  Board Secretary &amp;                  Director Legal Services</p>	<p>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.</p> <p>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.</p> <p>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.</p>
 <p>Mary Kiragu                  Director, Internal Audit</p>	<p>Mary Kiragu is a credible and a distinguished Professional with over 15 years of experience in Internal Auditing, Compliance and Risk Management drawn from both public and private sector organizations.</p> <p>As an Audit and a Risk Professional, Mary has been instrumental in establishing Risk Management Functions in various organizations and implementing risk-based audits that has strengthened internal controls to distinguished levels.</p> <p>As the Head of Internal Audit at KDIC, Mary provides independent and objective assurance to the Board and Management on the effectiveness of internal controls, governance and risk management processes. Additionally, Mary provides advisory services at KDIC, geared towards to adding value and improving risk management and control processes implemented.</p> <p>Mary holds an MBA in Finance from Daystar University and a Bachelor of Education degree (Accounting and Economics) from the University of Nairobi. She is Certified Public Accountant, Certified Information Systems Auditor and a Certified Risk Analyst.</p> <p>She is a member of the Institute of Certified Public Accountants of Kenya (ICPAK), Institute of Internal Auditors (IIA) and Information Systems Audit and Control Association (ISACA).</p>

## FIDUCIARY MANAGEMENT

The key management personnel who held office during the financial year ended 30<sup>th</sup> June 2024 and who had direct fiduciary responsibility were:

#	Designation	Name
1	Chief Executive Officer	Hellen Chepkwony
2	Head of Corporate Services (up to 14 <sup>th</sup> September 2023)	Robert Mbarani
3	Head of Finance (up to 14 <sup>th</sup> September 2023)	Mogeni Ong'era
4	Acting Head of Finance from 15 <sup>th</sup> September 2023	Nelson Nyongesa
5	Head of Procurement	Stephen Kienjeku

## FIDUCIARY OVERSIGHT ARRANGEMENTS

During the year under review, the following Board committees provided fiduciary oversight over the Corporation.

Committee of the Board	Membership	Functions
Board Technical Committee	Mr. Joseph Ng’etich - <i>Chairperson</i> Mr. Mohamed Adow, Dr. Habil Olaka, Ms. Melissa Ng’ania, Mr. James Akali, Mr. Kennedy Abuga, Mrs Hellen Chepkwony - CEO	The committee considers issues relating to the core functions of the Corporation, that is; Resolution and Deposit Insurance & Bank Surveillance.
Board Human resource Strategy and general-purpose Committee	Mr. James Akali - <i>Chairperson</i> Mr. Joseph Ng’etich, Mr. Mohamed Adow, Ms. Anne Lengerded, Mrs Hellen Chepkwony - CEO	The Committee considers issues relating to Board development programme, Human Resource, Strategy, ICT, Risk and Compliance in the Corporation
Board Finance Committee	Dr. Habil Olaka - <i>Chairperson</i> Mr. Joseph Ng’etich, Mr. Mohamed Adow, Mr. John Njera, Mrs Hellen Chepkwony - CEO	The Committee consider issues relating to Finance, Procurement and Performance Contracting in the Corporation
Board Audit Committee	Ms. Anne Lengerded - <i>Chairperson</i> Mr. Mohamed Adow, Ms. Melissa Ng’ania Mr. John Njera,	The Committee considers all issues relating to the Internal Audit Function within the Corporation.

Moreover, through quarterly reporting, the National Treasury, Public Procurement Regulatory Authority have facilitated in the fiduciary oversight of the Corporation. Parliamentary oversight has been provided through the Public Investment Committee and

Public Accounts Committee of the National Assembly. The State Corporation Advisory Committee has through Board evaluations provided additional oversight to the operations of Corporation.

## REPORT OF THE CHAIRPERSON

Ladies and Gentlemen,

It is my distinct honour to present to you the Annual Report and financial statement for the Deposit Insurance Fund for the period ended 30 June 2024. This year has been marked by significant achievements, challenges, and milestones that have shaped the Corporation's journey towards excellence and sustainable growth.

### Performance Overview

During the past year, KDIC has demonstrated resilience and adaptability in the face of a dynamic economic environment. We have achieved a commendable Deposit Insurance Fund growth rate of 18%, driven by financial stewardship and progressive investment management strategies, and a dedicated workforce.

### Global and Local Macroeconomic Environment

During the period under review, the global economy experienced a period of modest growth and persistent challenges. Global growth was projected to fall from 3.5% in 2022 to 3.0% in both 2023 and 2024. Key factors influencing this included:

- **Inflation:** Global headline inflation decreased from 8.7% in 2022 to 6.8% in 2023 and is expected to further decline to 5.2% in 2024. However, core inflation remained stubbornly high, complicating monetary policy normalization.
- **Monetary Policy:** Central banks continued to raise policy rates to combat inflation, which weighed on economic activity. The resolution of the US debt ceiling standoff and actions to contain banking sector turbulence in the US and Switzerland helped mitigate immediate financial risks.
- **Geopolitical Tensions:** Ongoing conflicts, particularly the war in Ukraine, and extreme weather events posed significant risks to economic stability.

Kenya's economy demonstrated resilience and growth despite facing several macroeconomic challenges:

- **GDP Growth:** Kenya's GDP grew by 5.6% in 2023, up from 4.9% in 2022. This growth was driven by a recovery in the Agriculture, Forestry, and Fishing sectors, which expanded by 6.5% due to favourable weather conditions.
- **Inflation:** The annual headline inflation rate was 4.6% in June 2024, driven by increases in the prices of transport, food, and housing.
- **Fiscal and Monetary Policies:** Tight fiscal and monetary policies, elevated inflation, rising debt service obligations, and high borrowing costs framed Kenya's macroeconomic performance. The Kenyan shilling also experienced sharp depreciation.
- **Sectoral Performance:** The services sector and household consumption were significant contributors to economic growth, with projections indicating continued expansion in these areas.
- **Overall,** both the global and Kenyan economies faced a mix of growth opportunities and challenges, with inflation and geopolitical tensions being key areas of concern

### **Key Achievements**

I am delighted to report that KDIC has consistently delivered on its Performance Contracting commitments with the Government of Kenya, over and above the achievement of strategic objectives. Notably, the Corporation achieved the following in the year under review;

1. **Innovation and Technology:** We have invested heavily in modernizing our infrastructure and adopting cutting-edge technologies. This has not only improved our operational efficiency but also enhanced our service delivery to the citizens of Kenya.
2. **Sustainability Initiatives:** Our commitment to sustainability has been unwavering. We have launched and participated in several green projects aimed at reducing our carbon footprint and promoting environmental conservation. During the period under review, KDIC participated in the planting of 21,500 trees across the country, an initiative that we remain committed to.

3. **Community Engagement:** KDIC continues to strengthen its ties with the communities we serve through various social responsibility programs. These initiatives have had a positive impact on healthcare, environment and local development.

The Corporation remains committed to being an upstanding corporate citizen, while achieving its public policy objectives of safeguarding depositors' interests and fostering financial stability.

### **Challenges and Responses**

The year was not without its challenges. We faced economic uncertainties, regulatory changes, and operational hurdles. However, our proactive approach and strategic planning enabled us to navigate these challenges effectively. We optimized our processes, and maintained a strong focus on our core objectives.

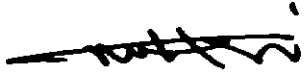
### **Future Outlook**

Looking ahead, we are optimistic about the future. Our strategic initiatives for the coming year include single focus on our strategic objectives, exemplary service delivery to our stakeholders, and continuing our investment in technology and innovation. We are committed to delivering value to our stakeholders and contributing to the socio-economic development of Kenya, by promoting public confidence in the banking system and fostering financial stability.

### **Acknowledgements**

I would like to extend my heartfelt gratitude to our Board of Directors, management team, and employees for their unwavering dedication and hard work. I also thank our stakeholders, partners, and the government for their continued support and trust in our Corporation.

In conclusion, I am confident that with our collective efforts, we will continue to achieve greater heights and make a positive impact on the lives of Kenyans, while achieving our vision of becoming a reliable, effective deposit insurer and resolution authority.



Mrs. Hannah W. Muriithi, EBS  
Chairperson

**KDIC Board of Directors**

## REPORT OF THE CHIEF EXECUTIVE OFFICER

I am delighted to present the Kenya Deposit Insurance Fund Annual Report and Financial Statements for the year ended 30 June 2024. This report highlights the Corporation's performance and the impact of its activities during the review period, considering the prevailing operating environment and financial sector dynamics.

### Financial Sector Stability

Kenya's financial sector remained stable and resilient throughout the period, supported by sufficient capital and liquidity buffers, coordinated policy reforms, and robust regulatory oversight. Despite global economic challenges, including inflationary pressures and fluctuating interest rates, the sector demonstrated strong performance.

### Banking Sector Performance

- **Total Assets:** The banking sector saw a significant increase in total assets, rising from KES 7.1 trillion in June 2023 to approximately KES 7.8 trillion by June 2024.
- **Loans and Advances:** There was a steady growth in loans and advances from KES 3.6 trillion to KES 4.1 trillion reflecting increased lending activities.
- **Deposits:** Deposit liabilities also grew, with total deposits rising from KES 5.2 trillion to KES 5.8 trillion. This growth was driven by the banking industry's efforts to mobilize additional deposits and enhance liquidity.
- **Non-Performing Loans (NPLs):** The sector faced challenges with asset quality, as the ratio of non-performing loans increased slightly due to the adverse macroeconomic environment.
- **Profitability:** Despite the challenges, the sector remained profitable, although profit margins were slightly strained due to higher funding costs and interest rate volatility.

### Policy Reforms

During the period, Kenya's financial and banking sector underwent several significant policy reforms:

- **Increase in Minimum Capital Requirements:** One of the most impactful reforms was the proposed increase in the minimum capital requirement for banks from KES 1

billion to KES 10 billion. This move is aimed to strengthen the financial stability of banks and ensure they have adequate capital buffers to withstand economic shocks.

- **Digital Financial Services:** Continued emphasis on digital financial services led to the introduction of new products, innovations, and delivery channels. This policy direction aims to enhance financial inclusion and improve the efficiency of financial transactions both within the country and across borders.
- **Regulatory Oversight Enhancements:** The Central Bank of Kenya (CBK) and other regulatory bodies continued to implement regulatory measures to ensure the stability and soundness of the financial sector. This included stricter oversight of financial institutions and enhanced risk management practices.
- **Sustainable Banking Practices:** There was a push towards adopting sustainable banking practices, with policies encouraging banks to integrate environmental, social, and governance (ESG) considerations into their operations. This was part of a broader effort to promote sustainable economic development.

