SPECIAL ISSUE

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CENTRAL BANK OF KENYA

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2025

BOARD OF DIRECTORS

Mr. Andrew Musangi	Chairman
Dr. Kamau Thugge	Governor
Dr. Chris Kiptoo	Principal Secretary, The National Treasury
Mr. Samson Cherutich	Member (Retired on 4 December 2024)
Mrs. Nelius W. Kariuki	Member (Retired on 4 December 2024)
Mrs. Rachel Dzombo	Member (Retired on 4 December 2024)
Mr. Ravi J. Ruparel	Member (Retired on 4 December 2024)
FCPA. Sophie Njeri Moturi	Member (Appointed on 12 May 2025)
CPA. Abdullahi M. Abdi, PhD	Member (Appointed on 12 May 2025)
Ms. Beatrice Kosgei	Member (Appointed on 12 May 2025)
Mr. David Simpson Osawa Owuor	Member (Appointed on 12 May 2025)

SENIOR MANAGEMENT

Dr. Kamau Thugge	Governor
Dr. Susan Koech	Deputy Governor
Mr. Gerald Nyaoma	Deputy Governor (Appointed on 9 December 2024)

HEADS OF DEPARTMENT

Mr. Kennedy Abuga	Director – Governor's Office (Board Secretary)
Mr. William Nyagaka	Director – Central Bank of Kenya-Institute of Monetary Studies (Retired on 21 August 2025)
Mr. David Luusa	Director - Financial Markets Department
Mr.Gerald Nyaoma	Director - Bank Supervision Department (Retired on 6 October 2024)
Mr. Josiah Mugo	Director - Bank Supervision Department (Appointed on 12 May 2025)
Mr. Stephen Muriu	Director - General Services Department
Ms. Darliah M. Mbugua	Director - Human Resource and Administration Department
Mr. Michael Eganza	Director – Banking & Payments Services Department
Ms. Caroline Mackola	Director - Finance Department
Mr. Leonard Ouma	Director - Internal Audit and Risk Management Department (Appointed on 23 May 2025)
Prof. Robert Mudida	Director - Research Department
Dr. Walter Onyino	Director - Information Technology Department
Mr. Paul Wanyagi	Director - Currency Operations Department (Retired on 11 November 2024)
Mr. Evans Muttai	Director - Currency Operations Department (Appointed on 23 May 2025)
Mr. George Amollo	Head- Strategic Management Department
Mr. Kibunyi Amdany	Director-Branch Administration Department

REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS

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P.O. Box 60000–00200 Nairobi, Kenya
Tel.(+254) (020) 2860000

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P.O. Box 86372
80100 Mombasa

Kisumu Branch
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Jomo Kenyatta Highway
P.O. Box 4
40100 Kisumu

Eldoret Branch
Kiptagich House
Uganda Road
P.O. Box 2710
30100 Eldoret

CENTRAL BANK CENTRES

Nyeri Centre
Kenya Commercial Bank Building
Kenyatta Street
P.O. Box 840
10100 Nyeri

Meru Centre
Co-operative Bank Building
Njuri Ncheke Street
P.O. Box 2171
60200 Meru

Nakuru Centre
Kenya Commercial Bank Building
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P.O. Box 14094
20100 Nakuru

Kisii Centre
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41, A & G
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PRINCIPAL AUDITOR

The Auditor – General
Anniversary Towers
P.O. Box 30084
00100 Nairobi

STATEMENT OF CORPORATE GOVERNANCE FOR THE YEAR ENDED 30 JUNE 2025

1. Statement of Corporate Governance

The Central Bank of Kenya (the "Bank"/ "CBK") is wholly owned by the Government of Kenya. The Bank is established by and derives its authority and accountability from Article 231 of the Constitution of Kenya. The Bank is committed to maintaining the highest standards of integrity, professionalism and ethics in all its operations.

1.1. Board of Directors

The Central Bank of Kenya Act (the "Act") provides that the Board of Directors (the "Board") shall be composed of a Chairperson, a Governor, Principal Secretary to The National Treasury who is a non-voting member and eight Non-Executive Directors. The law requires that the President appoints the Chairman and Governor after a competitive process and approval of Parliament. Other than the Principal Secretary to The National Treasury who is an ex-officio member, all the Non-Executive Directors of the Board are also appointed by the President with the approval of Parliament. All the Board members are appointed for a term of four (4) years each and are eligible for reappointment for a term of four (4) years provided that no Board member holds office for more than two (2) terms.

All the Non-Executive Directors are independent of management and free from any business or other relationship, which could interfere with the exercise of their independent oversight.

The Board meets once every two (2) months and has a formal schedule of agenda items due for deliberations. The Directors are given appropriate and timely information to enable them to provide and maintain full and effective direction and control over strategic, financial and operational issues of the Bank. The Board is not involved in the conduct of day-to-day business as this is the responsibility of the Governor. However, it retains the responsibility of oversight.

The table below shows the Board of Directors' appointment dates and contract end dates.

No.	Name	Position	Discipline	Date of Appointment	Contract end date
1.	Mr. Andrew Musangi	Chairman	Lawyer	29 September 2023	28 September 2027
2.	Dr. Kamau Thugge	Governor	Economist	19 June 2024	18 June 2027
3.	Principal Secretary/ The National Treasury	Executive Officer	Economist	Permanent	Permanent
4.	Mrs. Nelius Kariuki	Member-(Retired)	Economist	Reappointed on 5 December 2020	4 December 2024
5.	Mr. Ravi Ruparel	Member-(Retired)	Financial Sector Expert	Reappointed on 5 December 2020	4 December 2024
6.	Mr. Samson Cherutich	Member-(Retired)	Accountant	Reappointed on 5 December 2020	4 December 2024
7.	Mrs. Rachel Dzombo	Member-(Retired)	Management Expert	Reappointed on 5 December 2020	4 December 2024
8.	FCPA. Sophie Njeri Moturi	Member	Accountant	Appointed on 12 May 2025	11 May 2029
9.	CPA. Abdullahi M. Abdi, PhD	Member	Finance and Strategy Expert	Appointed on 12 May 2025	11 May 2029
10.	Ms. Beatrice Kosgei	Member	Legal Expert	Appointed on 12 May 2025	11 May 2029
11.	Mr. David Simpson Osawa Owuor	Member	Information Technology Expert	Appointed on 12 May 2025	11 May 2029

The Members of the Board (all Kenyans) in the year ended 30 June 2025, the number of meetings held in the year and their attendance were as follows:

No.	Name	Position	Discipline	Meetings Attended
1.	Mr. Andrew Musangi	Chairman	Lawyer	6
2.	Dr. Kamau Thugge	Governor	Economist	6
3.	Principal Secretary/ The National Treasury	Executive Officer	Economist	2
4.	CPA. Abdullahi M. Abdi, PhD	Member	Finance and Strategy	2
5.	Ms. Beatrice Kosgei	Member	Legal Expert	2
6.	Mr. David Simpson Osawa Owuor	Member	Information Technology Expert	2
7.	FCPA. Sophie Njeri Moturi	Member	Accountant	2
8.	Mrs. Nelius Kariuki	Member-(Retired)	Economist	4
9.	Mr. Ravi Ruparel	Member-(Retired)	Financial Sector Expert	4
10.	Mr. Samson Cherutich	Member-(Retired)	Accountant	4
11.	Mrs. Rachel Dzombo	Member-(Retired)	Management Expert	4

The remuneration paid to the Directors for services rendered during the financial year 2024/2025 is disclosed in Note 28 to the financial statements. The Non-Executive Directors are paid a monthly retainer fee and a sitting allowance for every meeting attended. There were no loans to Non-Executive Directors during the year while Executive Directors are paid a monthly salary and are eligible for staff loans.

1.2. Secretary to the Board

The Board Secretary provides technical and secretarial services as well as corporate governance and logistical support to the Board. He facilitates efficient policy making interface with policy implementation. The Board Secretary also advises the Board on legal matters. In conjunction with the Chairman, the Board Secretary ensures good and timely information flow among the Board members, the Board Committees and Management. All members of the Board and Management have access to the Board Secretariat services.

1.3. Audit, Risk and Strategy Committee (ARSC) (Previously Audit Committee)

The members of the Audit, Risk and Strategy Committee in the year ended 30 June 2025 were Mr. Samson K. Cherutich (Chairman), Mr. Ravi J. Ruparel, Mrs. Nelius W. Kariuki and Mrs. Rachel Dzombo who all retired on 04 December 2024. FCPA Sophie Njeri Moturi (Chairperson), CPA Abdullahi M. Abdi, PhD, Ms. Beatrice Kosgei and Mr. David Simpson Osawa Owuor were appointed to the Committee on 27 June 2025. The members are all Non-Executive Directors with experience in Accounting, Auditing, Finance and Management. The Committee meets once every two (2) months and as necessary. The Terms of Reference of the Audit, Risk and Strategy Committee cover five (5) major areas, namely: Internal Control System, Risk Management, Financial Reporting and Related Reporting Practices, External and Internal Audits.

