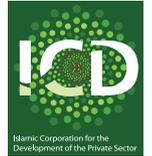


IFN FORUM

KENYA

2017

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#IFNKenya17

POST-FORUM ANALYSIS REPORT



27th November 2017
Villa Rosa Kempinski Nairobi



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Could 2017 be the year for Kenya to realize its Islamic finance ambitions?

Kenya has not shown any signs of slowing down in crafting a conducive environment for its Islamic finance industry, especially amid stiffer competition from regional powerhouses. VINEETA TAN provides an overview of the country's progress over the last 12 months.

Regulatory landscape

2017 is a landmark year for Islamic finance regulations in Kenya. In January, the Insurance (Amendment) Act 2016 came into force, formally recognizing and regulating Takaful insurance. While seen as a good step for the Islamic insurance industry, the Insurance Regulatory Authority plans to carve out a different set of regulations dedicated to Takaful, believing that the sector has specificities that require special legal provisions.

The government is also expected to pass amendments to the Finance Bill 2017 Bill (the Bill) which proposes changes to the Capital Markets Act, the Cooperative Societies Act and the Sacco Societies Act to facilitate the issuance of Islamic finance products. This was confirmed by the cabinet secretary for treasury, Henry Rotich, in his budget statement delivered on the 30th March 2017.

Other proposed measures include amending the Public Finance Management Act to facilitate Sukuk offerings, amending tax statutes to provide a level-playing field to Islamic products and introducing new legislation to develop Takaful retirement benefit schemes. Currently in the final stages of parliamentary procedure, the Bill is expected to pass before the third quarter.

The material developments in the Islamic finance legal infrastructure follows the establishment of the Project Management Office in 2016, tasked with developing an institutional, policy and regulatory framework as well as a National Shariah Governance Framework.

It is worth noting that the Capital Markets Authority of Kenya became an associate member of the IFSB in December 2016.

Banking and finance

Kenya is exhibiting strong Islamic banking growth momentum: the entry of Dubai Islamic Bank Kenya in April 2017 (after securing in-principle regulatory approval in December 2014) brings the number of fully-fledged Islamic banks to three, including Gulf African Bank (GAB) and First Community Bank (FCB). At least five conventional banks offer Islamic products on a window basis: Chase Iman, National Amanah, Barclays La Riba, Kenya Commercial Bank and Standard Chartered.

Table 1: Key financial performance indicator of Islamic banks in Kenya (in KES million)

	Total comprehensive income (1 st quarter 2017)	Total comprehensive income (31 st December 2016)	Total comprehensive income (1 st quarter 2016)	Total assets (1 st quarter 2017)	Total assets (1 st quarter 2017)	Total assets (1 st quarter 2017)
GAB	178.09	498.32	119.69	25,398.52	27,156.26	26,213.07
FCB	56.72	(55.73)	44.63	14,827.75	14,962.09	15,521.37

Source: Respective banks' first quarter unaudited financial statements

In the first quarter of 2017, both the Islamic banks have outperformed themselves on a year-on-year basis (See Table 1).

Islamic financing is also provided by the country's Shariah compliant savings and credit cooperatives (Sacco): Taqwa Sacco (1998), Community-Owned Finance Institution (2012) and Crescent Takaful Sacco (2013).

Takaful

Takaful Insurance of Africa (TIA) is the sole Takaful operator in Kenya, along with GAB Takaful — GAB's bancaTakaful subsidiary — while Kenya Reinsurance Corporation provides re-Takaful services on a window basis. FCB is also authorized to broker General Takaful products.

TIA is also a Kenyan partner of the International Cooperative and Mutual Insurance Federation tasked with implementing the federation's 5-5-5 initiative: reaching five million households in five emerging markets in five years (by 2020).

Sukuk

Despite years of multiple delays, the Kenyan government has not given up on a sovereign Sukuk offering yet. The maiden facility is expected to come to market this year after the amendments to the Finance Bill have been effected.

