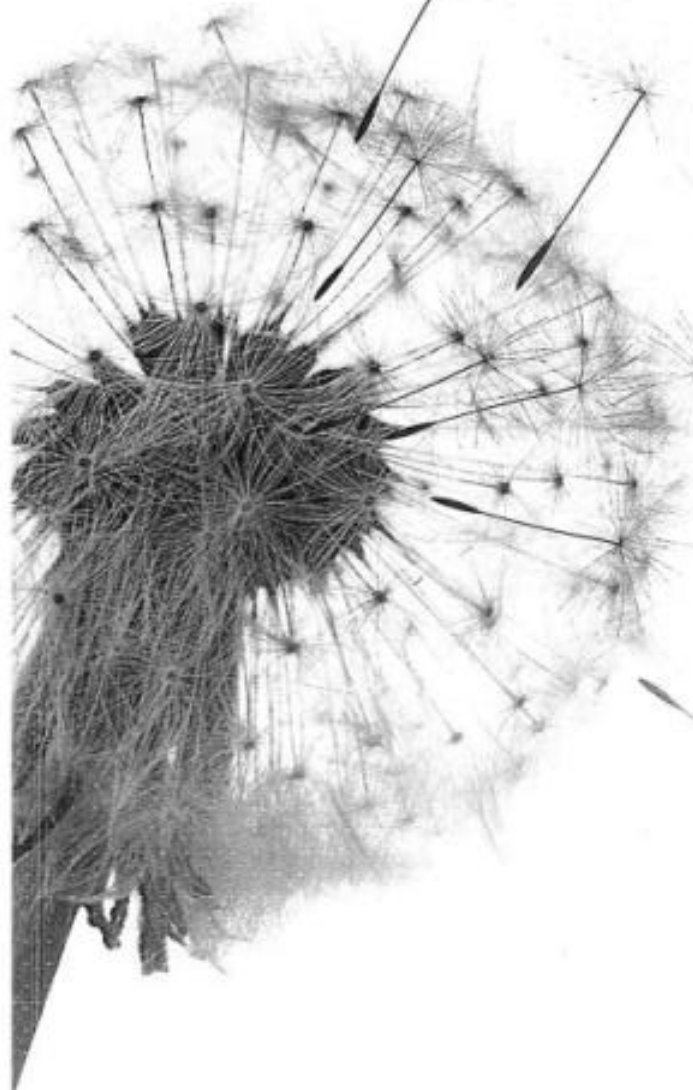


NATIONAL ASSOCIATION
DATE: 12 OCT 2022 Wednesday

L.O.M
Miriam Mado



KENYA BANKERS
ASSOCIATION



NEW FRONTIERS

**Annual Report and
Financial Statements 2021**



NEW FRONTIERS

The economic environment in 2021 was well poised for recovery. The banking industry leveraged on opportunities towards reinvigorating the recovery by supporting enterprises and households affected by COVID-19. The year 2022 presents opportunities to explore further strategies towards deepening financial inclusion and optimizing the banking industry's contribution to the economy.

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ABOUT KENYA BANKERS ASSOCIATION

BACKGROUND INFORMATION

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

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

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

As the umbrella body of the institutions licensed and regulated by CBK with a current membership of 44 financial institutions representing total assets in excess of KSh. 6 Trillion, KBA continues to reinforce a reputable and professional banking sector in a bid to best support Kenyans, who entrust their ambitions and hard earned resources with its member banks.

KBA Core Values

Leadership, Innovation, Knowledge and Ethics.

KBA Vision

A vibrant and responsive banking industry.

KBA Mission

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

KBA Structure & Governance

KBA is an association of the 44 member banks and Secretariat that is situated at International House in Nairobi. The banks constitute the General Body and are represented by their Managing Directors or Chief Executive Officers. The KBA General Body elects a Governing Council that is comprised of a minimum of 12 CEOs who represent the members and oversee the Secretariat's operations, programs and budget. Mr. John Gachora, Group MD, NCBA Bank, is the current Chairman of the KBA Governing Council.

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

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

1. Operations & Technical Services Committee

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

2. Bank Fraud & Risk Committee

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

3. Legal Affairs Committee

4. Finance & Audit Committee

- Tax Sub Committee
- Financial Markets Sub Committee

5. Compliance Committee

6. Human Resources & Ethics Committee

7. Public Relations Committee

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

AT A GLANCE



87 committee meetings

held in conjunction with the association's mandate



55+ million

KBA Audience Reach



51 webinars and workshops

by KBA to facilitate policy engagement and industry growth and development



18 employees
KBA Secretariat

inUKA ENTERPRISE PROGRAM



41K+
MSMEs trained



Sustainable Finance Initiative



1.1+ trillion
moved by PesaLink to date

27K

27,000 bank staff have been Trained on Sustainable Finance

Training and Capacity Building



- Forward-Looking Risk Management
- AML / CFT Sanctions-Fincrime in the Wake of COVID-19 Pandemic
- Emerging Trends In AML/CFT Sanctions
- AML/CFT Regulatory Framework
- Technology & Data In AML/CFT
- Data Privacy Organizational Strategy
- Privacy Notice and Policy Management
- Data Lifecycle Management
- Data Subject Rights and Processing
- Data Security
- Data Privacy and Anti-Money Laundering

Key Policy Engagements



- Sectional Properties Act
- National Land Information Management System (Ardisasa)
- Kenya Valuation Standards
- Collateral Registry
- Data Protection Act
- Industry Fraud And Cybercrime
- Capital Gains Tax
- National Payment Systems Act
- Lands Act
- Moveable Property Security Rights Act
- National Policy and Draft Bill on the Credit Guarantee Scheme
- Financing of Micro, Small and Medium-sized Enterprises
- Draft Protocol to the Convention
- Ministry of Lands Taskforce on Electronic Land Transactions

INDUSTRY ADVOCACY

KBA Representation on Boards, Committees and Taskforces

Regulatory



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

Security



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

Industry Stability, Growth & Development



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

KBA MEMBERS

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

KBA Members as at 31st December 2021

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

KBA GOVERNING COUNCIL

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

Governing Council Members as at December 2021

Chairman



John Gachora
NCBA Bank
Group Managing Director

Vice Chair



Rebecca Mbithi
Family Bank
Chief Executive Officer



Joshua Oigara
KCB Bank
Chief Executive Officer



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



Gerald Warui
Equity Bank (K) Ltd
Managing Director



Nasim Devji
Diamond Trust Bank
Group Managing Director & CEO



Karluki Ngari
Standard Chartered Bank
Managing Director



Jeremy Awori
Absa Bank
Managing Director



Kihara Maina
I & M Bank
Chief Executive Officer



Martin Mugambi
Citibank N.A.
Managing Director & CEO



Moezz Mir
SBM Bank
Chief Executive Officer



Olabayo Veracruz
GT Bank
Managing Director



Peter Makau
DIB Kenya Bank
Chief Executive Officer



Isaac Mwise
Middle East Bank
Managing Director



Johnson Kintiti
Development Bank of Kenya
Ag. Chief Executive Officer

KBA COMMITTEE REPRESENTATIVES



Elizabeth Kimani
ABC Bank



Philip Wambua
ABC Bank



Christine Mwai-Marandu
Absa Bank



Laban Omangi
Absa Bank



Peter Mungai
Absa Bank



Brian Koletit
Citibank



Catherine Mugane
DTB Kenya



Kabuthia Riunge
KCB, Bank



Robley Ngoje
KCB Bank



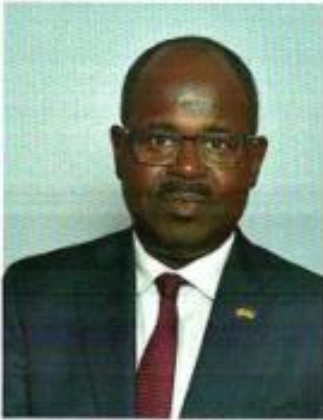
Catherine Njoroge
Stanbic Bank



Edgar Mwandawiro
SBM Bank

COMPLIANCE Committee**CHAIR** Absa Bank (Laban Omangi)**VICE CHAIR** DIB Bank Kenya (Daisy Namayi)**SECRETARY** Kenya Bankers Association (Kennedy Mutisya)**FINANCE AND AUDIT Committee****CHAIR** DTB Kenya (Catherine Mugane)**VICE CHAIR** SBM Bank (Davis Ayako)**SECRETARY** Kenya Bankers Association (Kennedy Mutisya)**Financial Markets Sub Committee****CHAIR** ABC Bank (Philip Wambua)**VICE CHAIR** Absa Bank (Anthony Kirui)**SECRETARY** Standard Chartered Bank (Nicholas Mutua)**Tax Sub Committee****CHAIR** Absa Bank (Peter Mungai)**VICE CHAIR** Equity Bank (Lydia Ndirangu)**SECRETARY** Kenya Bankers Association (Kennedy Mutisya)**HUMAN RESOURCES AND ETHICS Committee****CHAIR** KCB Bank (Robley Ngoje)**VICE CHAIR** Sidiān Bank (Wangaré Gathu)**SECRETARY** Kenya Bankers Association (Raimond Molenje)**IT SYSTEM RISKS & SECURITY Committee****CHAIR** SBM Bank (Edgar Mwandawiro)**VICE CHAIR** Equity Bank (Kelevilin Kimathi)**SECRETARY** KBA Secretariat (Fidelis Muia)**Bank IT System Risks & Security Sub Committee****CHAIR** KCB Bank (Kabuthia Riunge)**VICE CHAIR** Co-Operative Bank (Leah Kimata)**SECRETARY** Family Bank (Anthony Chesaro)**Bank Security Sub Committee****CHAIR** GT Bank (Ben Shichenga)**VICE CHAIR** Equity Bank (Edward Muchiri)**SECRETARY** DIB Kenya Bank (Hillary Godana)**SECRETARY** Standard Chartered Bank (Faith Lumumba)**LEGAL AFFAIRS Committee****CHAIR** NCBA Bank Kenya (Steve Atinya)**VICE CHAIR** HF Group Limited (Belinda Ng'ang'a)**SECRETARY** Kenya Bankers Association (Raimond Molenje)**OPERATIONS AND TECHNICAL Committee****CHAIR** ABC Bank (Elizabeth Kimani)**VICE CHAIR** Equity Bank (Miring'u Ng'ang'a)**SECRETARY** KBA Secretariat (Fidelis Muia)**Clearing House Sub Committee****CHAIR** Citibank (Brian Koletit)**VICE CHAIR** NCBA Bank (Michael Mucheru)**SECRETARY** Prime Bank (Sabina Manji)**Credit and Islamic Finance Advisory Committee****CHAIR** Absa Bank (Christine Mwai-Marandu)**VICE CHAIR** ABC Bank (Boniface Kioko)**SECRETARY** Kenya Bankers Association (Samuel Tiriongo)**National Payments Sub Committee****CHAIR** Co-Operative Bank (Michael Nangole)**VICE CHAIR** DIB Bank Kenya (Doreen Mulera)**SECRETARY** Kenya Bankers Association (Fidelis Muia)**PUBLIC RELATIONS Committee****CHAIR** Stanbic Bank (Catherine Njoroge)**VICE CHAIR** ABC Bank (Wambui Kaguongo)**SECRETARY** Kenya Bankers Association (Christine Onyango)

MANAGEMENT PROFILES



Dr. Habil Olaka, EBS
Chief Executive Officer

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

Resident Manager in Kenya. He earlier served the bank as the Head of Risk Management and as the Chief Internal Auditor.

He is a member of the International Advisory Committee of the Chartered Banking Institute in the UK.

Before joining the Bank, he 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), 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).

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

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



Kennedy Mutisya
Chief Finance Officer

Mr. Mutisya was appointed to the position of Chief Finance Officer in December 2012. He is a seasoned professional with 20 years of experience rotating through multiple roles within the finance function in East Africa company controlling, project finance, treasury, financial planning and analysis. In his career he has worked in various industries, including banking, telecommunication, fast-moving consumer goods (FMCG) and insurance. He has held various positions, most recently Finance Manager at the

Monarch Group of companies. He earned a Bachelor of Arts degree in Economics and Business Studies from Kenyatta University, and is a member of the Institute of Certified Public Accountants of Kenya (ICPAK).



Fidelis Muia

Director of Technical Services

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

In his role at the Association, Mr. Muia led in the modernisation of the Banking Payment Systems from the Automated Clearing House implementation and the Cheque Truncation System, migration of Kenya's Payment Cards system to the EMV standard and the development of the Credit Information Sharing Mechanism in Kenya (CRBs).

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

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



Christine Onyango

Director of Communications and Public Affairs

Ms. Onyango joined the Association in February 2022 from I&M Bank, where she served as the Head of Marketing for 10 years. She has a cumulative 19 years' experience within the banking industry, having worked for a Fortune 500 company and one of the largest banks in the US (Bank of America), Credit Bank Limited and Gulf African Bank. Christine is a recognized leader in matters marketing, corporate communication and business strategy delivering results through effective marketing campaigns, brand and relationship management. She is a holder of bachelor's degree in Business Administration & Management from Amberton University, Dallas, TX and Associate degree in Business Administration & Management from Colin County Community College, Plano, TX.



Raimond Molenje

Director Legal, Human Resource and Policy Advocacy

Mr. Raimond Molenje joined Kenya Bankers Association in August 2018 and has over 17 years' experience in legal practice, human capital, and stakeholder engagement with special interest in business member organisations. He has held management roles as corporate legal counsel, human resource and industrial relations specialist with leading organizations and corporations including HR Advisor at De La Rue Currency and Security Print, Legal Manager at Federation of Kenya Employers (FKE) and HR Manager-Employee Relations at Equity Bank Group.

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

He is passionate about training and capacity building and serves as a Lecturer at the College of Human Resources Management. He is also a Board Member with the Auctioneers and Licensing Board under the Attorney General's Office as well as the Mediation Accreditation Committee of the Judiciary representing the industry.

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



Dr. Samuel Tiriongo

Director of Research and Policy

Dr. Samuel Tiriongo (PhD) joined Kenya Bankers Association (KBA) in December 2020. He previously served as an economist with the Central Bank of Kenya for 13 years, of which he was attached to the Secretariat of the Monetary Policy Committee (MPC) for 11 years, providing research and analysis targeted at informing monetary policy decisions of the Committee. Additionally, he has been involved in various research assignments that have shaped industry discourse and policymaking, having published widely in peer reviewed research outlets on market microstructure, economic responses to crises, monetary policy communication, and credit market analyses, among other areas.

Dr. Tiriongo holds a PhD in Economics of the University of Dar es Salaam –Tanzania, conferred under the Collaborative PhD Programme in Economics for Sub-Saharan Africa of the African Economic Research Consortium (AERC). He has been a research fellow of the AERC since 2016 and was awarded in 2017 to participate in the AERC/IMF Visiting Scholars Programme. He has also received professional training from several leading organizations, key among them are International Monetary Fund (IMF), The World Bank, and Macroeconomic and Financial Management Institute of Eastern and Southern Africa (MEFMI).

NOTICE OF THE ANNUAL GENERAL MEETING

12th May 2022

THE CHIEF EXECUTIVE OFFICERS OF KBA MEMBER BANKS

Dear Sirs/ Mesdames,

NOTICE OF THE 60TH ANNUAL GENERAL MEETING OF KENYA BANKERS ASSOCIATION TO BE HELD ON THURSDAY 23RD JUNE 2022 FROM 2:30PM AT SERENA HOTEL, NAIROBI

Notice is hereby given that the 60th Annual General Meeting of Kenya Bankers Association will be held on **Thursday 23rd June 2022 at the Serena Hotel, Nairobi.**

AGENDA

1. Constitution of the Meeting and adoption of the Agenda.
2. Confirmation of minutes of the 59th Annual General Meeting held on 24th June 2021 and confirmation of the minutes of the 242nd General Body Meeting of 24th March 2022.
3. Matters arising from the minutes of the 59th Annual General Meeting and 242nd General Body meeting.
4. Adoption of the Chairman's Report.
5. Integrated Payment Services Limited (IPSL) Update.
6. Consideration of the Audited Financial Statements for the financial year ended 31st December 2021.
7. Declaration of results of the elected Members to the KBA Governing Council.
8. Any Other Business.

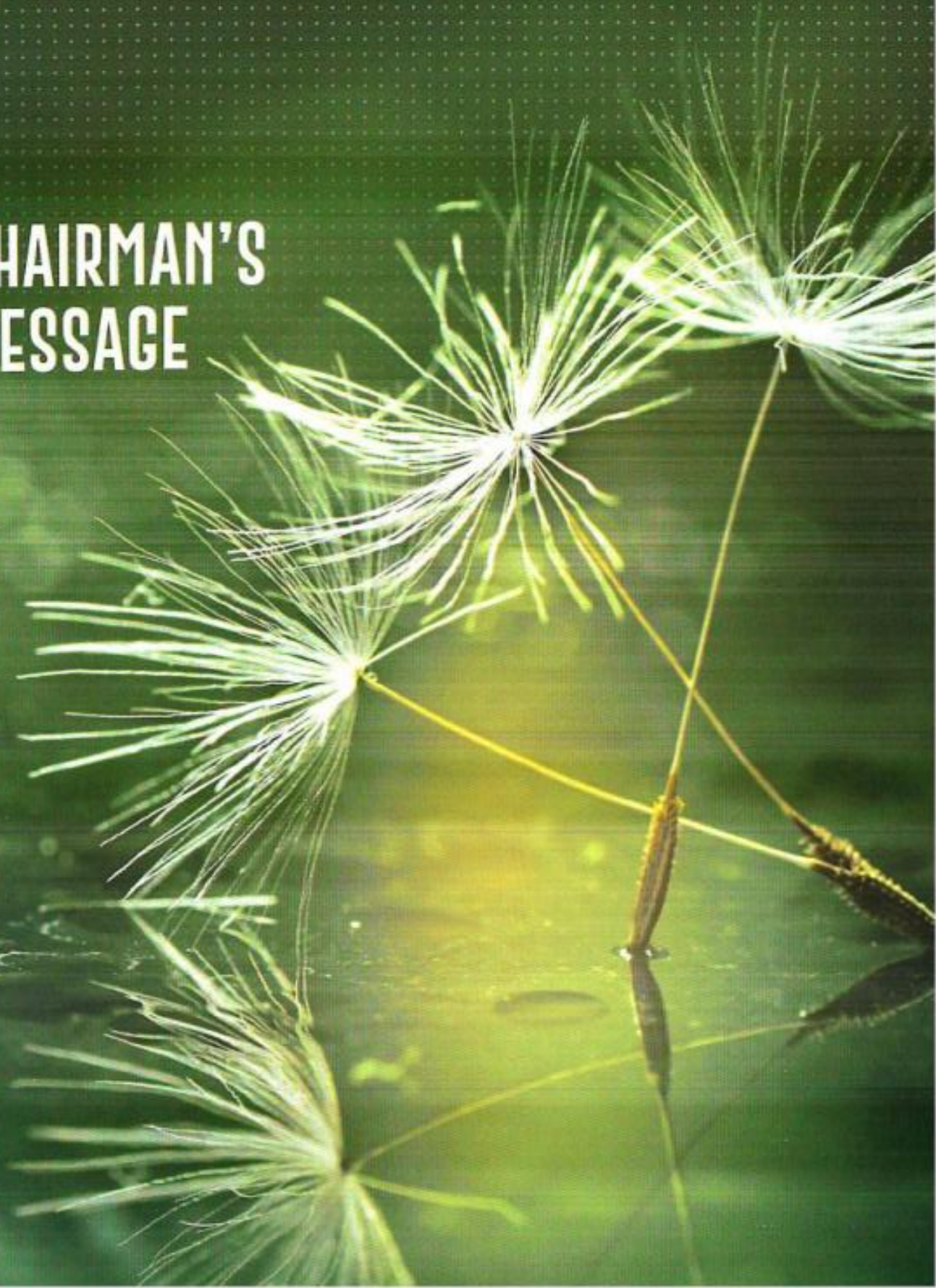
Yours Faithfully,



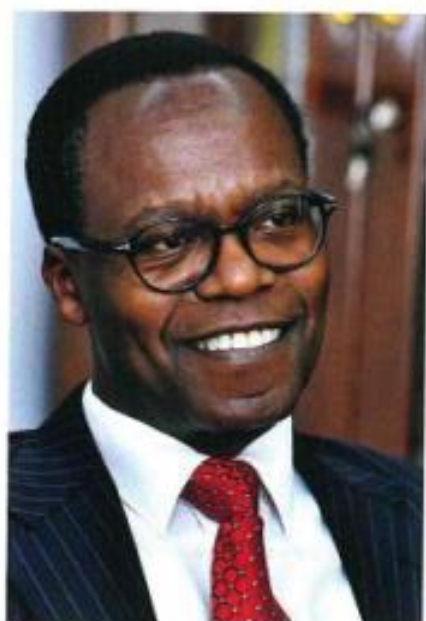
Dr. Habil Olaka, EBS

Chief Executive Officer

**CHAIRMAN'S
MESSAGE**



CHAIRMAN'S MESSAGE



The banking industry enhanced efforts towards supporting economic recovery in 2021; the year 2022 presents opportunities to deepen financial inclusion through responsive lending models and capacity building initiatives.