The Audit, Risk and Strategy Committee's mandate, under Internal Control, includes ensuring that internal control and risk management is planned, structured and implemented at the Bank. The Committee also ensures that internal and external audit recommendations where applicable, are implemented.

The Audit, Risk and Strategy Committee mandate relating to Financial Reporting and Related Reporting Practices includes review of the annual financial statements of the Bank, the external auditor's opinion and their comments on internal controls and other observations. The Committee also reviews significant accounting and reporting issues and their impact on financial reports and legal matters that could significantly impact on the financial statements, among other financial reporting responsibilities.

With regard to External Audit, the Audit, Risk and Strategy Committee reviews the external auditor's proposed audit scope, approach and audit deliverables, and reviews the financial statements before submission to the Board for consideration and approval.

The Committee's mandate on Internal Audit covers review of the activities and resources of the internal audit function, including the effectiveness, standing and independence of the internal audit function within the Bank. It also covers review of the internal audit plan and follow up of the implementation of internal audit findings and recommendations. The Audit, Risk and Strategy Committee reports to the Board of Directors on the standing and independence of the internal audit function within the Bank. The Audit, Risk and Strategy Committee also reports to the Board of Directors on internal audit scope, approach and deliverables.

The Committee also provides oversight over risk management activities and implementation status of the strategic plan in the Bank.

The Committee Members' positions, disciplines and number of meetings attended for the year ended 30 June 2025 were as follows:

No.	Name	Position	Discipline	Meetings Attended
1.	FCPA. Sophie Njeri Moturi	Chairperson	Accountant	2
2.	CPA. Abdullahi M. Abdi, PhD	Member	Finance and Strategy Expert	2
3.	Ms. Beatrice Kosgei	Member	Legal Expert	2
4.	Mr. David Simpson Osawa Owuor	Member	Information Technology Expert	2
5.	Mr. Samson Cherutich	Chairman -(Retired)	Accountant	8
6.	Mr. Ravi Ruparel	Member - (Retired)	Financial Sector Expert	8
7.	Mrs. Nelius Kariuki	Member - (Retired)	Economist	8
8.	Mrs. Rachel Dzombo	Member - (Retired)	Management Expert	8

1.4. Human Resources Administration and Information Technology Committee (HRITC) (Previously Human Resources Committee)

The members of the committee in the year ended 30 June 2025 were Mrs. Nelius Kariuki (Chairperson), Mr. Samson Cherutich, Mrs. Rachel Dzombo and Mr. Ravi Ruparel who all retired on 04 December 2024. Ms. Beatrice Kosgei (Chairperson), CPA Abdullahi M. Abdi, PhD, FCPA Sophie Njeri Moturi and Mr. David Simpson Osawa Owuor were appointed to the Committee on 27 June 2025. The members are all Non-Executive Directors with experience in Accounting, Management and Business.

The HRITC of the Board performs an advisory role to the Bank's Board in the fulfilment of the following oversight responsibilities:

a) Monitor the formulation and implementation of Human Resources Policies in the Bank;

b) In relation to staff matters, they ensure the Bank's compliance with the Kenyan Constitution, Laws of Kenya, CBK regulations and its own code of conduct;

c) Perform any other Human Resources related functions as assigned by the Board;

d) Monitor the implementation of Board resolutions relating to the HRITC of the Board;

e) Monitor the formulation and implementation of ITD policies and frameworks in the Bank; and

f) Monitor the implementation of IT strategic initiatives and transformation journey.

The goal of the committee is to drive the HR and IT functions at the Bank to attain best in class global standards.

The members of the Human Resources Administration and Information Technology Committee in the year ended 30 June 2025 and their attendance of the meetings held in the year were as follows:

No.	Name	Position	Discipline	Meetings attended
1.	Ms. Beatrice Kosgei	Chairperson	Legal Expert	-
2.	FCPA. Sophie Njeri Moturi	Member	Accountant	-
3.	CPA. Abdullahi M. Abdi, PhD	Member	Finance and Strategy Expert	-
4.	Mr. David Simpson Osawa Owuor	Member	Information Technology Expert	-
5.	Mrs. Nelius Kariuki	Chairperson –(Retired)	Economist	3
6.	Mr. Samson Cherutich	Member-(Retired)	Accountant	3
7.	Mrs Rachel Dzombo	Member-(Retired)	Management Expert	3
8.	Mr. Ravi Ruparel	Member-(Retired)	Financial Sector Expert	3

1.5. Monetary Policy Committee (MPC)

Section 4D of the Central Bank of Kenya (Amendment) Act 2008 establishes the Monetary Policy Committee (MPC). The MPC is responsible for formulating monetary policy and is required to meet at least once every two (2) months. The MPC comprises the:

i) Governor who is the Chairman

ii) The Deputy Governor who is the Deputy Chairperson

iii) Two (2) members appointed by the Governor from the CBK. Of the two members:

  a) one shall be a person with executive responsibility within the Bank for monetary analyses and;

  b) one shall be a person with responsibility within the Bank for monetary policy operations.

iv) Four (4) external members appointed by the Cabinet Secretary for The National Treasury

v) Principal Secretary for the National Treasury or his Representative, who is a non voting member.

External members of the MPC are appointed for an initial period of three (3) years each and may be reappointed for another final term of three (3) years. The quorum for MPC meetings is five (5) members, one of whom must be the Chairman or Deputy Chairperson. At least once every six months the MPC submits a report on its activities to the Cabinet Secretary for the National Treasury, and the Cabinet Secretary lays a copy of each report before the National Assembly.

The MPC held six (6) meetings in the year ended 30 June 2025, and attendance was as follows:

No.	Name	Position	Discipline	Meetings Attended
1.	Dr. Kamau Thugge, CBS	Chairman	Economist	6
2.	Dr. Susan Koech	Deputy Chairperson	Executive-Banking Governance and Strategy	6
3.	Mr. Gerald Nyaoma[1]	Deputy Chairperson	Economist	3
4.	Dr. Margaret Chemengich[2]	Member (External)	Economist	1
5.	Prof. Jane Kabubo-Mariara[2]	Member (External)	Economist	1
6.	Prof. Benson Ateng'[2]	Member (External)	Economist	1
7.	Mr. Humphrey Muga[2]	Member (External)	Economist	1
8.	Ms. Isis Nyong'o[3]	Member (External)	Finance and Technology	3
9.	Dr. Kemboi Kipruto[3]	Member (External)	Economist	4
10.	Dr. Freshia Mugo[3]	Member (External)	Finance	3
11.	Mr. Jared Osoro[3]	Member (External)	Economist	4
12.	Mr. Musa Kathanje	Representative of the Principal Secretary, The National Treasury	Economist	6
13.	Mr. David Luusa	Member (Internal)	Economist	6
14.	Prof. Robert Mudida	Member (Internal)	Economist	6

Notes:

1. Appointed Deputy Governor of the CBK on December 9, 2024.
2. The second term as external Members of the MPC ended on August 23, 2024.
3. Appointed as external Members of the MPC effective from August 24, 2024.

1.6. Management Structure

The positions of Governor and Deputy Governors are set out in the CBK Act Cap 491 of the Laws of Kenya. The Governor and the Deputy Governors constitute the Central Bank's Senior Management. As the Chief Executive of the Bank, the Governor assigns duties to the Deputy Governors.

There are 14 heads of department who lead the key departments of the Central Bank of Kenya, using structure, oversight, governance and control of the key areas. Senior Management and departmental heads have frequent meetings in the running of the Bank, many of these meetings organised in structured frameworks to ensure clarity, transparency and success of the outcomes.

1.7. Code of Ethics

The Bank is committed to the highest standards of integrity, behaviour and ethics. A formal code of ethics for all employees was approved by the Board and is fully implemented. All employees of the Bank are expected to avoid activities and financial interests, which could give rise to conflict of interest with their responsibilities in the Bank. Strict rules of conduct embedded in the *Staff Rules and Regulations* and *the Employment Act 2007* apply to the entire Bank's staff.

1.8. Internal Controls

The Management of the Bank has put in place a system of internal control mechanisms to ensure the reporting of complete and accurate accounting information. Procurement of goods and services is strictly done in accordance with the *Public Procurement & Asset Disposal Act, 2015 and Regulations, 2020*. In all operational areas of the Bank, workflows have been structured in a manner that allows adequate segregation of duties.