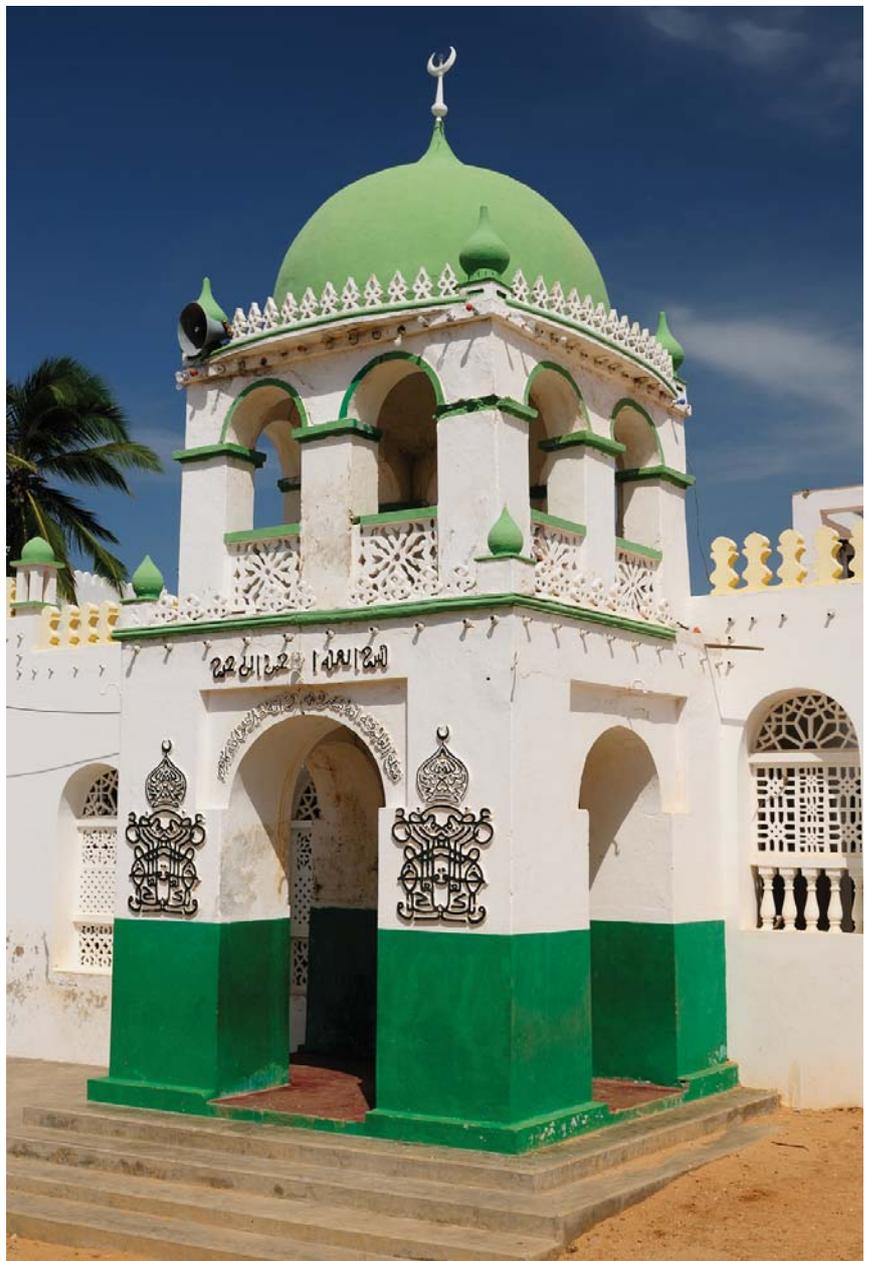
Asset management

There are two Islamic asset management service providers in Kenya: FCB Capital and Genghis Capital, the brokerage arm of Chase Bank Group. It was earlier revealed that Apollo Asset Management Company, licensed in January 2016, had plans to offer an Islamic fund; the firm was required by the Capital Markets Authority of Kenya to constitute a Shariah advisory committee to oversee Shariah compliance of its Islamic products: as at June 2017, the firm has yet to set up the committee.

Outlook

There is little doubt that Kenya is a strong Islamic finance contender. The East African nation has strong ambitions and solid government support along with significant demand from the market: many believe that the country would be a regional Islamic finance hub well before its 2030 target, especially since the pace of regulatory developments have picked up recently.

Kenya aims to lift its performance in the Islamic Finance Country Index to 15 by the end of 2023, upon the completion of its 10-year Capital Markets Master Plan; up from 2.2 in 2014.