These reforms collectively aimed to bolster the resilience of Kenya's financial sector, enhance its stability, and promote sustainable growth.

### **Key Developments**

- **Technological Advancements:** Banks continued to invest in digital banking solutions, enhancing customer experience and operational efficiency.
- **Regional Expansion:** Several Kenyan banks expanded their operations within the East African region, contributing to their overall growth.

Overall, Kenya's financial and banking sector demonstrated resilience and adaptability in the face of global economic challenges, maintaining stability and achieving growth during the review period.

### **KDIC's Strategic Achievements**

During the year under review, the Corporation began the implementation of its 2023-2028 Strategic Plan, which aims to guide it towards becoming a reliable and effective deposit insurer and resolution authority.

On the **Deposit Insurance** focus area, the Corporation maintained a deposit insurance coverage limit of Kes. 500,000. This coverage limit ensures full insurance of 111 million of 112 million accounts, accounting for insurance of 99.9% of deposit accounts in the country. With the current coverage limit, Insured deposits increased from Kes. 788.4 billion in June 2023 to Kes. 881.9 Billion in June 2024.

The Corporation has consistently shown growth in the financial performance of the Deposit Insurance Fund. KDIC reported a premium income of Kes. 7.7 billion in financial Year 2023 - 2024, an increase from Kes. 7.4 billion in 2022 - 2023. This growth is attributed to the implementation of risk-based premium assessment model that incentivises banks for sound risk management. The categorization of member institutions into five groups based on their risk profile and CAMEL rating; banks with high-risk profiles paying higher rates of premium contribution while banks with robust risk management practices get incentives that translate to lower premium contribution rates.

Fund investment income for the year was Kes. 26.9 billion, an increase from Kes. 20.4 billion the previous year, reflecting a 32% growth, driven by growth in the investment portfolio due to increased premium revenue. The fund grew from Kes. 225 billion in June 2023 to Kes. 191 billion in June 2024.

This strategic and financial progress highlights the Corporation's commitment to its vision and its effective management of resources.

Regarding **risk minimization**, the Corporation has strengthened its early detection efforts by conducting risk profiling of member institutions. This surveillance aligns with its mandate to incentivize sound risk management practices among its members. The Corporation has also continued to apply the CAMEL rating framework to these institutions. Furthermore, information sharing with member institutions has been enhanced. During this period, the Corporation initiated stakeholder engagements to

review both the risk-based premium model and the CAMEL rating model, so as to upscale risk profiling efforts in line with changes in the operational and banking environment.

To improve **prompt resolution**, the Corporation continues to oversee 19 institutions in liquidation and has intensified its efforts in asset tracing, preservation, and realization. The Corporation continues to implement alternative dispute resolution methods, leading to increased loan recoveries. Additionally, during the year, the Corporation made pay-outs of KES 150 million to depositors of five (5) failed member institutions. KDIC has initiated the winding-up process for two (2) member institutions currently in liquidation, aiming to ensure an orderly closure of their affairs.

Regarding **stakeholder engagement** and fostering public confidence in the financial sector, the Corporation acknowledges the importance of partnerships and collaboration with stakeholders. We highly value stakeholder feedback and actively engage with them. Over the past year, the Corporation hosted several stakeholder engagements, laying the groundwork for current and future achievements including processes improvement for excellent service delivery.

The Corporation continues to implement the recommendations of the Public Awareness, Customer Satisfaction, and Brand Audit surveys conducted in the previous financial year. Additionally, the Corporation remains committed to, and continuously monitors the promises outlined in its Citizens Service Delivery Charter.

On **Organizational Capacity**, the Corporation embarked on a culture change program to foster a sustainable and performance-oriented culture among employees. We achieved a staff retention rate of 95%, with a gender diversity mix of 67% male and 33% female employees. Our performance management system was further entrenched to monitor objectives and align resources with our strategic plan. Additionally, we enhanced employee skills and knowledge through various capacity-building initiatives.

Recognizing the growing reliance on digital technology and global cybersecurity threats, on the area of **Technology and Cybersecurity** the Corporation invested in enhancing information security. We conducted a Data Protection Impact Assessment and provided

staff training on data protection to safeguard privacy rights. A cybersecurity audit and penetration test were performed to identify security weaknesses and improve system reliability, with opportunities for future enhancements identified.

On **Quality and Risk Management**, The Corporation continued to implement quality management systems and an enterprise risk management system to enhance efficiency and stakeholder satisfaction, DIF management. We also adhered to the Government of Kenya’s Performance Contract commitments cycle for the year including implementing initiatives align with our Strategic Plan, the Government Agenda, and the Public Policy Objective of depositor protection and promoting financial stability.

**Acknowledgements:**

I extend sincere gratitude to the Corporation’s Board, management, and staff for their commitment and dedication, evident in our achievements. I also appreciate all stakeholders, especially member institutions, for their critical role in achieving our strategic goals. Indeed, we are on the right trajectory towards *Safer, Stronger, Together*.

The subsequent sections of this report highlight the Kenya Deposit Insurance Fund performance for the financial year ended 30<sup>th</sup> June 2024.

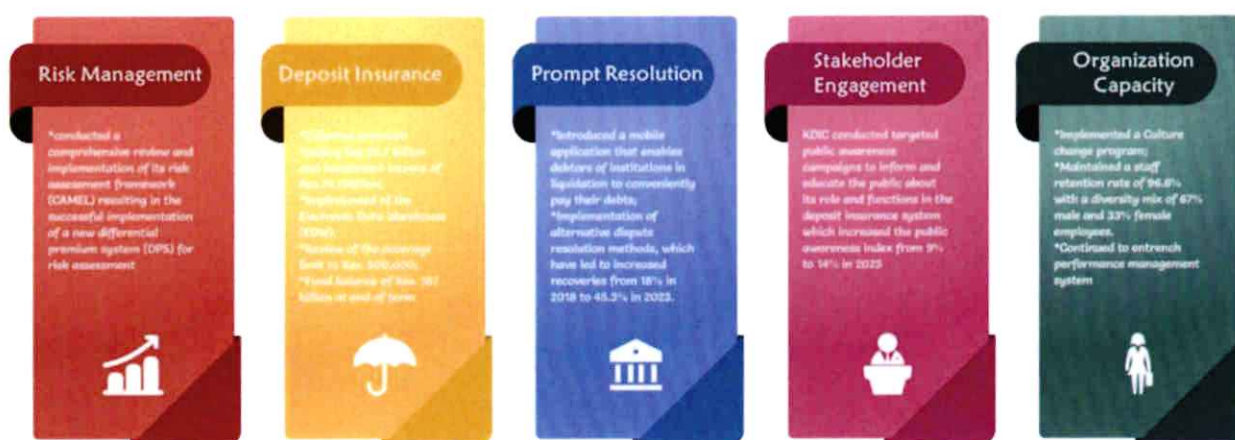


Hellen Chepkwony (Mrs.)  
**Chief Executive Officer**

## STATEMENT OF PERFORMANCE AGAINST PREDETERMINED OBJECTIVES FOR 2023/2024

### Strategic Plan

During the year, the Corporation retired its strategic plan for the period 2018 to 2023. Some of the key milestones during the 2018-2023 plan period include the following:



**KRA 1 - Risk Management:** KDIC conducted a comprehensive review and implementation of its risk assessment framework (CAMEL) resulting in the successful implementation of a new differential premium system (DPS) for risk assessment; Significant progress in the implementation of its early detection and intervention framework which involved the offsite surveillance on 53 member institutions as proactive stance in monitoring and intervening where necessary.

**KRA 2 - Deposit Insurance:** KDIC has achieved year-on-year growth in both areas, with cumulative premiums collections of Kes.29.7 billion and investment income accumulating to Kes.74.7Million; Implementation of the Electronic Data Warehouse (EDW) for effective and efficient information sharing and data analytics with member institutions; Review of the coverage limit from Kes. 100,000 to Kes. 500,000; and a fund balance of Kes. 187 billion at end of term.

**KRA 3 - Prompt Resolution:** KDIC introduced a mobile application that enables debtors of institutions in liquidation to conveniently pay their debts through e-citizen by use of

short messaging systems (SMS) to communicate with depositors seamlessly, enhancing the overall debt recovery process; Implementation of alternative dispute resolution methods, which have led to increased recoveries from 18% in 2018 to 45.3% in 2024.

**KRA 4 - Stakeholder Engagement:** KDIC conducted targeted public awareness campaigns to inform and educate the public about its role and functions in the deposit insurance system which increased the public awareness index from 9% to 14% in 2018.

**KRA 5 - Organizational Capacity:** Culture change program, aimed at achieving our desire to build a sustainability culture amongst our employees; KDIC maintained a staff retention rate of 96.6% with a diversity mix of 67% male and 33% female employees. The Corporation continued to entrench performance management system to assist monitoring the achievements of objectives and align all sections to the achievement of the strategic plan.

#### **Review of the strategic plan**

Subsequently, during the year, the Corporation reviewed and developed its Strategic Plan for the period 2023 to 2028. The plan was an outcome of an intense and rigorous process of thought, analysis, consultation and choices in the context of a dynamic financial sector. Importantly, the development of the plan involved engagements and consultation with various stakeholders.

The plan factors in Kenya Vision 2030, Medium Term Plan IV (MTP-IV), and it is anchored on the Bottom-up Economic Transformation Agenda (BETA) where financial resilience is a key pillar. It builds from the previous strategic plan for the year 2018 to 2023 which formed a background for key achievements and lessons learnt in its implementation.



The diagram demonstrates a summary of the Corporation’s direction towards the vision of becoming a reliable, effective deposit insurer and resolution authority; aligned to the mission to protect depositors and promote public confidence in the financial system by promoting sound risk management and timely resolution. The plan also seeks to improve on the corporate culture, and is founded on the values of Teamwork, accountability, Innovativeness, Integrity, Customer Focus and Professionalism. Four Key Result Areas to prop the achievement of our vision, namely: Deposit insurance, Risk minimization, resolution of problem banks and institutional capacity development were identified. The strategic direction is supported by strategic objectives and subsequent initiatives which require financial resources, human resources and importantly continued collaboration and partnership with stakeholders. To enable the Corporation track the implementation of this plan, a monitoring and evaluation framework based on a balanced score card model that focuses on outcome and timeliness will be a vital component as shown in the strategic map below.



### Performance Contracting

Performance contracting in Kenya is a key tool used by the government to enhance public sector performance and service delivery. It involves setting targets, monitoring performance, and evaluating the achievement of set goals and objectives. The Corporation's Board of Directors signed a performance contract with the Government through the Ministry of National Treasury and Planning for the financial year 2023/2024. The following highlight a summary of the Corporation's Performance Contract achievements;



## CORPORATE GOVERNANCE STATEMENT

Corporate governance is the framework of systems, policies and processes by which the Corporation operates and through which members of the Board, management team and employees are empowered and held accountable for making decisions that affect its mandate, operations, depositors and stakeholders.