1.9. Authorizations

All the expenditure of the Bank must be authorized in accordance with a comprehensive set of the Bank policies and procedures. There is an annual Budget and Procurement Plan approved by Senior Management and the Board before commencement of the financial year. The Board of Directors receives regular management accounts comparing actual outcomes against budget as a means of monitoring actual financial performance of the Bank.

1.10. Internal Audit and Risk Management

The internal audit function and risk oversight is performed by Internal Audit and Risk Department. The department is responsible for monitoring and providing advice on the Bank's risk and audit framework. All reports of Internal Audit Department and Risk Management Unit are availed to the Audit, Risk and Strategy Committee of the Board.

1.11. Transparency

The Bank publishes an Annual Report, Monthly Economic Review, Weekly Releases, Statistical Bulletin and Bi-annual Monetary Policy Statements. In addition, the Bank issues policy briefs to The National Treasury on both the Monetary and Fiscal policies. On an annual basis, the Financial Statements of the Bank are published in the Kenya Gazette and placed in the Bank's website.

2.0. Financial Performance

The Bank's financial performance is primarily affected by the Monetary Policy stance adopted, interest rates and changes in exchange rate. The Bank's financial performance is presented on the pages below of these financial statements.

During financial year ended 30 June 2025, the Bank recorded a net surplus of KShs 65,889 million compared to a net deficit of KShs 24,342 million in the financial year ended 30 June 2024. The net surplus includes an unrealized exchange gain of KShs 13,882 million (2024: unrealized exchange loss of Kshs 73,555 million). The surplus is included as part of the General Reserve Fund.

During the financial year ended 30 June 2025, the Bank's operating surplus was KShs 52,007 million (2024: KShs 49,213 million) due to higher average returns on the securities portfolio and deposits. An unrealised foreign exchange gain of KShs 13,882 million was recorded during the year ended 30 June 2025 (2024: loss of KShs 73,555 million) mainly due to the strengthening of the British Pound and Euro against the Kenya Shilling. The Bank also recorded a fair value gain on fixed income securities held at fair value through other comprehensive income (FVOCI) of KShs 4,963 million (2024: gain of KShs 9,691 million) as a result of higher market prices. The gain recorded during the year has been presented in other comprehensive income.

In addition, an actuarial gain on retirement benefit asset of KShs 720 million (2024: gain of KShs 337 million) was also recorded.

The Bank's assets increased to KShs 2,279,802 million (2024: KShs 1,960,317 million) mainly attributed to an increase in balances due to banking institutions, debt instruments and advances on programs for on-lending to the Government of Kenya moderated by a decrease in securities and advances to banks. Liabilities increased to KShs 1,837,243 million (2024: KShs 1,560,359 million) mainly due to an increase in IMF liabilities and deposits due to Banks.

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 30 JUNE 2025

The Directors submit their report together with the audited financial statements for the year ended 30 June 2025, which shows performance of the Bank during the year and the state of affairs of Central Bank of Kenya (the "Bank"/"CBK") as at the year end.

1. INCORPORATION

The Bank is established under Article 231 of the Constitution of Kenya, 2010.

2. PRINCIPAL ACTIVITIES

The Bank is established and administered under the Constitution of Kenya, 2010 with the principal objective of formulating and implementing monetary policy directed at achieving and maintaining stability in the general level of prices. It is also the responsibility of the Bank to foster liquidity, solvency and proper functioning of a stable market-based financial system. The Bank also acts as banker, advisor and fiscal agent of the Government of Kenya.

3. RESULTS AND SURPLUS

The surplus for the year was KShs 65,889 million (2024: deficit of KShs 24,342 million) made up of KShs 52,007 million (2024: KShs 49,213 million) operating surplus and KShs 13,882 million unrealized gain (2024: loss of KShs 73,555 million). The surplus has been included as part of the General Reserve Fund. The directors recommend a transfer of operational surplus in the year to 30 June 2025 of KShs nil (2024: KShs 30,000 million) to the Consolidated Fund.

4. BOARD OF DIRECTORS

The members of the Board of Directors who served during the year and up to the date of this report are listed on the first page.

5. AUDITOR

The Auditor General is responsible for the statutory audit of the Bank's Financial Statements in accordance with Section 35 of the Public Audit Act, 2015.

By Order of the Board

Kennedy Abuga
Board Secretary

STATEMENT OF DIRECTORS RESPONSIBILITIES FOR THE YEAR ENDED 30 JUNE 2025

The Directors are responsible for the preparation of financial statements for each financial year that give a true and fair view of the state of affairs of the Bank as at the end of the financial year and of the Bank's financial performance. The Directors also ensure that the Bank keeps proper accounting records that disclose, with reasonable accuracy, the financial position of the Bank. They are also responsible for safeguarding the assets of the Bank.

The Directors accept responsibility for the preparation and fair presentation of financial statements that are free from material misstatements whether due to fraud or error. They also accept responsibility for:

(i) designing, implementing and maintaining internal control necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error;

(ii) selecting and applying appropriate accounting policies; and

(iii) making accounting estimates and judgments that are reasonable in the circumstances.

The Directors are of the opinion that the financial statements give a true and fair view of the state of the financial position of the Bank as at 30 June 2025 and of the Bank's financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board and the requirements of the *Central Bank of Kenya Act*.

These financial statements are prepared on a going concern basis, taking into account the legal mandate and responsibilities of the Bank, in particular its monetary policy, financial stability and payment system leadership.

Approved by the Board of Directors and signed on its behalf by:

Mr. Andrew Musangi
Chairman of the Board

19 September 2025

Dr. Kamau Thugge
Governor

19 September 2025

REPORT OF THE AUDITOR-GENERAL ON CENTRAL BANK OF KENYA FOR THE YEAR ENDED 30 JUNE, 2025

PREAMBLE

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

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

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

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

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

The three parts of the report aim to address the Auditor-General's statutory roles and responsibilities as provided by Article 229 of the Constitution, the Public Finance Management Act, 2012, and the Public Audit Act, 2015. The three parts of the report when read together constitute the report of the Auditor-General.

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying financial statements of Central Bank of Kenya set out on the pages below, which comprise the statement of financial position as at 30 June, 2025 and the statement of profit or loss and other comprehensive income, statement of changes in equity, statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, the financial statements present fairly, in all material respects, the financial position of Central Bank of Kenya as at 30 June, 2025 and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards (IFRS) and comply with the Central Bank of Kenya Act, Cap 491 of the Laws of Kenya and the Public Finance Management Act, 2012.

Basis for Opinion

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

Key Audit Matters

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

Other Matter

Constitution of Board of Directors

During the year under review, the Bank had in place four (4) Non-Executive Directors whose term expired on 4 December, 2024 after which the Board operated without any Non-Executive Directors up to 12 May, 2025 when four (4) new Non-Executive Directors were appointed. Consequently, the Bank operated without any Non-executive Directors for a period of over five (5) months. This rendered the Board incapable of legally making decisions due to lack of quorum as provided for in Section 12(2) of the Central Bank Act, Cap 491 which states that, a quorum for any meeting of the Board shall be the Chairperson, the Governor and three Directors.

Further, although at the time of audit in August, 2025 five (5) Non-Executive Directors had been appointed, the Bank continued to operate without a fully constituted Board during the year under review, contrary to Section 11(1)(d) of the Central Bank Act, Cap 491 which provides for eight (8) Non-Executive Directors. There was no amendment to the Central Bank of Kenya Act to provide for a reduction in the number of Directors.

My opinion is not modified in respect of this matter.

Other Information

The Directors are responsible for the other information which comprise of the Bank's information, Statement of Corporate Governance, Report of the Directors and Statement of Directors' Responsibilities. The Other Information does not include the financial statements and my audit report thereon.

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

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the effects of the matter described in the Basis for Conclusion on Lawfulness and Effectiveness in the Use of Public Resources section of my report, I confirm that nothing else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

Direct Deduction of Agency Fees on Government Securities

The statement of profit or loss and other comprehensive income reflects an amount of Kshs.3 Billion in respect of fees and commissions which, as disclosed in Note 6(a) to the financial statements relates to income the Bank earned from the Government of Kenya through the Bank's agency role in the issuance of Treasury Bills and Treasury Bonds. However, it was noted that the Bank deducted its commission at source and remitted net proceeds to the Exchequer, contrary to Article 206(1)(a) of the Constitution and Section 17(2) of the Public Finance Management Act, 2012, which require all money raised or received by or on behalf of the national government to be paid into the Exchequer Account, except money that is reasonably excluded from the Fund by an Act of Parliament. Further, although the Agency Agreement provides that The National Treasury and the Bank should agree on the commission and method of payment, no evidence of an agreed payment method was provided for review.