REMARKS BY DR KAMAU THUGGE, THE PRINCIPAL SECRETARY, NATIONAL TREASURY DURING THE IFN KENYA FORUM 2017 HELD ON 27TH NOVEMBER 2017 AT THE VILLA ROSA KEMPINSKI HOTEL, NAIROBI-KENYA

Distinguished guests;

Ladies and Gentlemen;

1. ASalaam Aleikum, I am pleased to join you at this important convening that brings the world of Islamic finance to Nairobi. The fact that you chose Nairobi as the host city for this conference attests to our deliberate efforts as a Government towards establishing Kenya as a Regional and International Islamic Financial Hub;
2. The objective of this event: "aiming to stimulate development of the Islamic Finance market in Kenya while exploring cross border trade and investment opportunities between international investors and African nations through opportunities made available through Islamic Finance" is quite fitting given that we are currently working to develop and deepen Islamic Finance market in Kenya as well as positioning Kenya as an Islamic Financial hub;
3. In many developing countries, a majority of the people still remain substantially under-served by a formal financial system, if not entirely unbanked. Shariah compliant finance therefore promises to foster greater financial inclusion especially in the marginal areas where accessing financial services remains a big challenge. Over-reliance on tax revenue as the only source of financing for public programmes is no longer sustainable. Therefore, there is need to explore more avenues for raising funds through Shariah compliant Capital market instruments;
4. Kenya's Islamic Finance Industry is at its nascent stages of development. However, over the past two years the Government has made deliberate efforts to provide an enabling environment for Islamic Finance to flourish. The government has been working with Islamic Finance experts and the Islamic Finance Project Management Office on developing relevant and necessary policy and regulatory framework for the Islamic finance industry in Kenya;
5. Ladies and gentlemen: As we work towards being the Islamic finance hub of East Africa, we also want to leverage on first-mover advantage in this niche market within the region. In the offering of Shariah compliant products and services, the country is likely to benefit from a higher concentration of prospective consumers of Islamic financial products and services, as well as projects well suited to attract Islamic compliant financing streams;
6. Kenya's Islamic Finance Market is already witnessing substantial growth with several key financial sector institutions of Islamic orientation operating today. Recently the Central Bank of Kenya licensed Dubai Islamic Bank to engage in sharia compliant banking services;
7. As you are aware, Kenya's securities market regulator (The Capital Markets Authority) has been admitted as an Associate Member of the Islamic Financial Services Board (IFSB). This is a great step forward as our partnering with International Standard setting organization such as IFSB fosters confidence and enhances the soundness and stability of the Islamic financial services in Kenya;
8. Ladies and Gentlemen: The National Treasury is keen to ensure that the financial services sector is efficient and globally competitive. The growth of Islamic Finance could play a significant role in the Kenyan economy particularly in enhancing financial inclusion, providing alternative sources of finance and creating a regional financial hub in Kenya.
9. We acknowledge that there are many challenges facing the Islamic finance in most developing countries. These include; inadequate policy, regulatory and tax measures; lack of Shariah compliant liquidity management mechanisms; lack of standardization of product and service offerings; the general lack of consumer awareness and the lack of adequate technical capacity. However, I believe this forum provides an opportunity for dialogue among high-level policymakers and business community to develop interventions aimed at addressing these challenges;
10. As I conclude, I'm happy to note that development of the Islamic Financial markets in Kenya will add to the depth and diversity of the financial services industry as well as the national economy as a whole. In this regard, a clear understanding of the objective and nature of the Islamic financial services is essential in order to develop the full range of services including Islamic capital markets, Islamic banking services, Islamic pension or Sacco structures as well as Islamic insurance services;
11. Ladies and Gentlemen, I am certain that this conference will generate interest on potential investment opportunities that could be made available through Islamic Finance. In this regard, I urge private sector players to join hands with respective Government organs to work towards developing Islamic Finance in order to deepen and diversifying our financial markets and our economy in general;
12. Finally, I would like to greatly applaud the forum organizers as well as all sponsors for supporting this initiative which foster the advancement of Islamic finance in Kenya. I believe the knowledge gained from your interactions will intensify efforts aimed at positioning Kenya as an Islamic Financial hub.

Shukran!

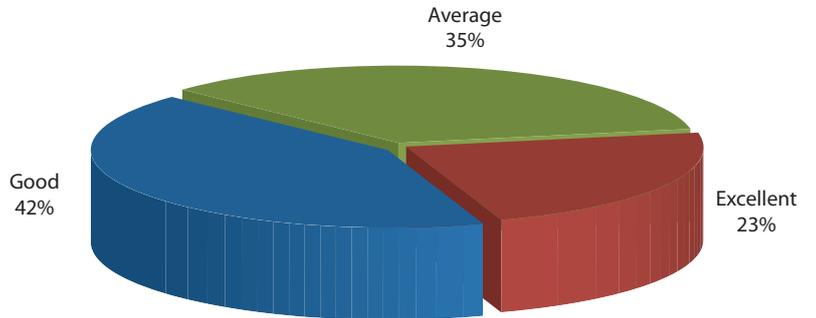
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09:15 – 09:30

