



KENYA BANKERS
ASSOCIATION

Banking for Tomorrow

Annual Report and
Financial Statements 2023



Banking for Tomorrow

In 2023, the banking industry underlined its collective recognition of the importance of sustainability and innovation as pillars of sustainable industry growth in a dynamic business environment. The year 2024 presents an opportunity for Kenya's financial services sector to entrench strategies designed to enhance its capacity to navigate emerging challenges by embracing sustainable practices and adaptive innovative solutions as part of efforts towards charting a course for a more sustainable and resilient future.

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About Kenya Bankers Association

BACKGROUND INFORMATION

KBA CORE VALUES

**LEADERSHIP,
INNOVATION,
KNOWLEDGE
AND ETHICS.**

KBA VISION

**A VIBRANT AND
SUSTAINABLE
BANKING
INDUSTRY.**

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

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

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

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

KBA MISSION

TO PROMOTE A COMPETITIVE BANKING ENVIRONMENT BY CHAMPIONING INDUSTRY DEVELOPMENT THROUGH THOUGHT LEADERSHIP, RESEARCH, INNOVATION AND ADVOCACY.

KBA Structure & Governance

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

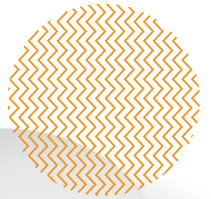
The KBA Secretariat has a full-time staff compliment of 18 employees who manage day to day operations under the leadership of Chief Executive Officer.

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

- | | |
|---|---|
| <p>1. Operations & Technical Services Committee</p> <ul style="list-style-type: none"> • Clearing House Sub Committee • Credit & Islamic Finance Advisory Sub Committee • National Payments Sub Committee | <p>3. Legal Affairs Committee</p> |
| <p>2. IT System Risk & Security Committee</p> <ul style="list-style-type: none"> • Bank IT Systems, Risk & Security Sub Committee • Bank Security Sub Committee | <p>4. Finance & Audit Committee</p> <ul style="list-style-type: none"> • Financial Markets Sub Committee • Tax Sub Committee <p>5. Compliance Committee</p> <p>6. Human Resources & Ethics Committee</p> <p>7. Public Relations Committee</p> |

PROMOTING INDUSTRY DEVELOPMENT AND ECONOMIC GROWTH BY ENGAGING THE GOVERNMENT AND SECTOR REGULATOR, CENTRAL BANK OF KENYA (CBK).

At a Glance



181 billion

Industry Total Tax Contribution

1.1 billion

KBA Audience Reach

Customer Satisfaction Survey

30,608 responses



11,992 SMEs

Trained Under Inuka

50,000+

Enrolled for Sustainable Finance Initiative

7 billion

Released Through ADR

EABX

Securities Exchange
EABX Funding

KES 460 million

Industry Drought Mitigation Contribution

KBA Secretariat

18 EMPLOYEES



KES 635 million



Easy . Affordable . Instant .

60+ participants

on PesaLink Network



Legal, Regulatory; Policy and Stakeholder Engagements

- | | | | |
|---|---|---|--|
| <ul style="list-style-type: none"> • Capacity Building for Commercial Court Judges on Tax • Capital Gains Tax • Collateral Registry • CBA Wage Re-opener Negotiations 2022 • CBK (Amendment) Act 2021 – Regulation of Digital Credit Providers • Conversion of Land Titles • Data Protection Act | <ul style="list-style-type: none"> • Digital Credit Providers Regulations 2022 • Draft Protocol to the Convention • Financing of Micro, Small and Medium-sized Enterprises • Industry Fraud and Cybercrime • KBA Code of Ethics for Bank Staff • Kenya Valuation Standards • Lands Act • Land Control Bill 2022 | <ul style="list-style-type: none"> • Launch of the KBA Code of Ethics for Bank Staff • Ministry of Lands Taskforce on Electronic Land Transactions • Management System (Ardisasa) • Moveable Property Security Rights Act • National Land Information • National Payment Systems Act • National Policy and Draft Bill on the Credit Guarantee Scheme | <ul style="list-style-type: none"> • Proceeds of Crime and Anti-Money Laundering (Amendment) Act 2021 • Prompt Payment Bill, 2021 • Sectional Properties Act and Regulations • Startup Bill, 2020 • Tax Procedures Act (Common Reporting Standards) Regulations, 2022 |
|---|---|---|--|

Industry Advocacy

KBA Representation on Boards, Committees and Taskforces

Regulatory

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

Security

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

Industry Stability, Growth & Development

- | | | |
|---|--|--|
| <ul style="list-style-type: none"> • Capital Markets Authority Master Plan Working Group • Court Annexed Mediation Accreditation Committee • Credit Information Sharing (CIS) Kenya Board • East Africa Bond Exchange (EABX) • East African Community's Technical Working Group • Federation of Kenya Employers Board | <ul style="list-style-type: none"> • Higher Education Loans Board • International Chamber of Commerce (ICC) • Judiciary's Business Court Users Committee • Kenya Deposit Insurance Corporation Board • KEPSA Gender Sector Board • Kenya Private Sector Alliance (KEPSA) Board | <ul style="list-style-type: none"> • KEPSA Public Finance Sector Board • Kenya School of Monetary Studies Board • Ministry of Lands Taskforce • National Research Fund • National Taskforce on Commodity Exchange • National Treasury Taskforce on the SME Credit Guarantee Scheme |
|---|--|--|

KBA MEMBERS

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

KBA Members as at 31st December 2023

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

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 2023

Chairperson



John Gachora
Group Managing Director,
NCBA Bank

Vice Chairperson



Rebecca Mbithi
Managing Director & CEO,
Family Bank



Paul Russo
Group Chief Executive
Officer, KCB Bank



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



Gerald Warui
Managing Director,
Equity Bank (K) Ltd



Nasim Devji
Group Managing Director &
CEO, DTB Kenya



Kariuki Ngari
Managing Director,
Standard Chartered Bank



Abdi Mohamed
Managing Director & CEO,
Absa Bank



Gul Khan
Chief Executive Officer,
I & M Bank



Martin Mugambi
Managing Director & CEO,
Citibank N.A



Moezz Mir
Chief Executive Officer,
SBM Bank



Josephine Anan-Ankomah
Managing Director & Regional
Executive, Ecobank Kenya



Dr. Joshua Oigara
Chief Executive Officer,
Stanbic Bank



Isaac Mwige
Managing Director,
Middle East Bank



Betty Korir
Chief Executive Officer,
Credit Bank



Mwangi Githaiga
Managing Director,
Kenya Women Microfinance
Bank



Rose Kagucia
Ag. Chief Executive
Officer, DIB Kenya Bank

KBA COMMITTEE REPRESENTATIVES



Elizabeth Kimani
ABC Bank



Philip Wambua
ABC Bank



Christine Mwai-Marandu
Absa Bank



Peter Mungai
Absa Bank



Michael Nangole
Co-operative Bank



Azmaira Thobani
DTB Kenya



Robley Ngoje
KCB Bank



David Nyamato
NCBA Bank



Steve Atenya
NCBA Bank



Davis Ayako
SBM Bank



Edgar Mwandawiro
SBM Bank



Anthony Chesaro
Stanbic Bank

OPERATIONS AND TECHNICAL

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

Clearing House

CHAIR Citibank (Peter Mugambi)
VICE CHAIR NCBA Bank (Michael Mucheru)
SECRETARY ABC Bank (Anne Nyaguthie)

Credit and Islamic Finance Advisory

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

National Payments

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

IT SYSTEM RISKS & SECURITY

CHAIR SBM Bank (Edgar Mwandawiro)
VICE CHAIR Equity Bank (Doreen Mulera)
SECRETARY KBA (Patrick Kibui)

Bank IT System Risks & Security

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

Bank Security

CHAIR Equity Bank (Edward Muchiri)
VICE CHAIR KCB Bank (Joseph Yegon)
SECRETARY Rafiki Microfinance Bank (Edwin Sikini)
SECRETARY Credit Bank (Naomi Mutua)

LEGAL AFFAIRS

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

FINANCE AND AUDIT

CHAIR SBM Bank (Davis Ayako)
VICE CHAIR Standard Chartered Bank (Stephen Muindi)
SECRETARY KBA (Kennedy Mutisya)

Financial Markets

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

Tax

CHAIR Absa Bank (Peter Mungai)
VICE CHAIR Equity Bank (Wilfred Alambo)
SECRETARY KBA (Kennedy Mutisya)

COMPLIANCE

CHAIR NCBA Bank (David Nyamato)
VICE CHAIR DTB Kenya (Wanjiru Mwaura)
SECRETARY KBA (Kennedy Mutisya)

HUMAN RESOURCES AND ETHICS

CHAIR KCB Bank (Robley Ngoje)
VICE CHAIR Sidian Bank (Wangare Gathu)
SECRETARY KBA (Raimond Molenje)

PUBLIC RELATIONS

CHAIR DTB Kenya (Azmaira Thobani)
VICE CHAIR Gulf African Bank (Fathia Abdulle)
SECRETARY NCBA Bank (Elizabeth Maina)

MANAGEMENT PROFILES



Dr. Habil Olaka, EBS

Chief Executive Officer

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

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

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

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



Kennedy Mutisya

Chief Finance Officer

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



Fidelis Muia

Director of Technical Services

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

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

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

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



Christine Onyango

Director of Communications and Public Affairs

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



Raimond Molenje

Director Legal, Human Resource and Policy Advocacy

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

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

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

He is passionate about training and capacity building and serves as a Lecturer at the College of Human Resources Management. He is also

a Board Member with: Auctioneers and Licensing Board under the Attorney General's Office and Mediation Accreditation Committee of the Judiciary representing the industry.

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



Dr. Samuel Tiriongo

Director of Research and Policy

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

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

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

Notice of the Annual General Meeting

15th May 2024

The Chief Executive Officers of KBA Member Banks

Dear Sirs/ Mesdames,

**NOTICE & AGENDA OF THE 62ND ANNUAL GENERAL MEETING OF
KENYA BANKERS ASSOCIATION TO BE HELD ON FRIDAY 21ST JUNE
2024 FROM 3:00 PM AT SERENA HOTEL**

Notice is hereby given that the 62nd Annual General Meeting of Kenya Bankers Association will be held on Friday, 21st June 2024 from 3:00 pm at the Serena Hotel.