The Board has in place a Board Charter that defines governance principles that the Board adheres to. Board members are committed to acting in the best interest of the Corporation, upholding the high standards of ethical and moral behaviour, recognition of the legitimate interests of all stakeholders.

The Board has approved implementation of policies, processes, systems and procedures that continue to guide operations of the Corporation. Through periodic reviews, the Board ensures that these policies and applicable governance practices take into account statutory developments and best practices in corporate governance.

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

## Governance Structure and Framework

The Kenya Deposit Insurance Act CAP 487C, the *Mwongozo Code of Corporate Governance* and the Corporation's Board Charter has adopted the following governance structure: -



## Statement of Compliance

In implementing Corporate Governance, the Corporation is guided by the principles of governance enshrined in the Constitution 2010, *Mwongozo Code of Governance*, which is the Code of Governance for State Corporations, the Kenya Deposit Insurance Act, CAP 487C and the State Corporations Act CAP 446, Public Finance Management Act CAP 412A, amongst other laws key in the administration of State Corporations and international best practices.



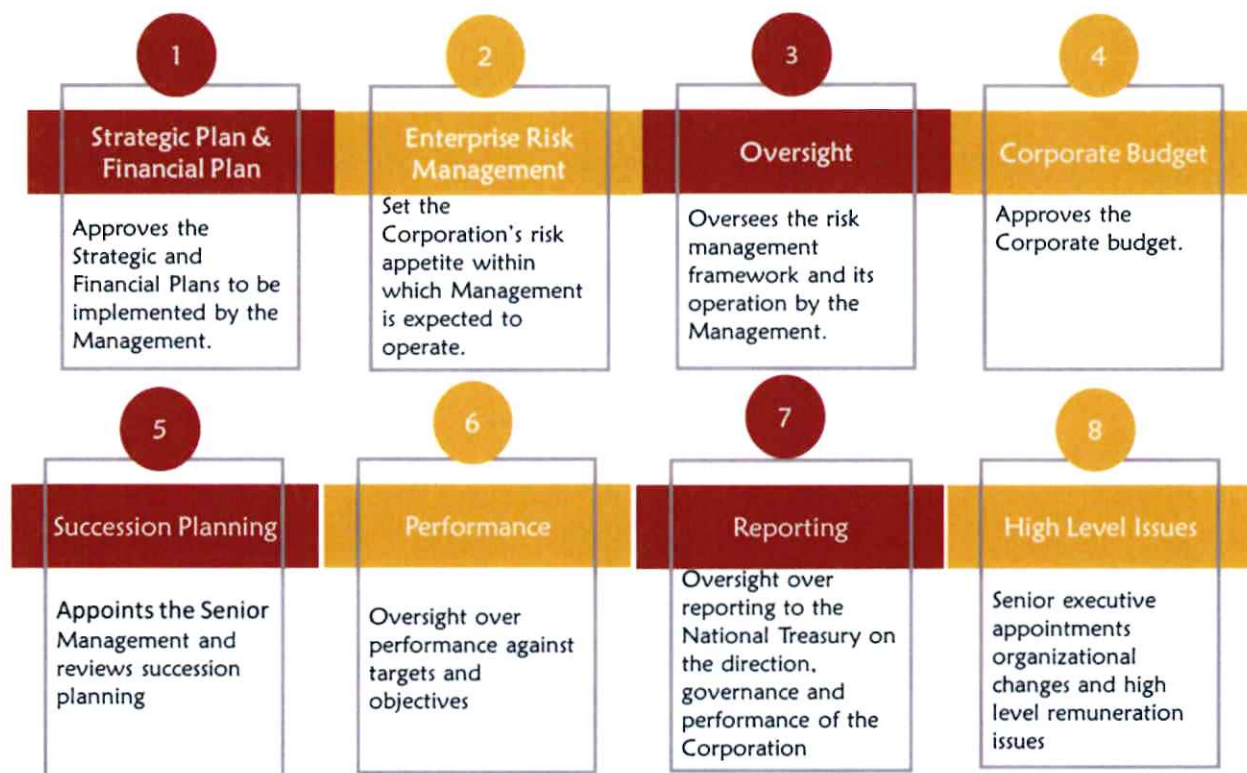
**Composition of the Board of Directors**

The Constitution of KDIC’s Board is governed by the provisions of Section 7 of the Kenya Deposit Insurance Act, CAP 487C which provides that the Board shall comprise 10 members including the Non-executive Chairperson and the Chief Executive Officer, who sits as an ex-officio member. During the year under review, the board to the Corporation was fully constituted.

<b>Section 7 CAP487C</b>	<b>A non-executive chairperson</b>
	<b>The Cabinet Secretary - National Treasury</b>
	<b>The Attorney-General</b>
	<b>The Governor - Central Bank of Kenya</b>
	<b>The Chief Executive Officer - Kenya Bankers Association</b>
	<b>Five members ( independent) appointed by the Cabinet Secretary</b>

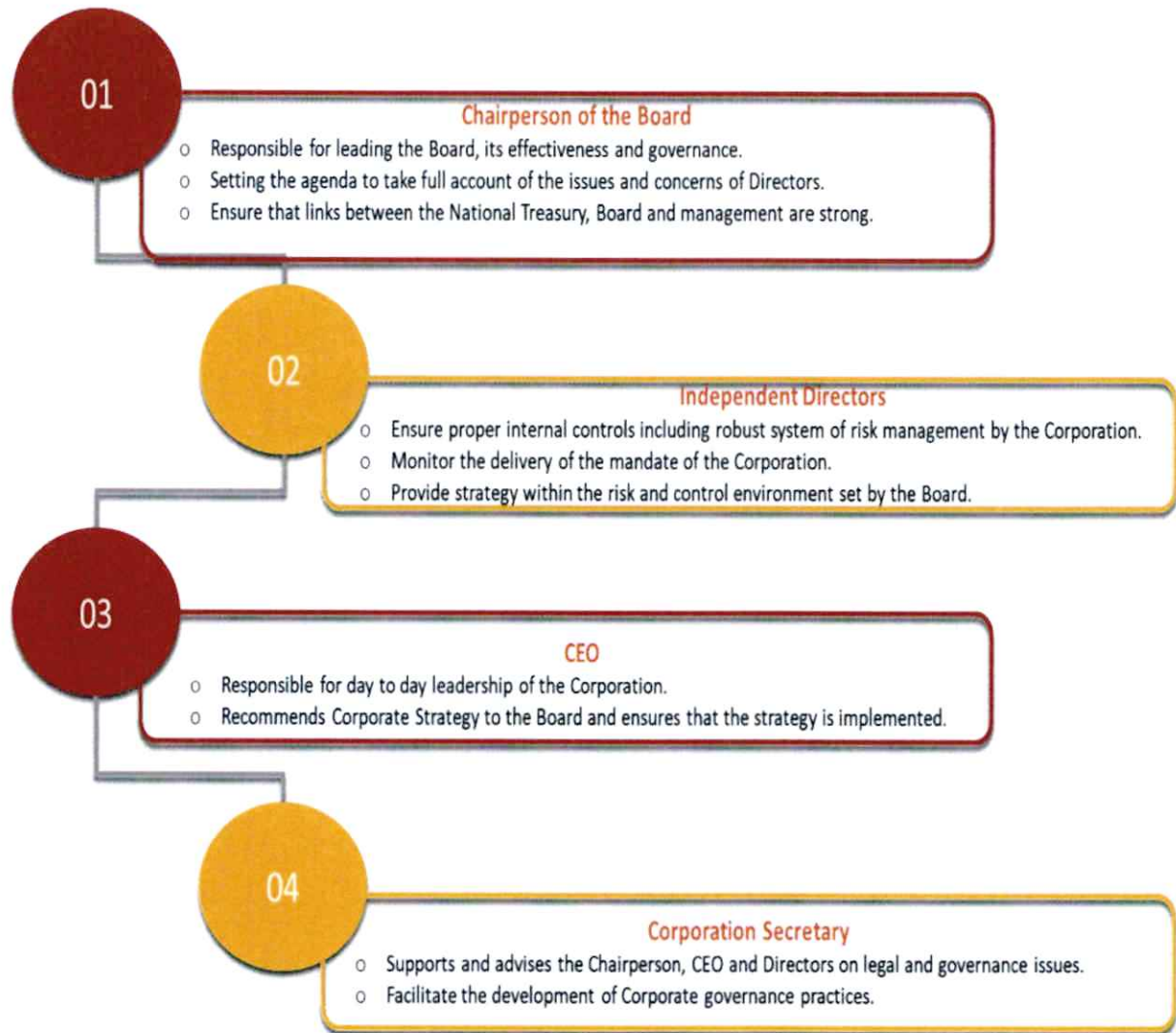
**Role of the Board**

The Board Charter defines the roles and responsibilities of the members as summarized below;



### Separation of Roles and Responsibilities

The roles of the Chairperson, Independent Directors, Chief Executive Officer and the Corporation Secretary are distinct from each other and are performed by different individuals. In decision-making, the roles complement each other in facilitating the achievement of the Corporation's mandate.