Welcome Address

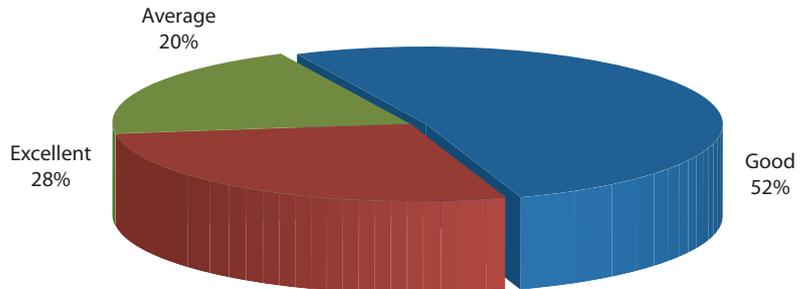
Salah Babale — Division Head, Line of Finance Division – FIDD, Islamic Corporation for the Development of the Private Sector



09:30 – 09:45

Keynote Address

Dr Kamau Thugge — CBS – Principal secretary, The National Treasury



09:45 – 10:45

How will East Africa Find its Niche in the Global Islamic Finance Landscape?

Moderator:
Panelists:

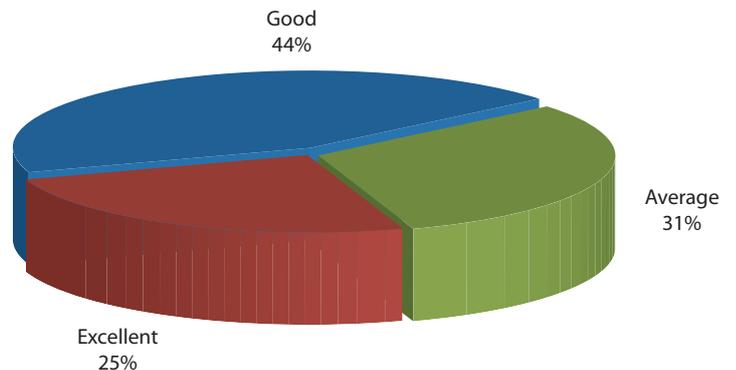
Imran Mufti — Partner, Hogan Lovells

Abdirahman Mohamed A Hashi — Minister of Fisheries and Marine Resources, Federal Republic of Somalia

Dan Omoro — CEO, DIB Kenya

Hassan Yusuf — CEO, International Bank of Somalia

Salah Babale — Division Head, Line of Finance Division – FIDD, Islamic Corporation for the Development of the Private Sector



POST-FORUM ANALYSIS REPORT



11:15 – 11:55

Growing Islamic Finance in Kenya and East Africa: Learning from Developments outside the East African Community Area

Moderator:

Claire Matheson Kirton — Partner, White & Case

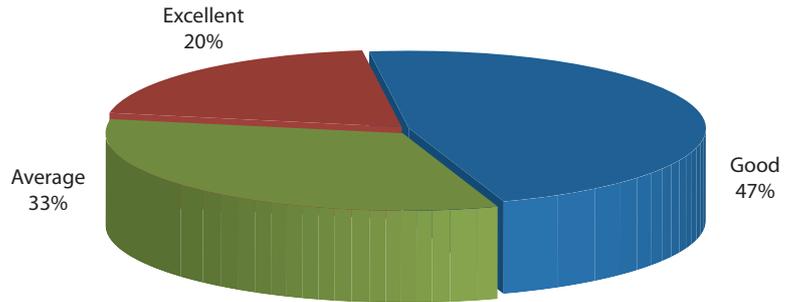
Panelists:

Hussein Khalif Jama — Former Advisor to CEO, Islamic Corporation for the Insurance of Investment and Export Credit (ICIEC)

Mamadou Barro — CEO, Tamweel Africa Holding

Mohammad Farrukh Raza — Managing Director, IFAAS

Samira Mensah — Senior Credit Analyst, S&P Global



11:55 – 12:45

Corporate Financing Activity in East Africa: Players, Markets and Sectors

From syndicated financing to corporate Sukuk, what are the key markets and sectors, what activity can we expect to see and how do Islamic and conventional financial solutions compare?