AGENDA

1. Constitution of the Meeting and adoption of the Agenda.
2. Confirmation of minutes of the 61st Annual General Meeting held on 23rd June 2023 and the 246th General Body Meeting held on 22nd March 2024.
3. Matters arising from the previous minutes..
4. Adoption of the Chairman's report.
5. Integrated Payment Services Limited (IPSL) update.
6. Consideration of the Audited Financial Statements for the year ended 31st December 2023.
7. KBA 2024 - 2028 Strategic Plan highlights.
8. Declaration of results of the election of members to the KBA Governing Council.
9. Any Other Business.

Yours faithfully,



Raimond Molenje
Ag. Chief Executive Officer



Chairman's Message

The Banking Industry Reinforced Support Towards Households and Small Businesses as Strong Pillars of Inclusive Growth; 2024 is an Opportunity to Facilitate Further Growth Through Cross-Sector Collaborations and Building Synergies.



John Gachora, MBS
Chairman

Despite the challenges of 2023, the banking industry stood strong, demonstrating its resilience through innovative solutions that supported the growth of businesses and households across all sectors of the economy. Despite a significant increase in the Central Bank Rate (from 8.75 percent in January to 13 percent in December 2023), banks continued lending to all critical sectors, pivotal in catalysing growth.

In the year, the growth of loans extended to the private sector remained above 10 percent, driven by the manufacturing, transport, communication, trade, and consumer durables sectors. The trend is expected to remain strong in 2024, driven by robust economic performance and the strengthening of the Kenya Shilling versus significant currencies, albeit with a slight moderation driven by a tightening monetary policy stance.

In 2024, the industry continues to leverage more growth opportunities, particularly within the Micro and Small Enterprises sector—a vital frontier for enhanced small enterprise growth and support to low-income earners in the economy. Providing further support to other critical sectors of the economy such as agriculture, trade, manufacturing, and tourism, is a priority area for the industry to foster further development.

In this spirit, the industry's continued ambition is to intensify efforts towards promoting innovation and driving sustainable economic development. In this regard, the industry's strategic initiatives are keenly devoted to empowering businesses — from small to large — by facilitating more access to capital, offering financial literacy support, and leveraging innovative technology to improve operational efficiency, ultimately contributing to reducing the cost of credit.

Unlocking Mediation Potential

Over the past two years, the banking industry has advocated for enhanced adoption of Alternative Dispute Resolution (ADR) to expedite the resolution of commercial disputes in the economy. In the banking sector alone, over KES 40 billion is currently locked in protracted commercial litigations, straining business relationships and holding down money that should be circulating in the economy. Lengthy court processes often prevent parties to commercial disputes from accessing funds, obtaining bank financing, attracting investors, and consequently damaging business relations.

Mediation offers the best solution for parties to reach an agreement, to achieve quick and cost-effective



KBA Chairman and NCBA Group Managing Director John Gachora confers with Equity Bank Managing Director and KBA Governing Council Member Gerald Warui during the KBA 24th Annual General Body meeting.



Participants in a policy dissemination workshop organized in collaboration with African Economic Research Consortium (AERC).

conflict resolution and maintain business relations. It is commendable that banks, customers, partners, and the wider Kenyan public continue to embrace mediation. Through the Court Annexed Mediation (supported by KBA), over KES 7 billion was released back to the economy in 2023. Harnessing the potential of mediation in the banking sector requires more awareness among banks and the public, highlighting mediation as an effective first recourse in resolving disputes.

Green Finance and Banking for the Future

The banking industry recognises the importance of green finance as pivotal in the transition towards a sustainable future. On this basis, banks, supported by the KBA Secretariat, continue to align respective financial systems with environmental goals towards achieving a balanced approach to economic development in a way that prioritises the health of our planet. Although there has been remarkable progress in this critical area, more efforts are required to increase investment in climate adaptation measures to address climate change. This phenomenon manifests through extreme weather conditions such as drought and floods.

Recognising the reality of climate change and its implications on the economy, and, by extension, the banking sector—the financier of economic activity—KBA has deliberately supported the banking industry in its resolve to look beyond financial returns and address the broader emerging socio-economic and environmental concerns. Our regulator, the Central Bank of Kenya (CBK),

has taken the important step of getting banks to develop a climate related risk framework offering a disciplined approach.

I am happy to note that banks continue to be sensitised to make lending decisions influenced by environmental considerations, society, and the economy through the industry's Sustainable Finance Initiative (SFI) e-learning training. The program, which has reached over 50,000 bank employees, covers risk management, enhancement of best governance, and business practices.

**THE BANKING INDUSTRY
RECOGNISES THE IMPORTANCE
OF GREEN FINANCE AS PIVOTAL
IN THE TRANSITION TOWARDS A
SUSTAINABLE FUTURE. ON THIS
BASIS, BANKS, SUPPORTED BY THE
KBA SECRETARIAT, CONTINUE TO
ALIGN RESPECTIVE FINANCIAL
SYSTEMS WITH ENVIRONMENTAL
GOALS TOWARDS ACHIEVING
A BALANCED APPROACH TO
ECONOMIC DEVELOPMENT IN
A WAY THAT PRIORITISES THE
HEALTH OF OUR PLANET.**



KBA member banks representatives during the 2023 Sustainable Finance Catalyst Awards ceremony.



KBA Compliance Committee Chair David Nyamato speaks during a Prudential Guidelines review workshop held in 2023.

Banking on Small Enterprises Resilience

Small and medium-sized enterprises, or SMEs, are the backbone of the economy. They drive innovation, create jobs, and are integral to the health and vitality of our communities. However, they also face unique challenges, particularly during economic uncertainty. Our responsibility as the banking sector is to support these businesses, ensuring they survive and thrive amidst challenges.

In this regard, it is gratifying that we have continued to champion the industry's Inuka SME Program, a financial literacy training initiative designed to de-risk Micro, Small and Medium-sized Enterprises to access bank finance.

Through the program, we have reached over 70,000 MSMEs, providing them with knowledge of how to run their businesses formally and optimally. It is encouraging to note that banks have lent over KES 5.8 billion to MSMEs through the program.

Strengthening Financial Literacy

Kenya has made significant strides in financial inclusion with nearly 84 percent of households having access to formal financial services and products, according to the 2021 FinAccess Household Survey. However, levels of financial literacy remain low, accounting for most of the country's poor savings culture across demographics. In East Africa, Kenya lags significantly in its savings rate compared to Uganda and Tanzania. Kenya's savings rate as of 2021 was estimated at an underwhelming 13 percent

compared to Tanzania and Uganda, which are above 20 percent despite having significantly lower per capita income. According to EFG Hermes' 2021 Global Savings Survey, 38 percent of Kenya's population (estimated at 50 million) is financially illiterate.

The banking industry recognises the need to strengthen financial literacy efforts in the economy through sustained financial education and awareness to help improve overall economic health in the population in partnership with other stakeholders in the financial services sector. Therefore, the industry will sustain these efforts in 2024 to empower individuals and businesses through awareness of essential economic concepts, which include budgeting, saving, investment, debt management, and planning.

Evidence-Based Shared Value

As part of the industry's focus on creating shared economic value, the KBA Secretariat released various research reports in 2023. The reports included the Kenya Banking Sector's 2022 Total Tax Contribution (TTC). The TTC revealed that the banking industry made a total tax contribution of KES 181.27 billion in 2022, marking an increase of 39.94% from the KES 129.52 billion contributed in 2021. The report highlighted sustained industry contribution to the country's tax revenue.

The Association also issued the State of the Banking Industry Report 2023, which indicated continued momentum in private sector credit growth, growing



KBA Governing Council members and bank Chief Executive Officers with partners during the launch of the 2023 Financial Literacy Campaign.

by 12.5 percent in 2022. This growth underscored the industry's role in reinvigorating private sector development.

In addition, KBA published the 2023 Banking Industry Customer Satisfaction Survey, which highlighted the need for more investment in ensuring independent access to banking services for People with Disabilities. I encourage member banks to continue implementing measures to provide complete and independent access to banking services for PWDs by the end of 2024.

Outlook

The year 2024 promises prospects for more robust global economic growth. The domestic market is also recovering, signalling solid financial performance in 2024. Credit growth remains relatively strong despite elevated credit risk, reflecting a solid credit uptake for working capital in critical sectors. The foreign exchange market functioning has improved, anchoring a stable exchange rate that reflects developments in the fundamentals and improved market sentiment.

Overall, the outlook for the banking industry is optimistic, underpinned by strong economic fundamentals and favourable market conditions. Banks are well-positioned to capitalise on growth opportunities through strategic initiatives focused on customer satisfaction, technological innovation, and sustainable practices. The combination of robust credit growth and economic expansion sets a promising stage for continued success in the coming year, driven by a focus on customers.

Appreciation

I want to thank the KBA member banks for supporting industry initiatives. On behalf of the Governing Council, I thank all banks for coming through for communities affected by drought and famine in 2023. Through KBA, the industry collectively raised a commendable KES of 45 million, which was presented to the government to support relief efforts. Besides the KBA centred contribution, various banks were able to contribute a lot more directly. I urge you to sustain this commitment and help rebuild communities affected by recent floods.

Let me also thank our regulator, CBK, for their unwavering support to the industry. They continue to be a dependable guiding light ensuring a stable banking sector.

Similarly, I want to commend the KBA team for their work on industry initiatives. We thank each of you for your unwavering support and dedication over the past year. Your commitment has been instrumental in navigating the numerous challenges and seizing the opportunities presented in our dynamic industry. These achievements would not have been possible without member banks' coordinated efforts and collaboration.

John Gachora, MBS
Chairperson



L-R: KBA Governing Council Chair and NCBA Group Managing Director John Gachora, Strathmore University Vice Chancellor Dr. Vincent Ogutu, Chief Justice Lady Justice Martha Koome and Judge of Appeal & Chair Court Annexed Mediation Taskforce, Kenya Hon. Justice Fred Ochieng during the 2023 Mediation Summit.



Stanbic Bank Chief Executive Officer and KBA Governing Council member Joshua Oigara speaks during the KBA 24th General Body meeting.



KBA member banks Chief Executive Officers follow a presentation on Environmental Social and Governance during KBA's 24th General Body meeting.