### Effectiveness of the Board

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

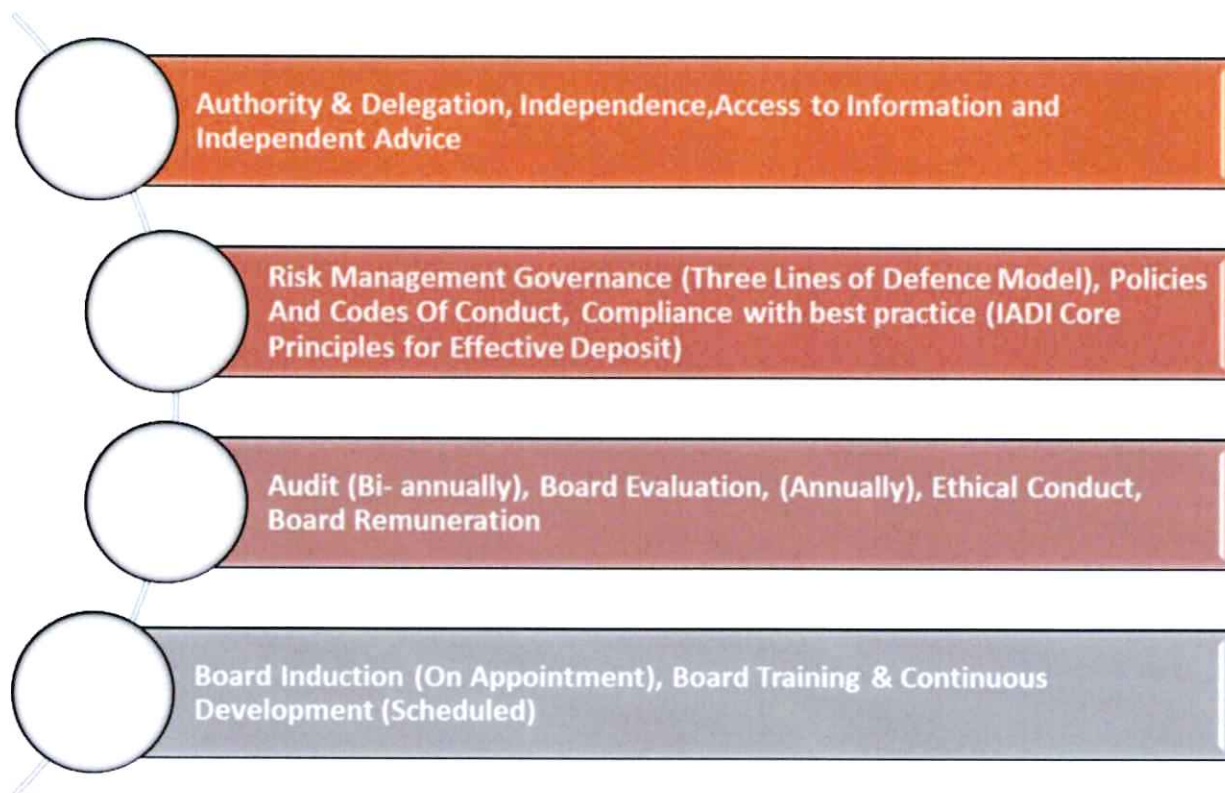


### Authority and Delegation

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

Matters related to the approval of the remuneration policy, resource management, risk management framework and risk appetite are reserved for the Board and are considered through the relevant Board Committees.

The effectiveness of the board is achieved through implementation of the principles shown as highlighted below



### **Independence of the Board**

*Mwongozo Code of Governance* defines independence to mean that Board members, including those nominated by stakeholders, should recognize that they owe their duties to the organization and not their nominating stakeholder. The Kenya Deposit Insurance Act CAP 487C requires that the Corporation should have at least five independent Board members appointed by the Cabinet Secretary based on their professional experience in banking, finance, insurance, commerce, law, accountancy or economics. Accordingly, during the year under review, the constitution of the Board included five independent Board Members.

During the year under review, except for the directorship held by the Cabinet Secretary, National Treasury, the Attorney General, the Governor Central Bank of Kenya and CEO, Kenya Bankers Association all other Directors of the Corporation were considered independent.

### **Access to Information and Independent Advice**

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

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

#### **Conflict of Interest and Declaration of Interest**

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

All members of the Board are required to register any areas of conflict of interest on first appointment to the Board. Additionally, declaration of interest is a standing agenda for all Board and Committee meetings. The Corporation maintains a conflict-of-interest register that is regularly reviewed and updated 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. No incidences of conflict of interest were declared by any of the Directors.

#### **Board Succession Planning**

The Board considers the succession planning of the Corporation as a key governance parameter. The appointment of independent Directors is undertaken by the Cabinet Secretary (National Treasury) in line with the KDI Act, CAP 487C and other applicable laws.

The key terms and conditions of a Director's appointment are documented in a letter of appointment. The KDI Act stipulates that independent Directors are expected to serve a term of three years, renewable once. The Corporation promptly notifies the Cabinet Secretary of any vacancy in the Board.

## **Board Capacity Development**

### **Induction**

All newly appointed Board members participate in an induction program. The induction program includes a series of meetings with other Directors, the Chief Executive Officer and the Senior Management to enable new Directors familiarise themselves with the business of the Corporation.

### **Board development programmes**

The Board development programme developed in line with results and recommendations of the annual Board Evaluation. In order to facilitate the Board effectively discharge its mandate, the Chairperson in consultation with the relevant Board Committee regularly reviews the professional development needs of each Director and recommendations are made on how best to address gaps.

The Board during the year under review implemented development programs touching on Deposit Insurance, Risk Management, Corporate Governance, Audit & Risk oversight for Public Sector Boards and Strategic leadership.

## **Gender Diversity**

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



### Legal and Governance Audit

The Legal and Compliance Audit is undertaken to ascertain the level of adherence to applicable laws and establish compliance with statutory, regulatory and policy requirements. The Board, through the relevant Board Committee, monitors implementation of the legal and governance audit recommendations to ensure closure of the findings and promote compliance with applicable laws and policies.

At the close of the year under review, following the findings of the June 2022 legal and governance audit, the Corporation had closed 87.92% of the identified gaps, with the outstanding issues on track to be closed in the coming Financial Year.

### Board Evaluation

The Board annually undertakes an evaluation of its performance and that of the Board Committees, individual Directors and the Corporation Secretary. The State Corporations Advisory Committee (SCAC) evaluated the Board's performance in the first quarter of the year under review where it is observed that the Board obtained a score of 4.52 representing 90.58%.






### Board Committees

The Board, during the year under review, had in place four standing committees and an Ad hoc Committee with specific delegated mandates. The membership of the Committees is drawn from the range of skills across the Board and shared responsibilities.

The committee membership is as illustrated below;

Board Technical Committee (BTC),	Board Finance Committee (BFC)	Board HR, Strategy & General-Purpose Committee (BHSGPC).	Board Audit Committee (BAC),	Board Ad hoc - Committee, Establishment of the KDI Academy
Mr. Joesph Ng'etich (Chairperson)	Dr. Habil Olaka (Chairperson)	Mr. James Akali (Chairperson)	Ms. Anne Lengerded (Chairperson)	Ms. Melissa Ng'ania (Chairperson)
Mr. Mohamed Adow	Mr. Mohamed Adow	Mr. Joesph Ng'etich	Ms. Melissa Ng'ania	Mr. Joesph Ng'etich
Dr. Habil Olaka	Mr. John Njera	Mr. Mohamed Adow	Mr. John Njera	Dr. Habil Olaka
Ms. Melissa Ng'ania	Mr. Joesph Ng'etich	Ms. Anne Lengerded	Mr. Mohamed Adow	Mr. Mohamed Adow
Mr. Kennedy Abuga	Mrs. Hellen Chepkwony	Mrs. Hellen Chepkwony	Mr. James Akali	Mrs. Hellen Chepkwony
Mr. James Akali				
Mrs. Hellen Chepkwony				

## Committee Functions and Chairpersons

<p>The committee considers issues relating to the core functions of the Corporation, that is:</p> <ul style="list-style-type: none"> <li>• Resolution.</li> <li>• Deposit Insurance &amp; Bank Surveillance.</li> </ul> <p><b>Board Technical Committee (BTC)</b> Mr. Joseph K. Ng'etich (Chairperson)</p> 	<p>The Committee considers issues relating to Board development programme, Human Resource, Strategy, ICT, Risk and Compliance in the Corporation</p> <p><b>Board HR Strategy General Purpose Committee (BHSGPC)</b> Mr. James Akali (Chairperson)</p> 	<p>The Committee consider issues relating to Finance, Procurement and Performance Contracting in the Corporation</p> <p><b>Board Finance Committee (BFC)</b> Dr. Habil Olaka (Chairperson)</p> 
<p>•The Committee considers all issues relating to the Internal Audit Function within the Corporation.</p> <p><b>Board Audit Committee (BAC)</b> Ms. Anne Lengended (Chairperson)</p> 	<p>•The Ad-hoc committee was set up to facilitate establishment a Deposit Insurance Academy whose primary mandate will be to build capacity on deposit Insurance and related areas.</p> <p><b>Board Ad-hoc Committee</b> Ms. Melissa Ng'ania (Chairperson)</p> 	

## Meetings of the Board and the Committees of the Board

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

During the year ending under review, the Board held a total of nine meetings and various Committee sittings 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),	Board Ad hoc - Committee, Establishment of the KDI Academy
Mrs. Hannah W. Muriithi, EBS (Chairperson)	8	N/A	N/A	N/A	N/A	N/A
Mr. John Njera	7	N/A	5	2	3	N/A
Mr. Mohamed Adow	9	3	4	6	N/A	4
Mr. Kennedy Abuga	4	2	N/A	N/A	2	N/A
Dr. Habil Olaka	6	4	3	N/A	N/A	4
Mr. Joesph Ng'etich	9	4	4	6	2	4
Mr. James Akali	9	4	N/A	3	5	N/A
Mr. Anne Lengerded	9	N/A	N/A	6	5	N/A
Ms. Melissa Ng'ania	9	4	N/A	N/A	4	4
Mrs. Hellen Chepkwony (CEO KDIC)	9	4	3	6	N/A	2

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

### Risk Management Framework

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

The Corporation is committed to having risk management policies, processes and practices that support a high standard of governance. This enables management to undertake prudent risk-taking activities. The Board oversees the risk management strategy and framework taking into account the risk appetite, requirements of the Kenya Deposit Insurance Act CAP 487C and strategic and mandate of the Corporation.

The Corporation has adopted a 'three lines of defense' model for risk management. The overarching principle of the model is that the risk management capability must be embedded within the business to be effective. The Corporation undertakes continuous

training and awareness on the enterprise management framework as a safeguard for risk management.

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

### **Policies and Standard Operation Procedures**

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

### **Ethical Conduct**

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

### **Board Remuneration**

The remuneration of the Board is guided by SCAC and the applicable laws. The Chairperson receives a monthly honorarium while Board members are paid sitting allowances based on the number of meetings attended and are reimbursed any expenses incurred in the line of duty including mileage.

## Membership to Professional Bodies

The Corporation’s Board of Directors are members of diverse professional associations and the Corporation ensures that its directors remain in good standing through continuous professional development training provided by the relevant professional bodies.

## Compliance with IADI Core Principles for Effective Deposit Insurance Systems

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

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

### Core Principles for Effective Deposit Insurance Systems



The Corporation is compliant with a number of the IADI Core Principles of Deposit Insurance. The Corporation has thirteen (13) core principles that are fully compliant, two

(2) principles that are partially compliant and one (1) principle that is not applicable in undertaking its core mandate.