In many ways, 2021 marked the beginning of a possible “new normal” following the lifting of COVID-19 containment measures imposed at the onset of the COVID-19 pandemic in 2020. This was made possible following successful mass vaccinations, driven by well executed government and private sector efforts. I am glad to say that KBA members stood with the community and contributed significantly towards the availability of COVID-19 vaccines for their employees, their families and, indeed, the community.

Unlike the previous year, 2021 experienced significant economic growth on account of the easing of COVID-19

containment measures. The re-opening of the economy offered much-needed relief across sectors, providing additional momentum to a fledgling post-COVID recovery. However, the recovery continued to be fragile, necessitating sustained efforts towards building back better while ensuring inclusive recovery.

In this regard, I would like to commend the banking sector for its efforts towards anchoring the economy; and continuing to support bank customers through credit accommodations and extending financing while also managing attendant credit risks. It is commendable that the industry collectively restructured loans worth KSh. 1.7 trillion between March 2020 and February 2021 towards supporting customers navigate through the pandemic.

The banking sector's asset quality continued to improve with the NPL ratio to gross loans declining to 13.1 percent in December 2021, from 14.5 percent in December 2020. The banking industry also continued to be sufficiently liquid and adequately capitalised, demonstrating its resilience and continued ability to support private sector recovery. Banking sector liquidity closed the year at 56.2 percent in December 2021, compared to 54.5 percent in December 2020 and 49.7 percent in December 2019. This impressive resilience was spurred by innovation in both the arena of lending products and adaptive customer service solutions.

The resilience of the banking sector has been supported by a conducive policy and regulatory environment, and on behalf of the banking industry, I acknowledge with gratitude the important role the regulator — Central Bank of Kenya — continued to play in coming up with targeted interventions aimed at supporting affected sectors to weather the pandemic. I have no doubt that continued cross-sector collaboration will remain a key element as we gear up for the year 2022. As an industry, we commit our readiness and willingness to work with all stakeholders in efforts towards full economic recovery.

EXPANDING INCLUSION FRONTIERS

Over the years, the banking sector has been committed to achieving an inclusive financial system through various bank-level interventions and industry collaborations. In 2021, the industry continued to ramp up efforts towards supporting inclusion for Persons with Disabilities in line with the aspirations of the industry's Strategic Plan for

the period 2019 to 2023. Under the Plan, the industry collectively seeks to support financial inclusion for vulnerable groups, including the youth, women and Persons with Disabilities. I am happy to note that the industry has not reneged on this important commitment and continues to implement initiatives geared towards ensuring products and services resonate with the needs of Persons with Disabilities.

The unveiling of the Deaf Elimu Banking Kenyan Sign Language (KSL) self-training tool — a solution that seeks to support bank staff to learn KSL and serve Deaf customers better— was a key highlight in 2021. The App culminated from the various recommendations contained in KBA's Banking Industry Accessibility Report and Case Study, published in 2020. The report highlighted the need to facilitate a better banking experience for the Deaf community and Persons with Disabilities in general. In its findings, the report indicates that Deaf customers are some of the most dissatisfied bank clients on account of communication challenges. To address this challenge, the study recommends industrywide measures towards ensuring bank branches have staff who can communicate in Kenyan Sign Language.

With regard to supporting industry-wide implementation of accessibility initiatives, I am happy to note that the KBA Secretariat has developed an industry roadmap to guide the industry's inclusion ambitions in a phased approach. It will be instructive for KBA member banks to continue championing the inclusion measures to facilitate full accessibility to banking services by the year 2024 or sooner.

SUPPORTING SME RESILIENCE

The pandemic has had an adverse impact on SMEs not only globally but also at the domestic level. The recovery process highlights the need to support enterprise development for a sustainable and inclusive economic recovery. Collectively, SMEs make a direct contribution of about 30 percent of the total value added in the economy. Recognising the catalytic role of MSMEs in the economy, the industry continued to explore additional opportunities to support their recovery in the year 2021. Key among these interventions was the Inuka Enterprise Program, which seeks to enhance the creditworthiness of small businesses through capacity building. It is encouraging

that the program reached more than 40,000 enterprises in 2021, with plans to scale even further. Since inception in 2018, the program has trained over 50,000 MSMEs. KBA will continue to work closely with the CBK on risk-based pricing as an important cog in promoting credit access for enterprises.

I have no doubt that in 2022, the industry will continue to engage stakeholders to leverage on opportunities such as the Credit Guarantee Scheme and the Moveable Property Security Registry to facilitate further access to capital for enterprises. These efforts are informed by the fact that small businesses are the engine of the economy.

HIGHLIGHTING INDUSTRY SHARED VALUE

In 2021, the KBA Secretariat released various publications to support the industry's lobbying and policy advocacy efforts. They included the Tax Contribution of the Kenya Banking Sector Report, which highlighted the significant contribution the industry makes towards Kenya's tax revenue. The banking sector contributed 27 percent of all taxes collected in Kenya in 2020 and 2019, despite the adverse impact of the COVID-19 pandemic. In addition, KBA published the State of the Banking Industry (SBI) Report 2021, which reaffirmed the industry's stability despite the effects of the pandemic. The Association's Micro, Small and Medium Enterprises Survey Report 2021 indicated that 90 percent of SMEs under KBA's Inuka Enterprise Program were registered, signalling a high level of formalization. I encourage member banks to continue supporting KBA's research efforts, given the importance of research in spurring further industry-wide growth and supporting advocacy initiatives.

OUTLOOK

The banking industry has resiliently navigated challenges in the business environment over the past two years. Underpinning this success has been the industry's characteristic responsiveness and innovation. These elements will remain important as we transition to the year 2022. Indeed, innovation will continue to play a key role in facilitating access to affordable credit through enhanced operational efficiency and satisfactory customer experience; while adaptiveness will support the industry to align to the dynamic needs of our customers. In efforts towards deepening access to credit, banks will also find data useful in designing products aligned with the ever-



L-R: KBA CEO Dr. Habil Olaka, Deaf eLimu Plus Founder Hudson Asiema and FSD Kenya CEO Tamara Cook during the signing of a partnership agreement on the Association's Digital Accessibility project. The partnership culminated in the Deaf eLimu Banking bank-environment Kenyan Sign Language self-training mobile App and website.



KBA Chair John Gachara held a meeting with Cabinet Secretary for ICT, Innovation and Youth Affairs Joe Mucheru and SME Advisor to the President Anne Mutahi to discuss ways of supporting growth and development of youthful Kenyan enterprises.

evolving needs of customers. In addition, strategies on ways of addressing climate-related risks will remain at the centre of the industry's discourse in the next year with the growing clamour for greener lending. The industry will, therefore, find it necessary to invest in capacity building programs aligned to these emerging needs.

APPRECIATION

On behalf of the KBA Governing Council, let me thank all our members for once again providing leadership and expanding the boundaries of possibilities in the past year. This Annual Report's theme is New Frontiers, emphasising our collective commitment to continue creating value for the economy. The year 2022 presents a great opportunity to deepen financial inclusion and harness technology to serve our customers even better. I have no doubt that the industry stands ready to create adaptive solutions to emerging challenges in collaboration with all our stakeholders.

In closing, I would also like to extend my appreciation to the KBA Governing Council Vice-Chair, Ms. Rebecca Mbithi. It has been my distinct honour to serve the industry alongside Ms. Mbithi, whose ideas have continued to inform solutions to industry challenges over the last year. On the same note, I thank all members of the KBA Governing Council for their willingness and readiness to provide counsel on industry matters across the year. Similarly, I thank our member bank CEOs for continuing to support KBA's initiatives. The deep spirit

of collaboration we have witnessed in 2021 signals the industry's commitment to achieve more for the economy in 2022.

Finally, allow me to appreciate the KBA team led by Dr. Habil Olaka for continuing to develop and roll out various transformative initiatives on behalf of the industry. Through the Secretariat, the industry continues to progressively engage with stakeholders such as the Central Bank of Kenya, the National Treasury, the Kenya Revenue Authority, the Capital Markets Authority, the Retirement Benefits Authority, among others. These engagements continue to play a pivotal role in creating solutions to industry challenges in a participatory manner.

As we transition to 2022, I remain confident that the banking sector will continue to leverage on opportunities to support growth and enhance its contribution to the national development agenda.

John Gachora, MBS

Chairperson



Dr. Olaka addresses banks' representatives during the presentation of the 2021 Customer Satisfaction Survey recognition certificates.



KBA Director Legal, HR and Policy Advocacy Director Raimond Molerje (centre) during the 2021-2023 Collective Bargaining Agreement negotiations.



L-R: PwC partner Job Kabochi, KBA Chief Finance Officer Kennedy Mutisiya and KBA Tax Sub-Committee Chairperson Peter Mungai during the release of the Total Tax Contribution of the Kenya Banking Sector Report.



Mr. Mutisiya (Right) receives the Association's recognition for excellence in the IFRS category during the 2021 Fife awards ceremony.



Kenya Revenue Authority Domestic Taxes Commissioner Rispah Simiyu speaks during the release of the Total Tax Contribution of the Kenya Banking Sector Report.



KBA coordinated a session to brief Persons with Disability and etiquette trainers on the Association's Digital Accessibility Project.

A low-angle photograph of a dandelion seed head in the bottom left corner. The seed head is white and fluffy, with a green stem extending downwards. Numerous seeds are blowing away from the head, scattered across the sky. The sky is a deep blue with a fine, white dotted pattern. The text "CEO'S MESSAGE" is printed in white, bold, sans-serif capital letters in the middle right area of the image.

CEO'S MESSAGE

CEO'S MESSAGE



Dr. Habil Olaka, EBS
Chief Executive Officer

FINANCIAL HIGHLIGHTS 2021

Industry operations in the year 2021 were undertaken on the backdrop of challenges associated with the COVID-19 pandemic. Although the effects of the disruption abated significantly in 2021, access to credit to small enterprises remained constrained, demanding innovative lending solutions. In this regard, the Association enhanced its lobbying and advocacy activities, working together with a wide range of stakeholders to support business recovery in the economy.

For the KBA Group to undertake and fund its program activities as budgeted, the Group generates income from various sources comprising of subscription fees, switch income, entrance fees and from other income sources. During the financial year 2021, total income generated by the KBA group was KSh. 422.06 million in comparison to KSh. 411.41 million generated in the FY 2020. The increase in total income represents a 2.59 percent increase from the previous year. The improved income is attributed to increase in switch income earned by IPSL as more bank customers adopted and used the PesaLink platform.

The Association has made marked progress to broaden its income streams by introducing new services that have generated additional income. The subsidiary, IPSL, has

equally made steady growth in increasing the transaction base for the users of the PesaLink platform. In the period under review, IPSL's focus was directed towards expanding its income stream base from over relying on P2P income stream to other income streams such as aggregator fees and bulk transaction fees.

As a result of adopting this strategy, the total income for the year for IPSL posted an increase of 32.21 percent, closing at KSh. 42.53 million in comparison to KSh. 32.17 million earned in the previous year. The usage of the PesaLink platform has witnessed a significant increase by bank customers and we expect this trend to be sustained in the coming years as various initiatives aimed to make the company profitable are implemented by IPSL Board of Directors and the Management.

KBA group expenditure allocation for the year was mainly distributed to fund:

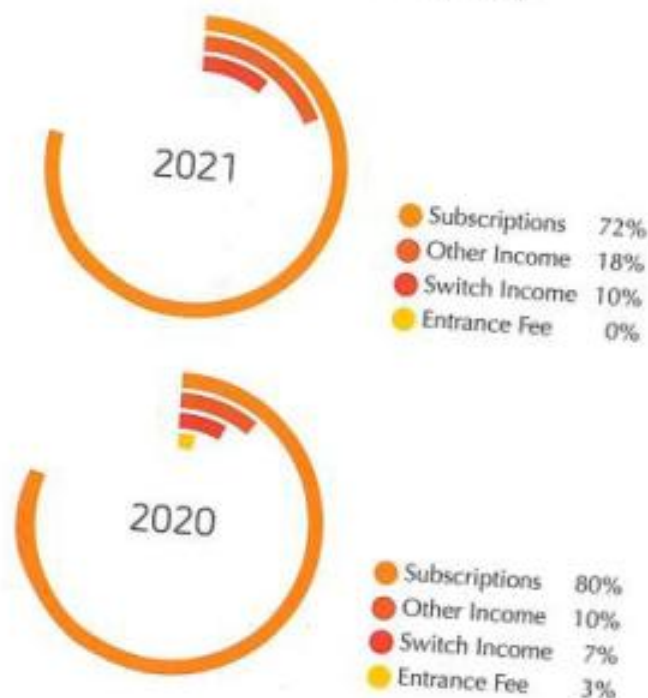
- Administrative expenditure, KSh. 313.94 million.
- Project related activities, KSh. 144.71 million.
- Establishment expenditure, KSh. 127.77 million.
- Finance costs, KSh. -1.16 million.

It is important to note that despite the level of activities in the year relatively increased compared to the

previous year due to reduced COVID-19 restrictions, a cost rationalization of 5 percent was realized compared to FY 2020. The cost reduction is largely attributed to expenditure reduction in finance cost amounting to KSh. 5.11 million after the Bank of Baroda loan was liquidated. An additional KSh. 19.17 million savings was realized from prudent management of administrative expenditure related activities.

A summary of both the revenue distribution and expenditure utilization for the KBA Group for the year is illustrated below.

Revenue Distribution FY 2021



Consolidated Expenditure

Expenditure*	2021	2020
	Amount in KSh	Amount in KSh
Project Related Expenditure	144,706,885	146,245,525
Administrative Expenses	313,942,465	333,116,034
Establishment Expenses	127,765,952	133,244,810
Finance Expenses	(1,163,709)	6,276,150
Total Expenditure	585,251,593	618,882,519

*Expenditure of KBA and IPSI.



KBA CEO presents recognition certificates to banks that excelled in the 2021 banking industry Customer Satisfaction Survey. Family Bank was ranked as the best overall bank in digital experience, followed by Standard Chartered Bank and Equity Bank respectively.

Policy Engagements

In executing its mandate as the industry's advocacy group, KBA continued to engage policy makers on issues that have a bearing on the industry. Supported by various Committees, Sub Committees and Working Groups, the KBA Secretariat engaged on a wide range of policy aspects, in efforts geared towards unlocking policy challenges through facilitatory measures.

In consideration of the forthcoming general elections, the government's fiscal budget for the FY2022/2023 was brought forward. To this end, the National Treasury called for public submissions in respect to preparation of the next financial year's budget. The Association, through the Tax Sub Committee, submitted the banking sector's tax proposals in August 2021 for consideration.

Following the Ministry of Lands' discontinuation of manual land transactions at the Nairobi Land Registry, the National Land Information Management System (Ardhisasa) was launched on 27th April 2021. The electronic system presented various challenges to the industry. Consequently, KBA and the Law Society of Kenya (LSK) held various sessions with banks to address the user experience concerns. The Association also engaged on the Sectional Properties Act, which came into force on 28th December 2020. The legislation provided for the division of buildings into units to be owned by individual proprietors and common property to be owned by proprietors of the units.



In collaboration with the Kenya Private Sector Alliance, KBA coordinated a vaccination initiative that facilitated the vaccination of close to 3,000 people.

Separately, the Institute of Surveyors of Kenya (ISK) launched the Kenya Valuation Standards to guide Valuers, Customers and Stakeholders during valuations and enhance accountability, efficiency, and professionalism in property valuations. KBA continues to work with ISK to sensitize member banks on the new valuation standards.

Industrial Relations

In 2021, KBA led the banking industry to successfully conclude union negotiations for the 2021 to 2023 period. The Agreement provided enhanced terms and conditions covering over 20,000 unionisable employees within the industry. Under the agreement, the unionisable employees received a four percent salary increment for the previous year 2020 and a further three percent pay rise for the year 2021. The enhanced terms and conditions of work for the unionisable staff demonstrated the industry's commitment to efficient and effective service delivery to the banking public amidst the COVID-19 pandemic. Bank employees played an important role as essential workers throughout the COVID-19 pandemic, continuing to deliver uninterrupted services to the banking public.

COVID-19 Vaccination Drive

The Association in partnership with the Kenya Private Sector Alliance (KEPSA) and the Ministry of Health coordinated the vaccination of over 50,000 individuals including banking industry staff, their family members



KBA participated in the Mediation Accreditation Committee interviews to recruit mediators to serve under the Court Annexed Mediation Program.

and the public with the single jab, Johnson and Johnson COVID-19 vaccine. This initiative enabled banks to fully resume their operations and better supported the banking public and businesses to mitigate the effects of COVID-19 pandemic.

Capacity Building

The Association sustained capacity building initiatives in 2021 as part of efforts towards promoting industry best practices and building knowledge on ways of creating long-term value. Under the Sustainable Finance Initiative (SFI), KBA spearheaded enhanced utilization of the training platform. Three new projects were added into the program: Environmental Risk; Blended Finance and the Persons with Disability Project. These projects reinforced the SFI principles under the principles on Managing and Mitigating Environmental Risk (SFI Principle 3); and Growth Through Inclusivity and Innovation (SFI Principle 2).

In partnership with the Business Registration Service (BRS), KBA also held sessions for practical training of staff drawn from banks, microfinance banks and SACCOs who are involved in the day-to-day operations of the collateral registry. Further, KBA partnered with the Judiciary Training Institute to undertake tax training for commercial judges focused on the banking industry. Through the Compliance Sub Committee, KBA convened a training session on the Data Protection Act. The program aimed to sensitize banks on data protection aspects, including designing



KBA hosted a delegation representing the COMESA Business Council to discuss digital retail payments.



KBA conducted a mid-term review of its 2019-2023 Strategic Plan

and implementing data protection programs. The session also sought to prepare banks to comply with the Data Protection Act.

In collaboration with Moody's Analytics, KBA continued to provide capacity building to credit market practitioners on issues of relevance to the industry. Under the program, the Association hosted a webinar on Forward-Looking Risk Measurement, with perspective on East African Banks. The webinar was held in recognition of the fact that over the last decade, banks have made and continue to make significant reviews of their risk management models, given the evolution of the business environment with the uncertainty created by the pandemic.

Under the Environmental Risk Project, PwC has commenced analysis of environmental and water compliance risks that banks and clients in manufacturing and real estate are exposed to. KBA is working with NCBA, I&M, Kingdom Bank, National Bank, Middle East Bank and M-Oriental Bank on detailed insights and will issue a survey to all members for broader feedback. The project has been endorsed by Kenya Property Developers Association (KPPDA), Kenya Association of Manufacturers (KAM), and the Petroleum Institute of East Africa (PIEA) and through these organizations, banks will benefit from their client insights. The draft policy paper was circulated to the KBA Governing Council in October 2021 for consideration.

To enhance industry technical capacity in the compliance field, the Association undertook several trainings for banks. The sessions included a training on financial

crime facilitated by Ernst Young. The training focussed on AML / CFT sanctions and financial crime in the wake of the COVID-19 pandemic; emerging trends in AML/ CFT sanctions; highlights on the AML/CFT regulatory framework; and technology and data in the context of AML/CFT. The Association also coordinated a training forum on data privacy, which aimed to enhance capacity on implementation of data protection program; understanding data privacy challenges in the banking sector; data privacy organizational strategy; privacy notice and policy management; data lifecycle management; data subject rights and processing; data security; and data privacy and anti-money laundering.