Absa Bank Managing Director and KBA Governing Council member Mr. Abdi Mohammed makes opening remarks during the release of the 2023 Total Tax Contribution report release.



KBA Research and Policy Director Dr. Samwel Tiriongo makes opening remarks during the 2023 Inua Bishara Day.



Cabinet Secretary for the Co-operatives & Micro, Small and Medium Enterprises Hon. Simon Kiprono Chelugui makes opening remarks during the 2023 Inua Bishara Day.



Representatives from WWF during a courtesy call on green finance.



KBA Governing Council members and member bank CEOs during a farewell dinner for the former Central Bank of Kenya leadership.



Equity Group CEO Dr. James Mwangi shares a light moment during the farewell dinner for the former Central Bank of Kenya leadership.



KBA Ag. CEO Raimond Molenje speaks during the 24th General Body meeting. Looking on is KBA Chief Finance Officer Kennedy Mutisya.



Chief Justice Lady Justice Martha Koome makes remarks during the 2023 Mediation Summit.



KBA Chief Finance Officer Kennedy Mutisya during a Prudential Guidelines review workshop.



CEO's Report

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



Raimond Molenje

Ag. Chief Executive Officer

2023 was a year of navigating turbulent waters for the banking industry. Amidst a backdrop of foreign exchange volatility, the Kenya Shilling faced significant pressure. The global economy grappled with slowdowns, further exacerbated by geopolitical challenges, notably the Ukraine-Russia conflict and the Israel-Gaza tensions. Despite these headwinds, the industry demonstrated resilience and adaptability.

There is a renewed step into 2024, there is a renewed sense of optimism. The economic outlook is brightening, buoyed by the strengthening of the Kenya Shilling and promising growth prospects in pivotal sectors such as agriculture, manufacturing, and tourism. This positive trajectory presents a wealth of opportunities for the banking sector. Banks are poised to realign their lending strategies, tapping into these burgeoning markets, and driving robust credit growth to the private sector.

Financial Highlights 2023

The Kenya Bankers Association (KBA) Group funds its budgeted program for the year through multi-

income sources comprising of subscription fees, switch income, entrance fees and other income sources. During the financial year 2023, total income generated by the Group was KES 964.76 million in comparison to KES 718.96 million generated in the FY 2022. The increase in total income represents 34.19% increase from the previous year. The improved income is largely attributed to increased subscription fees received to fund capital expenditure to upgrade the Clearing House system.

The Association continued to register progress in broadening the income streams by introducing new services that have contributed additional income. The subsidiary, Integrated Payments Service Limited (IPSL) has equally made steady growth in expanding the transaction base for the users of the PesaLink platform.

In the period under review, IPSL aimed to expand its income stream base from over relying on P2P income stream by introducing other income sources such as membership fees, aggregator fees and bulk transaction fees. Due to adoption of the strategy, IPSL's total income for the year registered an increase of 55.55% closing at KES 375.40 million in comparison to KES 241.34 million earned in the previous year.

The additional income realized by IPSL was deployed to enhance capacity through additional staff, increasing head count costs (34.7% increase-KES 47.6 million) and to cater for increased administration costs (62.9% increase- KES 75.4 million). As a result of IPSL's improved performance, the company registered a reduced loss of KES 28.4 million in comparison to a loss KES 53.0 million in FY 2022. Usage of the PesaLink platform has witnessed a significant uptake by bank customers and we expect this trend to be sustained in the coming year as various initiatives aimed at making the company profitable are implemented by IPSL Board of Directors and Management.



Partners follow proceedings during the launch of the 2023 Financial Literacy Campaign.



A panel discussion during the launch of the 2023 Financial Literacy Campaign.



Participants in a stakeholder forum on Sustainable Finance Initiative.



KBA Public Relations Committee Chair Azmaira Thobani speaks during a workshop on communication and data protection requirements.



A panel discussion during the workshop on communication and data protection requirements.



Participants engage during the 12th Annual Banking Research Conference.

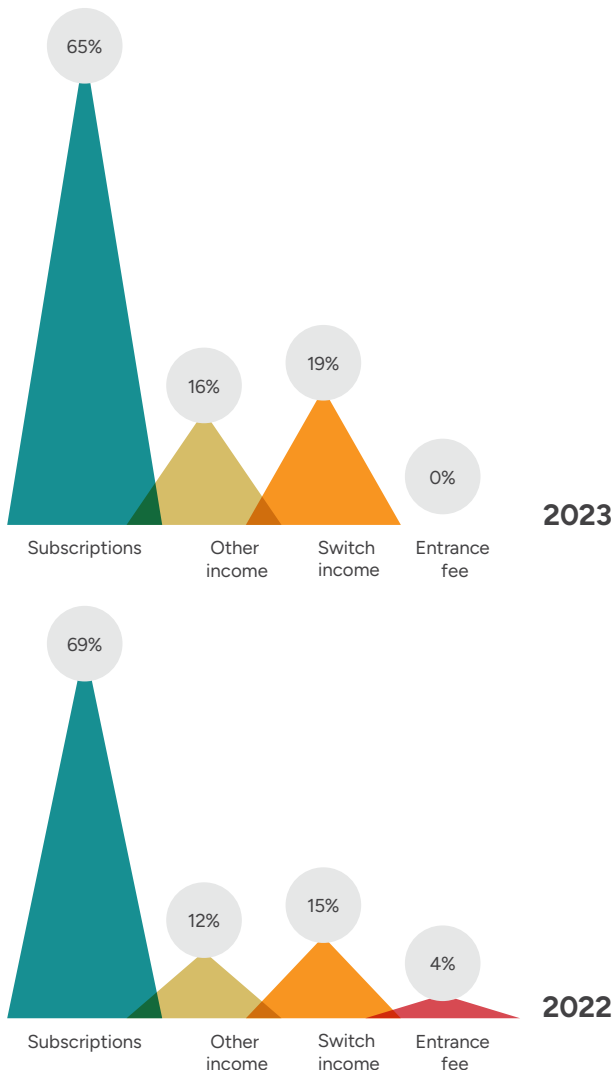
KBA Group expenditure allocation for the year was largely distributed to fund:

- Administrative expenditure: KES 578.43 million.
- Project related activities: KES 222.50 million.
- Establishment expenditure: KES 132.67 million.

The total expenditure increased by 31.43% during the year compared to FY 2022. This increase is attributable to cost increase in project-related expenditure amounting to KES 53.81 million, administrative expenditure of KES 152.40 million and establishment cost of KES 17.07 million.

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

Revenue Distribution



Consolidated Expenditure

Expenditure*	2023	2022
	Amount in KES	Amount in KES
Project Related Expenditure	222,498,119	168,688,723
Administrative Expenses	578,432,966	426,035,096
Establishment Expenses	132,672,189	115,604,783
Total Expenditure	933,603,274	710,328,602

*Expenditure of KBA and IPSL

Shaping a Conducive Policy Environment for Growth

The Association has remained steadfast in its commitment to engaging policymakers on industry-related issues, striving to address and surmount policy challenges to unlock the full potential of the banking sector and the broader economy. Through the dedicated efforts of various committees and working groups, the KBA Secretariat has tackled a wide array of policy matters, championing solutions on behalf of industry.

One of the significant engagements involved presenting the banking sector’s submission on the National Tax Policy to the National Assembly’s Finance and National Planning Committee. This presentation emphasized the need to balance revenue generation with equity and fairness, advocating for simplicity in tax administration and enhanced transparency.

KBA recognizes that active policy discussions are crucial for crafting a conducive policy environment that benefits both households and enterprises. By facilitating robust discourse on diverse economic aspects, we aim to shape a regulatory framework that fosters financial inclusion, economic stability, innovation, and growth. These efforts are integral to creating a thriving economic landscape that supports the aspirations of all stakeholders within the banking industry.

KBA RECOGNIZES THAT ACTIVE POLICY DISCUSSIONS ARE CRUCIAL FOR CRAFTING A CONDUCIVE POLICY ENVIRONMENT THAT BENEFITS BOTH HOUSEHOLDS AND ENTERPRISES. BY FACILITATING ROBUST DISCOURSE ON DIVERSE ECONOMIC ASPECTS, WE AIM TO SHAPE A REGULATORY FRAMEWORK THAT FOSTERS FINANCIAL INCLUSION, ECONOMIC STABILITY, INNOVATION, AND GROWTH.

Financial Literacy Initiatives

Financial literacy is a crucial element in promoting financial inclusion within the economy. In 2023, the Kenya Bankers Association (KBA) orchestrated various programs aimed at fostering economic growth and development by equipping individuals and businesses with the essential knowledge and skills to make informed financial decisions.

In collaboration with the Central Bank of Kenya and other stakeholders in the financial services sector, KBA spearheaded the inaugural Financial Literacy Campaign. This month-long awareness initiative focused on key financial concepts such as budgeting, saving, investing, debt management, and financial planning. The campaign's goal was to enable households and businesses to achieve financial stability and independence, ultimately leading to enhanced socio-economic growth and improved financial health across the economy.

As part of the Inuka Enterprise initiative, KBA continued its commitment to financial literacy by providing training designed to enhance the capabilities of small and medium-sized enterprises (SMEs) and improve their access to bank financing. Since its launch in 2018, this initiative has reached over 70,000 enterprises nationwide, with plans for further expansion. By equipping SMEs with effective financial management tools and knowledge, the perceived risk for lenders can be significantly reduced, thereby increasing access to credit for these businesses.

Sustainable Finance Initiative

The banking industry and financial institutions play a pivotal role in Kenya's development agenda. Recognizing the sector's influence on financing key areas that impact people, the planet, and profit, KBA has consistently promoted Sustainable Finance practices through the Sustainable Finance Initiative (SFI). To sustain the momentum in this crucial area, KBA, in collaboration with the SFI Working Group, developed a template for climate-related financial disclosures aligned with the Central Bank of Kenya's guidance. This initiative reflects the banking sector's commitment to fostering a sustainable financial services environment, and we commend banks for adopting the template and their dedication to driving sustainability in the financial sector.

Capacity Building

Capacity building is vital for the development and resilience of the banking industry. By enhancing the skills, knowledge, and resources of member banks, the Kenya Bankers Association (KBA) aims to create a stable, innovative, and inclusive financial sector. In 2023, KBA led various capacity building initiatives to achieve this goal.