In the circumstances, Management was in breach of the law.

The audit was conducted in accordance with ISSAI 3000 and ISSAI 4000. The standards require that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements comply in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, except for the effects of the matter described in the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance section of my report, I confirm that nothing else has come to my attention to cause me to believe that internal controls, risk management and governance were not effective.

Basis for Conclusion

Human Resource Practices

Review of the Human Resource practices within the Bank revealed instances of non- compliance with both statutory requirements and the Bank's internal Human Resources Policy. Key issues include the failure to obtain necessary advisory input from the Salaries and Remuneration Commission regarding the Bank's job families/groups, salary structure and allowances. Further, non-adherence to internal Human Resources policies was noted in staff promotions, specifically concerning placement on salary scales and promotions to non-succeeding grades. In addition, there were instances during the recruitment processes where shortlisted or successful candidates did not fully meet the mandatory experience or service period requirements even though they were previously acting in the positions they were subsequently appointed to. There were concerns regarding anomalies in the secondment of the Bank's employees to other entities, particularly the non-reimbursement of substantial salary costs by various institutions, secondment periods exceeding the prescribed limits and the employment status and legal compliance for seconded officials.

In the circumstances, the matters collectively present a risk of constitutional and legal breaches, potential financial losses due to unrecovered costs and weaknesses in the control environment governing Human Resources.

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

Responsibilities of Management and the Board of Directors

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

In preparing the financial statements, Management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management is aware of the intention to cease operations.

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

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

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

Auditor-General's Responsibilities for the Audit

My responsibility is to conduct an audit of the financial statements in accordance with Article 229(4) of the Constitution, Section 35 of the Public Audit Act, 2015 and the International Standards for Supreme Audit Institutions (ISSAIs). The standards require that, in conducting the audit, I obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, whether due to fraud or error and to issue an auditor's report that includes my opinion in accordance with Section 48 of the Public Audit Act, 2015. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

In conducting the audit, Article 229(6) of the Constitution also requires that I express a conclusion on whether or not in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them and that public resources are applied in an effective way. In addition, I consider the entity's control environment in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7 (1) (a) of the Public Audit Act, 2015.

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

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

FCPA Nancy Gathungu, CBS

AUDITOR-GENERAL

Nairobi

29 September, 2025

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2025

	Notes	2025 KShs' million	2024 KShs' million
Interest income	4	68,569	63,630
Interest expense	5	(10,527)	(6,526)
Net interest income		58,042	57,104
Fees and commission income	6(a)	3,000	3,000
Net trading income	6(b)	9,684	9,092
Other income	7(a)	1,453	1,387
Operating income		72,179	70,583
Impairment allowance on financial assets	8	22	(3,782)
Operating expenses	9(a)	(20,194)	(17,588)
Operating surplus before unrealized gain		52,007	49,213
Unrealised gain / (loss):			
Foreign exchange *gain / (loss)*	9(c)	13,882	(73,555)
Surplus / (Deficit) for the year		65,889	(24,342)
Other comprehensive income /(loss):			
Items that are or may be subsequently reclassified to profit or loss:			
Debt instruments at fair value through other comprehensive income:			
Net change in fair value during the year	10(a)	4,963	9,691
Reclassification to income statement	10(b)	1,021	9,122
Changes in impairment allowance	8	8	73
		5,992	18,886
Items that will not be reclassified to profit or loss:			
Actuarial gain on retirement benefit asset	20	720	337
Other comprehensive income for the year		6,712	19,223
Total comprehensive income /(loss) for the year		72,601	(5,119)

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2025

	Notes	2025 KShs' million	2024 KShs' million
ASSETS			
Balances due from banking institutions	11	548,702	484,312
Funds held with International Monetary Fund (IMF)	12(a)	39,565	52,550
Securities and advances to banks	13	56,570	239,847
Loans and advances	14	3,670	3,627
Debt instruments at fair value through other comprehensive income	15	940,478	564,824
Equity instruments at fair value through other comprehensive income	16	12	11
Other assets	17(a)	6,822	7,117
Gold holdings	17(b)	238	169
Right-of-use assets	18(a)	125	64
Property and equipment	18(b)	28,587	29,583
Intangible assets	19	3,942	2,666
Retirement benefit asset	20	7,258	5,861
IMF On-Lent to Government of Kenya (GOK)	21(a)	478,582	409,375
Due from Government of Kenya	21(b)	165,251	160,311
TOTAL ASSETS		2,279,802	1,960,317
LIABILITIES			
Currency in circulation	22	357,015	333,795
Deposits due to banks and Government	23(a)	687,521	647,035
Investment by banks	23(b)	106,018	-
Due to IMF	12(b)	678,940	573,412
Other liabilities	24	7,749	6,117
TOTAL LIABILITIES		1,837,243	1,560,359
EQUITY			
Share capital	25(a)	60,000	50,000
General reserve fund	25(b)	357,334	300,725
Fair value reserve	25(c)	3,545	(2,447)
Revaluation reserve	25(d)	21,680	21,680
Consolidated fund	25(e)	-	30,000
TOTAL EQUITY		442,559	399,958
TOTAL LIABILITIES AND EQUITY		2,279,802	1,960,317

The financial statements were authorised for issue by the Board of Directors on 19 September 2025 and signed on its behalf by:

Mr. Andrew Musangi
Chairman of the Board

Dr. Kamau Thugge
Governor

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2025

Year ended 30 June 2025	Notes	Share capital KShs' million	General reserve KShs' million	Revaluation reserve KShs' million	Fair value reserve KShs' million	Consolidated fund KShs' million	Total KShs' million
At 1 July 2024		50,000	300,725	21,680	(2,447)	30,000	399,958
Surplus for the year		-	65,889	-	-	-	65,889
Net change in fair value of debt instrument at FVOCI		-	-	-	4,963	-	4,963
Net amount reclassified to the income statement on sale and maturity of debt instruments at FVOCI		-	-	-	1,021	-	1,021
Net change in impairment allowance on debt instruments at FVOCI		-	-	-	8	-	8
Actuarial gain on retirement benefit asset	20	-	720	-	-	-	720
Other comprehensive income for the year		-	-	-	5,992	-	6,712
Total comprehensive income for the year		-	66,609	-	5,992	-	72,601
Additional share capital	25(a)	10,000	(10,000)	-	-	-	-
Transactions with owners							
- Transfer to consolidated fund	25(e)	-	-	-	-	-	-
- Payments out of consolidated fund	25(e)	-	-	-	-	(30,000)	(30,000)
At 30 June 2025		60,000	357,334	21,680	3,545	-	442,559

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2025

Year ended 30 June 2024	Notes	Share capital KShs' million	General reserve KShs' million	Revaluation reserve KShs' million	Fair value reserve KShs' million	Consolidated fund KShs' million	Total KShs' million
At 1 July 2023		38,000	366,730	21,680	(21,333)	5,000	410,077
Deficit for the year		-	(24,342)	-	-	-	(24,342)
Net change in fair value of debt instrument at FVOCI		-	-	-	9,691	-	9,691
Net amount reclassified to the income statement on sale and maturity of debt instruments at FVOCI		-	-	-	9,122	-	9,122
Net change in impairment allowance on debt instruments at FVOCI		-	-	-	73	-	73
Actuarial gain on retirement benefit asset	20	-	337	-	-	-	337
Other comprehensive income for the year		-	337	-	18,886	-	19,223
Total comprehensive (loss) for the year		-	(24,005)	-	18,886	-	(5,119)
Additional share capital		12,000	(12,000)	-	-	-	-
Transactions with owners							
- Transfer to consolidated fund	25(e)	-	(30,000)	-	-	30,000	-
- Payments out of consolidated fund	25(e)	-	-	-	-	(5,000)	(5,000)
At 30 June 2024		50,000	300,725	21,680	(2,447)	30,000	399,958

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2025

	Notes	2025 KShs' million	2024 KShs' million
OPERATING ACTIVITIES			
Cash generated from operating activities	26	89,714	15,212
Interest received		68,569	62,907
Interest paid		(10,527)	(6,526)
Interest paid on lease liabilities	18(a)	(7)	(7)
Cash generated from operating activities		147,749	71,586
INVESTING ACTIVITIES			
Purchase of property and equipment	18(b)	(1,294)	(1,930)
Purchase of intangible assets	19	(1,633)	(955)
Proceeds from disposal of property and equipment		18	4
Net change in debt instruments at fair value through other comprehensive income		(252,399)	33,909
Net change in securities and advances to banks		12,169	(21,410)
Net change in funds held with International Monetary Fund (IMF)		12,985	15,521
Net cash generated from investing activities		(230,154)	25,139
FINANCING ACTIVITIES			
Payment of principal portion of lease liabilities	18(a)	(74)	(75)
Receipts from International Monetary Fund (IMF)	27(b)	80,934	139,866
Repayments to the International Monetary Fund (IMF)	27(b)	-	(1,225)
Payment to the consolidated fund	25(e)	(30,000)	(5,000)
Net cash generated from financing activities		50,860	133,566
Net increase in cash and cash equivalents		(31,545)	230,291
Cash and cash equivalents at the beginning of the year		730,958	512,113
Effect of foreign exchange rate changes on cash and cash equivalents		1,865	(11,446)
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	27(a)	701,278	730,958

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2025

1. GENERAL INFORMATION

Central Bank of Kenya (the "Bank"/" CBK") is established under Article 231 of the Constitution of Kenya. The Central Bank of Kenya is responsible for formulating monetary policy, promoting price stability, the payment system and performing other functions conferred on it by the Act of Parliament. The Bank is wholly owned by the National Treasury. The Bank acts as banker, advisor and agent of the Government of Kenya.