In addition to the trainings, the Association held several stakeholder engagements with regulators as part of the continuous relationship building. In the year under review the Association engaged with the Ethics and Anti-Corruption Commission (EACC), Unclaimed Financial Assets Authority (UFAA), Asset Recovery Agency, Financial Reporting Centre and the Office of the Data Protection Commissioner (ODPC).

Enhancing Customer Experience

In conjunction with the KBA Customer Service Working Group, KBA conducted the 2021 Customer Satisfaction Survey. The survey obtained close to 30,000 responses, distinguishing the survey as one with the highest feedback rate since the inaugural edition that was published in 2018. The large sample offered an opportunity to analyse access barriers and customer experience issues that need



The Association conducted a training workshop on the Moveable Property Security Registry (MPSR)



KBA and KCIC signed a Memorandum of Understanding (MoU) to advance the green finance agenda in Kenya and promote enterprise development for Micro, Small and Medium-sized Enterprises.

to be addressed across the industry. The survey findings indicated that 78 percent of Persons with Disability were able to independently access banking services, challenging the industry to implement further measures to enhance the customer experience of bank clients with disabilities. We believe that insights from the report will continue to inform further policies towards enhancing financial inclusion for the country's highly dynamic and diverse banking public through fact-based innovation.

Payments and Security Taskforce Proposals

In 2021, a Payments and Security Taskforce was constituted to develop recommendations towards improving the security aspects of the payment's infrastructure. The team discussed suggested various initiatives, including a recommendation to Mobile Network Operators to implement a solution that would detect SIM change where the consumer has linked their SIM card number to their bank. Two operators have since implemented the feature and are conducting integration tests. KBA continues to engage to ensure all proposals made by the taskforce are implemented and where necessary engage the regulator for support. Meanwhile, the Association has been working on upgrades on the Clearing House to transition the framework to the new ISO 20022 standard. In this regard, KBA organised training sessions for banks' technical clearing teams in readiness for the upgrades' go-live in 2022.

KBA Financial Reporting Recognition

For the 5th consecutive time, the Kenya Bankers Association won the 2021 Financial Reporting (FiRe) Awards, a joint initiative by the Institute of Certified Public Accountants of Kenya (ICPAK), the Capital Market Authority (CMA) Kenya and the Nairobi Securities Exchange (NSE). The Association was recognised for excellence in financial reporting in the IFRS for SMEs Category. The award followed a rigorous evaluation process on globally accepted principles. The guiding principles upon which the recognition was based included International Financial Reporting Standards (IFRSs), best practices in governance and corporate citizenship as well as other requirements that are specific to a particular reporting organisation. We appreciate our member banks and other stakeholders for relentlessly supporting industry initiatives towards reinforcing a reputable and professional banking sector.

Dr. Habil Olaka, EBS

Chief Executive Officer



The banking industry concluded the 2021 – 2023 CBA Negotiations, increasing salaries for more than 20 thousand unionisable employees by 7 percent.



KBA CEO Dr. Habil Oloka submitted for consideration to the National Assembly Finance and Planning Committee a proposal on the Finance Bill, 2021.



The Law Society of Kenya (LSK) and Kenya Bankers Association entered into an agreement to spearhead financial inclusion and capacity building initiatives aimed at promoting best practice in proposed laws, regulations and policies concerning the banking industry, banking public and related stakeholders.

DEAF ELIMU BANKING LAUNCH

DECEMBER 2, 2021
9AM-10:30AM EAT

CHIEF GUEST

Dr. Patrick Njoroge Governor, CBK



Follow the conversation via
#A11YFinance and #DeafElimuBanking
www.deafelimubanking.africa

IN PARTNERSHIP WITH





KBA participated in the launch of the 2021 Valuation Standards, jointly developed by the Institute of Surveyors of Kenya and Valuers Registration Board to address challenges facing the valuation practice and process in order to encourage transparency, confidence, consistency and clarity.



KBA hosted a delegation from the Zambia Electronic Clearing House. The team paid a courtesy call to benchmark on KBA's experience in its work around the Automated Clearing House (ACH).

INUKA WEBINAR SERIES



**Building Business Resilience
in Turbulent Times**

Date: 23rd June 2021
Time: 10:00am-10:45am

Join the discussion  #InuaBiasharaSummit



with KBA CEO,
Dr. Habil Olaka




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 Betty Korir, Credit Bank, CEO 07.05.2021	 David Mukaru, Coritas Microfinance Bank, CEO 18.05.2021	 Moezz Mir, SBM Bank, CEO 21.05.2021	 Alakh Kohli, MOriental Bank, CEO 28.05.2021
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**REPORT ON THE
INTEGRATED PAYMENTS
SERVICES LIMITED
(PESALINK)**

REPORT ON THE INTEGRATED PAYMENTS SERVICES LIMITED (PESALINK)



Pesalink Chief Operating Officer Seun Owoeye facilitates a scheme rules workshop held in 2021.



Participants in the scheme rules workshop.

IPSL will continue to drive strategic engagement through key partnerships with aligned interests for mutual benefit in terms of shared knowledge, experience, resources and increased opportunities to serve our customers better and sustain growth.

Globally, real-time payments (RTP) rails will continue to be among the most critical innovations in the banking industry. As countries drive towards a real-time economy, implementing and adopting an inclusive instant payments infrastructure by all players within the ecosystem will be an essential success factor. The banking industry in Kenya has not been left out in this journey with the recent modernization and transformation of PesaLink to enable interoperability for various stakeholders, including banks, telcos, fintechs, payment service providers and Savings and Credit Cooperative Societies (SACCOs)— based on the latest global messaging standard, ISO 20022.

PesaLink provides 24 x 7 x 365 payment services for the banking industry in Kenya. Currently, the ecosystem consists of at least 32 banks, several payment service providers, SACCOs and a telco. PesaLink continues to provide a compelling proposition to banks and non-bank financial institutions, consumers, merchants and businesses for real-time transfer, within seconds, at a competitive fee, enabling immediate value, with same-day settlement capabilities. This has continued to be an

As payments systems operators around the world are at various stages of designing and implementing or considering building new real-time payments platforms based on ISO 20022 message formats, PesaLink has become the first national real-time payments system operator in sub-Saharan Africa to launch a real-time payment system based on this standard. According to a 2021 report by 'ACI Worldwide (a software company providing real-time payment solutions), real-time payments transactions out of global electronic transactions in 2020 was 9.8 percent, up from 7.6 percent in 2019; it is projected to rise to 17.4 percent by 2025. Similarly, the World Bank has valued the global real-time payments market size at USD 13.55 billion in 2021 and will grow at a compound annual growth rate (CAGR) of 34.9 percent from 2022 to 2030. In the same report, Kenya was ranked amongst the top ten countries, globally, projected to experience the highest growth in real-time payments (bank account-to-account transfers). In comparison with 2020 transaction statistics, there was an increase of 21.3 percent and 35.6 percent in volume and value of processed transactions respectively.



A group discussion during the scheme rules workshop.

During the year, IPSL's strategy and commitment to the industry was centered around the following:

- Enhancing trust and activating consumers
- Diversifying our product and service offering
- Building scale

ENHANCING TRUST AND ACTIVATING CONSUMERS

To build trust and drive utilisation in a payment ecosystem, the platform must guarantee transaction success and a seamless consumer experience. At 99.99 percent uptime, the PesaLink platform continues to provide a secure open-loop ecosystem for real-time money transfers. Following PesaLink's migration to a new real-time-payment switch and transition to ISO 20022 in October 2021, all connecting partners can now improve their back-office operations and provide a better consumer experience.

Cyber security continues to be a critical part of IPSL's building blocks to enhance trust with consumers and partners. In 2021, the company undertook an industry-wide IT Security audit and vulnerability assessment to ensure risks and cyber threats are not introduced into the ecosystem by any connecting partner. Fully understanding how dynamic cybersecurity threats are, we subject our systems at IPSL to vulnerability scans and penetration testing throughout the year and use the findings to further harden our environment and deploy technologies that

DIVERSIFYING OUR PRODUCT AND SERVICE OFFERING

IPSL continues to focus on strategies to expand its product suite beyond person to person (P2P) to launch new use cases that would support open banking initiatives and enable business and government-related payments through investments in technology modernization to drive product and service innovation and in its people.

BUILDING SCALE

With the ongoing migration of banks to the new ISO 20022 and the onboarding of all banks not live on PesaLink by Q4 2022, the company's strategic focus is to consolidate the network effects of enabling all banks on PesaLink rails. There are ongoing engagements with banks that are not live on PesaLink with a view to understanding their onboarding journey and providing technology advisory as may be required. Against this backdrop, all banks in Kenya would enable their consumers to initiate PesaLink transactions, receive inbound transactions across all banks and offer differentiated services to corporate consumers leveraging PesaLink's capabilities.

OUTLOOK FOR 2022

During the last quarter of 2021, with support from FSD Kenya, IPSL initiated work on the development of a new strategy (2022-2024) which involved input from key stakeholders including the Central Bank of Kenya, Banks, fintech leaders and the IPSL board with the guidance of a team of experts. The strategy, themed "Winning payments Back to the Banking Sector, was finalized and adopted at the back end of the year will focus on three key pillars; **Governance, Excellence and Product development.**

Whilst the most immediate attention has been on stabilizing the P2P offering by putting in place robust scheme rules that will govern the implementation of PesaLink, work has already been initiated on increasing the product offering for deployment before the close of the year. In parallel, the new economic and pricing model that was approved by the Governing Council as part of the strategy came into effect on 1st January 2022. This change introduced membership fees and a shift to a 3-tier tariff for

REPORT FROM THE KBA
CENTRE FOR RESEARCH
ON FINANCIAL
MARKETS AND POLICY®



REPORT FROM THE KBA CENTRE FOR RESEARCH ON FINANCIAL MARKETS AND POLICY®



Central Bank of Kenya Deputy Governor Sheila M'Mbijewe, KBA Governing Council Chairman John Gachara, Governing Council Members Gerald Warui and Moezz Mir, KBA CEO Dr. Habil Olaka, discussants and researchers during the Association's 10th Annual Banking Research Conference.

OPERATING ECONOMIC ENVIRONMENT

The KBA Centre for Research on Policy and Financial Markets® continued to support the banking industry's strategic policy engagement through its analytical work on various market and policy dynamics. The operating economic environment was characterized by a significant slowdown in output that was attributed to the adverse effects of COVID-19 pandemic and its containment measures.

Given a narrowing fiscal space, monetary policy remained a key policy lever. The Monetary Policy Committee (MPC) of the Central Bank of Kenya (CBK) since the onset of the pandemic remained vigilant and maintained an accommodative policy stance from April 2020 through 2021. This resulted in an improvement in the market liquidity conditions, declines in short-term money market interest rates as lending rates remained largely unchanged,

and an improvement in private sector credit growth. However, while private sector credit growth improved in the year, it tapered off at below double-digit levels towards the end of the year constrained by an elevated credit risk and restrictive pricing conditions.

i) The 10th Annual KBA Banking Research Conference

The KBA Centre for Research on Financial Markets and Policy successfully hosted the 10th Annual KBA Banking Research Conference on September 22-24, 2021. The Research Conference is the Centre's flagship event through which ideas and insights in areas of interest to the banking industry are discussed, and policy prescriptions highlighted.



Central Bank of Kenya Deputy Governor Sheila M'Mbijewe speaks during the Association's 10th Annual Banking Research Conference.



KBA Research and Policy Director Dr. Samuel Tiriongo (Right) and Strathmore University's Joseph Theuri during the 10th Annual Banking Research Conference.

The theme of the Conference was: ***“Banking Beyond COVID-19: Risk-Assessment, Balance Sheet adjustments and Exploring Options and Pathways to Strong and Sustainable Economic Recovery.”***

The Conference presented an opportunity to focus on banking beyond the COVID-19 pandemic, especially on the risk assessment, balance sheet adjustments and, and strategies to bring about a strong and sustainable economic recovery. It spotlighted on three interrelated areas.

- First, whether the COVID-19 pandemic altered traditional views about risk and its assessment at the sector and aggregate level;
- Second, whether the pandemic triggered adjustments in bank balance-sheet structures, in particular seeking to establish how the structural changes occasioned by the pandemic influence the banking sector's path/evolution post-pandemic; and
- Third, ascertain the economic effects of the pandemic at both aggregate and sectoral level, with the objective of identifying any evident potential channels that could be explored towards a strong and sustainable recovery.

The eight (8) papers and a methodological session presented at the conference were:

1. **What Drives MSME's Credit Choices? Business Versus Personal Loan Account Utilisation in Kenya:** By Hillary Mulindi, Kiplangat Josea, & Samuel Tiriongo (KBA)
2. **Banking System Adjustment to Shock: The Kenyan Case of Liquidity-Profitability Trade-Offs:** By Jared Osoro (FSDA) and Kiplangat Josea (KBA)
3. **A Review of the Asset Quality Assessment in the Absence of Quality Data towards Optimal Credit Intermediation:** By Andrew Njeru, KCB Group
4. **Data Analytics: Methodological Session:** By John Olukuru & Joseph Theuri Gitonga, Strathmore University
5. **COVID-19, Policy Interventions, Credit Growth and Financial (In)Stability:** By Gillian Kimundi, Strathmore University
6. **Diversification, Loan Loss Provisions and Bank Earnings During the COVID-19 Pandemic: Evidence from Kenya:** By Rogers Ochenge, Embu University & Strathmore University

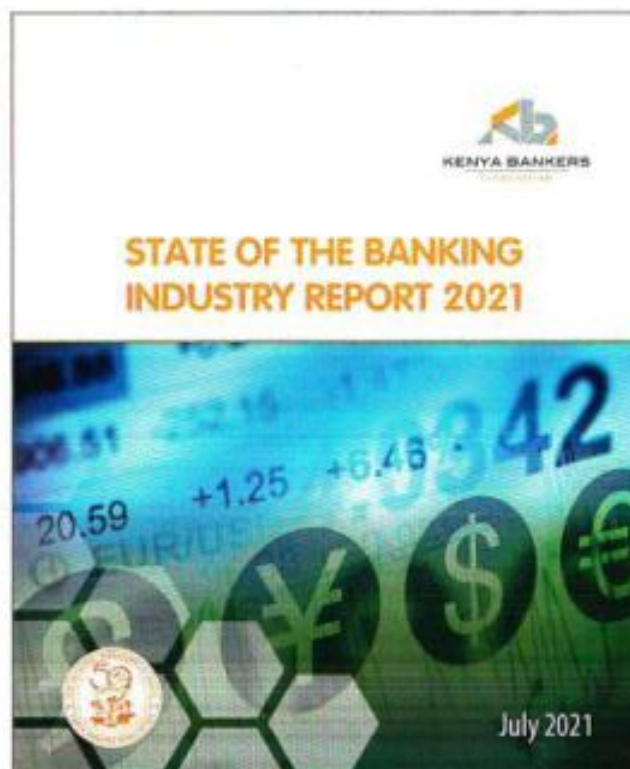


KBA Governing Council Chairman John Gachara makes opening remarks during the 10th Annual Banking Research Conference.

7. **Bank Capital, Credit Risk and Financial Stability in Kenya:** By Samuel Kiemo, Camilla Talam & Irene. W. Rugiri, CBK
8. **Macroeconomic Shocks and Credit Risk in the Kenyan Banking Sector:** By Faith Atiti, Stephanie Kimani & Raphael Agung, NCBA Bank
9. **COVID-19 and the Finance-Economic Growth Nexus in Kenya:** By Benjamin O. Maturu

ii) Publications

- a. KBA Working Paper Series - Arising from the *Annual KBA Banking Research Conferences* are the *KBA Working Paper Series* publications. As at the end of 2021, fifty four (54) papers had been published in the series, drawing from the presentations of all the conferences so far hosted by the Centre. These papers are an authoritative source of knowledge that forms the basis of engagement with other stakeholders, particularly the regulator, Government, international partners and academia. The KBA Centre for Research on Financial Markets and Policy® undertakes a rigorous review process before the papers are published in the KBA Working Papers Series. Some of the papers have subsequently been published as journal articles. From 2022 onwards the *KBA Working Paper Series* have been escalated to a global repository of research papers, accessible via <https://www.econstor.eu/handle/10419/249500>; seeking to expand their visibility and shape global views about the banking environment in Kenya.
- b. The **KBA Policy Briefs**, the first in the series, was initiated in 2021 and published in 2022 and provides non-technical summaries highlighting policy insights generated from eight KBA Working Papers presented during the 10th Annual Kenya Bankers Association Banking Research Conference held in September 2021.
- c. The **KBA Economic Bulletin** – a publication that is an easy read with a succinct overview of the state of the economy and its outlook. During the year, *KBA Economic Bulletin*, Volumes 30 and 31 were published. The *Bulletin* has received positive feedback from the wide readership it is now drawing.



- d. The **KBA State of the Banking Industry Report** – an annual publication aims at contributing to the understanding of the Kenyan banking industry. In 2021, the third edition of the State of the Banking Industry Report covering data for 2020 was published by the Centre for Research on Financial Markets and Policy®.
- e. The **Micro, Small & Medium Enterprises Survey Report 2021** - A Survey Report, jointly published by the Kenya Bankers Association (KBA) Centre for Research on Financial Markets and Policy® and Japan International Cooperation Agency (JICA) was published. The Report aimed at providing information to bridge the information gap between MSMEs and financial institutions. In pursuit of this, the report sheds light on the MSMEs ecosystem by collecting data on entrepreneur and enterprise characteristics, supply chain and customer engagements, and utilization of formal and informal financial instruments.
- f. Regular **Research Notes** – During the year, six (6) Research Notes – Note 53 to Note 58– were

issued and published on the KBA website, with each issued one week ahead of every meeting of the Monetary Policy Committee (MPC) of CBK. In addition, four (4) post-MPC commentaries were also issued to the KBA Membership to comment on the additional information considered by the MPC in their decisions.

- g. **KBA Housing Price Index (KBA-HPI)**
 Since the launch of the Housing Price Index in February 2015, the KBA Centre for Research on Financial Markets and Policy® has been publishing, on a quarterly basis, the KBA HPI Report. In 2021, three (3) quarterly KBA-HPI reports were published, as the reports continued to receive wide recognition and positive acknowledgement.

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

A close-up photograph of a dandelion seed head. The central seed head is in focus, showing its intricate, textured structure. Numerous seeds with their feathery parachutes are blowing away from the head, creating a sense of movement. The background is a dark, gradient color with a fine, dotted pattern, transitioning from a deep green at the bottom to a dark brown at the top. The overall mood is serene and natural.

**REPORT ON CREDIT
INFORMATION SHARING**

REPORT ON CREDIT INFORMATION SHARING

In 2022 and beyond, the revamped Tatua ADR Centre will leverage on its competences built through six years of resolving CIS-related disputes to offer a broader scope of dispute resolution services for the entire financial sector.

As Kenya's economy continues to rebound from the impact of COVID-19, CIS Kenya remains focused on accomplishing its mission of facilitating generation and use of accurate credit information for the benefit of all participants in the credit market.

In 2021, CIS Kenya, in collaboration with the World Bank, prepared a report entitled *Impact of COVID-19 on Credit Reporting Systems – Kenya Case Study*, available on the link <https://ciskenya.co.ke/wp-content/files/2022/03/Kenya-Report-V10-003.pdf>

A number of policy directives and legal reforms had significant impact on the credit information sharing (CIS) framework.



CIS Industry CoC signing and handing membership certificate to Robert Nyasimi, Founder & CEO - RentCo Africa Limited



CIS Industry Code of Conduct Signing - CIS Kenya CEO, Jared Getenga and Mr. Christopher Huka, Interim Director General of Kenya Development Corporation (KDC)

THE CENTRAL BANK OF KENYA (AMENDMENT) ACT, 2021

The law became effective on December 23, 2021 with the principal objective of bringing the provision of credit or loan facilities through digital channels under the supervision of the Central Bank of Kenya (CBK). Among other reforms, digital lenders are now required to disclose to the licensed credit reference bureaus (CRBs) positive and negative information about their customers as reasonably required for the discharge of their functions. Digital lenders were barred by CBK in April 2020 from participating in the CIS mechanism due to public outcry that some credit providers were misusing the mechanism.