Moderator:

Saad Rahman — Group Managing Partner, Amani Partners

Panelists:

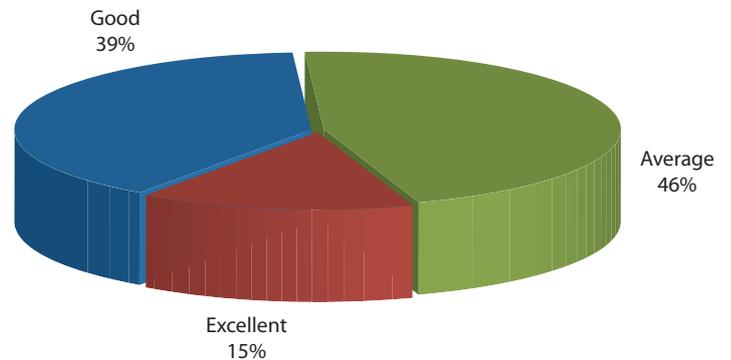
Hussein Hassan — Global Head of Islamic Finance, JP Morgan

Momar Gueye — Senior Investment Officer, Islamic Corporation for the Development of the Private Sector

Mona K Doshi — Partner, Anjarwalla & Khanna | ALN

Rahail Ali — Global Head of Islamic Finance, Hogan Lovells

Shaikh Badru Jaffar — Head of Shariah, DIB Kenya



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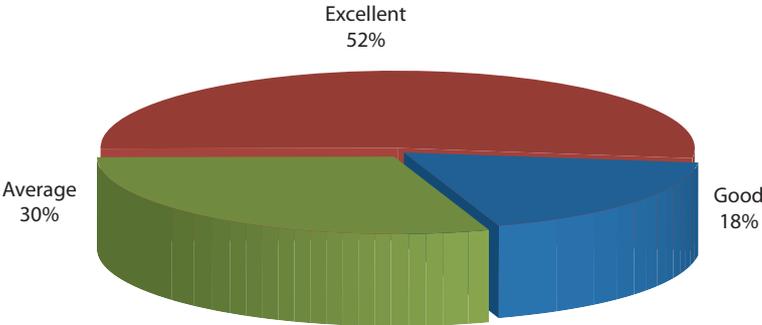


12:45 – 13:15

Keynote Interview: Role of Exchanges and Regulators in Facilitating Islamic Capital-Raising

Interviewer
Interviewee

Jaafar Abdulkadir — Managing Director, Aqeel Consulting
Geoffrey Odundo — CEO, Nairobi Securities Exchange

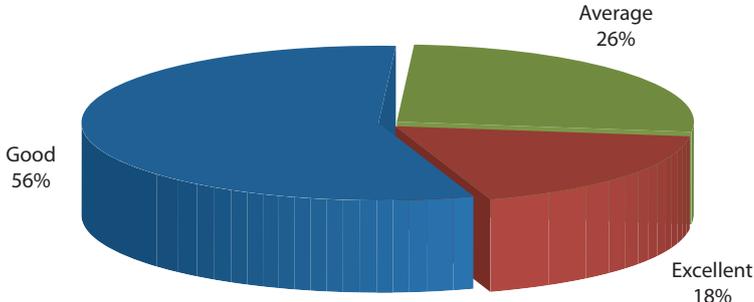


14:30 – 15:00

Responsible Investing: The Shift toward Sustainable, Responsible and Ethical Fund and Financing in East Africa

Moderator:
Panelists:

Mohammad Farrukh Raza — Managing Director, IFAAS
Luke Ombara — Director, Regulatory Policy and Strategy, Capital Markets Authority
Olivier Deiters — Investment Officer, Africa & Middle East, Triple Jump Kenya
Victor Nkiiri — Capital Markets Development Specialist, FSD Africa



POST-FORUM ANALYSIS REPORT



15:00 – 15:30

Funding Infrastructure and Social Welfare Requirements in East Africa

We discuss public-private partnerships, financing structures as well as opportunities in active sectors.

Moderator:

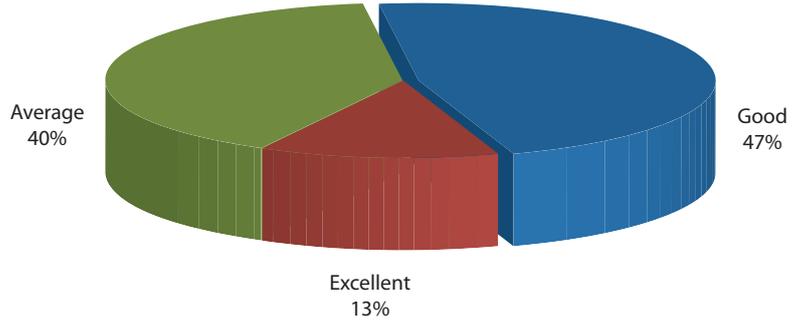
Martin Botik — Consultant Solicitor, Norton Rose Fulbright Tanzania