To strengthen its partnership with the Judiciary in resolving commercial cases, KBA, with support from the Tax Sub Committee, conducted specialized tax training for judges and magistrates. This initiative highlights the Judiciary's critical role in ensuring a fair and efficient



Courtesy call with the leadership of the Banking, Insurance and Finance Union (BIFU).



Upgrade of the Clearing House to the ISO 2022 Standard.

commercial environment and demonstrates KBA's commitment to fostering an informed and collaborative judicial system. By equipping judges and magistrates with advanced tax knowledge, KBA aims to facilitate more informed and consistent adjudication of commercial disputes, contributing to the stability and growth of Kenya's financial sector and economy.

As part of its capacity building efforts, KBA also hosted several key training workshops. Workshops on terrorism and proliferation financing aimed to build industry capacity to combat these threats effectively. Additionally, training sessions for bankers on conducting comprehensive enterprise assessments were held, covering financial analysis, future business opportunities, growth potential, and management capabilities. These sessions aimed to support SMEs in expanding their businesses through expert advice and funding.

Further, KBA organized sessions to educate banks on the findings of the National Risk Assessment and the Mutual Evaluation Reports. Facilitated by a Technical Advisor from the ESAAMLG Secretariat and the FRC team, these sessions focused on understanding specific AML/CFT risks and vulnerabilities relevant to the banking sector. Lastly, KBA provided training on Common Reporting Standards Compliance (CRS), attended by tax and compliance teams from banks, to prepare for CRS implementation.

These initiatives highlight KBA's commitment to strengthening the banking sector's capabilities, ultimately fostering a more robust and prosperous financial

system in Kenya, with a positive impact to the economy. Consequently, the Association has incorporated the KBA Training Institute to further support banks in training and capacity development.

Clearing House ISO Certification

The upgrade of Kenya's Automated Clearing House (ACH) to the ISO 2022 standard marked a significant advancement in the country's payment infrastructure. This transition aligns with KBA's commitment to enhancing efficiency and resilience in the National Payments System. By adopting ISO 2022, the new system promises several benefits, including operational efficiency gains, improved customer experiences, enhanced KYC information exchange, and a foundation for tighter payment integration and innovative services.

Specifically, the upgraded ACH is set to revolutionize clearing services for cheques, Direct Debit, and Electronic Funds Transfers, leading to reduced processing errors and faster turnaround times for electronic transactions. Moreover, the enriched datasets provided by ISO 2022 will enable better payment insights and data analytics, facilitating improved risk management and informed policy decisions.

Overall, the ISO 2022 upgrade represents a pivotal step towards a more robust, efficient, and customer-centric payment ecosystem in Kenya, unlocking new opportunities for banks and financial sector players alike.



Stanbic Bank CEO and KBA Governing Council member Joshua Oigara confers with KBA Communication and Public Affairs Director Christine Onyango during the KBA Annual General Meeting.



KBA Governing Council Chairman and NCBA Group Managing Director John Gachora chats with Paul Russo (KCB Bank Group CEO and KBA Governing Council member) and Bank of India CEO Gowri Shankar Rao during the 24th General Body meeting.

THE 2023-2028 STRATEGIC PLAN UNDERSCORES A PIVOTAL SHIFT TOWARDS ENHANCING MEMBER SERVICES WITHIN THE DYNAMIC BANKING SECTOR. EMPHASIZING THE SIGNIFICANCE OF BOLSTERING FINANCIAL LITERACY AMONG BOTH CUSTOMERS AND THE WIDER PUBLIC, THE STRATEGY AIMS TO FORTIFY ECONOMIC GROWTH AND SUSTAINABILITY FOR INDIVIDUALS AND BUSINESSES WHILE COMBATTING FRAUD.

Regional CEO Chat CEO Chat

KBA spearheaded the inaugural regional installment of My Chat with a CEO, assembling top executives from the Tanzania Bankers Association, Uganda Bankers Association, and Kenya Bankers Association. This initiative aimed to bolster cooperation, communication, and strategic coherence across the banking sector at a regional scale. These dialogues provided a conduit for

discussions on various facets of the regional financial services landscape, with a primary focus on propelling financial inclusion initiatives. Moreover, they facilitated knowledge exchange and collaborative endeavors within the regional banking fraternity. CEOs shared valuable insights, best practices, and emerging industry dynamics, nurturing a climate of continuous learning and innovation throughout the East African Community.

2023 -2028 Strategic Plan

The Association has developed the Strategic Plan for the period 2024-2028, underscoring a pivotal shift towards enhancing member services within the dynamic banking sector. Emphasizing the significance of bolstering financial literacy among both customers and the wider public, the strategy aims to fortify economic growth and sustainability for individuals and businesses while combatting fraud. Central to this endeavor is the structured and intensified capacity development for bank staff across all tiers, aimed at fostering superior customer service and mitigating industry risks. As we embark on this transformative strategic journey, we extend our gratitude for your invaluable contributions and unwavering support towards advancing KBA's initiatives and endeavors.

Raimond Molenje
Ag. Chief Executive Officer



KBA Technical Services Director Fidelis Muia speaks during the 24th General Body meeting.



Bank CEOs and representatives during the 64th General Body meeting.



KBA Ag. CEO Raimond Molenje with Senior Technical Services Officers Patrick Kibui and Bernice Onyango during a forum on Creative Economy Financing.



Creative Economy Financing stakeholder forum.



A panel discussion during the 2023 Mediation Summit.



Courtesy call by the Tanzania Bankers Association team led by CEO Tuse Joune.



Report on the Integrated Payments Services Limited (PesaLink)

IPSL’s strategy for winning instant payments back into the finance sector, the company collaborates with a broad range of stakeholders including banks, fintechs, telcos and SACCOs.



PESALINK Ecosystem Growth and Collaboration

PesaLink is an open and interoperable instant payment network, operated by Integrated Payment Services Limited (IPSL) and owned by the Kenya Bankers Association (KBA).

2023 was the biggest year ever for instant account-to-account payments in Kenya. IPSL drove a 78% increase in transaction volumes, in December 2023 compared to December 2022 and 68% increase in value, during the same period, exceeding 600,000 monthly transactions at the end of the year.

This made instant account-to-account payments the fastest growing payment type in Kenya - outpacing other rails like EFT, RTGS and mobile money. Thanks to banks embracing the new ISO 20022 instant payment switch and enhancements such as account name look-up alongside other technology enhancements.

Together, we have ensured the financial sustainability of the industry’s de facto instant payment rails, with IPSL achieving an operating profit again for 2023.

Collaboration

In line with IPSL’s 2023 strategy, to expand the participant network, PesaLink today has a network of over 60 participants that extends far beyond the banking sector with a telco (Telkom Kenya), fintechs, micro-finance banks and SACCOs.

PesaLink’s Joint Initiatives with Banks: Rewarding the Winners of the Pay & Win Promotion



2023 saw a 30% year-on-year increase in active accounts on the PesaLink network. This was largely driven by joint marketing campaigns like the “Pay & Win” initiative which was implemented by multiple banks. These are collaborative efforts, which are designed and built in consultation with PesaLink’s network participants.

Evolving Use Cases and Impact

As of December 2023, half of all the payments on PesaLink were business-related (person-to-business, business-to-person or business-to-business).

Business customers are migrating to their bank’s instant payment rails thanks to the impact they see on cash flows, liquidity management and improving vendor relationships.

Salary payments continue to be a growing and impactful use case. 75% of all salaries paid via PesaLink are in the sub-KES 25,000 category. While salary transaction volumes continue to grow, average salary values are trending downwards. This indicates more low-income workers are being paid via PesaLink. Notably, Instant digital payments are helping bring lower-income Kenyans into the formal finance sector and decrease their reliance on cash and other stores of value.

Building Capacity

IPSL made significant investments in the PesaLink technology stack and team. This has allowed PesaLink to expand its segmented offering in support of new products and services. As of December 2023, the company’s staff complement stood at 43, which includes a recently expanded and fully resourced software development and innovation team.

Shift to Digital Public Infrastructure

The IPSL team conducted fact-finding and benchmarking around the G20 Consensus on Digital Public Infrastructure (DPI) - announced in September 2023 in Pune, India. Interoperable fast payment systems are at the heart of this agreed DPI development approach.

The consensus sets out overarching development principles covering technology, the ecosystem, and its governance. The PesaLink network is well positioned

against each of these pillars, with its interoperability, industry-wide ownership and proactive oversight from KBA and the Central Bank of Kenya (CBK).

The KBA is committed to continuing to invest in PesaLink’s technology and opening network participation, to ensure that it can be a cornerstone of Kenya’s DPI stack.

2024 HIGHLIGHTS

Pay to Merchant/Pay to Government

IPSL is in the final stages of regulatory approval for its pay-to-merchant and pay-to-government solutions. Participating banks will start rolling out these new services that make it easier for consumers to make instant payments for goods and services directly from their bank accounts. They will be able to pay 24/7/365 at any outlet or site displaying the PesaLink Pay sign. Payments will be initiated from the bank’s existing mobile banking apps or USSD and no further integration is required.

Agent Cash-in/Cash-out

Recognizing the pivotal role of agent banking in the payments ecosystem, IPSL and its network participants will work towards enabling the interoperability of existing banks’ cash-in and cash-out agent networks. Greater connectivity and efficiency in agent systems will help with the challenges of exclusion and redundancy thus allowing a customer from one bank to transact at another bank’s agent location.

Moving The Dial - Sub KES 1 million transactions

At the heart of IPSL’s vision for 2024 lies a transformative ambition – to propel all retail payments below KES 1,000,000 onto instant rails. Conversations with banks have already commenced, with the aim of implementing this shift by the end of 2024.

By championing world-class, affordable infrastructure, PesaLink seeks to fortify Kenya’s standing as a digital payments leader while mitigating systemic risks inherent in traditional payment ecosystems.



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

Amid tightening monetary policy, credit growth to the private sector remained anchored at a double-digit growth level with credit growth to the manufacturing, transport, communication, trade, and consumer durables sectors exhibiting robust credit growth trends.



Researchers and discussants with KBA Governing Council and member bank CEOs during the 12th Annual Banking Research conference.