Pursuant to this law, CBK (Digital Credit Providers) Regulations, 2021 were gazetted on 18th March 2022, providing a six-month window for digital lenders to apply for licensing by CBK.

NEGATIVE DATA SUPPRESSION

Legal Notice No. 225 of November 5, 2021 suspended CRB listing of negative credit information for borrowers with loans below KSh. 5 million, whose loans were performing previously, but had become non-performing

from October 1, 2021. Further, CRBs were instructed not to include in any credit report, any negative credit information for loans of a customer less than KSh.5 million submitted between October 1, 2020 and September 30, 2021, for a period of 12 months from October 1, 2021, to September 30, 2022.

This directive had the potential of compromising reliability of credit scores and other credit bureau products, and CBK cautioned that the suspension could adversely impact the provision of credit by banks to the target (MSMEs) group.

CIS Kenya engaged its members with the following Activities in the year 2021:

LAUNCH OF CIS INDUSTRY CODE OF CONDUCT

The Code of Conduct, approved by CBK on 18th May 2021 in accordance with Regulation 24 (8) of the CRB Regulations 2020, empowers CIS Kenya to implement minimum standards on unregulated credit providers to ensure robustness of the mechanism and address numerous concerns raised by CBK on data quality and consumer protection. The official launch was held on 2nd September 2021, presided over by Mr. Kiprono Kittony (Chairman, Nairobi Securities Exchange). CIS Kenya's Chair and Vice-Chair, Mr. Charles Ringera and Ms. Mbatha Mbithi respectively, addressed the forum alongside representatives of the World Bank Group, Kenya Bankers Association, CRBs and Leasing Association of Kenya.

ONBOARDING NON-BANKS TO JOIN THE CIS FRAMEWORK

Following launch of the Code of Conduct, CIS Kenya implemented a roadmap for on-boarding third-party CIPs into the CIS mechanism in collaboration with CBK and all licensed CRBs and with support from FSD Kenya.

ALTERNATIVE DISPUTE RESOLUTION CENTRE FOR CRB DISPUTES

Tatua Centre, the Alternative Dispute Resolution Centre established by CIS Kenya to resolve CIS disputes obtained

registration as a separate legal entity in April 2021. The Centre now enjoys greater independence and enhanced opportunities for expanding its mandate.

TRAINING AND CONFERENCES

The Kenya CIS Virtual Conference, held on 9th March 2021, offered a platform for more than 150 leading sector players in Kenya's credit market, led by the CBK Governor Dr. Patrick Njoroge, to review the impact of COVID-19 pandemic and related policy and regulatory interventions on the CIS mechanism. Organized by CIS Kenya and addressed by the World Bank, the conference provided insights on managing credit risk in the context of the COVID-19 environment.

The CIS learning Centre continued offering trainings that equip credit practitioners with skills to implement risk-based pricing in the COVID-19 environment. Notable trainings included *"Supercharge your Collections – Leveraging credit infrastructure and skillsets for optimal collections"* held in Naivasha between 25th-27th August 2021 and an in-house training for Mwalimu National Sacco held between 28th and 29th September 2021.

COMMUNICATIONS AND CONSUMER ENGAGEMENTS

CIS Kenya's key messages through its various social media platforms and media interviews with the CEO, Mr. Jared Getenga centred on application of the Code of Conduct to enhance data quality, consumer awareness and customer centricity.

WAY FORWARD

The Centre has therefore expanded its panel of experts to enable it offer arbitration services alongside mediation and can be reached via tatua@tatuacenter.co.ke or 0712973345.



**SOCIAL
RESPONSIBILITY
REPORT**

SOCIAL RESPONSIBILITY REPORT

The year 2021 was another turbulent year paved with uncertainty owing to the effects of the COVID-19 pandemic. The health crisis continued to take a toll on the economy, communities and families worldwide.

Policy interventions taken by the Kenyan Government, coupled with a mass vaccination rollout, continued to cushion households and businesses from its devastating impact. The banking industry, a critical cog to the resilience of the economy, exercised its influence to bolster recovery efforts while also upholding the triple bottom-line ideal. In fact, KBA member banks restructured 300,000 loan accounts worth KSh. 1.7 trillion between March 2020 and

February 2021. The loans restructured were mainly from households, trade, Real Estate, manufacturing, transport, and communication sectors—all of which were gravely affected by the pandemic. As a result, the year saw a partial economic improvement. Despite operating in a difficult and volatile environment, the steps taken by banks only reinforced their commitment to deliver the Sustainable Development Goals.

In 2021, Kenya Bankers Association (KBA) augmented the banking sector's efforts by driving key industry-wide programs. In addition, the Association championed vital consumer awareness campaigns designed to empower the public. The following are the initiatives that were undertaken in 2021 by KBA.

ENHANCING DIGITAL FINANCIAL SAFETY

As the banking public continued to utilize contactless financial services to curb the spread of the coronavirus, the Association accelerated its efforts in creating consumer awareness on digital vulnerabilities through the annual Kaa Chonjo! Card, Mobile and Online Safety Awareness Campaign.

To this end, KBA partnered with PesaLink, VISA Kenya, Kenya Society for the Blind (KSB), Association for the Physically Disabled of Kenya (APDK), Communications Authority of Kenya (CA) and Consumer Grassroots Association (CGA) to sensitize the public to be vigilant and not fall prey to fraudsters while transacting on bank channels. Through the partnership, the key safety awareness messages from the campaign reached approximately 98.4 million people across mainstream media and social networking platforms. Themed,



A total of
300,000 loan
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KSh. 1.7
trillion

were restructured between
March 2020 to February 2021



L-R: Eva Ngigi Sarwari, Visa's Country Lead for Kenya; Communications Authority of Kenya Acting Director General Mercy Wanjau, Kenya Society for the Blind Chair Samson Waweru, and Kenya Bankers Association Technical Services Director Fidelis Muia during the unveiling of the 2021 Kaa Chonjo! Card, Mobile and Online Safety Awareness Campaign. Mrs. Wanjau presided over the launch as chief guest.



Approximately

98.4
million

people were reached with messages on Card, Mobile and Online Security

"Keeping Pace with Evolving Financial Services Security Challenges" the campaign also enlisted member-bank support in the amplification of the awareness messages. Banks used multiple channels to sensitize the public on the importance of protecting their Personal Identification Numbers (PIN) and passwords.

RAMPING UP COVID-19 VACCINATION EFFORTS

In a span of two-years, the world witnessed the destructive and uncontrollable effects of the COVID-19 pandemic. The International Monetary Fund (IMF) estimates that the health crisis will cost the global economy more than USD 12.5 trillion by 2024. In Kenya, the lost earnings of those affected and infected by the virus plunged countless people into extreme poverty.



In view of this, the Association doubled its efforts to provide Kenyans with an opportunity to get vaccinated against the virus. Through its partnership with the Ministry of Health and Kenya Private Sector Alliance (KEPSA), KBA conducted a vaccination drive that benefited 2,950 Kenyans. The banking industry also ramped up its efforts and vaccinated over 50 thousand people. By December 2021, nine million, nine hundred and seventy-six thousand, seven hundred and eighty-three (9,976,783) Kenyans had been vaccinated across the country as a result of the Government and private-sector interventions. The mass vaccination exercise enabled Kenya to curb the daily infection and death rates in the country.

BOOSTING MSMEs RESILIENCE THROUGH FINANCIAL LITERACY

Micro, Small and Medium-sized Enterprises (MSMEs) remain at the centre of the country's economic recovery and stability. Over the years, MSMEs have created employment to more than 15 million Kenyans and contributed about 30 percent to the Gross Domestic Product (GDP). Nonetheless, they struggle with various obstacles that inhibit their ability to reach their full potential. Many of them contend with inadequate financial, as well as, business management expertise; lack of innovation; insufficient working capital; and inaccessibility to



KNCCI members trained under the INUKA SME curriculum

Date 24th June 2021
Time 10am-11am EAT



KBA Senior Communications and Public Affairs Officer Roselyne Njira demonstrates the Inuka Enterprise Program e-learning platform to a learner.

affordable finance. To enhance MSMEs' ability to overcome these challenges, in 2018, KBA launched the Inuka SME Program with the objective to build the capacity of start-ups and MSMEs to run their businesses optimally. Additionally, the financial literacy training was designed to de-risk entrepreneurs in order for them to be eligible to access bank finance.

In 2021, KBA coordinated a series of online financial literacy trainings in conjunction with Equity Group Foundation, Diamond Trust Bank, as well as a community-based organization in Kibra. Through the partnership with Equity Group Foundation, 33,600 Kenya National Chamber of Commerce and Industry (KNCCI) members were trained across the country. Additionally, through the collaboration

INUKA SME PROGRAM WEBINAR SERIES



Branding Management Strategies to Enhance Business Performance

Date: 27th August 2021
Time: 10:00pm – 11:00pm

[Click here to register](#)





SPEAKER
Eva Muraya
BSD GROUP, CHIEF EXECUTIVE OFFICER



MODERATOR
Azmaira Thonani
DIAMOND TRUST BANK, SENIOR MANAGER, MARKETING AND COMMUNICATIONS

Access a free virtual business training sponsored by banks through visiting: www.inukasme.co.ke





Succession Planning Strategies for Business Continuity

Date: 22nd October 2021
Time: 10:00pm – 11:00pm

[Click here to register](#)





SPEAKER
Patricia Okelo
KAYANA CO-FOUNDER



MODERATOR
Susan Ndungu
NCBA, HEAD, PORTFOLIO MONITORING, BUSINESS BANKING

Access a free virtual business training sponsored by banks through visiting: www.inukasme.co.ke





Branding Management Strategies to Enhance Business Performance

Date: 4th November 2020
Time: 3:00pm – 4:00pm

[Click here to register](#)





SPEAKER
Samuel Omukoko
METROPOL CORPORATION LTD, GROUP MANAGING DIRECTOR



MODERATOR
Sarah Kiptoo
PRIME BANK, HEAD-BUSINESS BANKING



SPEAKER
Ian Sayers
INTERNATIONAL TRADE CENTRE, SENIOR ADVISER, ACCESS TO FINANCING AND INVESTMENT DIVISION OF ENTERPRISES

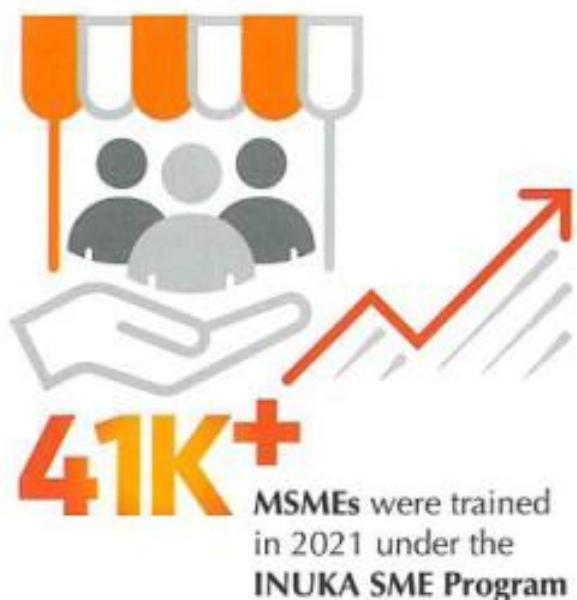
Access a free virtual business training sponsored by banks through visiting: www.inukasme.co.ke



between the Association and Diamond Trust Bank, 1,741 MSMEs were upskilled under the KBA Inuka SME Program curriculum. The training took place in a span of two-months through weekly virtual sessions with Inuka trainers.

Separately, in view of realizing the program's objective of supporting MSMEs to formalize their operations, the Association engaged C.A.R.O Foundation, a community-based organization, to mobilize youth in Kibra to undergo financial literacy trainings. Through the mobilization exercise, 5,010 youths were trained under the program's e-learning platform to optimize and formalize their operations. During the exercise, C.A.R.O Foundation representatives aided the youths to apply for KRA Pins and register their businesses thus promoting formalization.

The KBA Secretariat also conducted monthly training webinars designed to support MSMEs to navigate the headwinds occasioned by the current health crisis. The Association held 10 webinars and reached about 1,491 unique participants. As a result of the combined efforts from the banks and C.A.R.O Foundation, in 2021, 41,842 MSMEs were upskilled with financial literacy training under the Inuka Enterprise Program.



In the same year, the Association convened the virtual Inua Biashara Summit. The week-long summit enabled KBA to rollout a series of events to showcase the banking industry's commitment to support MSMEs. About 1,223 people attended the virtual event, with about 350 participating in the tradeshow where 39 banks displayed their products and services in virtual booths.

DEEPENING CUSTOMER SATISFACTION

In response to improving the banking public's customer experience, the Association since 2018, has carried out customer satisfaction surveys. The surveys have actively provided insights on how banks can entrench customer centricism.



In 2021, the annual survey attracted 29,791 responses up from 15,179 in 2020. In the findings, Mobile Applications (Apps) emerged as the preferred mode of transactions, underpinning the level of usage of contactless banking solutions in the wake of the health crisis. Feedback from the survey also highlighted that internet banking also ranked highly at 11 percent. Analysis of responses from close to 30 thousand bank customers revealed that eight out of 10 (62 percent) clients had two to three bank accounts compared to the 2020 rate of 77 percent. According to the report, the decline can be attributed to reduced economic activity due to the COVID-19 pandemic.

Best Digital Banking Experience

Tier 1



Standard Chartered



EQUITY



NCBA

Tier 2



FamilyBank
With you, for life



Prime Bank
Building Your Future



HF GROUP
Dreams Made Possible

Tier 3



abc



SidianBank



GulfAfricanBank
Banking. Trust. Together.



Bank representatives during the issuance of the 2021 Banking Industry Customer Satisfaction Survey recognition certificates.



Equity Bank receives a recognition certificate in Customer Service and Satisfactory Digital Experience following the 2021 Banking Industry Customer Satisfaction Survey. The bank emerged third best overall and second best in the tier 1 category.



Dr. Olaka presents NCBA Bank a recognition certificate in Customer Service and Satisfactory Digital Experience following the 2021 Banking Industry Customer Satisfaction Survey. The bank ranked third best in the tier 1 category.



Family Bank receives the bank's recognition as the best overall bank in Customer Service and Satisfactory Digital Experience following the 2021 Banking Industry Customer Satisfaction Survey. Family Bank also topped in the tier II category.



Prime Bank was feted as the second-best bank in Customer Experience in the Tier II category. The recognition followed the 2021 Banking Industry Customer Satisfaction Survey, which assessed Customer Service Standards and Satisfactory Digital Experience.



HFC Group emerged third best in Customer Experience and Satisfactory Digital Experience in the Tier II category following the 2021 Banking Industry Customer Satisfaction Survey.



Dr. Olaka presents a recognition certificate to ABC Bank following the bank's recognition as the best bank in Customer Service and Satisfactory Digital Experience in the tier III category in the 2021 Banking Industry Customer Satisfaction Survey.



Sidian Bank ranked second best in Customer Experience and Satisfactory Digital Experience following in the 2021 Banking Industry Customer Satisfaction Survey.



Gulf African Bank was rated third best in Customer Experience and Satisfactory Digital Experience in the tier III category following the 2021 Banking Industry Customer Satisfaction Survey.

The survey responses placed Family Bank as the best overall bank in digital experience, followed by Standard Chartered Bank and Equity Bank respectively. Standard Chartered Bank also retained its first-place position in the tier 1 category, followed by Equity Bank and NCBA Bank. Meanwhile, Family Bank emerged best in the Tier II category with Prime Bank and HF Group taking the second and third positions respectively. ABC Bank topped in the Tier III category while Sidian Bank and Gulf African Bank took the second and third positions respectively.

DRIVING DISCOURSE TO FURTHER FINANCIAL INCLUSION

Since 2012, the Association has provided the public a unique platform to engage with bank Chief Executive Officers on various topics on banking. Through the My Chat with a Bank CEO online platform, participants are able to gain insights, advice while also providing feedback during the live web chat event to the CEO hosting the session. In 2021, the Association held four CEO Chat sessions, reaching an audience of 12.44 million. Participating CEOs were Credit Bank (Betty Korir);

Ecobank (Alakh Kohli); SBM (Moez Mirr); and Caritas Microfinance Bank (David Mukaru).

DRIVING GREEN AND INCLUSIVE FINANCE IN KENYA

The banking industry remains at the centre of driving sustainable and inclusive economic growth. Financiers have a unique opportunity to impact the economy, environment and society directly and indirectly as a result of the decisions they make. In order to empower banks to utilize their capital more responsibly and ensure that they deliver value beyond their financial obligations, the Association rolled out the Sustainable Finance Initiative (SFI). Through the Initiative, the Association has driven green and inclusive finance by encouraging the adoption of the SFI Guiding Principles. To ensure banks are well aligned on the Principles, KBA undertook the following activities under the Initiative:

PERSONS WITH DISABILITY ACCESSIBILITY PROJECT

In December 2021, KBA, in partnership with FSD Kenya and Deaf eLimu Plus, unveiled the Deaf eLimu Banking Application at a forum that was officiated by Central Bank of Kenya Governor, Dr. Patrick Njoroge. A groundbreaking innovation in the region, the App is meant to aid banks in their Kenyan Sign Language (KSL) training. The development of the App is drawn from recommendations from the Digital Accessibility Report and Case Study that was published by KBA in 2020. Ultimately, the App seeks to support efforts towards the promotion of financial inclusion of Deaf bank customers.

On the recommendation of CBK Governor, Dr. Patrick Njoroge, KBA is currently working to increase the vocabulary on the App from 150 words to 300 bank-environment terminologies. The effort is being coordinated in partnership with Deaf Elimu Plus, a software engineering firm run by a Deaf innovator.

My Chat with a
Bank CEO in 2021
reached an
audience of

12.44M



Meanwhile, KBA has compiled a consolidated industrywide roadmap based on individual accessibility plans submitted by thirty-one member banks. The roadmap seeks to support banks to implement phased out accessibility measures for the inclusion of PWD clients by December 2024. The Roadmap for Digital Accessibility and Financial Inclusion of Persons with Disabilities is a voluntary guideline, embodying the activities of 31 KBA member banks and international best practices.



36K+ Bank staff had enrolled country for the SFI e-learning with 27K+ having completed the training

PWD Project Highlights

- KBA developed a harmonized roadmap to guide banks on their accessibility journey
- KBA launched the Deaf Elimu Banking Kenyan Sign Language (KSL) self-training App in a forum attended by CBK Governor. The App is now available on both Android and iOS platforms.
- KBA developed a database of Kenyan Sign Language and PWD Etiquette trainers to support banks' capacity building initiatives.
- KBA convened a workshop attended by both the trainers and banks Human Resource teams to synergize on the KSL and etiquette training model.