Panelists:

Frank Kamthunzi — Head, Project and Infrastructure Finance, The Trade and Development Bank

Jean-Pierre Labuschagne — Partner, Africa Lead Infrastructure and Capital Projects, Deloitte

Sohail Barkatali — Partner, Hogan Lovells



15:30 – 16:00

Examining Growth Drivers for Islamic Investments, Pension Funds, Insurance and Takaful in East Africa

Moderator:

Anne Eriksson — Regional Senior Partner, East, PwC

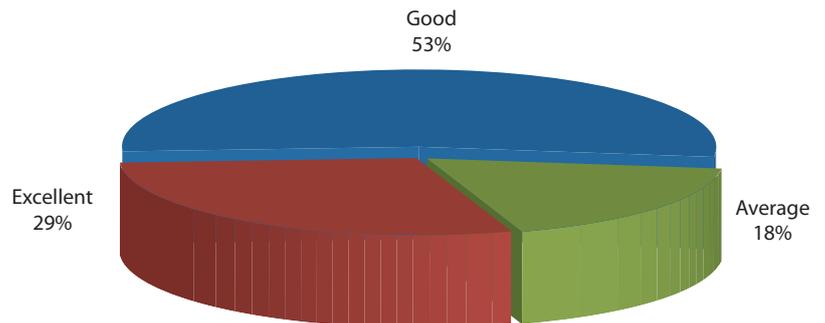
Panelists:

Bilal Laving — Shariah Coordinator, re-Takaful, Kenya Reinsurance Corporation

Hassan Bashir — CEO, Takaful Africa Group

Mohamed Abdi — Shariah Manager, Islamic Banking, Barclays Kenya

Nzomo Mutuku — Acting CEO, Retirement Benefits Authority



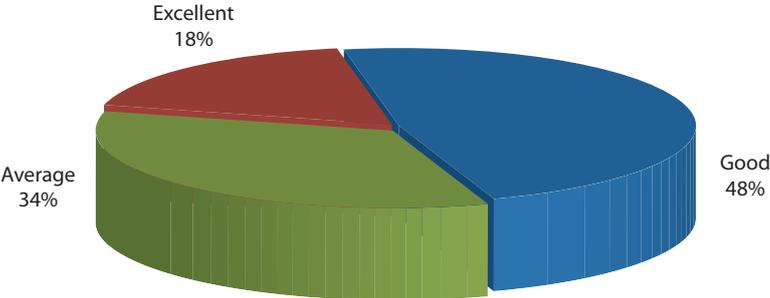
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16:00 – 16:15

REDTalk: How will Fintech Alter Africa's Banking Landscape

Ivan Mbowa — Co-Founder and CEO, Umati Capital



16:15 – 16:45

Financing Solutions for Micro, Small and Medium Enterprises in East Africa

What funding options and commercial/corporate banking products are available to SMEs, and how do Islamic solutions compare to conventional equivalents?

Moderator:

Mohammad Farrukh Raza — Managing Director, IFAAS

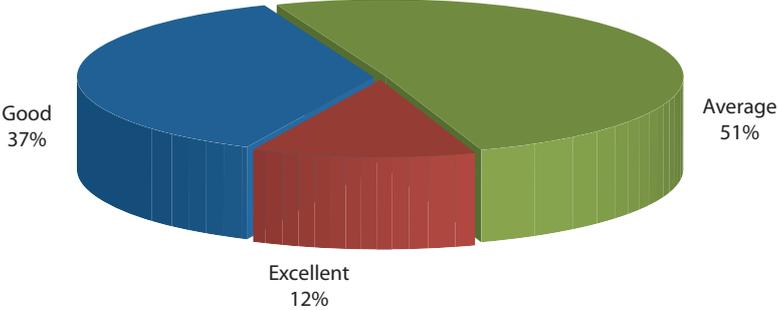
Panelists:

Jaafar Abdulkadir — Managing Director, Aqeel Consulting Limited

Keneth Bichang'a — Research and Policy Analyst, Sacco Societies Regulatory Authority