The year 2023 saw the Central Bank of Kenya tighten monetary policy, with the Central Bank Rate (CBR) progressively rising from 8.75 percent in January 2023 to 13 percent in December 2023. Even so, credit growth to the private sector remained anchored at a double-digit growth level; with credit growth to the manufacturing, transport, communication, trade, and consumer durables sectors exhibiting robust credit growth trends. Yet, amidst this robust credit growth, the asset quality continued to deteriorate during the year to stand at 14.79 percent in December 2023, up from 13.5 percent in January 2023.

Inflationary pressures on its part, gradually eased off while the exchange rates stabilized in tandem with the tightening monetary policy during the year. However, money market interest rates soared high. Despite these developments, the banking sector remained robust as evidenced by strong capital and liquidity positions that were above the regulatory thresholds.

Going forward into 2024, there is a heightened optimism on the economic outlook amidst strengthening of the

Kenya shilling and further growth prospects in the key economic sectors; agriculture, manufacturing and tourism. With these developments, banks are expected to rebalance their portfolios in 2024 to tap on opportunities in the market, with the implication of strengthening credit growth to the private sector.

The 12th Annual KBA Banking Research Conference

The KBA Centre for Research on Financial Markets and Policy successfully hosted the 12th Annual KBA Banking Research Conference on September 28-29, 2023. The conference was anchored on the theme *"Monetary-Fiscal Policy Trade-Offs Amidst Multiple Macroeconomic Shocks and Banking Sector Responsiveness"*. There were three sub-thematic areas:

- First, amidst the ongoing monetary policy tightening across the globe and volatile financial markets, the credit landscape became increasingly complex. New risks continued to emerge, sustaining high private sector credit risk and intensifying competition for loanable funds between the public and private sectors.

- Therefore, there was a need to analytically interrogate further the credit risk assessment, spotlighting both supply- and demand-side developments, including the role of technological innovations. In that context, research papers focusing on heterogeneity across lenders in their risk analysis, financial inclusion strategies, and customer-centricities in credit supply were considered;
- Second, there was a focus on the banking sector's responsiveness to global and domestic market developments in terms of deposit mobilization, credit portfolio allocations, risk management, and sources of profitability. Stemming from this, there was a need to explore critical anchors to economic recoveries as the economy reeled from the adverse effects of the pandemic and the existing multiple shocks that had hit economies — from disruptions in global value chains, escalated effects of climate change, and attendant calls for investments in mitigation and adaptation, rising inflationary pressures, to unprecedented monetary policy tightening in advanced economies. Policymakers globally were in dire need to structure stronger and more sustainable private sector-led economic recoveries. Analytical papers focusing on credit expansion strategies were hosted, including those that embed the implications of emerging green and sustainable financing arrangements, and the role of technological innovations in the delivery of financial services and products; and
 - Third, with the uncertain economic outlook; narrowing fiscal space; elevated inflationary pressures, and volatilities in financial markets, achieving an optimal monetary-fiscal policy mix was faced with sizeable trade-offs that had to be navigated. Towards this end, papers documenting the implications of these macroeconomic policy developments on the economy and, by extension, the banking sector, particularly with heightened uncertainty, were considered.

The eleven papers presented during the conference were:

- Analysis of Drivers of Customer Satisfaction to Inform Customer Centricity: Banking Sector Perspectives; Hillary Mulindi, Hesborn N. Nyagaka, Kiplangat Josea, Christine Onyango & Samuel Tiriongo;
- Fiscal and monetary policy interaction during economic shock: a wedge or bridge for bank profitability? Jared Osoro & Kiplangat Josea;

- Bank Responsiveness to Monetary Policy: A Tale of Excess Capital and Deposit Mobilization; Gillian Kimundi, Deakin Business School in Melbourne;
- Bank performance and real sector productivity in East Africa; Odongo Kodongo, Wits Business School, South Africa;
- Monetary Policy, Bank Lending, and Inflation in the Post-Pandemic Recovery Era: A Case of the East African Community; Ronald Ochen;
- Monetary policy risk-taking transmission channel: A case of banking industry in Kenya; David M. Ndwiga;
- Board Gender Diversity, Economic Uncertainty, and Bank Risk-taking: Evidence from the Kenyan Commercial Banks; Rogers Ochenge (University of Embu and an adjunct lecturer at the Strathmore University);
- Interest Rate Risk in Kenya: The Financial Stability - Fiscal Trade off; Camilla Talam and Samuel Kiemo;
- Monetary-Fiscal Policy Interdependence and Pricing Dynamics in the Face of Macroeconomic Shocks: Fiscal Policy Dominance or Optimal Mix? Caspah Lidiema;
- Implications of macroeconomic stability policies on financial intermediation through the credit channel; Stephanie Kimani, I&M Bank Kenya;
- The influence of climate risk on interest spread in the banking sector in Kenya. A closer look at the Agricultural sector and the Manufacturing Sector; Lucy Maru, KCB & Steve Makambi, Kenyatta University.

Publications

- **KBA Working Paper Series** – All eleven (11) research papers presented at the 12th Annual Research Conference have been published on the KBA Working Paper Series. This publication marks an increase in the total number of published working papers to seventy-four (74) from all conferences hosted by the Centre thus far. These papers serve as a cornerstone of knowledge and are instrumental in engaging with various stakeholders, including regulators, government bodies, international partners, and academia. The KBA Centre for Research on Financial Markets and Policy® ensures a rigorous review process before the papers are included in the KBA Working Papers Series. Furthermore, some of these papers have been subsequently published as journal articles.

To enhance the visibility of these working papers and contribute to shaping global perspectives on the banking environment in Kenya, the KBA Working Paper Series has been elevated to a global repository of research papers, accessible [Here](#); since 2022.

b. The KBA Policy Briefs. The policy insights derived from eleven KBA Working Papers presented during the 12th Annual Kenya Bankers Association Banking Research Conference in September 2022 served as the basis for developing the following policy briefs. These briefs aim to provide non-technical summaries of the study findings.

- Leveraging on enhanced complaints handling and product development to drive customer centric banking sector, Hillary Mulindi, Hesborn N. Nyagaka, Kiplangat Josea, Christine Onyango & Samuel Tiriongo;
- Fiscal and monetary policy interaction during economic shock: a wedge or bridge for bank profitability? Jared Osoro & Kiplangat Josea;
- Does Capital Matter in Banks's Responsiveness to policy and Economic shocks? Gillian Kimundi, Deakin Business School in Melbourne;
- Bank performance and real sector productivity in East Africa Odongo Kodongo, Wits Business School, South Africa
- Monetary Policy, Bank Lending, and Inflation in the Post-Pandemic Recovery Era: A Case of the East African Community. Ronald Ochen
- Monetary policy risk-taking transmission channel: A case of banking industry in Kenya David M. Ndwiga;
- Are Gender-diverse Banks More Stable? Rogers Ochenge (University of Embu and an adjunct lecturer at the Strathmore University);
- Promoting Banking Sector Stability through Appropriate Fiscal and Interest Rate Policies; Talam and Samuel Kiemo;
- Monetary-Fiscal Policy Interdependence and Pricing Dynamics: Empirical estimation of Fiscal Dominance in Kenya Caspah Lidiema;
- Implications of macroeconomic stability policies on financial intermediation; Stephanie Kimani, I&M Bank Kenya;
- The influence of climate risk on interest spread in the banking sector in Kenya. A closer look at the Agricultural sector and the Manufacturing Sector. Lucy Maru, KCB & Steve Makambi, Kenyatta University;

c. The KBA Economic Bulletin – The quarterly economic bulletin presents an overview of the state of the economy and its outlook by drawing on the recent performance and developments in selected activities in the real economy, government fiscal operations, public debt, inflation and interest rates, the balance of payments and exchange rate, activity at the Nairobi Securities Exchange and the banking sector.

d. The KBA State of the Banking Industry Report – The fifth edition of the State of the Banking Industry Report was published by the Centre for Research on Financial Markets and Policy® in August 2023. The report contained data covering up to 2022, and it sought to share insights that contribute to the understanding of the Kenyan banking industry. Moreover, the significance of deposit-taking microfinance banks and the embodiment of sustainable banking practices in the industry were also highlighted in the report.

e. Regular Research Notes – In 2023, we released six Research Notes (Issues 64 - 69) on the website. These research notes were published one week ahead of the Monetary Policy Committee (MPC) meeting. Additionally, six post-MPC commentaries were developed and shared with the members, to provide additional information that was considered in arriving at the MPC's decisions;

f. KBA Housing Price Index (KBA-HPI). The KBA housing price index (KBA-HPI) is ideally published every third week following the end of a given quarter. The index provides market players and policy makers with an improved analytical tool that is useful for tracking the housing sector based on locational and qualitative and quantitative characteristics that influence pricing.

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



Participants follow discussions and presentations during the 12th Annual Banking Research conference.



FSD Kenya CEO Tamara Cook shares comments during the 12th Annual Banking Research conference.



Participants follow proceedings during the 12th Annual Banking Research conference.



KBA team presents a research paper on customer satisfaction during the 12th Annual Banking Research conference.



Dr. Radha Upadhayaya from the University of Nairobi Institute of Development Studies shares comments during the 12th Annual Banking Research conference.



DTB Kenya Economist Faith Atiti shares comments during the 12th Annual Banking Research conference.





Report on Credit Information Sharing

CIS Kenya sustained its efforts towards realization of its strategic objectives: In line its mandate to facilitate generation and use of accurate credit information for the benefit of all participants in Kenya's credit market.



Jared Getenga, CEO, CIS Kenya takes participants through a session on data quality and regulatory compliance at the Data Protection and Privacy in the wake of Regulatory Actions Workshop held In November 2023.



Oscar Otieno Deputy Data Commissioner - Investigations & Enforcement, ODPC participates in a panel discussion alongside Herbert Njoroge, Manager, Legal Business Solutions - PwC and Amit Ghadia, Managing Partner - ICTLC at the Data Protection and Privacy in the wake of Regulatory Actions Workshop held In November 2023.

In line with its mandate to facilitate generation and use of accurate credit information for the benefit of all participants in Kenya's credit market, CIS Kenya sustained its efforts towards realization of some of its strategic objectives as outlined below:

1. LEGAL REFORM

This objective is aimed at ensuring a facilitative and enabling legal environment for all credit providers to share credit information through the licensed CRBs. Petition No. E456/2023 sought to have CRB Regulations 2020 nullified, which would have dealt a big blow to the CIS mechanism. This petition was initially allowed at the Constitutional Court, but on 9th February 2024 the Court of Appeal allowed CBK's application for stay of execution of the High Court Judgement pending appeal. CIS Kenya will keep the banks updated on progress of this matter.