CAPACITY BUILDING

KBA continued to build the capacity of the banking workforce with knowledge to create long-term value for the economy, society and the environment. In 2021, the Association was able to reach an additional 3,275 bank employees through its Sustainable Finance Initiative e-learning platform. The bank employees who have undergone the training are currently certified by the Kenya Institute of Bankers and are eligible for Continual Personal Development (CPD) points. By December 2021, about 36,488 bank employees had enrolled for the training with over 27 thousand having completed the online course. In 2021, the Association rolled out two new modules, which included "Understanding the Blue and Green Economy" and "Deepening the Banking Industry's Understanding on Nature-based Solutions." By December 2021, the Green and Blue Economy module had reached 597 bank employees while the Nature-based Solution's module had reached 431 bank staff. Below is a breakdown of the industry's uptake of the SFI e-learning training:

Name of Bank	Percentage Registered	Percentage Completed
Absa Bank Kenya Plc	100%	70%
Access Bank	9%	2%
African Banking Corp. Ltd	101%	44%
Bank of Africa	100%	86%
Bank of Baroda (K) Ltd	68%	43%
Bank of India	5%	1%
Citibank N.A.	65%	26%
Co-operative Bank of Kenya Ltd	57%	40%
Consolidated Bank of Kenya Ltd	91%	80%
Credit Bank Ltd	99%	48%
Development Bank (K) Ltd	16%	6%
Diamond Trust Bank (K) Ltd	100%	97%
DIB Bank Kenya	100%	76%
Ecobank Kenya Limited	100%	83%
Equity Bank Ltd	78%	68%
Family Bank Ltd	91%	86%
Faulu Microfinance Bank	87%	66%
Fidelity Commercial Bank Ltd	2%	1%
First Community Bank Ltd	77%	61%
Guaranty Trust Bank Kenya Ltd	100%	94%
Guardian Bank Ltd	48%	32%
Gulf African Bank Ltd	123%	97%
Habib Bank A.G. Zurich	101%	61%
HF Group	100%	81%
I & M Bank Ltd	93%	85%
KCB Bank Kenya	100%	65%
Kenya Women Microfinance Bank	10%	5%
Kingdom Bank LTD	100%	93%
Mayfair Bank	0%	0%
Middle East Bank (K) Ltd	102%	76%
National Bank of Kenya Ltd	78%	52%
NCBA Bank Kenya PLC	26%	25%
Oriental Commercial Bank Limited	100%	87%
Paramount Universal Bank Ltd	100%	92%
Postbank	8%	3%

Name of Bank	Percentage Registered	Percentage Completed
Prime Bank Ltd	50%	34%
Rafiki Micro Finance	1%	0%
SBM Bank	82%	48%
Sidian Bank	107%	85%
Spire Bank Limited	101%	82%
Stanbic Bank Kenya	93%	66%
Standard Chartered Bank (K) Ltd	100%	96%
UBA Kenya Bank Ltd	49%	21%
Victoria Commercial Bank Ltd	100%	58%

ENVIRONMENTAL RISK PROJECT

KBA in partnership with Financial Sector Deepening (FSD) Kenya and International Union for Conservation of Nature (IUCN) initiated a project designed to generate a detailed report and a high-level market case study/white paper with policy recommendations to curb environmental risk exposure on the banking industry while it extends finance to clients in the real estate and manufacturing sector. Key stakeholders engaged in the interviews included representatives from banks, the National Environment Management Authority (NEMA); Architectural Association of Kenya; Water Resource Authority; AfDB; and Town and County Planners Association of Kenya. Initial findings from the stakeholder engagement with member banks indicated that there is a need for incentives for E&S Management practices. Professional Associations cited use of outdated land maps in various towns and overlap in regulations.

BLENDED FINANCE PROJECT

The Association together with FSD Kenya and Kenya Climate Innovation Centre (KCIC) partnered to implement the Blended Finance Project. The project, funded by FSD-Kenya, enabled entrepreneurs who are currently being supported by KCIC with competitive financing and

technical assistance, to scale further their enterprises through leveraging on bank finance. The 10 identified businesses underwent further capacity building training under the Inuka SME Program and were supported to access bank finance by the Association in 2021.

OUTLOOK

Early calls for banks to champion the Sustainable Development Goals have borne tangible results in recent years in Kenya. Banks have innovated in their allocation and management of their resources to stimulate inclusive economic growth despite the challenges occasioned by the COVID-19 pandemic. Today, banks are alive to the need to contribute to the country's ambition for a green and inclusive economic recovery.



**KBA CORPORATE
GOVERNANCE STRUCTURE
AND REPORTS OF THE
COMMITTEE CHAIRPERSONS**

CORPORATE GOVERNANCE STRUCTURE AND REPORTS OF THE COMMITTEE CHAIRPERSONS

ROLES AND RESPONSIBILITIES OF THE GOVERNING COUNCIL

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

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

THE GOVERNING COUNCIL IN PARTICULAR HAS THE FOLLOWING RESPONSIBILITIES:

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

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

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

COMPOSITION AND TENURE OF THE GOVERNING COUNCIL

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

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

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

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

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

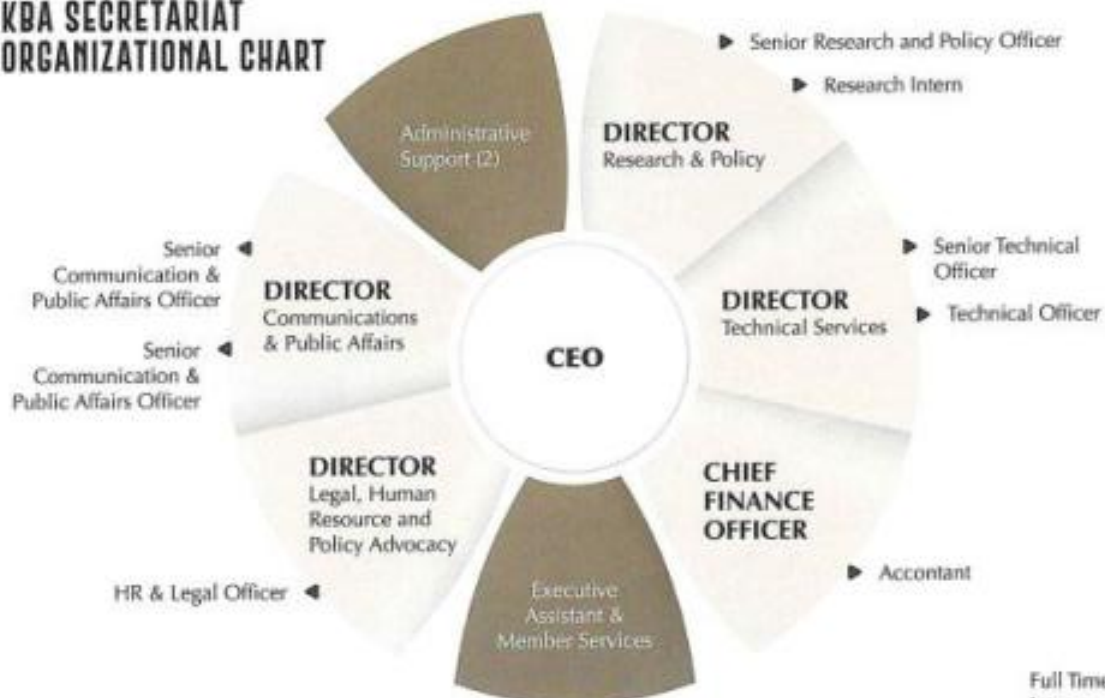
STRUCTURES TO BETTER SERVE MEMBERS & INDUSTRY

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

GOVERNANCE



KBA SECRETARIAT ORGANIZATIONAL CHART



Full Time Employees: 18
Interns: 0

GOVERNING COUNCIL MEETINGS

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

In the year 2021, a total of five meetings were held, including one special meetings. At the 2021 Annual General Meeting, Salaam Microfinance Bank was elected to the Council.

Name of Bank	Number of Meetings Jan-Dec 2021	Percentage
KCB Bank	5 of 6	83.3%
NCBA Bank	5 of 6	83.3%
Gulf African Bank	4 of 6	67%
I & M Bank	2 of 2	100%
Co-Operative Bank	6 of 6	100%
DTB Kenya	6 of 6	100%
Middle East Bank	6 of 6	100%
Equity Bank	6 of 6	100%
Family Bank	6 of 6	100%
Guaranty Trust Bank	3 of 6	50%
Standard Chartered Bank	5 of 6	83.3%
DIB Bank Kenya	3 of 6	50%
Absa Bank	6 of 6	100%
Citibank	6 of 6	100%
SBM Bank	5 of 6	83.3%
Development Bank	4 of 6	67%

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

REPORTS OF THE COMMITTEE CHAIRPERSONS

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

Name of Committee	COMPLIANCE COMMITTEE
Chairperson	Laban Omangi – Absa Bank
Vice Chairperson	Daisy Namayi – DIB Bank Kenya
Secretary	Kennedy Mutisya - Kenya Bankers Association
Committee Achievements in 2021	<ol style="list-style-type: none"> 1. The Sub Committee was elevated to a full committee by the KBA Governing Council due to the critical role the committee has played as well as the active performance of the committee aimed to realize its mandate. 2. Enhanced stakeholder relationship with regulators by facilitating committee engagement with the following regulators: <ol style="list-style-type: none"> a) Unclaimed Financial Assets Authority b) Ethics and Anti- Corruption Commission c) Office of the Data Protection Commissioner d) Assets Recovery Agency e) Financial Reporting Centre f) Kenya Revenue Authority 3. Supported and promoted Banking sector technical capacity through training and awareness sessions and workshops. During the year the committee hosted the follow training sessions: <ol style="list-style-type: none"> i) Financial Crime Training ii) Human Trafficking iii) SWIFT KYC iv) Mansa KYC v) Data Privacy vi) PesaLink upgrade process 4. Participated in the National Risk Assessment (NRA) to identify banking sector Money Laundering vulnerabilities and deficiencies and participated in preparation of the country strategy action plan to mitigate against the gaps identified.
Committee Goals for 2022	<ul style="list-style-type: none"> - To continue entrenching and enhance stakeholder relationships with key stakeholders through engagement with CBK, FRC, CMA, NSE, UFAA, RBA and other relevant compliance stakeholders in relation to the development of policy and legislation on compliance issues and restore trust and public confidence. - Reinforce and elevate industry technical capacity and professional competence for compliance officers through targeted and relevant trainings, workshops and seminars. Some of the earmarked trainings will focus on financial crime, Data protection law and on Anti money laundering

Name of Committee**Compliance Committee Contd.**

- Participate and support directed to build the Compliance Society of Kenya (CSK) to promote compliance professionalism development in the country.

Name of Bank	Attendance Record	Percentage
NCBA Bank	8 of 12	67%
Bank of Africa (K)	7 of 12	58%
DIB Bank Kenya	8 of 12	67%
Stanbic Bank	9 of 12	75%
ABSA Bank	11 of 12	92%
SBM Bank	11 of 12	92%
Citibank	7 of 12	58%
Equity Bank	9 of 12	75%
Sidian Bank	10 of 12	83%
HF Group	8 of 12	67%
National Bank	9 of 12	75%
Bank of Baroda	7 of 12	58%
Kenya Women Microfinance Bank	7 of 12	58%
KCB Bank	5 of 12	42%
Faulu Microfinance Bank	8 of 12	67%
UBA Kenya Bank	5 of 12	42%
Gulf African Bank	7 of 12	58%
Co-Operative Bank	10 of 12	83%
I & M Bank	11 of 12	92%
Standard Chartered Bank	5 of 12	42%
DTB Kenya	8 of 12	67%
Ecobank	7 of 12	58%
M Oriental Bank	4 of 12	33%
Victoria Commercial Bank	1 of 12	8%
First Community Bank	2 of 12	17%

The Compliance Sub Committee met twelve times in 2021.

Name of Committee	FINANCE & AUDIT COMMITTEE
Chairperson	Catherine Mugane - Diamond Trust Bank
Vice Chairperson	Davis Ayako - SBM Bank
Secretary	Kennedy Mutisya - Kenya Bankers Association
Committee Achievements in 2021	<ul style="list-style-type: none"> - Provided an interactive platform for the member banks to share experience and knowledge on industry wide challenges. - Provided oversight to the Tax Sub Committee, KBA 2022 budget review and approval, KBA 2021 budget rationalization as well as review of KBA 2021 management accounts and 2020 audited financial statements. - Provided oversight on the recruitment and appointment of new auditors for KBA and IPSL. - Participated in giving feedback to the Prudential guidelines review. - Provided oversight support and guidance to the Secretariat to rationalize 2021 budget to realize 10% savings in response to COVID pandemic call to refocus Association activities on critical activities.
Committee Goals for 2022	<ul style="list-style-type: none"> - Support KBA Tax Sub Committee to achieve its mandate in line with the terms of reference for the Sub Committee - Enhance oversight to KBA and IPSL Finance functions to promote efficiency.

Name of Bank	Attendance Record	Percentage
Absa Bank	1 of 4	25%
ABC Bank	4 of 4	100%
Bank of Africa Kenya	3 of 4	75%
Bank of Baroda	1 of 4	25%
Caritas Microfinance Bank	0 of 1	0%
Co-Operative Bank	4 of 4	100%
DTB Kenya	4 of 4	100%
Ecobank	1 of 1	100%
Equity Bank	1 of 4	25%
Family Bank	1 of 4	25%
Guaranty Trust Bank	1 of 1	100%
Gulf African Bank	1 of 1	100%
I & M Bank	2 of 4	50%

Attendance Record Contd.

Name of Bank	Attendance Record	Percentage
KCB Bank	0 of 4	0%
Kingdom Bank	1 of 1	100%
Middle East Bank	1 of 1	100%
National Bank	1 of 1	100%
NCBA Bank	2 of 4	50%
Paramount Universal Bank	2 of 4	50%
SBM Bank	4 of 4	100%
Sidian Bank	3 of 4	75%
Standard Chartered Bank	4 of 4	100%
UBA Kenya Bank	2 of 4	50%
Victoria Commercial Bank	4 of 4	100%

The Finance & Audit Committee met four times in 2021.

Name of Committee**FINANCIAL MARKETS SUB COMMITTEE****Chairperson**

Philip Wambua - ABC Bank

Vice Chairperson

Anthony Kirui - Absa Bank

Secretary

Nicholas Mutua - ACI Chair - Standard Chartered Bank

The Financial Markets Committee (FMC), which is a representative of the Kenya Banks Treasurers Forum (KBTF), spent a greater part of 2021 focused on the following key objectives:

- To promote high-level market conduct and discipline in the Kenyan Financial Markets
- To Develop and Nurture the Market
- Training of the Bank Dealers and Treasurers
- Working closely with CBK in establishment of a CSD system
- Holding post MPC briefings with the CBK director Financial Markets

Sub Committee Achievements in 2021**1. Promotion of high level market conduct and discipline:**

The year 2021 was unique due to the continued challenges resulting from COVID-19 pandemic, which affected various businesses in the Kenya financial markets. This called for the need to closely monitor the financial markets activity among the dealers given the possibility of currency volatility at such times.

The financial markets committee is pleased to report that we had many engagements with all the banks treasurers and dealers in order to emphasize on the need for high level market conduct and discipline.

Name of Committee**Financial Markets Sub Committee** Contd.**2. Development of the Financial Markets in Kenya:**

In an endeavour to develop the financial markets, some of the treasurers representatives have been engaged with our regulator to give ideas and support on the upcoming Central Securities Depository (CSD). This is a key project that will promote the deepening of the Kenyan financial markets and is envisaged to be accompanied by many benefits.

In addition, the chairman of the treasurer forum and vice chair are active members of the bond market stakeholders forum.

3. Training of the Bank Dealers:

Finally, the FMC in liaison with ACI conducted the following trainings in 2021.

Training	Trainer	Date	Delegates
1. ACI Dealing Certificate	Peter Skerrit	March 2021	12
2. Global Code of Conduct (Treasurers)	Peter Skerrit	May 2021	36
3. Global Code of Conduct (Dealers)	ICAP	May to June 2021	225
4. Financial Market Sales	ICAP	August 2021	10

Name of Bank	Attendance Record	Percentage
ABC Bank	17 of 17	100%
Stanbic Bank	15 of 17	88%
Co-Operative Bank	17 of 17	100%
Absa Bank	15 of 17	88%
SBM Bank	16 of 17	94%
Middle East Bank	14 of 17	82%
Credit Bank	15 of 17	88%

The Financial Markets Sub Committee met seventeen times in 2021.

Name of Committee**TAX SUB COMMITTEE****Chairperson**

Peter Mungai - Absa Bank Kenya PLC

Vice Chairperson

Lydia Ndirangu - Equity Bank Kenya

Secretary

Kennedy Mutisya - Kenya Bankers Association

Sub Committee Achievements in 2021

1. Successfully published KBA Total Tax Contribution (TTC) report for the banking industry for the FY 2019 & 2020. This was launched on 2nd September 2021 during a breakfast session attended by key stakeholders and reported widely in various media channels. The report was submitted and recognized by the National Assembly.
2. Hosted an industry wide sensitisation workshop in conjunction with Anjarwalla & Khanna LLP law firm in July 2021 for an update on the impact of the Finance Act 2021 on the banking sector. Areas covered included the following:
 - Key highlights on Finance Act 2021 impacting the Banking Sector;
 - Update on recent Court rulings judgments relating to the industry;
 - Update on WHT court case on card business; and
 - Update on current industry tax issues.
3. Conducted training to the Judiciary Academy in collaboration with the Kenya Revenue Authority (KRA). The training was attended by 30 judges in the Commercial & Tax Division. The training focussed on tax matters affecting the banking industry.
4. Submitted banking industry feedback on Common Reporting Standards draft regulations.
5. Held stakeholder meeting with the KRA in November 2021 to discuss tax issues and challenges affecting the industries and strategies for remediating the challenges.
6. Made proposals and presentations to the National Treasury and the Parliamentary Committee on Finance and National Planning on Finance Bill/Act 2021.

Sub Committee Goals for 2022

- Enhance relationship with Kenya Revenue Authority through regular consultative engagements with KRA relationship team responsible for the Banking Sector.
- Publish 2021 PwC/KBA TTC report for the banking industry and present to relevant national stakeholders.
- Host tax sensitisation workshop in conjunction with tax consultants for the industry after the publication of the Finance Bill/Act 2022 to sensitise members of the proposed changes therein and how they impact the banking sector. Other workshops will be organised as necessary when there are emerging controversial tax matters affecting the members.
- Participate in the Finance Bill/Act 2022 submissions (already submitted to National Treasury) for industry proposals to be considered for inclusion.
- Hold quarterly Tax Sub Committee meetings.
- Support in strategic management of the Withholding Tax Card case currently at the Supreme Court and support in stakeholder engagements and negotiations with card companies.

Name of Bank	Attendance Record	Percentage
Absa Bank Kenya PLC	4 of 4	100%
ABC Bank	3 of 4	75%
Bank of Africa Kenya	3 of 4	75%
Bank of Baroda	4 of 4	100%
Caritas Microfinance Bank	1 of 1	100%
Co-Operative Bank	4 of 4	100%
DTB Kenya	4 of 4	100%
DIB Bank Kenya	3 of 4	75%
Ecobank	4 of 4	100%
Equity Bank	2 of 4	50%
Gulf African Bank	3 of 4	75%
I & M Bank	2 of 4	50%
KCB Bank	3 of 4	75%
National Bank	1 of 4	25%
NCBA Bank	4 of 4	100%
Paramount Universal Bank	3 of 4	75%
Prime Bank	2 of 4	50%
SBM Bank	1 of 4	25%
Spire Bank	1 of 4	25%
Stanbic Bank	4 of 4	100%
Standard Chartered Bank	2 of 4	50%
Victoria Commercial Bank	3 of 4	75%

The Tax Sub Committee met four times in 2021.

Name of Committee	HUMAN RESOURCE & ETHICS COMMITTEE
Chairperson	Robley Ngoje - KCB Bank
Vice Chairperson	Wangare Gathu - Sidian Bank
Secretary	Raimond Molenje - Kenya Bankers Association
The Committee's mandate includes:	<ol style="list-style-type: none"> 1. Establish and maintain good industrial relations and ethics in the industry. 2. Foster professional human resource management practices within the industry. 3. Facilitate best practice professional training for bankers in Kenya. 4. Provide machinery for collective bargaining negotiations on remuneration, pay scales and other terms and conditions of service for nonisable employees within the industry. 5. Develop and promote ethical behaviour and practices amongst members
Committee Achievements in 2021	<p>The year was distinct for the industry with the Committee negotiating both the full collective bargaining agreement (CBA) for the period 2021 to 2023 as well as the Wage Re-opener for the previous year 2020 on behalf of the industry with the Banking Insurance and Finance Union-Kenya (Union). The wage discussions with the Union took into consideration the COVID-19 pandemic effects including the disruption of business operations through closures and lockdowns.</p> <p>The Committee continued to provide leadership to the industry on matters human capital to sustain the over two decades of harmonious employee relations within the banking industry.</p> <p>The Secretariat coordinated with the Committee towards the Kenya Private Sector Alliance (KEPSA) and the Ministry of Health (MoH) initiative for COVID-19 vaccination of the industry's staff, their family members, and the community within which the industry serves. The vaccinations were conducted at banks premises, the Associations offices in Nairobi and across the various counties between October and December 2021. Through the initiative, the industry was able to vaccinate over 50,000 individuals with the single jab Johnson and Johnson COVID-19 vaccine and facilitated the full return to work for the industry by December 2021.</p>

Name of Bank	Attendance Record	Percentage
KCB Bank	8 of 10	80%
Standard Chartered Bank	10 of 10	100%
Co-Operative Bank	10 of 10	100%
Absa Bank	9 of 10	90%
Stanbic Bank	8 of 10	80%
Sidian Bank	5 of 10	50%
Development Bank Kenya	8 of 10	80%
NCBA Bank	9 of 10	90%
Bank of Baroda	8 of 10	80%
Guardian Bank	9 of 10	90%
DTB Bank	6 of 10	60%
SBM Bank	8 of 10	80%
National Bank	10 of 10	100%

The Human Resource & Ethics Committee met ten times in 2021.