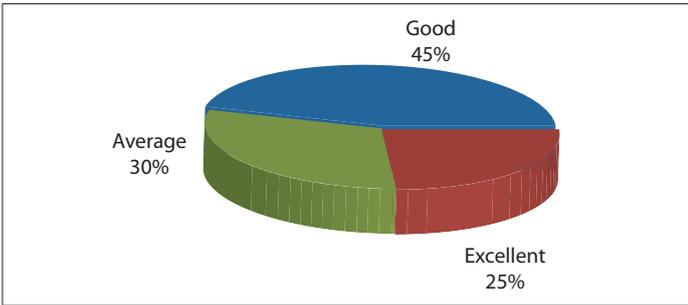
Mubarak Elegbede — Manager, Trade Finance Department, International Islamic Trade Finance Corporation (ITFC)

Onyango Obiero — Head of Business Banking, DIB Bank (Kenya)

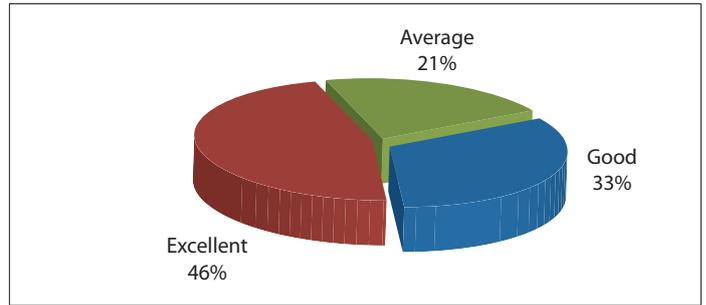


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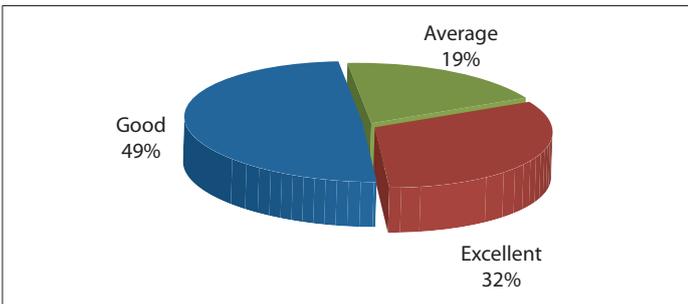
Pre-event Contact