CIS Kenya is an interested party in Constitutional Petition number 476 of 2021 that seeks to challenge

Regulation 18 (7) of the CRB Regulations 2020. The said Regulation states that "The Cabinet Secretary may, on the recommendation of the Central Bank, by notice in the Gazette, suspend some aspects of exchange of negative information under paragraph (1) for such a period and for such reasons as the Cabinet Secretary may specify". The petitioner argued, and was supported by interested parties and CRBs, that this particular Regulation was not part of what CBK circulated in the draft that was subjected to public participation as it was only brought in when COVID-19 pandemic broke out. The petition is scheduled for mention on 6th May 2024 for purposes of fixing a Ruling date.

There have been several Constitutional Court rulings that have supported the Alternative Dispute Resolution (ADR) process stipulated in the CRB Regulations. Courts generally require that the ADR process be exhausted as a precursor to any court process. However, in Commercial Case E799 of

2021 (Dickson Simon Nyambori -versus- Stanbic Bank Limited & CRB Africa), the mandatory aspect of this ADR process was successfully challenged in court following a dispute over erroneous listing. Stanbic Bank argued that the plaintiff failed to comply with Regulation 37(5) of the CRB Regulations 2020 which provides for a procedure to be followed by an aggrieved customer before seeking recourse in court. On 24th February 2024, the Court ruled that the Regulation is not couched in mandatory terms and it is misleading to argue that it provides for a mandatory procedure. CIS Kenya will implore CBK to couch this Regulation in mandatory terms in the next review so as to avoid such outcomes.

2. KNOWLEDGE GENERATION AND CAPACITY BUILDING ACTIVITIES

CIS Kenya carries out knowledge generation and training activities in order to build members' capacity to CIS matters and appreciate local and global trends in credit risk management.

Study on Alternative Data

In partnership with FinRegLab, CIS Kenya contributed to the production of a Market Context Report on “*Strengthening Use of Alternative Data to Impact Financial Inclusion, Market Competition and Consumer Protection*” quicken adoption of alternative data for credit assessment, particularly for women-owned enterprises and MSMEs. A Market Insights Report has been published and is available on <https://ciskenya.co.ke/wp-content/files/2024/05/Research-Report-Alternative-Data-and-Market-Dynamics.pdf>. The second phase of the project is Empirical Analysis - Understanding the Value and Feasibility of Using Alternative Data for Underwriting MSMEs slated for 2024.

Training Workshops

CIS Kenya undertook several topical trainings in the year 2023.

Event	Venue	Dates	No. of Participants
Credit Repair Framework Workshop	Nairobi	14 February 2023	103
Supercharge Your Collections	Nairobi	21 & 23 August 2023	18
Data Protection & Privacy Training	Naivasha	5 & 9 June 2023	22
Data-Driven strategies for NPL Management Workshop	Nairobi	25 & 26 October 2023	34
Data Protection and Privacy Workshop	Nairobi	23 November 2023	65

The training calendar for year 2024, available at (<https://learning.ciskenya.co.ke/local/pages/?id=7>) offers training opportunities that cover several relevant areas including CRB data Submission; Risk-Based pricing; Negotiation & Mediation Skills; Predictive Credit Scoring Summit; and Data Driven Strategies for NPL Management.

Africa CIS Conference 2023

Between 22nd and 24th March 2023, CIS Kenya hosted the 6th Africa CIS Conference in Mombasa under the theme: Harnessing the Power of Alternative Data – Unlocking Africa’s Potential. The Conference, attended by a large number of commercial banks, reviewed the opportunities that alternative data and other innovative solutions portend for credit risk management in the region (see Conference report available at [6th_Africa_CIS_Conference_Report_2023.pdf \(ciskenya.co.ke\)](https://ciskenya.co.ke/files/2023/03/6th_Africa_CIS_Conference_Report_2023.pdf)).

In 2024, CIS Kenya will partner with the South Africa Credit and Risk Reporting Association (SACRRA), the National Credit Regulator (NCR) of South Africa and IFC to host the 7th Afrca CIS Conference dubbed “Data Governance Frameworks for Effective Credit Risk Management Conference” in Johannesburg, South Africa on 19-23rd August 2024. Members are encouraged to register through the link <https://app.glueup.com/event/data-quality-frameworks-for-effective-credit-risk-management-conference-89981/court>.



Jared Getenga CEO CIS Kenya and Melissa Koide CEO FinRegLab have a word on the sidelines of the 6th AFRICA CIS Conference under the theme "Harnessing Alternative Data: Unlocking Africa's Credit Potential" held at Sarova Whitesands from 22nd to 24th March 2024



Participants follow proceedings at the 6th Africa CIS Conference under the theme "Harnessing Alternative Data: Unlocking Africa's Credit Potential" held at Sarova Whitesands from 22nd to 24th March 2024.



Dr. Samuel Tiriongo, Director, Research and Policy, Kenya Bankers Association moderates a session on Explainability and Fairness of innovative credit underwriting tools: an experience from the US Market alongside Natalia Bailey, Research Manager at FinRegLab



CIS Kenya's CEO and Head of Legal Services participating in the Depositors Insurance Conference in November 2023



Joyce Mwangi Vice Chair, KBA Customer Experience Working Group moderates a customer experience session at the Data Protection and Privacy in the wake of Regulatory Actions Workshop held In November 2023.



Data Protection and Privacy in the wake of Regulatory Actions Workshop held In November 2023.

3. DATA VALIDATION AND SUBMISSION TOOL (CIS VALIDATA)

CIS Kenya seeks to improve data quality by promoting accuracy, timeliness and completeness of data submitted to CRBs. As a result, it developed the CIS ValiData to offer the following benefits:

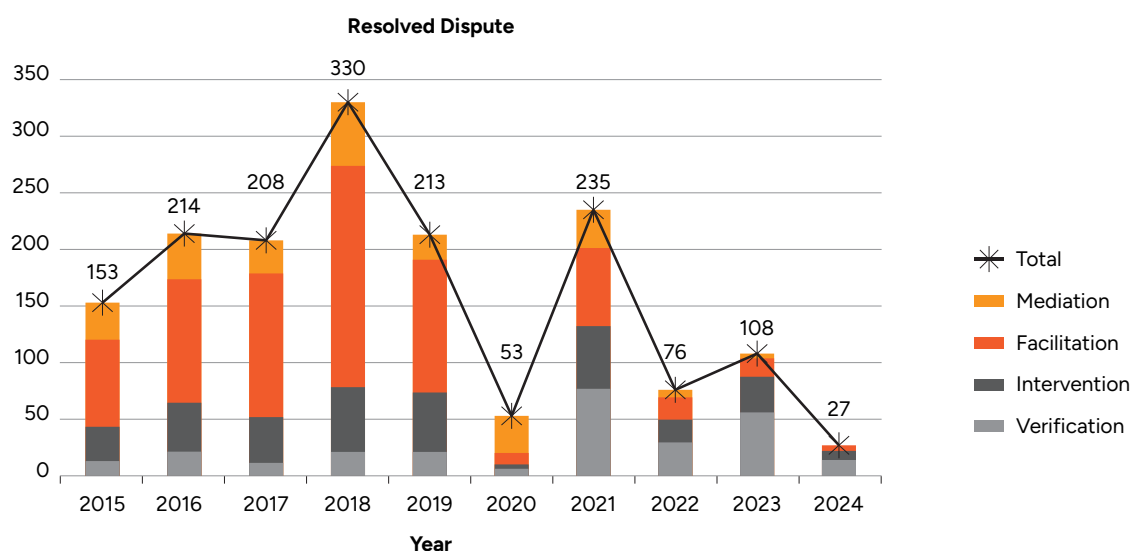
VaiData Benefit	Explanation
Enhanced ownership of data quality by the submitting institution	Validation rules are embedded in the CIS ValiData domiciled in institutions
Minimizes compliance risk by promoting industry self-monitoring/self-regulation	ValiData enables CIS Kenya follow-up on data quality gaps
Efficient submission of data to multiple credit bureaus	Where required by law or approved by CBK, data is submitted to multiple bureaus simultaneously
Enhanced confidence in CRB scores	Improved data quality across the CRBs raises lenders' and borrowers' trust in credit bureau scores
Facilitates compensation to CRBs that incur first-in-line on-boarding costs	Keeps track of newly-onboarded credit providers based on CRB initiatives

As guided by CBK, the CIS ValiData has undergone a second system functionality and security audit in Q4 of 2023. As we await CBK approval under Regulation 64 of CRB Regulations, 2020, CIS Kenya has organized a pilot program for KBA members to test the tool using CRB APIs.

4. TATUA CENTER

Through application of Alternative Dispute Resolution (ADR) approaches, Tatua Center, a subsidiary of CIS Kenya, facilitates amicable and efficient resolution of credit-related disputes.

In order to promote utilization of Tatua Center by KBA member banks, KBA revised its CIS Kenya subscriptions for 2024 to include fees for resolution of bank credit disputes at the Center. As a result, the Center will not charge fees for bank-customer disputes at Tatua Center. This decision will address the constraint faced by banks that cannot pass on mediation costs to consumers for lack of relevant clauses in loan application forms. Banks are encouraged to take advantage of this opportunity to have their credit disputes resolved through ADR at no cost, which will boost utilization of Tatua's ADR services in 2024 beyond the 108 reported in 2023 as per chart below.



2023 Shared Value Report

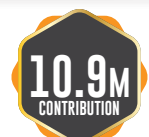
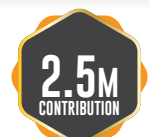
The industry continued to direct resources towards drought mitigation, capacity building, financial literacy and advancing satisfactory banking customer experience.

As the banking industry added impetus to the country's move towards a more socially inclusive and green economic pathway, drought, a significant climate event in 2023 tested the industry's mettle. Communities in arid and semi-arid regions in Kenya were hardest hit leaving many with little to no food security.

This galvanized the banking industry's response efforts towards cushioning Kenyans from the devastating effects from the prolonged drought. The industry, through the coordination from Kenya Bankers Association, mobilized over 460 million Kenya shillings towards the Pamoja Tuungane Initiative aimed at supporting the government to help affected Kenyans. As a result of the banking industry's response and the wider private sector, millions of vulnerable people received lifesaving and life-sustaining assistance.