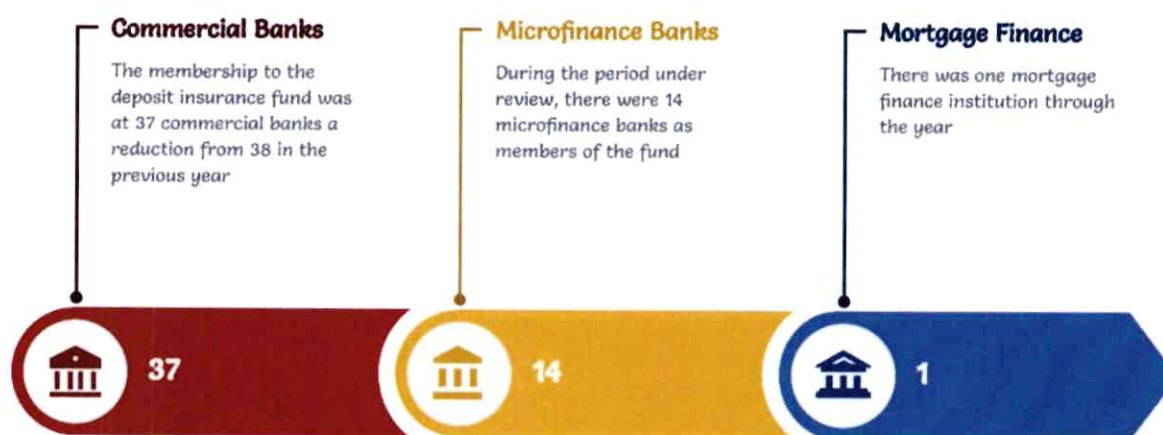
## MANAGEMENT DISCUSSION AND ANALYSIS

### DEPOSIT INSURANCE

This section discusses developments in the quest by the Corporation to provide a safety net that protects depositors in the unlikely event of a bank failure while linked to robust bank surveillance. In the past year, our DIS has continued to strengthen its role in safeguarding depositors and contributing to financial stability. Through enhanced collaboration with regulatory bodies, improved surveillance mechanisms, and a focus on emerging risks, we have been able to adapt to the evolving financial landscape and maintain the integrity of the deposit insurance framework as discussed in details below.

#### Membership

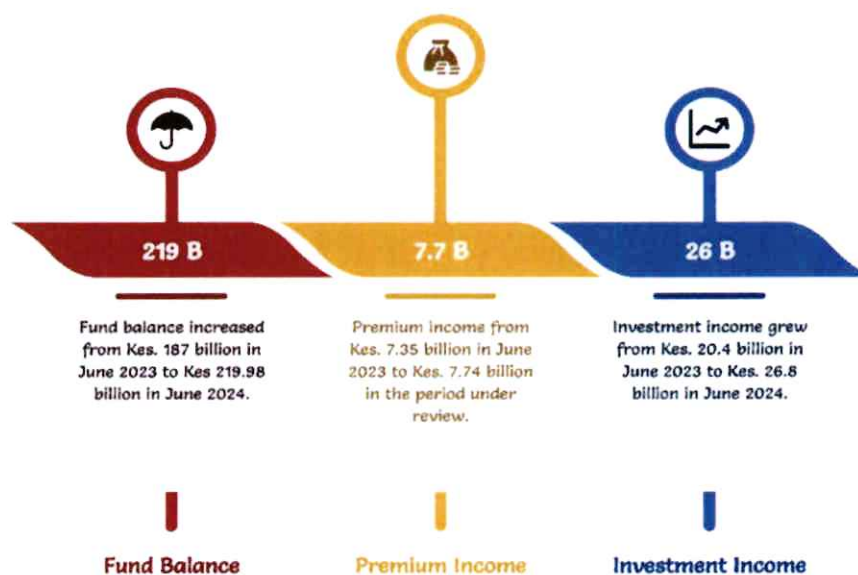
The Corporation manages the Deposit Insurance Fund whose membership is mandatory for all deposit-taking institutions licensed and regulated by the Central Bank of Kenya under the Banking Act and the Microfinance Act. During the year, the membership was as follows;



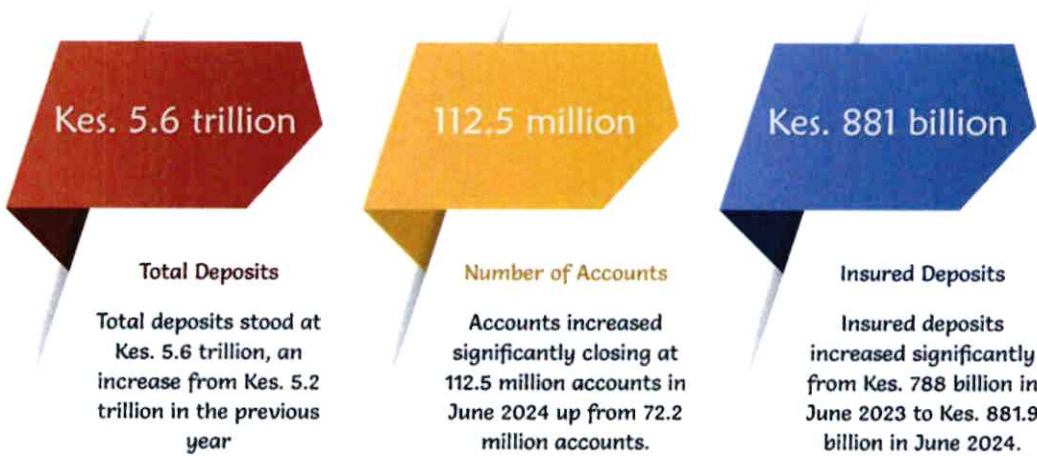
#### Deposit Insurance

To maintain public confidence in the banking system, the Corporation continued to provide insurance coverage for depositors, protecting them against the loss of their deposits if a member financial institution fails.

The fund balance increased from Kes. 191 billion in June 2023 to Kes 225 billion in June 2024. The growth of the fund is attributed to increase in premium income from Kes. 7.35 billion in June 2023 to Kes. 7.74 billion in the period under review. Premium assessment was based on the risk based premium model which classifies member institutions into five premium categories based on CAMEL rating. Additionally, investment income grew from Kes. 20.4 billion in June 2023 to Kes. 26.8 billion in June 2024. The fund ensures availability of funds to reimburse depositors in the event of a member failure.



Total deposits formed 86% of liabilities in the banking sector standing at Kes. 5.6 trillion, an increase from Kes. 5.2 trillion in the previous year. Insured deposits increased significantly from Kes. 788 billion in June 2023 to Kes. 881.9 billion in June 2024. The total number of accounts increased significantly closing at 112.5 million accounts in June 2024 up from 72.2 million accounts in June 2023. Accounts with amounts below Kes. 500,000 increased from 71.5 million in June 2023 to 111.8 million accounts in June 2024 which is attributed to the increase in total number of accounts.



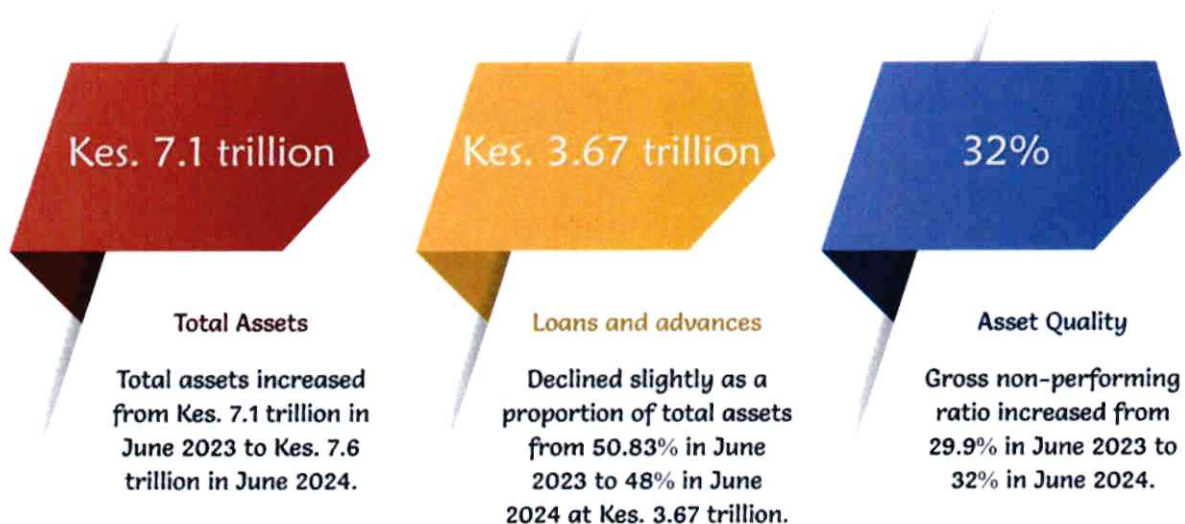
As a target fund, the deposit insurance scheme aims to maintain the fund at 4% target ratio, a percentage of the deposit insurance fund to total deposits in the system. This target ensures that the fund is adequately capitalized to handle potential bank failures. During the period under review, the target fund ratio closed at 3.91%, an increase from 3.51% in June 2023. The ratio of fund to insured deposits increased from 23.74% in June 2023 to 24.93% in June 2024 attributed to increase in the fund size by 17%. The ratio of insured deposits to total deposits increased from 15.13% in the previous year to 15.69% in June 2024. The percentage of accounts fully covered increased to 99.34% in the period under review from 99.01% in the previous year.



**Risk Minimization**

During the year, the Corporation continued to conduct ongoing risk assessments of member institutions to monitor their financial health. This included regular reviews, stress testing, and requiring member banks to submit financial reports.

The banking sector saw an increase in total assets from Kes. 7.1 trillion in June 2023 to Kes. 7.6 trillion in June 2024. The mix of assets changed with investments in government securities declining for a second year from 29% in June 2023 to 27% in June 2024 of total assets. Consequently, loans and advances declined slightly as a proportion of total assets from 50.83% in June 2023 to 48% in June 2024 standing at Kes. 3.67 trillion.