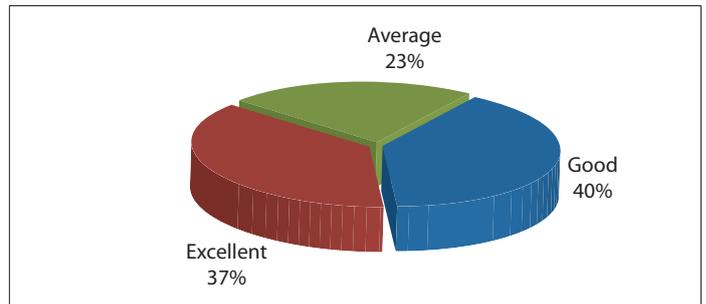
Overall Evaluation of the Event



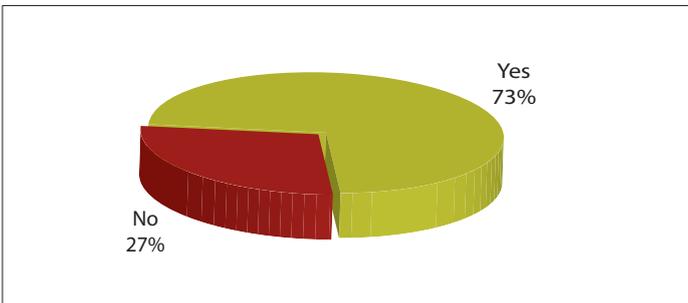
Venue and Facilities



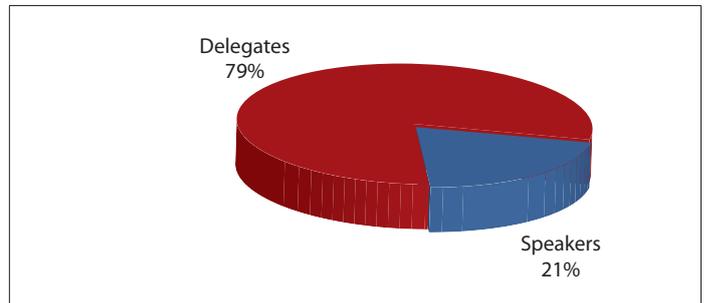
Overall Evaluation of the Speakers



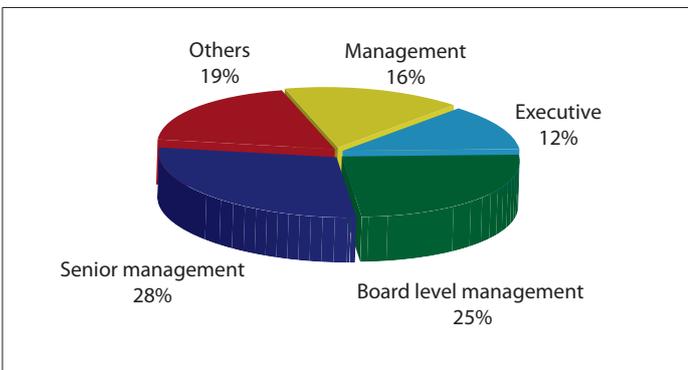
Delegates Who Would Like to attend IFN Kenya Forum 2018



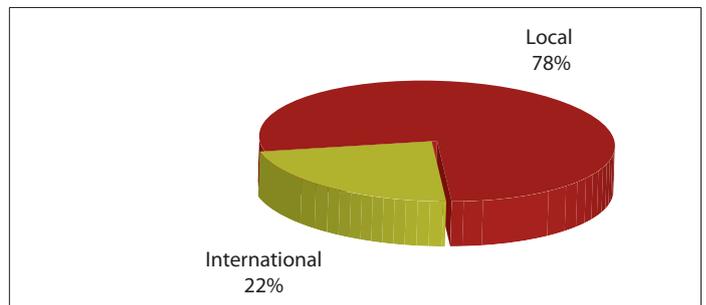
Delegate Breakdown



Delegate Job Title Breakdown



Delegate Breakdown (International and local)



Board Level Management	41
Senior Management	45
Management	25
Executive	20
Others	30
Total	161

POST-FORUM ANALYSIS REPORT



SPEAKERS

COMPANY	NAME	JOB TITLE
Amani Partners	Saad Rahman	Group Managing Partner
Anjarwalla & Khanna ALN	Mona K Doshi	Partner
Barclays Kenya	Mohamed Abdi	Shariah Manager, Islamic Banking
Capital Markets Authority	Luke Ombara	Director, Regulatory Policy and Strategy
Deloitte	Jean-Pierre Labuschagne	Partner, Africa Lead Infrastructure and Capital Projects
DIB Bank (Kenya)	Onyango Obiero	Head of Business Banking
DIB Kenya	Dan Omoro	CEO
DIB Kenya	Shaikh Badru Jaffar	Head of Shariah
Federal Republic of Somalia	Abdirahman Mohamed A Hashi	Minister of Fisheries & Marine Resources
FSD Africa	Victor Nkiiri	Capital Markets Development Specialist
Hogan Lovells	Imran Mufti	Partner
Hogan Lovells	Rahail Ali	Global Head of Islamic Finance
IFAAS	Mohammad Farrukh Raza	Managing Director
International Bank of Somalia	Hassan Yusuf	CEO
Islamic Corporation for the Development of the Private Sector	Momar Gueye	Senior Investment Officer
Islamic Corporation for the Insurance of Investment and Export Credit (ICIEC)	Hussein Khalif Jama	Former Advisor to CEO
ITFC	Mubarak Elegbede	Manager, Trade Finance Department
JP Morgan	Hussein Hassan	Global Head of Islamic Finance
Kenya Bankers Association	Jaafar Abdulkadir	Chair, Islamic Banking Committee
Kenya Reinsurance Corporation	Bilal Laving	Shariah Coordinator reTakaful
Nairobi Securities Exchange	Geoffrey Odundo	CEO
Norton Rose Fulbright Tanzania	Martin Botik	Consultant Solicitor
PwC	Anne Eriksson	Regional Senior Partner, East
Retirement Benefits Authority	Nzomo Mutuku	CEO
S&P Global	Samira Mensah	Senior Credit Analyst
Sacco Societies Regulatory Authority	Keneth Bichang'a	Research and Policy Analyst
Takaful Africa Group	Hassan Bashir	CEO
Tamweel Africa Holding S.A	Mamadou Barro	CEO
The Islamic Corporation for Development of the Private Sector	Salah Babale	Division Head, Line of Finance Division – FIDD
The National Treasury	Dr Kamau Thugge	Principal Secretary
The Trade & Development Bank	Frank Kamthunzi	Head, Project & Infrastructure Finance
Triple Jump Kenya	Olivier Deiters	Investment Officer, Africa & Middle East
Umati Capital	Ivan Mbowe	Co-Founder & CEO
White & Case	Claire Matheson	Partner



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COMPANY LISTING

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