Banks also continued to direct their financial flows towards efforts that address other complexities such as poverty, gender divide, nature loss, education and health gaps as a means to advance sustainable development of the country. KBA amplified the industry's efforts by spearheading industry-wide programs and consumer awareness campaigns. The following are some of the initiatives undertaken by KBA in 2023.

THE INDUSTRY, THROUGH THE COORDINATION FROM KENYA BANKERS ASSOCIATION, MOBILIZED OVER 460 MILLION KENYA SHILLINGS TOWARDS THE PAMOJA TUUNGANE INITIATIVE AIMED AT SUPPORTING THE GOVERNMENT TO HELP AFFECTED KENYANS.





Promoting a Savings Culture

A general understanding of how to effectively make informed financial decisions is critical in enhancing personal financial wellness. Moreover, augmented efforts to increase financial inclusion for the general public is achieved when financial literacy levels are increased.

To further advance this in the country, in 2023, KBA coordinated the inaugural financial literacy campaign in partnership with Central Bank of Kenya. The awareness campaign was designed to educate the general public and youths on the appropriate measures to cultivate a savings culture which would in turn improve their ability to access funds for enterprise development.

The campaign also incorporated KBA’s Kaa Chonjo (Card, Online and Mobile) safety awareness messages. Consumers of banking services were educated on how to avoid falling prey to fraudsters while transacting using banking channels.

The campaign had a reach of 345 million people, advertising value of KES 622 million, PR value of KES 3 billion and 100 percent positive sentiment. Supported by 29 banks, other partners in the initiative were Association of Microfinance Institutions (AMFI), Consumer Grassroots Association, Retrak, Kenya Deposit Insurance Corporation, Sybrin, PesaLink and Retirement Benefits Authority.

Separately, as part of efforts to further support financial inclusion, KBA coordinated the 2024 Global Money Week Campaign to promote a saving culture among children and the youth. The program reached over 7,000 students through job shadow sessions and mentorship talks across the country in partnership with Junior Achievement, KBA member banks and media partners.

Themed ‘Protect Your Money, Secure Your Future’ the 2024 GMW campaign focused on safe money management, highlighting the importance of adopting a responsible and informed approach to personal finances by being aware of potential risks in the financial sector and protecting one’s hard-earned money.

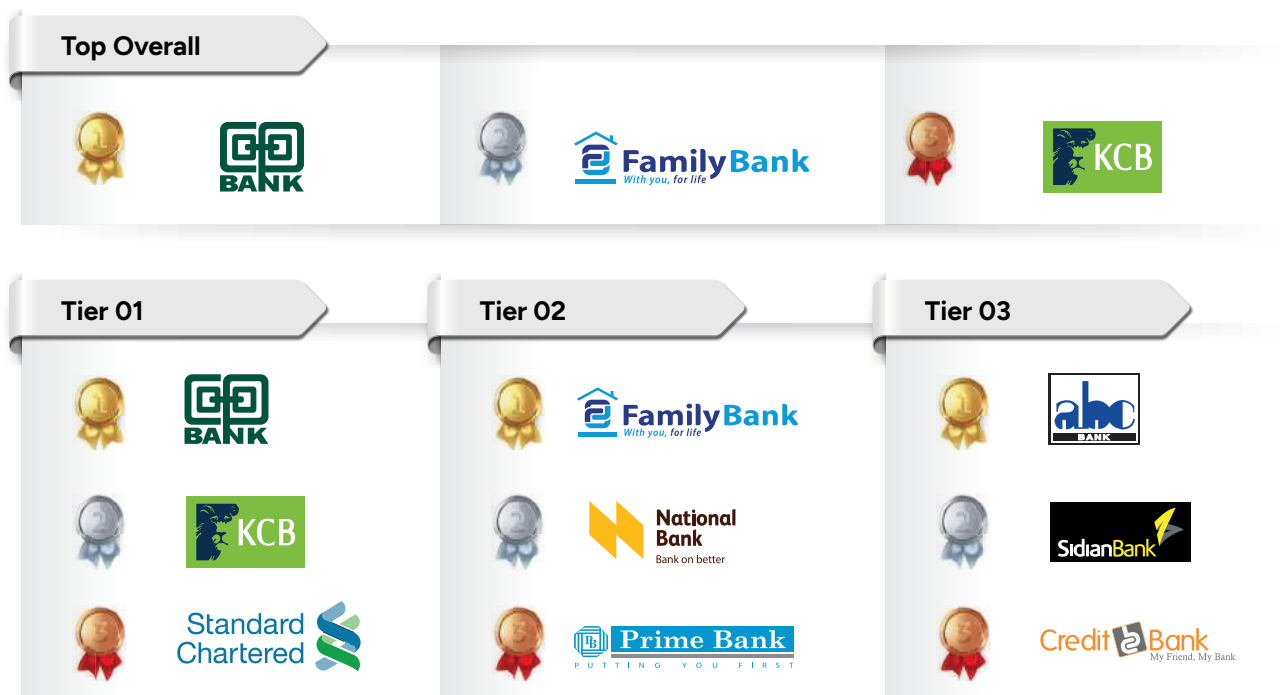
The sessions created awareness on risks such as phishing, money muling and online shopping scams. Under KBA’s coordination, 10 banks hosted job shadowing sessions, 21 took part in mentorship talks, while 23 actively participated in sharing campaign messages across platforms, including on social media. KBA partnered with Capital FM and Ghetto Radio in the initiative.

Elevating Customer Centricism

Creating a culture centered on improving customer satisfaction is integral to the success of any business. As stated, the banking industry stands to gain if their interaction with customers is well tailored to their needs. Since 2018, KBA has made significant efforts to assess the banking public’s experience to aid banks improve on their service delivery. Through the annual Customer Service Survey, banks are able to gain a deeper understanding on areas of improvement and establish emerging customer trends.

In 2022, the survey indicated that preference for human interaction in customer service support among bank customers rose in 2023, reversing an automation trend that ensued from the outbreak of COVID-19 in the year 2020. The 2023 Survey received feedback from 30,608 Respondents, with the report being released on 5th March 2024, highlighting: Customers preference for digital channels, with mobile banking dominating the market, rising from 67.8% in 2022 to 69.9% in 2023 (leverage on technology for new innovative solutions to meet customer needs). Services to PwD by banks had improved, with independent access to these services remaining outstanding thus exposing PwD customers to fraud risks.

THE 2023 SURVEY RECEIVED FEEDBACK FROM 30,608 RESPONDENTS, WITH THE REPORT BEING RELEASED ON 5TH MARCH 2024, HIGHLIGHTING: CUSTOMERS PREFERENCE FOR DIGITAL CHANNELS, WITH MOBILE BANKING DOMINATING THE MARKET, RISING FROM 67.8% IN 2022 TO 69.9% IN 2023.





Co-operative Bank was ranked Best Overall and Overall Best in Tier One Category in customer experience in the Banking Industry Customer Satisfaction Survey 2023.



Family Bank emerged 2nd best in customer experience in the Banking Industry Customer Satisfaction Survey 2023.



KCB Bank emerged Third Best in the Tier One Category in customer experience in the Banking Industry Customer Satisfaction Survey 2023.



National Bank of Kenya emerged 2nd Best in the Tier Two Category in the Banking Industry Customer Satisfaction Survey 2023.



Prime Bank was ranked 3rd Best in Tier Two Category in the Banking Industry Customer Satisfaction Survey 2023.



ABC Bank emerged top in the Tier Three category in the Banking Industry Customer Satisfaction Survey 2023.



Sidian Bank emerged 2nd best in the Tier Three category in the in the Banking Industry Customer Satisfaction Survey 2023.

The survey also highlighted that there was a decrease in the industry's complaint resolution rate from 69% to 66% in 2023. Customers' complaints resolution continued to shape the industry's image and inform the general industry public sentiments.

The survey respondents ranked Co-operative Bank as the best overall bank in customer experience, followed by Family Bank and KCB Bank respectively. In the Tier I category, Co-operative Bank maintained the top position, followed by KCB Bank and Standard Chartered Bank in position three. Meanwhile, Family Bank emerged best in the Tier II category with National Bank and Prime Bank taking the second and third positions respectively. ABC Bank topped in the Tier III category while Sidian and Credit Bank took the second and third positions, respectively.

Expanding Dialogue on Sustainable Financial Inclusion Across the Region

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 deepen their outlook, receive advice while also providing feedback to CEOs hosting the live online session.

In 2023, the KBA Secretariat convened the inaugural EAC regional banking Associations CEO Chat series featuring four Associations CEOs: Rwanda Bankers Association, Tanzania Bankers Association, Uganda Bankers Association and Kenya Bankers Association.

Themed 'Promoting Sustainable Financial Inclusion in the EAC Region' the chat series facilitated discourse on sustainable financial inclusion through regional financial inclusion initiatives and green finance. Cumulatively, over 500 participants registered for the sessions that gained an overall reach of 4 million people on social media.

Unlocking MSMEs Growth Potential

Micro, Small and Medium-sized Enterprises in Kenya play a pivotal role in ensuring economic development and job creation. Certainly, they create opportunities that contribute to the country's GDP growth. To ensure their well poised to enhance the country's economic viability, KBA rolled out the Inuka SME Program, a financial literacy initiative in 2018. The program was established with the sole intent to build capacity of MSMEs to de-risk their businesses with the objective of enhancing their ability to access bank finance. In 2023, 11,992 MSMEs were trained via the Inuka SME Program e-learning platform to run their businesses in an optimal manner to date, through the programme over 70,000 MSMEs have been empowered. In the same year, KBA in partnership with banks held seven financial literacy webinars which reached more than 600 MSMEs. The training has continued to be instrumental in supporting MSMEs to grow their businesses and help more Kenyans to gain meaningful employment. Additionally, the KBA in partnership with Stanbic and DTB Kenya held the first Environmental, Social and Governance (ESG) best practice training targeting MSMEs. The training empowered over 300 MSMEs to strengthen their ESG Performance.

Facilitating Green and Inclusive Growth

In 2023, KBA sustained its efforts in building a banking industry that maintains and creates long-term value for banks, the environment, economy, their clients, and society. In so doing, the sector is demonstrating that besides its role in deepening financial inclusion, it is also concerned with other challenges such as climate change, nature risk, environmental degradation and social exclusion that have the potential to undermine sustainable economic growth.