Name of Committee**IT SYSTEM & RISKS COMMITTEE****Chairperson**

Edgar Mwandawiro - SBM Bank

Vice Chairperson

Kelevilin Kimathi - Equity Bank

Secretary

Fidelis Muia - KBA Secretariat

This Committee oversees the Following Sub Committees of the KBA:

1. Bank IT Systems Risks and Security Sub Committee
2. Bank Security Sub Committee

Committee Achievements in 2021**Enterprise Risk**

The IT systems and Risks Committee formed a taskforce to develop a Risk Heat map report covering both Financials (credit, IT systems and Security, Operational, Reputational and consumer protection, Market and Liquidity) and Non-Financial risks. The report covered the Banking Sector Cybersecurity, Liquidity ratios, Capital ratios, NPLs and Gross loans and deposits. This report informed on actions that should be undertaken to mitigate these risks.

Minimum Security Baseline Standard

The Bank IT systems, risk and security Sub Committee embarked on devising the minimum baseline standards for all banks to adopt for managing supplier related risks. They cover Third Party management, Cloud management, Application Controls and Cards.

Capacity Building and Training

The bank security Sub Committee organised and trained BFID officers on Major bank frauds with key focus on digital/mobile and internet banking and discussed challenges experienced by officers during investigations and their resolutions.

The Bank IT systems and Risks Sub Committee held a forum with Serianu to discuss the Interpol paper on African cyber threats. These promoted awareness of emerging threats in cyber crime and provided knowledge sharing on how best to curb these attacks.

Public Sensitization campaigns

The Bank IT Systems, Risks and Security Sub Committee provided observations of cyber fraud incidences for the Kaa Chonjo Campaign to Sensitize the customer as a unified front on online cybercrimes, social engineering and personal PIN security. This campaign involves several players from the Retail Sector, Mobile Network Operators and Card Schemes.

Name of Bank	Attendance Record	Percentage
Equity Bank	4 of 4	100%
KCB Bank	4 of 4	100%
NCBA Bank	1 of 4	25%
Guaranty Trust Bank	3 of 4	75%
DTB Kenya	2 of 4	25%
Family Bank	4 of 4	100%
Standard Chartered Bank	3 of 4	75%
Mayfair Bank	3 of 4	75%
SBM Bank	4 of 4	100%
Co-Operative Bank	4 of 4	100%
Bank of Africa	3 of 4	75%
Sidian Bank	4 of 4	100%
Absa Bank	3 of 4	75%
ABC Bank	3 of 4	75%

The IT System & Risks Committee met four times in 2021.

Name of Committee	BANK IT SYSTEM RISKS & SECURITY SUB COMMITTEE
Chairperson	Kabuthia Riunge – KCB Bank
Vice Chairperson	Leah Kimata – Co-Operative Bank
Secretary	Anthony Chesaro – Family Bank
Sub Committee Achievements in 2021	<ol style="list-style-type: none"> 1. Controls baselining Draft copy was developed and reviewed by members. It was agreed that this would be firmed up in 2022 and handed over to member banks via KBA. 2. SIM security controls Intense lobbying by the Sub Committee for Safaricom to lower IMSI security check calls from KSh. 20. Traction was achieved since the Telco lowered this cost. Lobbying to continue into 2022 to have this service offered for free in order to secure the ecosystem. Airtel is currently offering this service for free. 3. Data Protection Act The Committee invited the Kenya School of Law to offer training and awareness to members. Members contributed to the development of regulations. 4. Threat intelligence sharing Key threats that were shared amongst members include: sim fraud, card enumeration fraud, insider threats, rogue devices, ATM skimming, rise in fake websites.

Name of Committee	Bank IT System Risks & Security Sub Committee Contd.
	Requests for bank CSIRT were passed to KBA for CBK consultations. Benchmarking with the South African Reserve Bank was done on automation of threat intelligence sharing.
Sub Committee Goals for 2022	<ul style="list-style-type: none"> - Automation of Threat intelligence sharing. - Elections. - Baselines for third party, card and mobile system. - USIU KBA cybersecurity training targeting the youth. - Team building - Training of members on topical issues such as SWIFT security, card fraud controls.

Name of Bank	Attendance Record	Percentage
Co-Operative Bank	8 of 10	80%
SBM Bank	5 of 10	50%
Sidian Bank	6 of 10	60%
NCBA Bank	9 of 10	90%
Standard Chartered Bank	8 of 10	80%
Equity Bank	8 of 10	80%
Family Bank	10 of 10	100%
Gulf African Bank	7 of 10	70%
Absa Bank	10 of 10	100%
KCB Bank	8 of 10	80%
Stanbic Bank	8 of 10	80%
I & M Bank	3 of 10	30%
Mayfair Bank	8 of 10	80%
DTB Bank	10 of 10	100%
Citibank	4 of 10	40%
National Bank	5 of 10	50%
Bank of Africa	9 of 10	90%
DIB Bank Kenya	2 of 10	20%
ABC Bank	6 of 10	60%

The Bank IT System Risks & Security Sub Committee met eight times in 2021.

Name of Committee	BANK SECURITY SUB COMMITTEE
Chairperson	Ben Shichenga - GT Bank
Vice Chairperson	Edward Muchiri - Equity Bank
Secretary	Hillary Godana - DIB Kenya Bank
Secretary	Faith Lumumba - Standard Chartered Bank

This Committee handles the following tasks:

1. Bank Security
2. Bank Fraud

Sub Committee Achievements in 2021

Quarterly Meetings

The Sub Committee conducted four meetings for members in 2021. During the meetings, trainings were done and fraud trends affecting the industry discussed. Notably, all meetings were virtual in accordance with COVID-19 protocols

Training for BFID Officers

The Sub Committee organised and trained BFID officers on major bank frauds with a key focus on digital/mobile and internet banking and discussed challenges experienced by officers during investigations.

Engagement with Telecommunication Companies and BFID

The Sub Committee conducted stakeholder engagement for Telcos, BFID and Bank Security Managers to discuss rampant telco related frauds and harmonize working relationship among all stakeholders

Training of Members

A training on cryptocurrency was conducted for members. Cryptocurrency related frauds have been reported by bank customers. The training was meant to enlighten members on the phenomenon. Another training on ISMI API for Sim swap was conducted by Safaricom. Sim swap frauds are among prevalent frauds in the industry.

Printer Inspection

The Sub Committee took part in security printer inspection in consultation with KBA and the Clearing Sub Committee.

Review of KBA security standards

The Sub Committee has initiated the process of reviewing existing KBA security standards.

Government CCTV Policy

Select members took part in the public participation in regards to the draft policy and gave recommendations through KEPSA Security Committee and KBA.

Working Relationship with Other Committees

During the year 2021, we saw a lot of improvement in working relationships with other Sub Committees and the main committee. This fostered working relationships among officers responsible for security, fraud and investigations in the member banks.

Name of Bank	Attendance Record	Percentage
Equity Bank	4 of 4	100%
KCB Bank	4 of 4	100%
Guaranty Trust Bank	4 of 4	100%
DTB Kenya	3 of 4	75%
Family Bank	2 of 4	50%
Standard Chartered Bank	3 of 4	75%
I & M Bank	4 of 4	100%
NCBA Bank	3 of 4	75%
Co-Operative Bank	3 of 4	75%
Bank of Africa	4 of 4	100%
Sidian Bank	3 of 4	75%
NCBA Bank	4 of 4	100%
DIB Bank Kenya	4 of 4	100%
Ecobank	4 of 4	100%
First Community Bank	3 of 4	75%
Faulu Microfinance Bank	3 of 4	75%
Credit Bank	3 of 4	75%
Postbank	4 of 4	100%
Gulf African Bank	3 of 4	75%
Kingdom Bank	3 of 4	75%
ABC Bank	4 of 4	100%
Stanbic Bank	4 of 4	100%
Middle East Bank	2 of 4	50%
Absa Bank	4 of 4	100%
HF Group Kenya	3 of 4	75%
Paramount Bank	3 of 4	75%
Victoria Commercial Bank	2 of 4	50%
Mayfair Bank	2 of 4	50%
Prime Bank	4 of 4	100%
Bank of Baroda	2 of 4	50%
Kenya Women Microfinance Bank	2 of 4	50%
SBM Bank	3 of 4	75%
Rafiki Microfinance Bank	1 of 4	25%

The Bank Security Sub Committee met four times in 2021.

Name of Committee	LEGAL AFFAIRS COMMITTEE
Chairperson	Steve Atinya - NCBA Bank
Vice Chairperson	Belinda Ng'ang'a - HF Group Limited
Secretary	Raimond Molenje - Kenya Bankers Association
The Committee's mandate includes:	<ol style="list-style-type: none"> 1. Providing a forum for member banks to discuss non-competitive issues relating to the management of legal risks in the banking industry. 2. Monitor developments of new legislation, regulations and policies affecting the industry and intervene for purposes of securing the industry's interests and facilitate a conducive operating environment for banks. 3. Advising the Governing Council and the industry on the impact of proposed laws, regulations, and policies as well as court decisions having an impact to the industry. 4. Stakeholder engagement on matters of interest to the industry with diverse business member organizations and other institutions. 5. Undertake capacity building for the industry's legal teams.

Committee Achievements in 2021

1. Ministry of Lands and Physical Planning

The Association engaged the Ministry of Lands and Physical Planning following the launch of the National Land Information Management System (Ardhi-sasa) at the Nairobi and Central land registries with the aim of expediting the processing of the bank financed land transactions that had been transitioned from manual to the digital Ardhi-sasa system. To facilitate the priority processing of the bank financed land transactions on the Ardhi-sasa system, the Association compiled over 2,000 land transactions from the industry and shared the same with the Ministry of Lands to unlock the over KSh.104 billion that had been locked-up in the delayed processing of the land transactions within the Nairobi and Central Land Registries.

2. Capacity Building for Commercial Judges on Tax

KBA continued its partnership with the Judiciary through the Judiciary Training Institute and held three sessions with High Court Judges, Magistrates and Legal Researchers highlighting the emerging regulatory and digital transformation within the industry facilitated by the Family Bank Chief Executive Officer, Rebecca Mbithi.

The Association partnered with the Kenya Judiciary Academy and Kenya Revenue Authority and held sensitization session for High Court Commercial Judges and Researchers on the banking industry tax challenges and emerging perspectives and developments. The industry perspectives were provided by the Association's Chief Executive Officer, the KBA Tax Committee Chair and the Managing Partner at Anjarwalla & Khanna Advocates, Daniel Ngumy.

Name of Committee

Legal Affairs Committee Contd.

Committee Achievements in 2021

3. Collateral Registry

In partnership with the Business Registration Service under the Attorney General's Office and funding support from FSD-Kenya, the Association held physical training sessions for over 500 officers from banks, microfinance and sacco staff (Credit and Legal) to enhance the uptake and impact of the collateral registry to the economy.

4. The Association was involved in the review and stakeholder engagement with Members of Parliament on diverse sector legislations, regulations, and policies including:

a. Central Bank of Kenya (Amendment) Act 2021 – Regulation of Digital Credit Providers

The Central Bank of Kenya (Amendment) Act 2021 was passed by the National Assembly and assented to by the President paving the way for the regulation of digital credit providers in the Country, except for prior regulated institutions including banks, microfinance, sacco among others that were providing digital lending products.

b. Proceeds of Crime and Anti-Money Laundering (Amendment) Act 2021

The POCAMLA (Amendment) Act designated advocates in Kenya as reporting persons under the Act having been passed by the National Assembly and assented to by the President. The implementation of the amendment has since been put on hold following the conservatory order by the Court pending the hearing and determination of the court case instituted by a member of the Law Society of Kenya.

c. The Sectional Properties Act 2020 and 2021 Regulations

The Sectional Properties Act 2020 provides for the division of buildings into units to be owned by individual proprietors and common property to be owned by proprietors of the units as tenants in common and the use and management of the units and common property. The Regulations to the Act were also gazetted thus fully operationalizing the Act.

5. Coordination of industry litigation

The Association coordinated 14 court cases to secure the industry's interests including the *High Court Commercial Case No.433 of 2003 Wanjiru Florence & 187 others vs Standard Chartered Bank, KBA & CBK* case on the alleged levying of bank charges without Minister's approval. The 1st Plaintiff Florence Wanjiru sued Standard Chartered Bank Kenya Limited on grounds that the Bank had levied increased charges on her account without the approval of the then Minister for Finance. The Central Bank of Kenya and the Association were joined in the case as Regulator and Association, respectively. The case is pending for hearing and determination.

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

The Legal Affairs Committee met six times in 2021.

Name of Committee	OPERATIONS & TECHNICAL COMMITTEE
Chairperson	Elizabeth Kimani - ABC Bank
Vice Chairperson	Miring'u Ng'ang'a - Equity Bank
Secretary	Fidelis Muia - Kenya Bankers Association

This Committee of the KBA oversees Technical aspects of the Industry and has three Sub Committees reporting to It:

- a. National Payments Systems (NPS) Sub Committee
- b. Automated Clearing House (ACH) Sub Committee
- c. Credit Sub Committee

Committee Achievements in 2021

ACH Upgrade ISO20022

The committee approved the Upgrade of ACH to ISO20022 standard compliant by Sybrin.

The decision was agreed upon by the committee after a holistic discussion on:

- Advantages of the ISO standards
- Cost implications from current software
- HW element - whether OPEX model or CAPEX or collocation

The file formats and the clearing sessions agreed upon by the Clearing House Sub Committee were approved by the committee.

The committee through the KBA Secretariat held discussions with the Ministry of Health to have front office staff members vaccinated against COVID-19 and the MOH were very receptive to the idea and some Banks were able to hold vaccinations in their premises.

Through its Sub Committees, these are the major achievements in the year:

- I. There were 3 disaster recovery tests successfully on the ACH system in the year.
- II. Workshops to deliberate on the migration of the ACH systems to the ISO 20022 standard.
- III. Cheque printers' accreditation was performed, and Certificates were awarded. Two security printers were identified to have control gaps and granted interim accreditation during the review awaiting a review in 2022.
- IV. The Clearing Sub Committee performed an arbitration session in the third quarter of 2021. This involved two cases which were fully arbitrated and closed. The low number of arbitration cases shows that the industry's efforts of frustrating fraud is bearing fruits. The chair of the Credit and Islamic Banking Advisory Sub Committee updated working with the legal committee on the changes on Land Titles and digitization from a lender's perspective.

Name of Bank	Attendance Record	Percentage
DTB Bank	3 of 3	100 %
Equity Bank	3 of 3	100 %
Bank of Africa	3 of 3	100%
ABC Bank	3 of 3	100 %
NCBA Bank	3 of 3	100 %
Standard Chartered Bank	3 of 3	100 %
Stanbic Bank	2 of 3	66 %
I & M Bank	2 of 3	66 %
Co-Operative Bank	3 of 3	100 %
Equity Bank	3 of 3	100%
Bank of Africa	3 of 3	100 %
AO Bank	1 of 3	33 %
Citibank	3 of 3	100 %

The Operations & Technical Committee met three times in 2021.

Name of Committee	CLEARING HOUSE SUB COMMITTEE
Chairperson	Brian Koletit - Citibank N.A. Kenya
Vice Chairperson	Michael Mucheru - NCBA Bank
Secretary	Sabina Manji - Prime Bank Ltd
	<p>The Automated Clearing House Sub Committee, in collaboration with KBA secretariat and The Central Bank of Kenya, had a very successful year coupled with the enactment of major industry projects and smooth operations at the Clearing House all year round. The Sub Committee succeeded in having several sittings during the year. I extend my heartfelt appreciation to the members of this Sub Committee for the exemplary service and commitment towards the achievement of its goals for the year.</p>
Sub Committee Achievements in 2021	<p>The ACH Sub Committee managed to achieve below milestones.</p> <p>ISO 20022 ACH File formats Project The Clearing house Sub Committee is happy to report that the ISO 20022 project was approved by the KBA Governing Council. The project aims at upgrading the ACH file formats to international standards. Implementation is expected to be done in 2022.</p> <p>Support to Member Banks - COVID-19 Measures To ensure compliance to the COVID-19 directives issued in 2020, the Sub Committee revised the Clearing House file transfer cut-offs for both the presentments and returns sessions. The revised timelines are still in place and will be reviewed by the Sub Committee in due course.</p> <p>Security Printers Accreditation Reviews In spite of the COVID-19 challenges in the Sub Committee successfully performed physical security printer's accreditation reviews in Quarter 4, 2021.</p> <p>Bank Disputes Arbitrations The Sub Committee performed an arbitration session in Quarter 3, 2021. This involved two cases which were fully arbitrated and closed. The low number of arbitration cases shows that the industry's efforts of frustrating frauds is bearing fruits.</p> <p>Disaster Recovery Tests The Clearing House Sub Committee in collaboration with the Clearing House Inspector successfully conducted two Disaster Recovery Tests in the year 2021. This was to ensure that the industry operations remain undisrupted in case of any unforeseen disruptions on the production environment.</p>
Sub Committee Goals for 2022	<ul style="list-style-type: none"> - Implementation of ISO 20022 ACH file formats - Hold at least one arbitration session per quarter in 2022 - Perform at least two ACH disaster recovery tests during the year - Hold an Industry workshop in the 2nd quarter of 2022 - Perform Security printers' accreditation review on a quarterly basis

Name of Bank	Attendance Record	Percentage
KCB Bank	6 of 9	67%
Standard Chartered Bank	9 of 9	100%
Absa Bank	8 of 9	89%
I & M Bank	9 of 9	100%
Co-Operative Bank	9 of 9	100%
Citibank	9 of 9	100%
Stanbic Bank	7 of 9	78%
ABC Bank	9 of 9	100%
Equity Bank	8 of 9	89%
Prime Bank	9 of 9	100%
Central Bank of Kenya	9 of 9	100%
Gulf African Bank	8 of 9	89%
SBM Bank	6 of 9	67%
NCBA Bank	8 of 9	89%
DTB Kenya	7 of 9	78%
Kingdom Bank	6 of 9	67%

The Clearing House Sub Committee met nine times in 2021.

CREDIT AND ISLAMIC FINANCE ADVISORY SUB COMMITTEE

Name of Committee

Chairperson

Christine Mwai-Marandu - Absa Bank

Vice Chairperson

Boniface Kioko - ABC Bank

Secretary

Dr. Samuel Tiriongo - Kenya Bankers Association

Sub Committee Priorities

1. To look into the constraints to credit provision arising from security documentation and registration regime limitations.
2. To provide a forum for member banks to discuss non-competitive issues relating to the management of credit risk in the banking industry, including monitoring developments in implementing the credit information-sharing mechanism.
3. To continuously work towards entrenching credit pricing transparency as underpinned by the Annual Percentage Rate (APR).
4. Champion training on the credit market deepening across the cycle – from deal identification, closure, and management.

Sub Committee Achievements in 2021

1. The Sub Committee spearheaded and participated in the rollout of several industry capacity building programs among them:
 - With the emergence of new financing arrangements and instruments, more so blended finance, the Sub Committee spearheaded an industry-wide capacity building session on blended finance facilitated by the African Development Bank (AfDB). The webinar spotlighted blended finance instruments and examined selected case studies of blended finance projects with financial institutions in Africa at large and the East African region.
 - Stress testing and credit scoring capacity building sessions with Moody's Analytics focusing both on the retail and corporate segments, especially during periods of heightened uncertainty occasioned by the COVID-19 pandemic and the requirements under IFRS for forward-looking recognition of credit losses.
 - Training on Moveable Assets Collateral Registry whose objective was for Business Registration Services (BRS) to provide an overview of the registry and demonstrate how clients log in to register their assets and how financiers utilize the platform to secure loan contracts.
 - Global Islamic Finance Outlook Webinar with the Moody's Analytics with the focus being on the drivers and outlook of Islamic finance, and more importantly the role of Sukuk in driving the Islamic corporate and sovereign's debt issuance as well as the developments shaping Islamic asset management and takaful.
2. The Sub Committee supported the KBA Centre for Research on Financial Markets and Policy® on developing and refining the Micro Small and Medium Enterprises Survey questionnaire. The Survey was sought to bridge the information gap between MSMEs and financial institutions by shedding light on the MSMEs ecosystem.