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these Financial Statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

(a) Basis of preparation

The financial statements are prepared in compliance with International Financial Reporting Standards as issued by the International Accounting Standards Board. The measurement basis applied is the historical cost basis, except where otherwise stated in the accounting policies below. The financial statements are presented in Kenya Shillings (KShs), rounded to the nearest million.

(b) Changes in accounting policies and disclosures

New and amended standards

The following amendments became effective during the period:

Several new and revised standards and interpretations became effective during the year. The Directors have evaluated the impact of the new standards and interpretations and none of them had a significant impact on the Bank financial statements.

The following revised IFRSs were effective in the current year and the nature and the impact of the relevant amendments are described below.

New and Amendments to standards	***Effective for annual periods beginning on or after***
Amendments to IAS 1 – Classification of liabilities as current or non-current	1 January 2024
Amendments to IFRS 16 - Lease Liability in a Sale and Leaseback	1 January 2024
IFRS S1 General requirements for disclosure of sustainability – related financial information	1 January 2024
IFRS S2 Climate – related disclosures	1 January 2024
Amendments to IAS 7 and IFRS 7: Supplier finance arrangements	1 January 2024
Amendments to IAS 1- Non-current Liabilities with Covenants	1 January 2024

None of these amendments have an impact on the Bank's financial statements at 30 June 2025

New & amended standards and Interpretations in issue but not yet effective

At the date of authorisation of these financial statements, The Bank has not applied the following new and revised IFRS Standards that have been issued but are not yet effective and, in some cases, had not yet been adopted by the Bank:

New and Amendments to standards	***Effective for annual periods beginning on or after***
Amendments to IAS 21 – Lack of exchangeability	1 January 2025
IFRS 18: Presentation and disclosure in financial statements	1 January 2027, with early application permitted
Amendments to IFRS 9 and IFRS 7: Amendments to the classification and measurement of financial statements	1 January 2026, with early application permitted
IFRS 19: Subsidiaries without public accountability disclosures	1 January 2027

The Directors do not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the Bank in future periods.

Early adoption of standards

The Bank has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

(c) Functional and presentation currency

Items included in the financial statements are measured using Kenya Shillings ("KShs") which is the currency of the primary economic environment in which the Bank operates (the "Functional Currency"). The financial statements are presented in Kenya Shillings ("KShs") which is the Bank's presentation currency.

Transactions and balances

Foreign currency transactions are translated into the functional currency using exchange rates prevailing at the dates of the transactions or valuation where items are re-measured.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date.

All foreign exchange gains and losses are presented in profit or loss within 'foreign exchange gains/(losses)'.

d) Currency Inventory

The Bank's inventory is comprised of new currency notes and coins. Inventories are stated at the sum of the production costs. Cost is determined using the first-in, first-out (FIFO) method.

Bank notes printing expenses and coin minting costs for each denomination are initially deferred. Based on the currency issued into circulation, the respective proportional actual costs incurred are released to profit or loss from the deferred costs account. The deferred amount is recognised as 'deferred currency expenses' in other assets and represents un-issued bank notes and coins stock.

(e) Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, and subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Bank's business model for managing them. The Bank initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

In order for a financial asset to be classified and measured at amortised cost or debt instruments at fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Bank's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the settlement date, i.e., the date that the Bank receives the asset on purchase or delivers the asset on sale.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

Financial assets at amortised cost (debt instruments)

This category is the most relevant to the Bank. The Bank measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Bank's financial assets at amortised cost includes balances due from banking institutions, funds held with IMF, securities and advances to banks, loans and advances, other assets (sundry debtors), IMF On-Lent to GOK and due from Government of Kenya.

Financial assets at fair value through OCI (debt instruments)

The Bank measures debt instruments at fair value through OCI if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment allowance or reversals are recognised in profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in OCI. Upon derecognition, the cumulative fair value change recognised in OCI is recycled to profit or loss.

The Bank's debt instruments at fair value through OCI includes investments in fixed income securities. Fixed income securities comprise Government debt securities issued by sovereign governments, Municipal bonds and bonds issued by international financial institutions.

Financial assets designated at fair value through OCI (equity instruments)

Upon initial recognition, the Bank can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in profit or loss when the right of payment has been established. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

Subsequent measurement

The Bank elected to classify irrevocably its non-listed equity investments under this category as it intends to hold these investments for the foreseeable future.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in profit or loss.

The Bank does not have any financial assets classified under this category.

Classes of financial instruments

Category (as defined by IFRS 9)		Class (as determined by the Bank)		2025	2024
				KShs' million	KShs' million
Financial assets	Financial assets at amortized cost	Securities and advances to banks		56,570	239,847
		Funds held with IMF		39,565	52,550
		Loans and advances		3,670	3,627
		Other assets (classified as financial assets)		547	497
		Due from Government	Government term loan	16,164	16,679
			IMF On-Lent to GOK	478,582	409,375
			SDR Allocation due from National Treasury	81,459	82,611
			GOK Overdraft facility	67,628	61,021
		Balances due from banking institutions	Foreign currency denominated term deposits and current account balances	548,702	484,312
	Financial assets at Fair value through other comprehensive income	Fixed income securities	World Bank managed and internally managed fixed income portfolios	940,478	564,824
		Equity	Investment securities	12	11
Financial liabilities	Financial liabilities at amortised cost	Deposits from banks	Cash reserve ratio and current account deposits	258,173	294,324
		Due to IMF		678,940	573,412
		Investment by banks		106,018	-
		Other liabilities		7,749	6,117
		Deposits from Government institutions		429,348	352,711

Impairment of financial assets

Overview of Expected Credit Loss (ECL) principles

The Bank recognizes impairment allowance for expected credit losses "ECL" for financial assets that are debt instruments and are not measured at FVTPL.

The Bank measures impairment allowance at an amount equal to lifetime ECL except for the following for which they are measured as 12-month ECL:

- Fixed income securities that are determined to have low credit risk at the reporting date; and
- other financial instruments for which credit risk has not increased significantly since initial recognition.

The Bank considers a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment-grade'. 12-month ECL is the portion of ECL that represents the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Financial instruments for which a 12-month ECL is recognised are referred to as 'Stage 1 financial instruments'. Life-time ECL are the ECLs that result from all possible default events over the expected life of the financial instrument. Financial instruments for which a lifetime ECL is recognised but which are not credit-impaired are referred to as 'Stage 2 financial instruments'. Financial instruments that are considered credit – impaired are referred to as 'Stage 3 financial instruments'. The Bank records an allowance for the lifetime ECL.

Measurement of ECL

ECL are a probability-weighted estimate of credit losses and are measured as follows:

- financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Bank in accordance with the contract and the cash flows that the Bank expects to receive);
- financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows.

Credit impaired financial assets

At each reporting date, the Bank assesses whether financial assets carried at amortised cost and debt financial assets carried at FVOCI are credit-impaired (referred to as 'Stage 3 financial assets'). A financial asset is 'credit impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event;
- the restructuring of a loan or advance by the Bank on terms that the Bank would not consider otherwise;

- it is becoming probable that the borrower will enter bankruptcy or other financial reorganization; and,
- the disappearance of an active market for a security because of financial difficulties.

In making an assessment of whether an investment in sovereign debt is credit-impaired, the Bank considers the following factors:

- The market's assessment of creditworthiness as reflected in the bond yields;
- The rating agencies' assessments of credit worthiness;
- The country's ability to access the capital markets for new debt issuance;
- The probability of debt being restructured, resulting in holders suffering losses through voluntary or mandatory debt forgiveness; and,
- The international support mechanisms in place to provide the necessary support as 'lender of last resort' to that country, as well as the intention, reflected in public statements, of governments and agencies to use those mechanisms. This includes an assessment of the depth of those mechanisms and, irrespective of the political intent, whether there is the capacity to fulfil the required criteria.