Through its Sustainable Finance Initiative, the Association proactively designed interventions that further bolstered the banking industry's Environmental, Social and Governance performance. The following are some of the activities undertaken in 2023 to advance Sustainable Finance practices in the banking industry.

Capacity Building

KBA through its SFI e-learning platform continued to broaden member banks understanding on the concept of Sustainable Finance and promote the adoption of the industry-wide SFI Guiding Principles. By end of December 2023, about 50,904 learners had enrolled for the training with about 27,457 learners having completed the training. Below is a breakdown of the industry's uptake of the SFI e-learning training:

BY DECEMBER 2023, A TOTAL OF 50,904 MEMBER BANK STAFF HAD ENROLLED ONTO THE PLATFORM UP FROM 42,445

Name of Bank	Percentage Registered	Percentage Completed
Absa Bank Kenya Plc	99%	62%
Access Bank	10%	1%
African Banking Corp. Ltd	88%	37%
Bank of Africa	95%	79%
Bank of Baroda (K) Ltd	15%	4%
Bank of India	7%	1%
Citibank N.A.	71%	26%
Co-operative Bank of Kenya Ltd	89%	21%
Consolidated Bank of Kenya Ltd	98%	74%
Credit Bank Ltd	99%	48%
Development Bank (K) Ltd	79%	8%
DTB Kenya Ltd	91%	52%
DIB Bank Kenya	87%	65%
Ecobank Kenya Ltd	99%	82%
Equity Bank Ltd	97%	46%
Family Bank Ltd	92%	86%
Faulu Microfinance Bank	87%	66%
Guaranty Trust Bank Kenya Ltd	98%	78%
Guardian Bank Ltd	49%	31%
Gulf African Bank Ltd	83%	66%
Habib Bank A.G. Zurich	87%	23%
Habib Bank Ltd	66%	54%
HF Group	86%	70%
I & M Bank Ltd	98%	89%
KCB Bank Kenya	98%	62%
Kenya Women Microfinance Bank	12%	5%

Name of Bank	Percentage Registered	Percentage Completed
Kingdom Bank LTD	88%	47%
Mayfair-CIB Bank	90%	0%
Middle East Bank (K) Ltd	80%	40%
National Bank of Kenya Ltd	80%	52%
NCBA Bank Kenya PLC	37%	34%
Oriental Commercial Bank Limited	89%	82%
Paramount Universal Bank Ltd	85%	68%
Postbank	8%	3%
Premier Bank Kenya Ltd	87%	42%
Prime Bank Ltd	32%	20%
Rafiki Microfinance	57%	0%
SBM Bank	69%	40%
Sidian Bank	97%	62%
Spire Bank Limited	97%	60%
Stanbic Bank Kenya	102%	65%
Standard Chartered Bank (K) Ltd	99%	95%
UBA Kenya Bank Ltd	51%	21%
Victoria Commercial Bank Ltd	86%	39%

The Association went a step further and partnered with the Chartered Institute of Securities and Investments (CISI) and managed to introduce three new training courses that were delivered through webinars. One was on the Principles and Guidance for Sustainability Linked Loans (delivered in April), the second one was on the role of banks in combatting modern slavery and human trafficking (delivered in June), and the third one was on Fostering the Development of a Domestic Green Bonds Market (Delivered in September).

Beyond the e-learning training and webinars, KBA organized a series of physical workshops targeting specific job roles in the banking industry. To this end, the Association forged a partnership with Adelphi and IKEA Foundation to train member banks on how to finance the circular economy. The training was instrumental in guiding product development and credit officers in banks in designing instruments that would benefit MSMEs in the circular economy. Additionally, KBA partnered with WWF-Kenya and Finance in Motion and trained Chief Financial Officers and Sustainability Heads of Banks on Environmental, Social and Governance Reporting. The session also enabled the partners to empower banks on IFRS S1 and S2 disclosure requirements.

Empowering Banks on Disclosures and Bolstering Transparency

The impact of extreme weather events has had a negative impact on banks and livelihoods. In response to this concern, in 2021, the Central Bank of Kenya issued the Guidance on Climate Related Risk Management. The Guidance aims to provide a framework for financial institutions to effectively manage and mitigate climate-related risks by integrating them in their business decisions and operations. Last year, as a means to support the industry to disclose on their strategy, risk management, governance, as well as metrics and targets in addressing climate risk, KBA launched the Banks' Climate-Related Financial Disclosures reporting template. The template was launched during the Africa Climate Week spearheaded by the Office of the President and was adopted from the Task Force Climate Related Financial Disclosures (TCFD) recommendations.

Recognizing Banks Best Practice in Sustainable Finance

In 2023, KBA recognized various financial institutions for demonstrating sustained commitment to driving a positive impact on the environment through sustainable lending practices. Through a vigorous judging process the following banks were recognized under the following categories.



Co-operative Bank emerged top overall winner in Sustainable Finance 2023 Catalyst Awards.



Equity Bank Kenya was the second-best overall winner in the 2023 Catalyst Awards.



Absa Bank was ranked Best in Sustainable Finance in the 2023 Catalyst Awards.



KCB Bank emerged 2nd Best in Sustainable Finance in the 2023 Catalyst Awards.



KWFT scooped the Best Client Case Study-Retail SME in the 2023 Catalyst Awards.



ABC Bank was 3rd Best in the Best-Case Study-Commercial in the 2023 Catalyst Awards.



Standard Chartered Bank was rated 3rd Best in Promoting Inclusivity for Persons with Disability during the 2023 Sustainable Finance Catalyst Awards.



Co-operative Bank emerged Overall Winner in the 2023 Catalyst Awards.

Best in Sustainable Finance

(absa) GO BANK EQUITY FamilyBank KCB KWFT Microfinance NCBA Standard Chartered

Best Case Study Retail SME

(absa) GO BANK Credit Bank My Friend, My Bank EQUITY FamilyBank I&M KWFT Microfinance

Best Case Study Commercial

abc BANK GO BANK EQUITY

Best Case Study Bank Operations

(absa) Bank of Baroda GO BANK EQUITY FamilyBank SidianBank Standard Chartered

Best Case Study Promoting Gender Inclusivity

(absa) GO BANK Ecobank the Pan African Bank EQUITY KCB KWFT Microfinance SBM bank SidianBank Standard Chartered

Best Case Study Promoting PWD Inclusivity

GO BANK EQUITY Standard Chartered



Panel Discussion during the Inua Biashara SME Exhibition in 2023.



SME Training on ESG in collaboration with International Finance Corporation



KBA in partnership with IFC conducted ESG training for DTB customers.

Separately, KBA became a co-convenor for the consultation group of the Task Force Nature Related Financial Disclosures (TNFD). The framework encourages banks to assess, report and act on their nature-related dependencies, impacts, risks and opportunities. In partnership with FSD Africa and KEPSA, the Association launched the framework in Kenya with the sole purpose of encouraging banks to promote nature positive outcomes.

of the Sustainable Development Goals (SDGs). It has sustained its determination by allocating its resources to help the country edge closer to being a green and socially inclusive economy. This is in turn supporting the industry to manage associated risks and tap into opportunities that are alive in addressing climate change and social inequality.

Outlook

Kenya's banking industry continues to pursue its ambitious drive to enable Kenya to contribute to the attainment





EABX – A Growth Engine for East African Fixed Income Markets

EABX Public Limited Company (“EABX”) is licensed by the Capital Markets Authority (CMA) of Kenya to operate as an over-the-counter (OTC) securities exchange and as a self-regulatory organization (SRO).



Terrence Adembesa
Chief Executive Officer

EABX aims to evolve into a fully-fledged regional OTC market organizer and securities exchange serving the wider East African region.

EABX is sponsored by the Kenya Bankers Association (KBA) and Financial Sector Deepening Africa (FSDA) which is a specialist development agency funded by U.K. Aid from the U.K. Government.

The conception of the Company is in line with the Government of Kenya’s medium-to-long term reform agenda and policy objectives within the financial services sector including ongoing reforms to the framework of Public Debt Management, intended to improve national savings, and to deepen and improve the domestic debt market infrastructure. EABX is also anchored in the CMA’s Capital Markets Master Plan as an OTC trading platform to improve bond turnover, liquidity, and price discovery.

Liquid fixed income markets are vital to the wider economy and are key to supporting sustainable government financing, corporate fundraising, risk management, and monetary policy transmission. EABX aims to deepen local and regional fixed income markets by enhancing transparency in transactions, pricing, and reporting as well as providing market players direct access to markets. By providing an efficient platform for capital allocation and fixed income investments, EABX is positioned to contribute to economic growth, stability, and prosperity.

2023 MILESTONES

With the initial senior management having been successfully recruited at the close of 2022, 2023 saw EABX onboard Bloomberg L.P. and Securities Trading Technology (“STT”) Limited to provide a world-class Electronic Trading Platform. The trading platform was duly approved by the CMA prior to contracting, paving the way for its deployment and eventual commencement of testing with market participants.

The Company also formally embarked on a capital raise exercise for the business and received equity funding commitments from the KBA and FSDA Investments to the tune of KES 635 million and GBP 2 million respectively. Funding commitments from additional institutional investors are expected in the course of 2024.

With a Board of Directors and senior management team in place, the Company continued to formalise the business by putting in place key governance and administrative policies, recruiting an initial operational team, and setting up an office at Sanlam Tower in Westlands, Nairobi.

These milestones were crucial to the Company’s formal operational license application to the CMA in quarter 4 of 2023, and the subsequent landmark approval in January 2024, making the exchange the first self-regulatory organisation in the country.

2024 OUTLOOK

Having received its securities exchange license from the CMA on 30th January 2024, EABX aims to launch operations in 2024. Key to this is the conclusion of ongoing User Acceptance Tests of the Electronic Trading Platform and onboarding of members into the Exchange from across the various market players including commercial banks, brokers, investment banks, custodians, and fund managers. Initial products will include repurchase agreements (repos), treasury securities, commercial paper, corporate bonds, and sustainability bonds.

The Company will continue to engage and work closely with market players as well as key stakeholders such as the Kenya Bankers Association, Financial Sector Deepening Africa, the Capital Markets Authority, the Central Bank of Kenya, and the National Treasury.