Name of Committee	Credit and Islamic Finance Advisory Sub Committee Contd.
Sub Committee Goals for 2022	<ol style="list-style-type: none"> 3. Engaged with the Council of Governors (COG) to formulate a lending framework for an Exchequer financing initiative that would support SME businesses operating within the various Counties. 4. With the advent of the African Continental Free Trade Area (AfCFTA), the Sub Committee had engagements with MANSAs, a centralized customer due diligence (CDD) digital repository hosted and managed by Afreximbank that provides a single source of primary data for conducting customer due diligence checks on counterparties in Africa with a view to increase and boost intra-African trade by enabling trading partners access intelligence and obtain due diligence information on trusted counterparties across the region. 5. The Sub Committee collaborated with the Communications and Public Affairs department of KBA, continued to monitor the revamping of the Total Cost of Credit Calculator. <ol style="list-style-type: none"> 1. To continue spearheading the rollout of a series of capacity-building training on implementing risk-based pricing frameworks. 2. Work towards entrenching risk-based credit pricing as supported by the credit information sharing (CIS) mechanism 3. Integrate aspects of Islamic Finance into the Sub Committee's activities following the decision of combining its activities with those of the Islamic Finance Advisory Sub Committee.

Name of Bank	Attendance Record	Percentage
Absa Bank	4 of 4	100%
ABC Bank	4 of 4	100%
Bank of Baroda	2 of 4	50%
Caritas Microfinance Bank	2 of 4	50%
Co-Operative Bank	3 of 4	75%
DTB Kenya	2 of 4	50%
DIB Bank Kenya	2 of 4	50%
Ecobank	2 of 4	50%
Equity Bank	4 of 4	100%
First Community Bank	1 of 4	25%
Gulf African Bank	4 of 4	100%
I & M Bank	3 of 4	50%
KCB Bank	4 of 4	100%
National Bank	2 of 4	50%
NCBA Bank	4 of 4	100%
SBM Bank	2 of 4	50%
Sidian Bank	4 of 4	100%
Stanbic Bank	3 of 4	75%
Standard Chartered Bank	3 of 4	75%
UBA Kenya Bank	2 of 4	50%

The Credit and Islamic Finance Advisory Sub Committee met four times in 2021.

Name of Committee**NATIONAL PAYMENTS SUB COMMITTEE****Chairperson**

Michael Nangole - Co-Operative Bank

Vice Chairperson

Doreen Mulera - DIB Bank Kenya

Secretary

Fidelis Muia - Kenya Bankers Association

Sub Committee Achievements in 2021**Currency centres**

- Operation at the four currency centres have been stable and seamless. (Meru, Nakuru, Nyeri and Kisii)
- The Kisii Currency centre which has picked well, and it is adequately serving all commercial banks in the Kisii region and its catchment areas.

PesaLink 2.0 project

- Upgrade and go live of PesaLink 2.0 switch were implemented in Oct 2021 to replace the Old switch that was operationalized in 2017.
- PesaLink 2.0 is based on ISO 20022 messaging structure with a more robust tech stack that is in line with the CBK NPS strategy 2021-2025.

KEPPS Rules & regulations

- The Sub Committee noted that the CBK is finalizing on the updating of new KEPPS rules and regulations.
- Sub Committee discussed the draft document with an objective of submitting their recommendations in the workshop being planned by CBK in 2022.
- Critical area of concern /focus for the sub- committee are the clauses on:
 - SLA of 2 hours.
 - Interest payment/claims for delayed payment.
 - Dispute resolution mechanism.

ISO 20022 Project

- Working with both SWIFT user group and CBK NMG team, we have developed a road map for the industry project.
- All member banks have undertaken training programs during the year, for both operational and technical teams.
- Developing of Industry standards is ongoing for the messaging formats. This action point covers both ACH and RTGS environments.
- Individual Banks have commenced development of their Cross-Border payment standards.
- ACH upgrade was divided into two: hardware and software.
- DR site has been upgraded successfully.
- Local Industry Go live tentative dates remains to be in November 2022 with all stakeholders including the CBK onboard.

Developing Industry Standards for Payment Recalls

- Sub Committee discussed industry Standards for recall of Payments and formed a task force to discuss and recommend ideal process of handling recalled payments (PesaLink, RTGS & EFTs).
- Scope included the following areas
 - Recalls as a result of bank /customer errors
 - Fraudulent Transactions.

Name of Committee**National Payments Sub Committee Contd.**

- Addressing rate movement for converted FX transactions.
- PesaLink recalls due to wrong beneficiary (version 2.0 is meant to significantly reduce this challenge)

Swift CSP 2022

- Customer Security Program (CSP) 2022 Program.
- Target 100% compliance for this year's Swift CSP program.
- It was noted that only one advisory control has been upgraded to mandatory under 2022 program.

IBAN

- A small taskforce was formed to study and review the adoption of IBAN.
- Taskforce reported and recommended that the IBAN project will be focussed on in 2022.

Sub Committee Goals for 2022**Cash Centres**

- Smooth and efficient operations of all the four Currency centres.

Actively participate in the ongoing initiative/discussions on Central Bank Digital Currency.**CBK NPS strategy 2022-2025**

- Collaborate and support implementation of CBK NPS Strategy 2022-2025.

PesaLink Initiatives

- Pursue all members to upgrade to new PesaLink version 2.0
- Increase the merchant integrations.
- Move direct debits to PesaLink
- Industry Standards on Recalls (PesaLink and RTGS)
- Discussion on going on developing a guideline on process recalled payment
- Focus on the cashless initiative and look for ways to reduce the use of cash

Name of Bank	Attendance Record	Percentage
DTB Bank	3 of 5	60%
Citibank	5 of 5	100%
Bank of Africa	3 of 5	60%
Stanbic Bank	5 of 5	100%
NCBA Bank	4 of 5	80%
Family Bank	4 of 5	80%
IPSL	4 of 5	80%
Ecobank	5 of 5	100%
Co-Operative Bank	5 of 5	100%
Standard Chartered Bank	3 of 5	60%
DIB Bank Kenya	3 of 5	60%
Equity Bank	3 of 5	60%
Absa Bank	5 of 5	100%
KCB Bank	4 of 5	80%

The National Payments Sub Committee met five times in 2021.

Name of Committee**PUBLIC RELATIONS COMMITTEE****Chairperson**

Catherine Njoroge - Stanbic Bank

Vice Chairperson

Wambui Kaguongo - ABC Bank

Secretary

Christine Onyango - Kenya Bankers Association

Committee Achievements in 2021

- The KBA Public Relations Committee sustained efforts towards reinforcing the banking industry's visibility through initiatives designed to promote banking industry customer experience and access to financial services for Persons with Disability. The Committee also continued to support capacity building initiatives, including the Inuka Enterprise Program.
- At the close of 2021, KBA's had achieved a cumulative audience reach on both mainstream and social media of over 50 million, translating to a collective Advertising Value of over KSh. 320 million with a Public Relations Value of over KSh. 1.8 billion.
- Collaborated with member banks to scale the Inuka Enterprise program, reaching a more than 40,000 SMEs through online learning and engagement platforms.
- Coordinated a successful induction workshop for Human Resources Managers and Communication Managers on the Persons with Disability accessibility project. The initiative aimed to highlight the scope of the project and areas that need banks' support.
- Continued to roll out the Sustainable Finance Initiative in efforts geared towards building the capacity of bank staff to create long term value for the economy. Under the initiative, over 3,000 bank staff were trained in 2021.
- Coordinated a successful Kaa Chonjo Card, Mobile, and Online banking safety awareness campaign, in partnership with PesaLink, VISA, Retail Association of Kenya, Kenya Society for the Blind, Association for the Physically Disabled-Kenya, Association for Microfinance Institutions-Kenya (AMFI-Kenya) and Consumer Grassroots Association.
- Coordinated a successful Customer Service Week along with the release of the 2021 Banking Industry Customer Satisfaction Survey, which attracted close to 30,000 responses from the banking public.

Committee Goals for 2022

- Publish the Persons with Disability consolidated roadmap.
- Publish the Customer Satisfaction Survey 2022.
- Advance KBA Lobbying and Advocacy initiatives through stakeholder engagements.
- Further scale the Inuka Enterprise program in collaboration with member banks.
- Build member banks capacity to be responsive and adaptive to the needs of Persons with Disability.

Name of Bank	Attendance Record	Percentage
Bank of Africa	1 of 3	33%
Bank of Baroda	2 of 3	66%
Caritas Microfinance Bank	1 of 3	33%
Consolidated Bank	1 of 3	33%
Co-Operative Bank	2 of 3	66%
Diamond Trust Bank	3 of 3	100%
DIB Bank Kenya	2 of 3	66%
Ecobank	3 of 3	100%
Equity Bank	2 of 3	66%
Gulf African Bank	3 of 3	100%
I & M Bank	3 of 3	100%
KCB Bank	2 of 3	66%
NCBA Bank	2 of 3	66%
SBM Bank	1 of 3	33%
Sidian Bank	3 of 3	100%
Stanbic Bank	3 of 3	100%
Standard Chartered Bank	1 of 3	33%

The Public Relations Committee met three times in 2021.

A close-up photograph of a dandelion seed head. The central part of the seed head is a bright yellow, textured disk. From this disk, numerous brown, elongated seed heads are visible, each with a long, thin, white, feathery pappus extending outwards. The seeds are blowing away from the center, creating a sense of motion. The background is dark and features a subtle grid pattern. The overall composition is centered and occupies most of the frame.

FINANCIAL STATEMENTS

FINANCIAL STATEMENTS

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Governing Council	Mr. John Gachora	<i>Chairman</i>
	Mrs. Rebecca Mbithi	<i>Vice Chair</i>
	Mr. Joshua Oigara	
	Dr. Gideon Muriuki	
	Mr. Gerald Warui	
	Mrs. Nasim Devji	
	Mr. Kariuki Ngari	
	Mr. Jeremy Awori	
	Mr. Kihara Maina	
	Mr. Martin Mugambi	
	Mr. Moezz Mir	
	Mr. Olabayo Veracruz	
	Mr. Peter Makau	
Mr. Isaac Mwige		
Mr. Johnson Kiniti		

Chief Executive Officer Dr. Habil Olaka

Registered Office **International House**
13th Floor, Mama Ngina Street
P.O. Box 73100 - 00200 Nairobi, Kenya.
L. R. No. 209/6871

Bankers **KCB Bank Kenya Limited**
Moi Avenue Branch
P.O. Box 30081 - 00100 Nairobi, Kenya.

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

Standard Chartered Bank Kenya Limited
Moi Avenue
P.O. Box 30003 - 00100 Nairobi, Kenya.

Auditors **BDO East Africa Kenya**
Certified Public Accountants of Kenya
The Westwood, 9th Floor
Vale Close, Off Ring Road Westlands
P.O. Box 10032 - 00100 Nairobi, Kenya

Legal Advisors **Dentons Hamilton Harrison & Mathews**
P.O. Box 30333 - 00100 Nairobi, Kenya.

J.N. Namasake & Co. Advocates
P.O. Box 9479 - 00100 Nairobi, Kenya.

TripleOKLaw Advocates
P.O. Box 43178 - 00100 Nairobi, Kenya.

REPORT OF THE GOVERNING COUNCIL

The Governing Council submit their report together with the audited financial statements of the Group and the Association for the year ended 31 December 2021.

1. Principal Activities

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

2. Review of Financial Results and Activities

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

3. Results for the Year

The Group's results for the year ended 31 December 2021 are set out on page 93.

4. Governing Council

The Governing Council members who held office during the year and up to the date of this report are listed on page 88.

5. Events After the Reporting Period

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

6. Statement of Disclosure to the Group's Auditors

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

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

7. Terms of Appointment of the Auditors

BDO East Africa Kenya were appointed on 30 November 2021 and have expressed their willingness to continue in office.

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

The financial statements set out on pages 93 to 110, which have been prepared on the going concern basis, were approved by the on 24th February, 2022, and were signed on its behalf by:

By order of the Governing Council

13/4/2022
Date:

STATEMENT OF GOVERNING COUNCIL'S RESPONSIBILITIES

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

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

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

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

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

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

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

The external auditors are responsible for independently auditing and reporting on the Group's financial statements. The financial statements have been examined by the Group's external auditors and their report is presented on pages 91 to 92.

The financial statements set out on pages 93 to 110, which have been prepared on the going concern basis, were approved by the Governing Council on *24th February*, 2022 and were signed on its behalf by:

By Order of the Governing Council



Chairperson



Council Member

INDEPENDENT AUDITOR'S REPORT

to the Members of Kenya Bankers Association

Opinion

We have audited the financial statements of Kenya Bankers Association (the "Association") and its subsidiary (together the "Group") set out on pages 93 to 110, which comprise the Statement of Financial Position as at 31 December 2021, Statement of Income and Expenditure, Statement of Changes in Members' Funds and Statement of Cash Flows for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Group as at 31 December 2021, and its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standard for Small and Medium-sized Entities.

Basis for Opinion

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

Other Information

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

Our opinion on the financial statements does not cover the other information and we do not express an audit opinion

or any form of assurance conclusion thereon.

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

Responsibilities of the Governing Council for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

Independent Auditor's Report (continued)

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

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

consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

Report on Other Legal and Regulatory Requirements

We report to you based on our audit that:

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

BDO East Africa Kenya

Regulated by ICPAK, License Number: PF/0015

The Westwood, 9th Floor

Vale Close, Off Ring Road, Westlands, Nairobi, Kenya



Signed on behalf of BDO East Africa Kenya by Clifford Ah Chip

Partner responsible for the independent audit

Practicing certificate number: P/1964

Membership number: 9578

Date: 20-04-2022

STATEMENT OF INCOME AND EXPENDITURE

for the year ended 31 December 2021

	Note	Group		Association	
		2021 KSh	2020 KSh	2021 KSh	2020 KSh
Revenue	2	344,203,494	367,881,734	302,000,005	336,757,094
Other income	3	77,857,992	43,530,304	77,533,096	42,487,843
Project related expenses		(144,706,886)	(146,245,525)	(144,706,886)	(146,245,525)
Administrative expenses		(313,942,465)	(333,116,034)	(147,305,497)	(145,430,764)
Establishment expenses		(127,765,952)	(133,244,810)	(62,367,562)	(21,656,034)
Finance costs	4	1,163,709	(6,276,150)	—	—
Operating (deficit)/surplus for the year	5	(163,190,108)	(207,470,481)	25,153,156	65,912,614
Tax income/ (expense)	6	(723,990)	(13,953,317)	(5,202,829)	(3,099,587)
(Deficit)/surplus for the year		(163,914,098)	(221,423,798)	19,950,327	62,813,027

STATEMENT OF FINANCIAL POSITION

as at 31 December 2021

	Note	Group		Association	
		2021 KSh	2020 KSh	2021 KSh	2020 KSh
Assets					
Non-Current Assets					
Property and equipment	7	367,870,865	142,789,462	312,887,638	66,057,794
Intangible assets	8	69,643,822	55,624,894	5,968,657	1,614,647
Investments in subsidiary	9	—	—	1,808,580,000	140,000,000
Loan to subsidiary	10	—	—	51,869,459	1,516,440,356
Deferred tax	11	3,550,653	—	—	2,561,574
Current tax recoverable		—	2,368,263	—	—
		441,065,340	200,782,619	2,179,305,754	1,726,674,371
Current Assets					
Subscription and other receivables	12	152,624,074	110,493,529	144,988,999	86,999,679
Cash at bank and in hand	14	201,877,848	188,979,880	178,249,134	184,162,656
		354,501,922	299,473,409	323,238,133	271,162,335
Total Assets		795,567,262	500,256,028	2,502,543,887	1,997,836,706
Funds and Liabilities					
Members' funds					
Contribution for investment in subsidiary		1,890,000,002	1,740,000,002	1,890,000,002	1,740,000,002
Entrance fees and penalties reserves		136,188,520	136,188,520	136,188,520	136,188,520
Capital fund		262,660,840	34,654,314	262,660,840	34,654,314
Revenue reserve		(1,690,566,569)	(1,526,652,471)	88,223,075	68,272,748
		598,282,793	384,190,365	2,377,072,437	1,979,115,584
Liabilities					
Non-Current Liabilities					
Deferred tax	11	—	1,025,655	—	—
Current Liabilities					
Trade and other payables	15	196,350,752	90,535,646	124,546,777	18,721,122
Borrowings	16	—	24,504,362	—	—
Current tax payable		933,717	—	924,673	—
		197,284,469	115,040,008	125,471,450	18,721,122
Total Liabilities		197,284,469	116,065,663	125,471,450	18,721,122
Total Fund and Liabilities		795,567,262	500,256,028	2,502,543,887	1,997,836,706

The financial statements and the notes on pages 93 to 110, were approved by the Governing Council on the 24th February 2022 and were signed on its behalf by:


Chairman


Council Member

STATEMENT OF CHANGES IN MEMBERS' FUNDS

for the year ended 31 December 2021

	Contribution For Investment in Subsidiary KSh	Entrance Fees and Penalties Reserve KSh	Capital Fund KSh	Revenue Reserve KSh	Total KSh
GROUP					
Balance at 1 January 2020	1,540,000,002	113,488,520	38,320,000	(1,282,528,673)	409,279,849
Deficit for the year	—	—	—	(221,423,798)	(221,423,798)
Contributions received in the year	200,000,000	—	—	—	200,000,000
Transfer to entrance fees and penalties reserve	—	22,700,000	—	(22,700,000)	—
Additions in the year	—	—	285,000	—	285,000
Transfer to other operating income	—	—	(3,950,686)	—	(3,950,686)
Balance at 1 January 2021	1,740,000,002	136,188,520	34,654,314	(1,526,652,471)	384,190,365
Deficit for the year	—	—	—	(163,914,098)	(163,914,098)
Contributions received in the year	150,000,000	—	—	—	150,000,000
Additions in the year	—	—	272,534,232	—	272,534,232
Transfer to other operating income	—	—	(44,527,706)	—	(44,527,706)
Balance at 31 December 2020	1,890,000,002	136,188,520	262,660,840	(1,690,566,569)	598,282,793
ASSOCIATION					
Balance at 1 January 2021	1,540,000,002	113,488,520	38,320,000	28,159,721	1,719,968,243
Surplus for the year	—	—	—	62,813,027	62,813,027
Contributions received in the year	200,000,000	—	—	—	200,000,000
Transfer to entrance fees and penalties reserve	—	22,700,000	—	(22,700,000)	—
Additions in the year	—	—	285,000	—	285,000
Transfer to other operating income	—	—	(3,950,686)	—	(3,950,686)
Balance at 1 January 2021	1,740,000,002	136,188,520	34,654,314	68,272,748	1,979,115,584
Surplus for the year	—	—	—	19,950,327	19,950,327
Contributions received in the year	150,000,000	—	—	—	150,000,000
Additions in the year	—	—	272,534,232	—	272,534,232
Transfer to other operating income	—	—	(44,527,706)	—	(44,527,706)
Balance at 31 December 2021	1,890,000,002	136,188,520	262,660,840	88,223,075	2,377,072,437

STATEMENT OF CASH FLOWS

for the year ended 31 December 2021

	Note	Group		Association	
		2021 KSh	2020 KSh	2021 KSh	2020 KSh
Cash flows from operating activities					
Cash generated from operations	17	243,637,612	19,229,876	356,398,703	194,599,026
Finance costs		1,163,709	(6,276,150)	—	—
Tax paid	14	(1,998,318)	(4,288,657)	(1,716,582)	(3,972,928)
Net cash from operating activities		242,803,003	8,665,069	354,682,121	190,626,098
Cash flows from investing activities					
Purchase of property and equipment	7	(302,275,226)	(45,527,421)	(301,473,376)	(14,828,821)
Sale of property and equipment		270,498	3,150,286	270,498	3,150,286
Purchase of other intangible assets	8	(53,395,944)	(8,537,055)	(5,383,663)	—
Members contribution to subsidiary		150,000,000	200,000,000	150,000,000	200,000,000
Net cash from investing activities		(205,400,672)	149,085,810	(156,586,541)	188,321,465
Cash flows from financing activities					
Net movement in subsidiary loan		—	—	(204,009,102)	(381,061,420)
Net repayment of borrowings		(24,504,363)	(162,435,160)	—	—
Net cash from financing activities		(24,504,363)	(162,435,160)	(204,009,102)	(381,061,420)
Total cash movement for the year		12,897,968	(4,684,281)	(5,913,522)	(2,113,857)
Cash at the beginning of the year		188,979,880	193,664,161	184,162,656	186,276,513
Total cash at end of the year	13	201,877,848	189,979,880	178,249,134	184,162,656

ACCOUNTING POLICIES

GENERAL INFORMATION

Kenya Bankers Association (the Association) is domiciled in Kenya where it is registered by Registrar of Trade Unions under the Trade Unions Ordinance 1952.