Presentation of allowance for ECL in the statement of financial position

Impairment allowance for ECL are presented in the statement of financial position as follows:

- financial assets measured at amortized cost: as a deduction from the gross carrying amount of the assets;
- debt instruments measured at FVOCI: no impairment allowance is recognized in the statement of financial position because the carrying amount of these assets is their fair value. However, the impairment allowance is disclosed and is recognized in the fair value reserve with a corresponding charge to profit or loss.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a Bank of similar financial assets) is primarily derecognised (i.e., removed from the Bank's statement of financial position) when:

- The rights to receive cash flows from the asset have expired

Or

- The Bank has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Bank has transferred substantially all the risks and rewards of the asset, or (b) the Bank has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Bank has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Bank continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Bank also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Bank has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Bank could be required to repay.

Write-offs

Loans, receivables and debt securities are written off (either partially or in full) when there is no reasonable expectation of recovering a financial asset in its entirety or a portion thereof. This is generally the case when the Bank determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. This assessment is carried out at the individual asset level.

Recoveries of amounts previously written off are included in 'impairment allowance on financial instruments' in profit or loss.

Financial assets that are written off could still be subject to enforcement activities in order to comply with the Bank's procedures for recovery of amounts due.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs. The Bank's financial liabilities include investment by banks, deposits from banks and government, due to IMF and other liabilities.

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term.

Gains or losses on liabilities held for trading are recognised in profit or loss. Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 is satisfied.

The Bank has not designated any financial liability as at fair value through profit or loss.

Loans and borrowings

This is the category most relevant to the Bank. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the Effective Interest Rate (EIR) method. Gains and losses are recognised in profit or loss when the liabilities are derecognized as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in profit or loss.

This category generally applies to deposits from banks and government, due to IMF, investment by banks and other liabilities.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in profit or loss.

Offsetting financial instruments

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

(f) Sale and repurchase agreements

Securities sold subject to repurchase agreements ('repos') are reclassified in the financial statements as pledged assets when the transferee has the right by contract or custom to sell or repledge the collateral; the counterparty liability is included in investments by banks.

Securities purchased under agreements to resell ('reverse repos') are recorded as advances to banks. The difference between sale and repurchase price is treated as interest and accrued over the life of the agreements using the effective interest method. Securities lent to counterparties are also retained in the financial statements.

The Bank from time to time mops up money from the financial market ('repos') or injects money into the market ('reverse repos') with maturities of 4 - 7 days. The Bank engages in these transactions with commercial banks only. These have been disclosed in the financial statements as advances to banks.

(g) Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

For the purpose of the statement of cash flows, cash and cash equivalents consist of balances due from banking institutions, fixed income securities and securities and advances to banks with maturities of less than three months.

(h) Property and equipment

Land and buildings comprise mainly branches and offices. All equipment used by the Bank is stated at cost, net of accumulated depreciation and accumulated impairment allowance, if any. Work in progress is stated at cost net of accumulated impairment allowance, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Land and buildings are measured at fair value less accumulated depreciation and impairment allowance recognised after the date of revaluation. Valuations are performed every five years to ensure that the carrying amount of a revalued asset does not differ materially from its fair value in accordance with IFRS. Additions are done per item purchased and shall include the cost of acquisition together with all the incidental expenses reasonably incurred to put the asset into effective usage. Depreciation for additions is effected from the date of acquisition.

A revaluation surplus is recorded in OCI and credited to the asset revaluation surplus in equity. However, to the extent that it reverses a revaluation deficit of the same asset previously recognised in the profit or loss, the increase is recognised in profit and loss. A revaluation deficit is recognised in profit or loss, except to the extent that it offsets an existing surplus on the same asset recognised in the asset revaluation surplus.

Subsequent expenditures are included in the asset's carrying amount or are recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Bank and the cost of the item can be measured reliably. The carrying amount of the replaced part is de-recognised. All other repair and maintenance costs are charged to profit or loss during the financial period in which they are incurred.

Freehold land is not depreciated. Depreciation of other assets is calculated using the straight-line method to allocate their cost or revalued amounts to their residual values over their estimated useful lives, as follows:

Asset classification	Useful life	Depreciation rate
Leasehold land	Over the period of the lease	
Buildings	20 years	5%
Motor vehicles	4 years	25%
Furniture and equipment	5 - 10 years	10-20%
Computers	4 years	25%

No depreciation is charged on work in progress and assets held in clearing accounts. Depreciation of property and equipment is made from date of placement to use and it ceases when the asset is obsolete, classified as held for sale, fully depreciated or derecognized as per policy.

An item of property and equipment and any significant part initially recognised is derecognised upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss when the asset is derecognised.

The residual values, useful lives and methods of depreciation of property and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

(i) Intangible assets

Costs associated with maintaining computer software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Bank are recognised as intangible assets when the following criteria are met:

(i) It is technically feasible to complete the software product so that it will be available for use;

(ii) Management intends to complete the software product and use or sell it;

- there is an ability to use or sell the software product;
- it can be demonstrated how the software product will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and,

(iii) The expenditure attributable to the software product during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the software product include the software development employee costs and an appropriate portion of relevant overheads.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Computer software development costs recognised as assets are amortised over their estimated useful lives. Computer software under installation and not yet placed in use is held in software clearing account and not amortized until commissioned.

Acquired computer software are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised on the basis of the expected useful lives. Software has a maximum expected useful life of 5 years.

The residual values, useful lives and methods of amortisation of intangibles are reviewed at each financial year end and adjusted prospectively, if appropriate.

Software-as-a-service (SaaS) arrangement costs

A SaaS arrangement is a service arrangement where the Bank has a right to access to the supplier's application software running on the supplier's cloud infrastructure during the term of the arrangement, but not control over the underlying software asset.

Software-as-a-service (SaaS) arrangement costs

Costs to implement a SaaS arrangement, including those incurred in configuring or customising the access to the supplier's application software, are evaluated to determine if they give rise to a separate asset that the Bank controls. Any resulting asset is recognised and accounted for in accordance with the policy for intangible assets. Implementation costs that do not give rise to an asset are recognised in profit or loss as incurred, which may be over the period the configuration or customisation services are received to the extent that such services are distinct from the SaaS, or over the term of the SaaS arrangement to the extent the configuration or customisation services are not distinct from the SaaS. Payment made in advance of receiving the related services is recognised as prepayment.

(j) Impairment of non-financial assets

Non-financial assets are assets whose value is derived by its physical net worth rather than from a contractual claim. Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. In assessing the value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

The impairment test also can be performed on a single asset when the fair value less cost of disposal or the value in use can be determined reliably. Non-financial assets that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

Impairment allowance of continuing operations are recognised in profit or loss in expense categories consistent with the function of the impaired asset, except for properties previously revalued with the revaluation taken to OCI. For such properties, the impairment is recognised in OCI up to the amount of any previous revaluation. Impairment allowance recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists.

A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount or exceed the carrying amount that would have been determined, net of depreciation or amortisation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase. An impairment loss recognised for goodwill is not reversed in a subsequent period.

(k) Employee benefits

The Bank operates a defined benefit scheme and a defined contribution pension scheme. The schemes are funded through payments to trustee-administered funds on a monthly basis.

On the defined contribution scheme, the Bank pays fixed contributions to the scheme. The payments are charged to the profit or loss in the year to which they relate. The Bank has no further payment obligation once the contributions have been paid.

The defined benefit plan defines an amount of pension benefit that an employee will receive on retirement, dependent on age, years of service and compensation. The Fund is closed to new members with effect from 30 September 2012. Continuing Members who did not opt to accrue future benefits in the DC Scheme) continue accruing benefits under the Fund. The Central Bank of Kenya ("the Sponsor") is the guarantor of the Fund.

The asset recognised in the statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets, together with adjustments for unrecognised past-service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation.

Past-service costs are recognised immediately in profit or loss, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a straight-line basis over the vesting period.

The Bank and all its employees contribute to the National Social Security Fund, which is a defined contribution scheme.

A defined contribution plan is a retirement benefit plan under which the Bank pays fixed contributions into a separate entity. The Bank has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

The Bank's contributions to the defined contribution schemes are charged to profit or loss account in the year in which they fall due.

The estimated monetary liability for employees' accrued annual leave entitlement at the reporting date is recognised as an expense accrual.