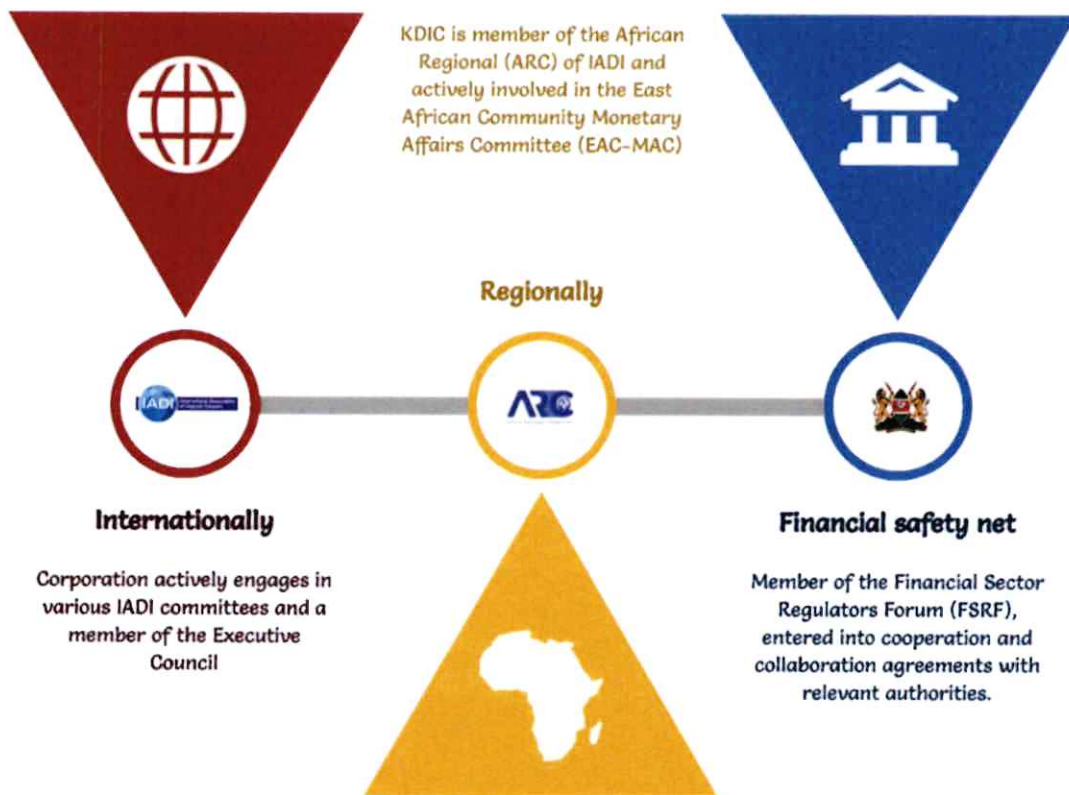
During the year, the Corporation enhanced its early detection efforts through risk profiling of member institutions. The surveillance is in line with the mandate of providing incentive for sound risk management to member institutions. The Corporation continued to carry out risk profiling of member institutions through various offsite surveillance strategies such as the CAMEL model and further visits to selected member institutions.

Member institutions were adequately capitalized in the year under review, however, the average core capital adequacy ratio declined slightly from 19.73% in June 2023 to 17.56% in June 2024. With regard to asset quality, member institution's gross non-performing ratio increased from 29.9% in June 2023 to 32% in June 2024. Profit before

tax for member institutions stood at 1.82% of total risk weighted assets which translated to 520.9 billion in total income and Kes. 387.8 billion in total expenses. Member institutions were adequately liquid with an average liquidity ratio at 59% as at June 2024.

### Collaboration and Partnerships

The Kenya Deposit Insurance Corporation (KDIC) is a member of the International Association of Deposit Insurers (IADI). IADI, with a current membership of 98 Members, 11 Associates, and 17 Partners, sets global standards for deposit insurance systems and serves as the main forum for deposit insurers worldwide to exchange knowledge and expertise. The Association offers training, educational programs, and produces research and guidance on deposit insurance matters.



The Corporation actively engages in various IADI committees and working groups to share insights and contribute to shaping global deposit insurance practices. The Executive Council is structured as a working body with broad participation encouraged by means of

a committee structure. The Corporation is represented by the Chief executive Officer who is a member of the Executive Council of IADI. In addition, Regional Committees have been created for Africa, Asia-Pacific, the Caribbean, Eurasia, Europe, Latin America, the Middle East and North Africa, and North America, to reflect regional interests and common issues through the sharing and exchange of information and ideas.

KDIC is a member of the African Regional Committee (ARC) of IADI where the Chief Executive Officer serves as Deputy Secretary General. The ARC aims to represent the best interests of the African region, and to promote the effective, fair, and efficient protection of deposits within regulated financial institutions across Africa.

**KDIC's Participation in EAC-MAC:** KDIC is actively involved in the East African Community Monetary Affairs Committee (EAC-MAC) Crisis Management Working Group (CM-WG). This group includes central banks and deposit insurance agencies from the EAC region. KDIC's participation stems from a Memorandum of Understanding (MoU) on the supervision of financial institutions, signed by the central banks of EAC partner states, which also includes deposit insurance agencies. KDIC continues to lead efforts in crisis preparedness, management, and cross-border collaboration to support the Working Group's commitment to promoting safe and sound financial entities.

**KDIC's Membership in the Financial Sector Regulators Forum (FSRF):** KDIC is an associate member of the Financial Sector Regulators Forum (FSRF), which includes the five domestic financial sector regulators. These members have committed to collaborate and cooperate in various areas of mutual interest through an MoU. Key areas of collaboration include: Information sharing, fostering financial stability and effective resolution mechanisms

The five regulators are: Capital Markets Authority (CMA), Central Bank of Kenya (CBK), Insurance Regulatory Authority (IRA), Retirements Benefits Authority (RBA), and Sacco Societies Regulatory Authority (SASRA).

KDIC is represented in various FSRF committees, including the Technical Committee, Research and Financial Stability, Prudential Supervision, and Fintech sub-committees.

The Corporation has established strategic affiliations both locally and internationally to support key initiatives. These partnerships include Memorandums of Understanding (MoUs) with the Korea Deposit Insurance Corporation, Fondo de Garantías de Instituciones Financieras (FOGAFIN) of Colombia, and the Central Deposit Insurance Corporation of Taiwan. These MoUs are designed to provide KDIC with access to capacity development opportunities through these deposit insurance agencies.

On the local front, KDIC has entered into cooperation and collaboration agreements with the Kenya Institute for Public Policy Research and Analysis (KIPPRA), the Kenya Institute of Bankers (KIB), and the Credit Information Sharing Association of Kenya (CIS-Kenya).

### **Public Awareness**

The Corporation continued to run public awareness campaigns to educate depositors about the existence and benefits of deposit insurance which is crucial in maintaining public trust in the financial system.

During the period under review, the Corporation organized a two-day Deposit Insurance Conference to sensitize the public on a saving culture. The theme of the conference was “**Building a Strong Financial System through a Savings Culture and Deposit Insurance**”, which was held at Kenyatta International Convention Centre (KICC) from 15<sup>th</sup> to 16<sup>th</sup> November 2023. The Conference included exhibition Centre where member institutions set up booths to showcase their products and services and panel discussions where delegates were engaged in various topics among them; Role of Deposit Insurance in Financial Stability, Crisis Preparedness and Management in the financial Sector, E-money and Banking in the 21<sup>st</sup> century, and Cooperation and Collaboration for prompt bank resolution.

The conference was attended by delegates consisting of member institutions, regulators within the financial sector, delegates from IADI African Region Committee, staff and other stakeholders. The general public also participated at the exhibition Centre where they were engaged by member institutions.

Additionally, the Corporation carried out four stakeholder engagements with member institutions and other stakeholders that are centered on review of the risk based premium assessment model and deliberations on protection of trust accounts. KDIC collaborated with UFAA as they carried out their unification clinics across the country.

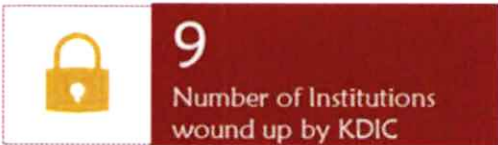
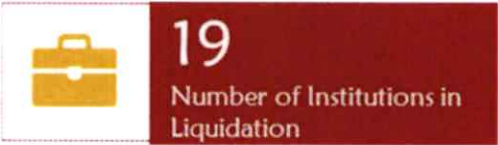
During the year under review the Corporation also engaged depositors of the failed institutions through to document their journey and experiences. This resulted in creating more awareness with regards to lodging claims for payouts to depositors of failed institutions.



## PROMPT RESOLUTION OF FAILED BANKS AND MICROFINANCE BANKS

The Corporation continues to carry out its core mandate of taking over problem banks by receiving, liquidating and winding up any institution in which it has been appointed as a receiver or a liquidator in accordance with the KDI Act 2012. KDIC is the sole Resolution Authority in Kenya. KDIC continues to ensure that the receivership and liquidation process is carried out in an effective and efficient manner to ensure for prompt payments to depositors and creditors of the failed financial institutions. The main objective of

prompt  
Bank  
resolution is



to enhance public confidence and foster financial stability.

### *RESOLUTION PROCESS*

A bank resolution occurs when authorities determine that, contrary to normal insolvency proceedings, resolution would foster financial stability, depositors and minimise the recourse to public funds. KDIC has been designated as the sole and exclusive receiver of any financial institution that has been placed under receivership by the Central Bank of Kenya. Once appointed, KDIC implores ways to try resolve the bank but in the unlikely event that it's not possible it advises the CBK to liquidate the remaining institution. However, should liquidation prove to be unviable KDIC will request an order from the High Court to wind up the institution in accordance with KDI Act 2012. KDIC works to ensure that the resolution process is carried out in an effective and efficient manner as it carries out this mandate. The diagram below illustrates the resolution process of a financial institution;