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

1. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

1.1 Significant judgements and sources of estimation uncertainty

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

Critical judgements in applying accounting policies

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

Key sources of estimation uncertainty

Useful lives of property, plant and equipment

The Governing Council assesses the appropriateness of the useful lives of property and equipment at the end of each reporting period. The useful lives of motor vehicles, furniture and fixtures, office equipment and computer equipment are determined based on the Group's replacement policies for the various assets. When the estimated useful life of an asset differs from previous estimates, the change is applied prospectively in the determination of the depreciation charge.

Impairment testing

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

Accounting Policies (continued).

amount for the cash generating unit to which the asset belongs.

1.2 Consolidation

Basis of consolidation

The Group's financial statements incorporate the financial statements of the Association and that of its subsidiary. Control exists when the Association has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

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

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

1.3 Investment in subsidiary

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

1.4 Property and equipment

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

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

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

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

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

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

Item	Rate %
Furnitures and fittings	12.5
Motor vehicles	25
Office equipment	12.5
IT equipment	33.33
Leasehold improvements	12.5

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

Accounting Policies (continued).

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

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

1.5 Intangible assets

Intangible assets are initially recognised at cost and subsequently at cost less accumulated amortisation and accumulated impairment losses.

Research and development costs are recognised as an expense in the period incurred. Amortisation is provided to write down the intangible assets, on a straight-line basis, as follows:

Item	Rate %
Computer software, other	20

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

1.6 Leases

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

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

1.7 Impairment of assets

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

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

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

1.8 Borrowing costs

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

1.9 Tax

Current tax assets and liabilities

Current tax for current and prior periods is, to the extent unpaid, recognised as a liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess is recognised as an asset. The tax liability reflects the effect of the possible outcomes of a review by the tax authorities.

Accounting Policies (continued).

Deferred tax assets and liabilities

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

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

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

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

Tax expenses

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

1.10 Employee benefits

Employee benefits – post employment obligations

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

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

Employee entitlements

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

1.11 Revenue

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

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

Other revenue recognition policies include:

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

Accounting Policies (continued).

1.12 Foreign exchange

Foreign currency transactions

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

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

1.13 Cash centre capital grant

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

1.14 Entrance fees and penalties reserve

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

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

1.15 Contribution for investment in subsidiary

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

1.16 Financial assets

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

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

1.17 Financial liabilities

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

1.18 Cash and cash equivalents

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

1.19 Comparatives

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

NOTES TO THE FINANCIAL STATEMENTS

2. REVENUE

	Group		Association	
	2021 KSh	2020 KSh	2021 KSh	2020 KSh
Membership subscription fees	297,000,005	322,257,094	297,000,005	322,257,094
Entrance fees	—	14,179,825	—	10,000,000
Associate members subscription	5,000,000	4,500,000	5,000,000	4,500,000
Switch income	42,203,489	26,944,815	—	—
	344,203,494	367,881,734	302,000,005	336,757,094

3. OTHER INCOME

Gain on sale of assets	177,740	3,101,783	177,740	3,101,783
Clearing house penalties	—	12,700,000	—	12,700,000
Interest on fixed deposit	13,420,434	12,549,400	13,095,538	11,506,939
Sponsorship	19,732,112	10,480,697	19,732,112	10,480,697
Transfer of capital fund	44,527,706	3,950,686	44,527,706	3,950,686
Training income	—	47,738	—	47,738
Other income	—	700,000	—	700,000
	77,857,992	43,530,304	77,533,096	42,487,843

4. FINANCE COSTS

Foreign exchange gain	(2,289,659)	—	—	—
Interest on bank loan	1,125,950	6,276,150	—	—
	(1,163,709)	6,276,150	—	—

5. (DEFICIT) SURPLUS BEFORE TAXATION

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

Employee benefits expense	201,601,617	188,981,925	125,591,804	125,593,878
Depreciation of property and equipment	77,243,648	34,883,855	54,547,024	15,473,070
Amortisation of intangible assets	39,377,018	88,786,690	1,029,653	821,643

Notes to the Financial Statements (continued).

5. (Deficit) surplus before taxation continued	Group		Association	
	2021 KSh	2020 KSh	2021 KSh	2020 KSh
Employee benefits expense consists of:				
Wages salaries and allowances	193,307,813	181,872,232	120,474,827	120,873,854
Retirement benefit costs:				
- Defined contribution scheme	8,198,804	7,021,493	5,075,577	4,682,224
- National Social Security Fund	95,000	88,200	41,400	37,800
	201,601,617	188,981,925	125,591,804	125,593,878

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

	Number	Number	Number	Number
Management and administration	38	36	16	16

6. TAXATION

Major components of the tax expense

Current taxation				
Local normal tax - year	5,300,298	4,099,030	5,202,829	3,838,415
Prior year over provision	—	(578,762)	—	(738,828)
	5,300,298	3,520,268	5,202,829	3,099,587
Deferred taxation	(6,038,808)	10,433,049	—	—
Deferred tax	1,462,500	—	—	—
Prior year over provision	(4,576,308)	10,433,049	—	—
	723,990	13,953,317	5,202,829	3,099,587
Reconciliation of the tax expense				
Accounting surplus or (deficit)	(163,190,108)	(207,470,481)	25,153,156	65,912,614
Tax at the applicable tax rate of 30% (2020: 25%)	(48,957,032)	(51,867,620)	7,545,947	16,478,154
Tax effect of:				
Change in tax rate	—	8,523,614	—	—
Prior year over provisions in current tax	—	160,066	—	—
Deferred tax not recognised	47,307,134	69,736,825	—	—
Prior period adjustments	1,462,500	—	—	—
Expenses non-deductible for tax purposes	4,528,673	1,933,015	1,274,168	1,154,016
Exempt (income) / expenditure	(3,617,285)	(14,532,583)	(3,617,286)	(14,532,583)
	723,990	13,953,317	5,202,829	3,099,587

Notes to the Financial Statements (continued).

7. PROPERTY AND EQUIPMENT

GROUP	2021			2020		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
Furniture and fittings	37,734,587	(27,147,693)	10,586,894	37,653,387	(25,536,145)	12,117,242
Motor vehicles	24,807,741	(13,790,560)	11,017,181	24,807,741	(9,645,392)	15,162,349
Office equipment	81,768,739	(64,673,188)	17,095,551	80,269,071	(60,852,239)	19,416,832
IT equipment	220,919,902	(154,409,503)	66,510,399	194,135,061	(132,696,336)	61,438,725
Leasehold improvements	356,221,645	(93,560,805)	262,660,840	83,687,413	(49,033,099)	34,654,314
Total	721,452,614	(353,581,749)	367,870,865	420,552,673	(277,763,211)	142,789,462

ASSOCIATION

Furniture and fittings	16,524,196	(15,387,229)	1,136,967	16,442,996	(15,106,136)	1,336,860
Motor vehicles	17,780,091	(8,986,501)	8,793,590	17,780,091	(5,582,531)	12,197,560
Office equipment	77,269,481	(62,858,953)	14,410,528	75,769,813	(59,249,966)	16,519,847
IT equipment	33,096,859	(7,211,146)	25,885,713	7,113,868	(5,764,655)	1,349,213
Leasehold improvements	356,221,645	(93,560,805)	262,660,840	83,687,413	(49,033,099)	34,654,314
Total	500,892,272	(188,004,634)	312,887,638	200,794,181	(134,736,387)	66,057,794

Reconciliation of property and equipment - Group - 2021

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

Reconciliation of property and equipment - Group - 2020

	Opening balance	Additions	Disposals	Transfers	Write offs Reclassification	Depreciation	Closing balance
Furniture and fittings	19,017,959	—	—	—	(4,729,946)	(2,170,771)	12,117,242
Motor vehicles	8,499,282	13,615,881	—	—	—	(6,952,814)	15,162,349
Office equipment	6,513,357	1,204,829	—	—	14,100,781	(2,402,135)	19,416,832
IT equipment	58,527,274	30,421,711	(52,255)	242,450	(8,293,006)	(19,407,449)	61,438,725
Leasehold improvements	38,320,000	285,000	—	—	—	(3,950,686)	34,654,314
Total	130,877,872	45,527,421	(52,255)	242,450	1,077,829	(34,883,855)	142,789,462

Notes to the Financial Statements (continued).

7. Property and equipment continued

Reconciliation of property and equipment - Group - 2021

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

Reconciliation of property and equipment - Group - 2020

	Opening balance	Additions	Disposals	Transfers	Write offs Reclassification	Depreciation	Closing balance
Furniture and fittings	5,795,881	—	—	—	(3,941,010)	(518,011)	1,336,860
Motor vehicles	4,546,229	13,615,881	—	—	—	(5,964,550)	12,197,560
Office equipment	4,957,468	402,500	—	—	13,311,845	(2,151,966)	16,519,847
IT equipment	11,814,441	525,440	(52,255)	242,450	(8,293,006)	(2,887,857)	1,349,213
Leasehold improvements	38,320,000	285,000	—	—	—	(3,950,686)	34,654,314
Total	65,434,019	14,828,821	(52,255)	242,450	1,077,829	(15,473,070)	66,057,794

8. INTANGIBLE ASSETS

GROUP	2021			2020		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
Intangible assets	430,639,651	(360,995,829)	69,643,822	377,243,707	(321,618,813)	55,624,894

ASSOCIATION

Intangible assets	27,081,513	(21,112,856)	5,968,657	21,697,850	(20,083,203)	1,614,647
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Reconciliation of intangible assets - Group - 2021

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

Reconciliation of intangible assets - Group - 2020

	Opening balance	Additions	Transfers	Amortisation	Closing balance
Intangible assets	136,116,979	8,537,055	(242,450)	(88,786,690)	55,624,894

Notes to the Financial Statements (continued).

8. Intangible assets continued

Reconciliation of intangible assets - Group - 2021

	Group		Association	
	2021 KSh	2020 KSh	2021 KSh	2020 KSh
	Opening balance	Additions	Amortisation	Closing balance
Intangible assets	1,614,647	5,383,663	(1,029,653)	5,968,657

Reconciliation of intangible assets - Group - 2020

	Opening balance	Transfers	Amortisation	Closing balance
Intangible assets	2,678,740	(242,450)	(821,643)	1,614,647

9. INVESTMENTS IN SUBSIDIARY

	Holding	Carrying amount	Carrying amount
Integrated Payment Services Limited	100 %	1,808,580,000	140,000,000

During the year under review, investment in the subsidiary (IPSL) was increased by KSh. 1,668,580,000 which was as a result of IPSL converting the shareholder's loan to share capital.

10. LOAN TO SUBSIDIARY

Subsidiary

Integrated Payment Services Limited	—	—	51,869,459	1,516,440,356
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Notes to the Financial Statements (continued).

11. DEFERRED TAX

	Group		Association	
	2021 KSh	2020 KSh	2021 KSh	2020 KSh
The major components of the deferred tax balance are as follows:				
Deferred tax asset				
Property and equipment	1,294,854	(416,791)	—	—
Intangible assets	2,186,476	(2,221,391)	—	—
Unrealised exchange gain	(134,208)	—	—	—
Provision for impairment of receivables	—	1,462,500	—	—
Provision for leave pay	203,531	150,027	—	—
Tax losses carried forward	502,657,242	455,350,108	—	—
	506,207,895	454,324,453	—	—
Deferred tax not recognised	(502,657,242)	(455,350,108)	—	—
Total deferred tax asset	3,550,653	(1,025,655)	—	—
Reconciliation of deferred tax asset/(liability)				
At beginning of year	(1,025,655)	9,407,394	—	—
Recognised in surplus or deficit:				
Change in tax rate	—	20,146,418	—	—
Property and equipment	1,711,645	(3,045,482)	—	—
Intangible assets	4,407,867	(27,417,937)	—	—
Provision for impairment of receivables	(1,462,500)	831,250	—	—
Provision for leave pay	53,504	(947,298)	—	—
Unrealised exchange gain	(134,208)	—	—	—
At end of year	3,550,653	(1,025,655)	—	—

The deferred tax asset has not been recognised on tax losses carried forward amounting to KSh. 1,675,524,141 (2020: KSh. 1,517,833,692) due to lack of certainty of availability of future taxable profits against which tax losses could be utilised.

12. SUBSCRIPTION AND OTHER RECEIVABLES

Prepayments	10,353,124	7,472,669	2,739,467	1,760,238
Deposits	1,086,918	1,086,918	1,065,500	1,065,500
Advance payment in EABX PLC	13,801,000	—	13,801,000	—
Subscription and other receivables	127,383,032	106,808,942	127,383,032	84,173,941
Less: Provision for impairment	—	(4,875,000)	—	—
	152,624,074	110,493,529	144,988,999	86,999,679

Notes to the Financial Statements

(continued).

13. TAX PAID

	Group		Association	
	2021 KSh	2020 KSh	2021 KSh	2020 KSh
Balance at beginning of the year	2,368,263	1,599,873	2,561,574	1,688,231
Current tax for the year recognised in surplus/(deficit)	(5,300,298)	(3,520,268)	(5,202,829)	(3,099,587)
Balance at end of the year	933,717	(2,368,263)	924,673	(2,561,574)
	(1,998,318)	(4,288,658)	(1,716,582)	(3,972,930)

14. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of:

Cash on hand	40,000	40,000	40,000	40,000
Bank balances	201,837,848	188,939,880	178,209,134	184,122,656
	201,877,848	188,979,880	178,249,134	184,162,656

15. TRADE AND OTHER PAYABLES

Trade payables	108,451,539	76,233,015	39,739,731	8,111,786
Accrued expenses	15,629,042	13,309,245	12,536,875	9,615,950
Currency centre payables	72,270,171	993,386	72,270,171	993,386
	196,350,752	90,535,646	124,546,777	18,721,122

The Kenya Bankers Association Currency Centre project is a joint project between the Association and the Central Bank of Kenya geared towards a better management of cash in circulation within the respective region by the establishment of Currency Centres Under this model, the Association invests through a member bank in the leasehold improvements, equipment and services. The Association reimburses the hosting bank by sharing this investment cost with all banks that operate in the region.

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

Currency centre payable balance has been arrived at as follows:

Members' subscription	224,702,379	43,745,919	224,702,379	43,745,919
Currency centre operating expenses	(296,972,550)	(44,739,305)	(296,972,550)	(44,739,305)
	(72,270,171)	(993,386)	(72,270,171)	(993,386)

Notes to the Financial Statements (continued).

16. BORROWINGS

	Group		Association	
	2021 KSh	2020 KSh	2021 KSh	2020 KSh
Current				
Bank loan	—	24,504,362	—	—

The bank loan is secured by:

- A debenture charge of KSh. 560,000,000 over the entire present and future assets of the company.
- Guarantee by Kenya Bankers Association on behalf of its members.

Interest is payable on the bank loan at Central Bank of Kenya reference rate plus 4%.

17. CASH GENERATED FROM OPERATIONS

(Deficit) surplus before taxation	(163,190,108)	(207,470,481)	25,153,156	65,912,614
Adjustments for:				
Depreciation and amortisation	116,620,666	123,670,545	55,576,677	16,294,713
Gain on sale of assets	(177,740)	(3,101,783)	(177,740)	(3,101,783)
Finance costs	(1,163,709)	6,276,150	—	—
Movement in capital fund	228,006,526	(3,665,686)	228,006,526	(3,665,686)
Assets written off	(142,583)	(1,077,827)	3,750	(1,077,827)
Prior year tax over statement	—	(1,827,332)	—	(1,827,332)
Other non-cash item:				
Conversion of subsidiary loan to investment	—	—	(1,668,580,000)	—
Other movement in subsidiary loan	—	—	1,668,580,000	—
Changes in working capital:				
Subscription and other receivables	(42,130,545)	116,640,049	(57,989,320)	127,821,696
Trade and other payables	105,815,105	(10,213,759)	105,825,654	(5,757,369)
	243,637,612	19,229,876	356,398,703	194,599,026

18. RELATED PARTIES

Relationships

Subsidiary

Integrated Payment Services Limited (IPSL)

Related party balances and transactions with related parties

Related party balances

Amount due from related party (IPSL)	—	—	51,869,459	1,516,440,356
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Related party transactions

Amount advanced to related party (IPSL) during the year	—	—	204,009,102	381,061,420
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SCHEDULE OF OPERATING EXPENDITURE

for the year ended 31 December 2021

	Group		Association	
	2021 KSh	2020 KSh	2021 KSh	2020 KSh
1. PROJECT RELATED EXPENSES				
Clearing house running expenses	64,119,321	67,207,819	64,119,321	67,207,819
Public relations and media activities	35,904,933	34,159,236	35,904,933	34,159,236
Credit reference bureau project cost	19,126,413	19,126,413	19,126,413	19,126,413
Legal fees	10,177,052	6,496,941	10,177,052	6,496,941
Research	8,784,548	7,081,819	8,784,548	7,081,819
Advocacy	6,594,619	12,173,297	6,594,619	12,173,297
	144,706,886	146,245,525	144,706,886	146,245,525
2. ADMINISTRATIVE EXPENSES				
Employment:				
Salaries and wages	193,307,813	181,872,212	120,474,827	120,873,854
Pension scheme contributions	8,198,804	7,021,493	5,075,577	4,682,224
National Social Security Fund	95,000	88,200	41,400	37,800
Staff medical	11,171,317	8,914,199	4,304,833	3,806,871
Leave pay provision charge	1,832,958	(1,680,129)	1,654,613	1,026,437
Staff welfare costs	2,618,305	2,064,169	1,211,616	956,260
Total employment costs	217,244,197	198,280,164	132,762,866	131,383,446
Other administration expenses:				
Advertising	346,944	54,705,440	—	—
Audit remuneration				
- Current year	1,200,000	1,172,000	650,000	650,000
- Prior year under provision	52,694	129,638	73,707	119,953
Bad debts	6,237,252	2,375,000	—	—
Bank charges	362,484	331,406	126,839	145,863
Board allowances	5,330,680	2,200,000	—	—
Computer expenses	507,384	284,430	346,724	284,430
Consulting and professional fees	8,476,313	3,809,938	1,171,514	89,314
Data centre costs	8,237,760	9,720,515	—	—
Fines and penalties	1,005,235	656,511	—	—
General expenses	4,510,865	4,273,412	3,902,816	4,084,871
Motor vehicle expenses	3,169,004	2,718,744	2,158,715	1,736,209
Printing and stationery	748,929	539,644	653,449	521,840
Recruitment fees	3,502,350	3,105,200	—	—
Software expenses	36,838,353	30,823,772	—	—
Subscriptions	9,467,833	4,283,090	3,741,633	3,607,210
Postage	4,748,299	4,413,692	346,878	283,806
Travel and entertainment	1,955,889	2,909,932	1,370,356	2,523,822
VAT expense	—	6,383,506	—	—
Total other administration expenses	96,698,268	134,835,870	14,542,631	14,047,318
Total administrative expenses	313,942,465	333,116,034	147,305,497	145,430,764
3. ESTABLISHMENT EXPENSES				
Rent and rates	8,790,480	8,586,278	5,164,320	4,998,788
Insurance expense	1,681,194	1,587,570	1,162,837	1,038,858
Repairs and maintenance	816,195	478,246	459,978	401,504
Asset write off	(142,583)	(1,077,829)	3,750	(1,077,829)
Amortisation of intangible assets	39,377,018	88,786,690	1,029,653	821,643
Depreciation of property and equipment	77,243,648	34,883,855	54,547,024	15,473,070
	127,765,952	133,244,810	62,367,562	21,656,034