(l) Income tax

Section 7 of the Income Tax Act exempts the Bank from any taxation imposed by law in respect of income or profits. This exemption includes stamp duty in respect of instruments executed by or on behalf of the Bank.

(m) Provisions

Provisions are recognised when: The Bank has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation at a rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

(n) Surplus funds

The *Central Bank of Kenya Act (Cap 491)* allows for the set-up of the General Reserve known as the General Reserve Fund (GRF).The General Reserve is used for purposes of retaining at least 10% or any other amounts as the board, in consultation with the minister, may determine, of the net annual profit (surplus) of the bank after allowing for the expenses of operations and after provision has been made for bad and doubtful debts, depreciation in assets, contributions to staff benefit funds, and such other contingencies and accounting provisions as the Bank deems appropriate. Any surplus funds proposed and approved for distribution to the Government of Kenya shall be held in the reserve referred to as the "consolidated fund" until the transfer of the funds.

(o) Share capital

Ordinary shares are classified as 'share capital' in equity.

(p) Leases

The Bank assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Bank as a lessee

The Bank applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Bank recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets

The Bank recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment allowance, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the lease term as follows:

Buildings	Above 1 year to 5 years
Equipment	Above 1 year to 5 years

The right-of-use assets are also subject to impairment. Refer to the accounting policies in Note 2(j) impairment of non-financial assets.

Lease liabilities

At the commencement date of the lease, the Bank recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments.

In calculating the present value of lease payments, the Bank uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term or a change in the lease payments.

The Bank's lease liabilities are included in Other liabilities (see Note 24).

Short-term leases and leases of low-value assets

The Bank applies the short-term lease recognition exemption to its short-term leases of buildings and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of equipment that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

Bank as a lessor

Leases in which the Bank does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature.

(q) Interest income and expense

Interest income and expense for all interest-bearing financial instruments are recognised in profit or loss using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial asset or liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to the net carrying amount of the financial asset or liability on initial recognition. When calculating the effective interest rate, the Bank estimates cash flows considering all contractual terms of the financial instrument, and any revisions to these estimates are recognised in profit or loss. The calculation includes amounts paid or received that are an integral part of the effective interest rate of a financial instrument, including transaction costs and all other premiums or discounts.

If a financial asset is measured at FVOCI or FVTPL, the amounts that are recognised in profit or loss are the same as the amounts that would have been recognised in profit or loss if the financial asset had been measured at amortised cost.

The Bank calculates interest income on financial assets, other than those considered credit-impaired, by applying the EIR to the gross carrying amount of the financial asset.

When a financial asset becomes credit-impaired (and is therefore regarded as 'Stage 3'), the Bank calculates interest income by applying the EIR to the net amortised cost of the financial asset. If the financial asset cures and is no longer credit-impaired, the Bank reverts to calculating interest income on a gross basis.

(r) Fee and commission income

The Bank earns from the Government of Kenya a commission of 1.5% of amounts raised through its agency role in the issuance of Treasury bills and bonds. The annual commission income is limited to KShs 3 billion as per the agreement between the Bank and The National Treasury effective 1 July 2007.

Fees and commissions are generally recognised on an accrual basis when the service has been provided. Fees and commission income are recognised at an amount that reflects the consideration to which the Bank expects to be entitled in exchange for providing the services.

The performance obligations, as well as the timing of their satisfaction, are identified, and determined, at the inception of the contract. The Bank has generally concluded that it is the principal in its revenue arrangements because it typically controls the services before transferring them to the customer.

(s) Commitments on behalf of the Kenya Government and National Treasury

The Bank issues Treasury bills and bonds on behalf of the National Treasury. Commitments arising on such transactions on behalf of Kenya Government and the National Treasury are not included in these financial statements as the Bank is involved in such transactions only as an agent.

(t) Currency in circulation

Notes and coins in circulation are measured at fair value. Currency in circulation represents the nominal value of all bank notes and coins held by the public and commercial banks. The Bank demonetises currency denominations that it considers no longer suitable for circulation through a Gazette Notice.

(u) Loan due from the Government of Kenya

The loan due from the Government of Kenya arose from overdrawn accounts which were converted to a loan with effect from 1 July 1997 after an amendment to the Central Bank of Kenya Act to limit the Bank's lending to Government of Kenya to 5% of Government of Kenya audited revenue.

On 24 July 2007, a deed of guarantee was signed between the Government of Kenya and Central Bank of Kenya in which the government agreed to repay the loan at KShs 1.11 billion per annum over 32 years at 3% interest per annum. The security held is lien over cash balances, stock, treasury bonds and such other government securities as are specified in Section 46 (5) of the Central Bank of Kenya Act.

The loan due from the Government of Kenya is categorised as a debt instrument at amortised cost.

(v) Funds held at/due to International Monetary Fund (IMF)

Kenya has been a member of the International Monetary Fund (IMF) since 1966. The Bank is the designated depository for the IMF's holdings of Kenya's currency. IMF currency holdings are held in the No. 1 and No. 2 Accounts, which are deposit accounts of the IMF with the Bank.

Borrowings from and repayments to the IMF are denominated in Special Drawing Rights (SDRs). The SDR balances in IMF accounts are translated into Shillings at the prevailing exchange rates and any unrealized gains or losses are accounted for in accordance with accounting policy on foreign currencies.

On a custodial basis, the Bank holds a non-negotiable, non-interest bearing and encashable on demand promissory notes issued by the Treasury in favour of the IMF in its capacity as the IMF's depository. The security issued is in part payment of Kenya's quota of IMF.

(w) Fair value measurement

The Bank measures financial instruments such as debt instruments at fair value through other comprehensive income, and non-financial assets such as land and buildings and gold holdings, at fair value at each balance sheet date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability or
- In the absence of a principal market, in the most advantageous market for the asset or liability
- The principal or the most advantageous market must be accessible by the Bank.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Bank uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements at fair value on a recurring basis, the Bank determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

External valuers are involved for valuation of land and buildings. Involvement of external valuers is determined after every five years. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained.

For the purpose of fair value disclosures, the Bank has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy, as explained above.

Fair-value related disclosures for financial instruments and non-financial assets that are measured at fair value or where fair values are disclosed, are summarised in the following notes:

- Disclosures for valuation methods, significant estimates and assumptions Notes 3, 15, 18(b) and 30
- Quantitative disclosures of fair value measurement hierarchy Note 30
- Debt instruments at fair value through other comprehensive income Note 15
- Gold holdings Note 17(b)
- Land and buildings Note 18(b)

(x) Order of liquidity

As a financial institution, the Bank presents its assets and liabilities on the statement of financial position in order of liquidity. This provides information that is reliable and more relevant than a current or non-current presentation, because CBK does not supply goods or services within a clearly identifiable operating cycle. The order of liquidity requires judgement, particularly in light of the nature of CBK's operations and mandate. CBK's mandate regarding the management and oversight of the domestic financial market results in regular changes to the liquidity of CBK assets and liabilities, in response to the liquidity requirements of the market. CBK continuously monitors and actively manages its liquidity requirements. It is impracticable to continuously revise the order of assets and liabilities on the statement of financial position due to the fluctuating nature of the order of liquidity, and frequent changes would not result in more relevant information to the users of the Bank financial statements. The order of liquidity is therefore kept consistent year on year, unless there are significant changes thereto, which could reasonably be expected to influence decisions that the users of the financial statements would make on the basis of the order of liquidity presented in the Statement of Financial Position.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

The preparation of the Bank's financial statements requires management to make judgements, estimates and assumptions that affect the reported amount of revenues, expenses, assets and liabilities, and the accompanying disclosures, as well as the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods. In the process of applying the Bank's accounting policies, management has made the following judgements and assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Existing circumstances and assumptions about future developments may change due to circumstances beyond the Bank's control and are reflected in the assumptions if and when they occur. Items with the most significant effect on the amounts recognised in the financial statements with substantial management judgement and/or estimates are collated below with respect to judgements/estimates involved.

Impairment allowance on financial assets

The measurement of impairment allowance under IFRS 9 across all categories of financial assets in scope requires judgement, particularly, the estimation of the amount and timing of future cash flows and collateral values when determining impairment allowance and the assessment of a significant increase in credit risk.

It has been the Bank's policy to regularly review its models in the context of actual loss experience and adjust when necessary. Further details about the ECLs are provided in Notes 8, 11,12,13, 14, 17 and 29(i).

Post-retirement benefits

Post-retirement benefits are long term liabilities whose value can only be estimated using assumptions about developments over a long period. The Bank has employed actuarial advice in arriving at the figures in the financial statements (Note 20 which includes assumptions). The Board of Directors considers the assumptions used by the actuary in their calculations to be appropriate for this purpose.