The resolution process



## 1. Receivership

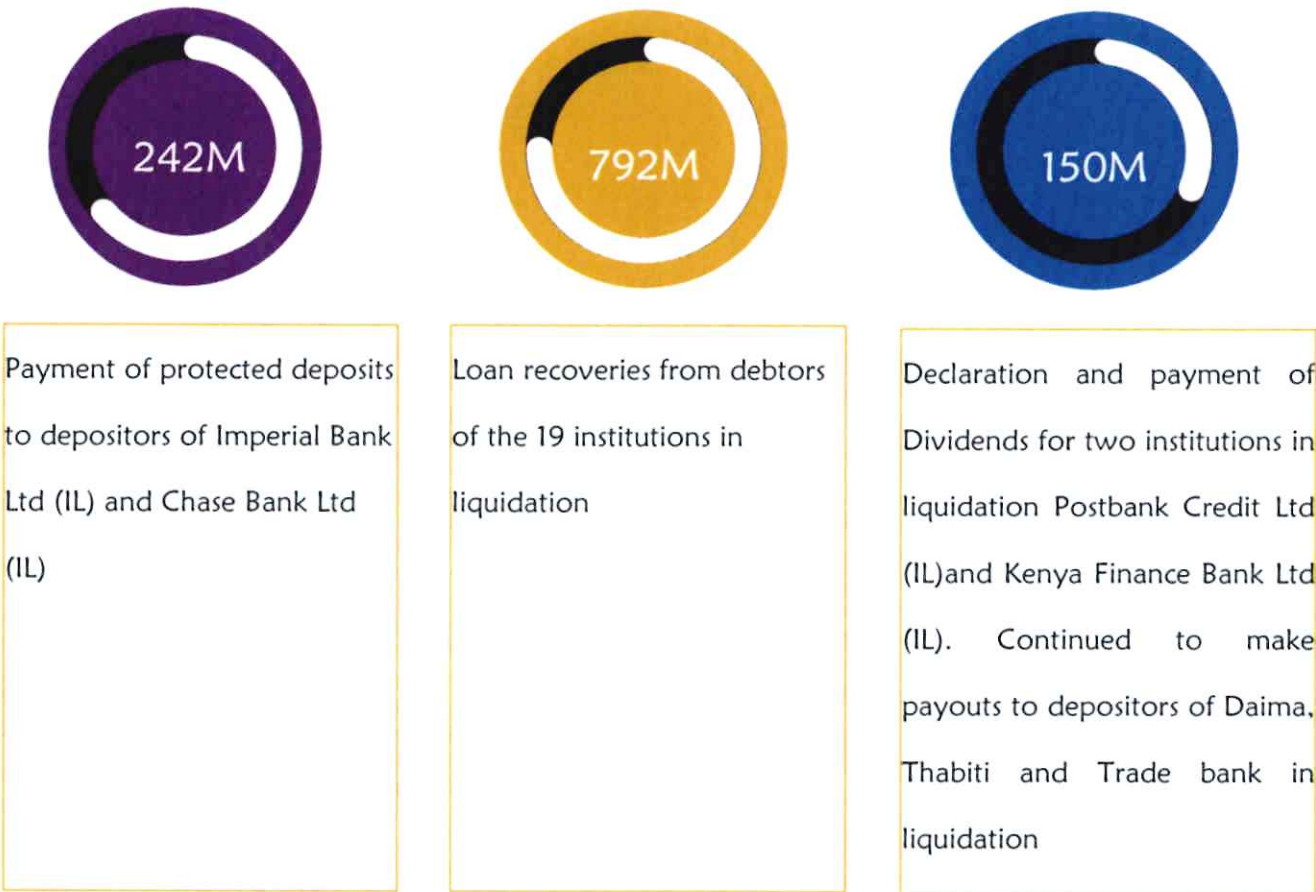
The receivership process forms a crucial component in KDIC’s role in preserving the financial stability and integrity of the Kenyan banking system. It makes sure that depositors' money is protected and that failing institutions are resolved in an orderly fashion with the least possible disruption to the larger financial system. To protect the interests of depositors and the general public, the KDIC has established procedures and guidelines for carrying out receiverships in line with the KDI Act. During the financial year 2023/24 there was no institution that was placed under receivership with KDIC.

## 2. Liquidation

Bank liquidation is refers to the process through which a bank or financial institution is closed down and its assets and liabilities are effectively managed, often due to insolvency or other severe financial distress. 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, after a favorable ruling challenging the placement of Imperial Bank Limited in liquidation, the institution reinitiated the payment of protected deposits

to its depositors. There are currently nineteen (19) institutions in liquidation under the Corporation’s management. The following milestones were achieved during the year in review.



**3. Winding up**

In the financial year ending 30th June 2024, the Corporation reviewed and updated its Winding up policy to guide the last phase of resolving the failed institutions through dissolution. The policy highlights the key steps of the process to ensure prudence and efficient winding up of the target institution and ensures compliance with the relevant applicable statutes. The winding up policy helped identify triggers to assist the Corporation commence a structured way of winding up two of its Institutions in liquidation namely Reliance Bank Limited (IL) and Ari Bank Corporation Ltd (IL). This is also in line with its Strategic Plan for the period 2023-2028.

The Corporation has wound up nine Institutions to date.

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

#### **\*Initiatives implemented during the year**

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

#### ***PAYMENT OF PROTECTED DEPOSITS***

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

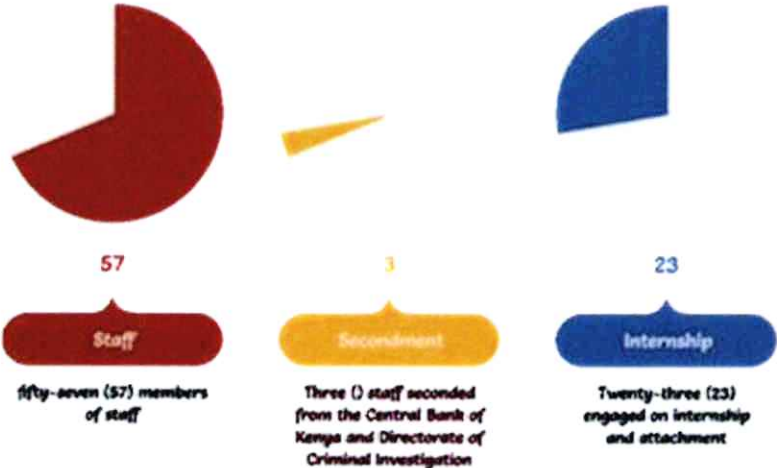
During the financial year 2023/2024, there was an additional payment of Kes. 19.3million as protected deposits to sixty-three (66) depositors of Chase bank Ltd (IL). This was achieved through collaborating with SBM Bank to receive the claim forms on behalf of Chase bank Ltd (IL).

Imperial Bank Ltd (IL) made a total payment of Kes.259 million of protected deposits to 444 depositors as at 30<sup>th</sup> June 2024. The process is still ongoing, this is an increase from the initial payment of Kes.42Million to Kes.216 million in the last financial year. Payment of protected deposits continues to instill public confidence in the financial sector, safeguards the savings of depositors and promotes economic stability.

#### **OUR HUMAN CAPITAL**

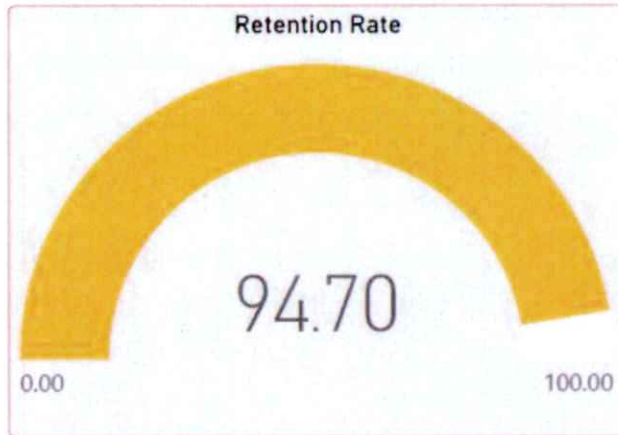
The Corporation is privy to the fact that every workplace thrives on the satisfaction of the employees and considers its human capital as an important and integral part of all its operations. In this regard the Corporation has put in place various employee welfare and management strategies to ensure that all employees are engaged, healthy, safe, and productive. The human resource development strategies include training, employee wellness, employee appreciation, competitive salaries, and career promotion. The Corporation also maintains comprehensive Human Resource Policies that guide all Human Resource processes. The policies are aligned with the Constitution of Kenya 2010, Labour Laws, Public Service Commission Guidelines and other related regulations.

**Staff Statistics**



During the year under review, KDIC’s staff compliment was eighty-three (83), spread across five Directorates of Resolution, Risk & Examination, Corporate Services, Legal and Internal Audit. The staff number include fifty-seven (57) staff, one (1) seconded staff from the Central Bank of Kenya, two (2) staff deployed from the Directorate of Criminal Investigation and twenty-three (23) students on internship and attachment were engaged at varied periods during the period under review.

**Talent attraction and retention**



Employees play a critical role in driving the achievement of KDIC's mandate. Being cognizant of this fact, the Corporation has taken deliberate measures to ensure that its staff recruitment is anchored on its policies and guidelines thus ensuring acquisition of the right

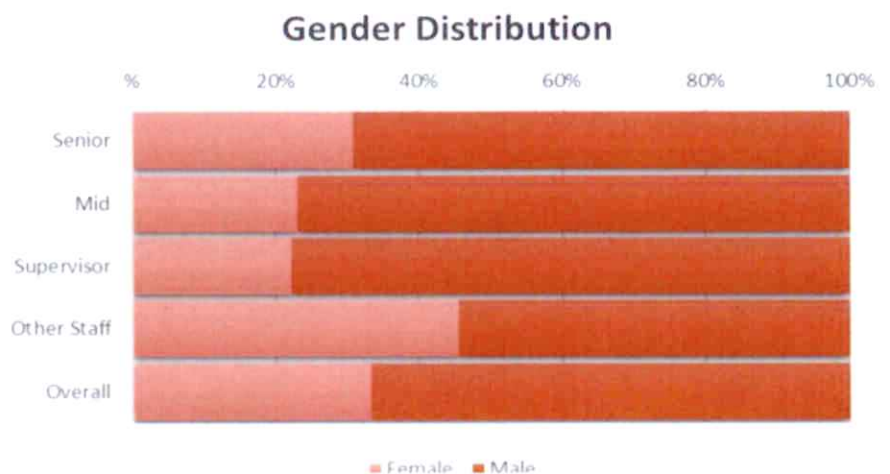
talent and skills. Using various robust employee retention strategies that included strong leadership, frequent feedback, recognition, opportunities for advancement, competitive compensation packages, and a good work/life balance the Corporation achieved an impressive staff retention rate of 94.7%.

### Diversity, Inclusivity and cohesion



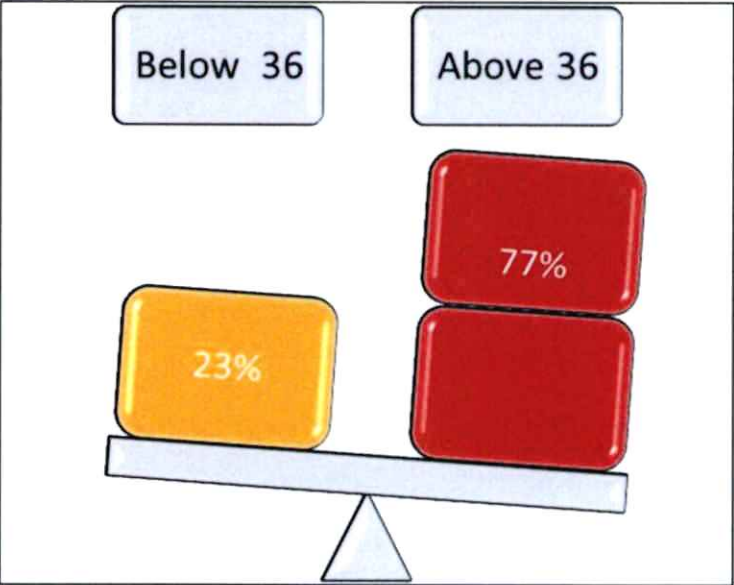
The Corporation is committed to being an equal opportunity employer is committed to promote equity and foster equality at the place of work. The Corporation has a commitment to diversity and inclusivity in its workforce. It's recruitment strategy focuses on providing work opportunities for marginalized groups to ensure that our staff composition reflects all communities, gender, age groups and persons with disability.

**Diversity and Inclusion Gender Diversity** the Corporation recognizes that ending all forms of gender discrimination is key to economic growth and development as per the Sustainable Development Goal 5. It is thus committed to the



legal requirement on gender inclusivity and through targeted recruitment it has attained a gender composition of 67% male and 33% female employees.

**Disability Mainstreaming** the Corporation is progressively implementing the legal requirement for employment of at least 5% persons living with disability. Currently the PWDs within the Corporation comprise 5.2% of the its workforce, which is in compliance with the legal requirement.



**Youth Empowerment** Kenya Government’s Youth Policy aims at ensuring that youth issues are reflected in all sectors of national development and emphasizes affirmative action for the youth as a strategy of participation and empowerment. The Corporation, through deliberate recruitment strategies has ensured that a

substantial part of its employees comprise of youth. The youth composition of the Corporation staff currently stands at 23%. Additionally, to support youth development and empowerment KDIC engaged 25 students on internship and attachment programs.

The Corporation has put in place a Coaching and Mentorship policy which is aimed at creating mentorship opportunities for its staff where senior and more experienced staff and paired with less experienced staff to help them in their professional growth.

**Ethnic and Regional Diversity** The Corporation is determined to ensure all people an opportunity to participate in activities including decision making in line with the National Values and Principles of Governance. In this regard it has ensured diversity of its workforce by 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.

### Staff Capacity Building



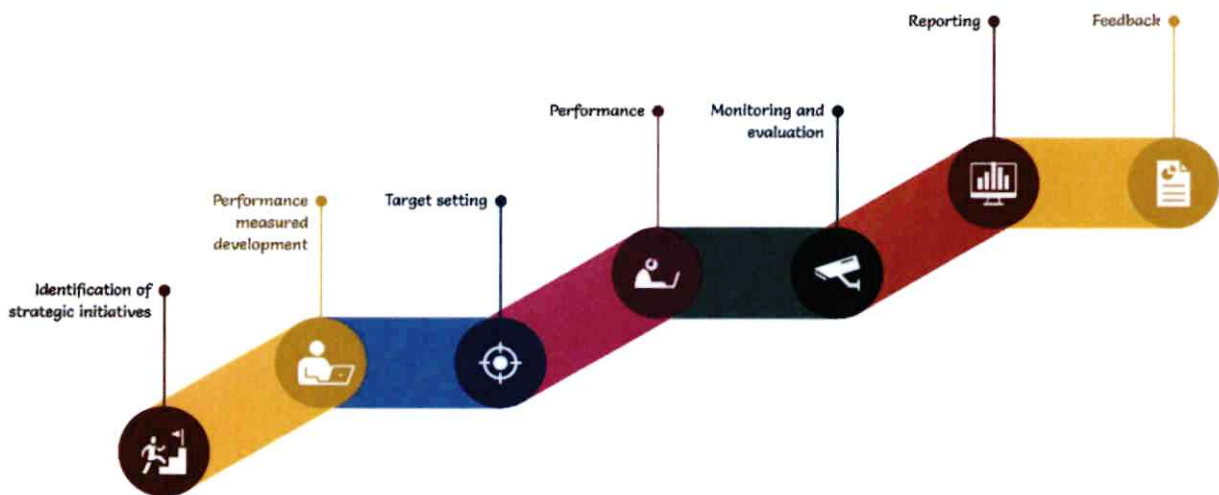
The Corporation aspires to build its employees' strengths and capabilities through learning and development based on its strategic objectives. It has therefore invested in employee learning and development to build and enhance

technical and leadership competencies while supporting employees to attain their career goals and aspirations. In line with the Human Resource Development Policy of the Public Service Commission of Kenya all the employees of the Corporation were taken through the Public Service Commission minimum requirement of 40 hours program for training and development with a view to equipping them with skills and enhancing their productivity. 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 utilized a blended approach to skills development by employing physical trainings and online learning platforms.

The capacity building initiatives for the Corporation are informed by the performance gaps identified during the performance appraisal process. The gaps identified are collated and intervention measures which including training are identified. Thereafter, the training plan for the Corporation for both individual and corporate trainings is developed. Based on the training plan developed, the Corporation facilitated technical trainings for 49 staff, CPD trainings for 31 staff members and a corporate training session for all staff on Crisis Management and Bank Resolution. The corporate training is in line with IADI Core

Principle no. 6 Deposit Insurer’s Role In Contingency Planning And Crisis Management. In addition, the Corporation undertook four (4) training sessions for various committees in line with statutory requirements and in compliance with the PC guidelines issued by The National Treasury.

### 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. The Performance management system allows the Corporation to review and identify gaps at an individual and corporate level and devise measures to address the identified gaps.

### Employee Remuneration and Reward



In recognition of the 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 labor market and to recruit and retain high calibre employees. This also ensures 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. KDIC adopts a total rewards system with both financial and non-financial aspects being considered.

## ENTERPRISE RISK MANAGEMENT

The Corporation continued to implement and maintain an ERM and BCMS Framework. The ERM framework allows the Corporation to proactively identify and mitigate risks that could impact its operations, reputation, and stakeholder relationships.

The Corporation has a risk management policy which provides the risk management governance framework. This includes the establishment of risk registers at departmental level whose content are reviewed and escalated to update the corporate risk register. The Corporate risk register is designed to include the identified high-risk areas that might affect the achievement of KDIC objectives and mandate. The following is a summary of identified risks;



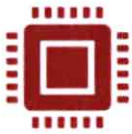
The Corporation has put in place correction and corrective action plans and strategies to manage the risks and is pursuing additional controls to address the residual risk.

With regards to business continuity management system, during the period under review, the Corporation conducted a table top testing of the system whose primary purpose was to determine the system helps the organization respond to an event. Specifically, the exercise sought to ensure awareness of responsibilities and duties, review the recovery time objectives, availability of resources, readiness and management commitment.

## INFORMATION COMMUNICATION AND TECHNOLOGY

Having previously engaged in major ICT infrastructure projects, during the Financial Year 2023/24, the Corporation enhanced its focus on security and maintenance of the technology environment while making enhancements to existing infrastructure. Key initiatives are as highlighted below.

### Server Acquisition



In preparation for the upgrade of the current ERP, Microsoft Dynamics 2012 to Dynamics 365, the corporation acquired new hyperconverged servers that will host the application and the database.

### Information Security



KDIC continually ensures that there are strong firewalls and workstation endpoint systems. Site to Site VPN was setup between KDIC and member institutions provides a secure tunnel for banks to upload their reports on EDWBI portal. Staff were provided with VPN client to enable them access KDIC systems securely while outside the office network.

### Resilience



To give the Corporation the comfort that the ICT environment is secure, the Corporation conducted a network penetration testing exercise. This involved simulating cyberattacks against KDIC systems to help identify any vulnerabilities that could be potentially exploited. The testing used various hacking techniques to identify security vulnerabilities in KDIC network. These tests used real methods and approaches that a hacker could use to access the system, providing critical information about the security of KDIC network.



### Back-up



The Corporation automated daily full backup of KDIC systems to the offsite DR site in Kisumu. This has been achieved through the WAN and licensed backup software.

### Annual Maintenance

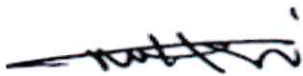


The corporation has acquired various ICT equipment over a period of time notably laptops, cisco switches, routers & IP Telephony, firewalls, biometric & CCTV security devices, printers & copiers and Modular Data center. To ensure good performance of the equipment and minimize breakdown, the equipment is periodically serviced & maintained through various contractual arrangements.

## ENVIRONMENTAL AND SUSTAINABILITY REPORTING

The Corporation places great importance on sustainability as delivers on its mandate to minimize risk, insure deposits and resolve trouble banks. KDIC acknowledges that the realization of climate-related risks could have adverse effects on the Deposit Insurance Fund and infrastructure. It could also disrupt the functioning and resilience of banks and the overall financial system, hindering the Corporation's ability to respond to bank failures promptly.

At KDIC, we are dedicated to actively participating in the pursuit of sustainability as an integral part of our daily operations while fulfilling our mission. Sustainability has become an inherent part of our fundamental values and strategic foundations, fostering accountability and continuous monitoring. Furthermore, it is reflected in our reporting, aligning with the UN Sustainable Development Goals (SDG), IADI Core Principles, and various local and global standards emphasizing Environmental, Social, and Governance (ESG) commitments.



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



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Mrs. Hellen Chepkwony  
Chief Executive Officer

## Procurement Opportunities

In KDIC, Procurement 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. The Corporation is also guided by the Public Procurement and Asset Disposal Act, 2015.



KDIC awarded contracts valued at **174M** to citizen contractors

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 Kes. 174M. The Corporation had set aside Kes. 18M for the Access to Government Procurement Opportunities (AGPO) program which promotes the businesses of youth, women and people with disabilities. The Corporation exceeded the target and managed to award tenders valued at Kes. 31M to AGPO groups.

17M awarded to Women Contractors 

 14M awarded to Youth

## Corporate Social Responsibility

KDIC is steadfast in its pledge to foster sustainable and ethical practices, ensuring our operations enrich the community and environment, reflecting our deep-rooted dedication to Corporate Social Responsibility. We understand that as a corporate citizen, we have the responsibility to ensure that our practices support the sustainability of life and that we support activities that do so. Towards this, the Corporation has geared its efforts towards the support of Health and Climate action initiatives.



### Health

KDIC is committed to the Sustainable Development Goal 3 of Good Health and Well-Being's mission to "Ensure healthy lives and promote well-being for all at all ages". Towards this goal, the Corporation has supported Mbagathi Level 5 Hospital over the years through donation in form of constructed works and various medical equipment.



During the financial year 2023/2024, KDIC donated several medical equipment to the hospital's new born unit being phototherapy machines, baby bassinets, CPAP valves and infant warmers.



*KDIC Staff alongside Mbagathi Hospital staff during the delivery of the medical equipment donated to the hospital's new Born's unit*

## Environment

The Corporation is committed to the implementation of Sustainable Development Goal 13 that is towards limiting and adopting to climate change. In line with the goal's mission to "Take urgent action to combat climate change and its impacts", KDIC regularly allocates time and resources to various activities aligned to environmental conservation. During the financial year, KDIC participated in three tree planting exercises as highlighted below.



### *KDIC Contributes to the 15 billion Tree Growing Campaign*

The Corporation partnered with the National Environment Trust Fund (NETFUND) in its initiative to rehabilitate 400 hectares of the Kessup forest block at Kaptagat. KDIC supported the planting of 10,000 trees in the forest block. Further, The Corporation in collaboration with the ACK Diocese of Mt. Kenya Central planted 6,500 trees in various sites within Murang'a county, planting of 5,000 trees during the financial year