Fair value of financial assets

The fair value of financial instruments that are not traded in an active market and off market loans are determined by using valuation techniques. See Note 30 for additional disclosures.

Property and equipment

Land and buildings are carried at fair value; representing open market value determined periodically by professional valuers. See Notes 18(b) and 30 for additional disclosures.

Leases - Estimating the incremental borrowing rate

The Bank cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Bank would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset (note 18 (a)) in a similar economic environment. The IBR therefore reflects what the Bank 'would have to pay'.

The Bank estimates the IBR using observable inputs i.e. market interest rates.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2025

		2025	2024
4.	INTEREST INCOME	KShs' million	KShs' million
	Interest income calculated using the effective interest method		
	Financial assets – debt instruments at amortised cost	38,384	47,096
	Financial assets at fair value through other comprehensive income	30,185	16,534
		68,569	63,630
	Interest income from debt instruments at amortised cost		
	Interest on term deposits	11,814	9,519
	Interest on Government of Kenya loan	491	526
	Interest on Government of Kenya overdraft	7,444	9,630
	Interest on staff loans and advances	121	130
	Interest on advances to banks	11,770	20,591
	Other interest income	6,744	6,700
		38,384	47,096
	Interest income from debt instruments at fair value through other comprehensive income comprises:		
	Internally managed portfolio	27,330	15,386
	Externally managed portfolio – (World Bank Reserve Advisory & Management Partnership)-(RAMP)	2,855	1,148
		30,185	16,534
5.	INTEREST EXPENSE		
	Interest expense calculated using the effective interest method		
	Interest on monetary policy issues	5,852	163
	Interest expense – IMF	4,675	6,363
		10,527	6,526
6.	(a) FEES AND COMMISSION INCOME	3,000	3,000

Fees and commission relate to income the Bank earns from the Government of Kenya through its agency role in the issuance of Treasury bills and bonds.

6. (b) NET TRADING INCOME

	2025	2024
	KShs' million	KShs' million
Net gain on sale of foreign currencies	8,938	14,475
Net gain / loss on disposal of financial assets carried at fair value through other comprehensive income	746	(5,383)
	9,684	9,092

7. (a) OTHER INCOME

	2025 KShs' million	2024 KShs' million
Licence fees from commercial banks and foreign exchange bureaus	405	335
Penalties from commercial banks and foreign exchange bureaus	59	191
Rental income	44	57
CBK Institute of Monetary Studies operating income - hospitality services.	-	181
(Loss)/Gain on disposal of property and equipment	(4)	2
KEPSS billing revenue	550	543
Miscellaneous income	399	78
	1,453	1,387

8. IMPAIRMENT ALLOWANCE ON FINANCIAL ASSETS

The table below shows the ECL charges on financial instruments:

Impairment allowance on staff loans (Note 14)	-	(1)
Impairment allowance on balances due from banking institutions (Note 11)	29	(183)
Impairment allowance on Funds held with IMF (Note 12(a))	1	33
Impairment allowance on securities and advances to banks (Note 13)	-	(3,558)
Impairment allowance on debt instruments at fair value through other comprehensive income	(8)	(73)
	22	(3,782)

9. (a) OPERATING EXPENSES

	2025 KShs' million	2024 KShs' million
Employee benefits (Note 9(b))	6,877	6,535
Currency production expenses	2,629	2,311
Property maintenance and utility expenses	3,655	3,769
Depreciation of property and equipment (Note 18(b))	2,268	2,055
Amortisation of intangible assets (Note 19)	357	287
Depreciation of right -of -use asset (Note 18(a))	64	70
Interest on lease liabilities (Note 18(a))	9	6
Impairment allowance on other assets (Note 17(a))	9	32
Auditor's remuneration	15	12
Transport and travelling costs	663	486
Office expenses	300	273
Communication expenses	547	428
Legal and professional expenses*	742	8
Other administrative expenses	2,059	1,316
	20,194	17,588

*Included in legal and professional expenses is an arbitration award amounting to KShs 666 million relating to Industrial Area Police Housing Project.

(b) EMPLOYEE BENEFITS

	2025 KShs' million	2024 KShs' million
Wages and salaries	5,509	5,200
Pension costs – Defined contribution plan	671	615
Pension costs – Defined benefit plan	44	30
Medical expenses	575	554
Other staff costs	699	578
Directors' emoluments (Note 28(ii)	19	40
Net income relating to the retirement benefit asset (Note 20)	(640)	(482)
	6,877	6,535

9. (c) FOREIGN EXCHANGE GAIN / (LOSS)

	2025 KShs' million	2024 KShs' million
Foreign exchange gain /(loss)	13,882	(73,555)

The unrealized foreign exchange gain/(loss) relates to net gain /(loss) on foreign denominated assets and liabilities arising from changes in foreign currency exchange rates.

10. (a) CHANGES IN FAIR VALUE OF INVESTMENTS

	2025 KShs' million	2024 KShs' million
Fair value changes on debt instruments at fair value through other comprehensive income:		
Internally managed portfolio	4,784	8,960
Externally managed portfolio – RAMP	179	731
	4,963	9,691

10. (b) RECLASSIFICATION TO THE INCOME STATEMENT

	2025 KShs' million	2024 KShs' million
Net amount reclassified to the income statement on sale and maturity of debt instruments at FVOCI:		
Internally managed portfolio	1,197	8,828
World Bank managed portfolio-RAMP	(176)	294
	1,021	9,122

This amount relates to reclassification on sale or maturity of debt instruments.

11. BALANCES DUE FROM BANKING INSTITUTIONS

	2025 KShs' million	2024 KShs' million
Current accounts	102,329	109,132
Foreign currency denominated term deposits	350,950	281,317
Accrued interest on term deposits	916	439
Special project accounts	49,356	43,304
Domestic foreign currency cheque clearing (DFCC)	41,705	47,621
REPSS clearing and regional central banks	3,631	2,713
	548,887	484,526
Impairment allowance	(185)	(214)
	548,702	484,312

An analysis of changes in the impairment allowance of balances due from banking institutions is as follows:

	2025 KShs' million	2024 KShs' million
At start of the year	214	31
Movement in impairment allowance (Note 8)	(29)	183
At 30 June	185	214

A reconciliation from the opening balance to the closing balance of the Impairment allowance based on year end stage classification is disclosed in Note 29 (i).

Special project accounts relate to amounts received by the Government of Kenya (or its ministries) for specific projects or purposes.

12. FUNDS HELD AT/ DUE TO INTERNATIONAL MONETARY FUND (IMF)

(a) Assets	2025 SDR million	2025 KShs' million	2024 SDR million	2024 KShs' million
IMF balances (SDR asset account)	223	39,568	308	52,554
Allowance for impairment losses	-	(3)	-	(4)
	223	39,565	308	52,550

An analysis of changes in the impairment allowance of funds held with IMF is as follows:

	2025 KShs' million	2024 KShs' million
At 1 July	4	37
Charges to profit or loss (note 8)	(1)	(33)
At 30 June	3	4

			2025 SDR million	2025 KShs' million	2024 SDR million	2024 KShs' million
12	(b)	Liabilities				
		International Monetary Fund Account No. 1	20	3,453	20	3,458
		International Monetary Fund Account No. 2	0.03	5	0.03	5
		Rapid Credit Facility (RCF)	543	96,340	543	92,455
		Extended Credit Facility (ECF)	824	146,314	637	108,497
		Extended Fund Facility (EFF)	1,519	269,631	1,341	228,454
		Resilience and Sustainability Facility (RSF)	136	24,085	45	7,705
		IMF - SDR Allocation account	784	139,112	780	132,838
			3,826	678,940	3,366	573,412

The Bank received SDR 542.8 million in May 2020 relating to Rapid Credit Facility (RCF) from the Fund for direct budget support of the Government of Kenya initiatives towards COVID-19 pandemic. These funds were released to the Bank under the Rapid-Disbursing Emergency Financing Facilities which is subject to IMF executive board approval. They represent a debt due from the Government of Kenya to the IMF. This debt is recognised in the books of the CBK, but on-lent to the government through the National Treasury.

During the year the Bank the Bank received SDR 178 million, SDR 187 million and SDR 91 million for Extended Fund Facility (EFF), Extended Credit Facility (ECF) and Resilience and Sustainability Facility (RSF) respectively in the month of October 2024.

Kenya's quota in IMF of SDR 542.8 million (2024: SDR 542.8 million) is recorded in the books of the National Treasury but not included in the financial statements of the Bank. SDR Allocations are included in the financial statements of the Bank as the custodian of the Government of Kenya. The cumulative SDR allocations stood at SDR 784 million including accrued interest (2024: SDR 780 million) while the current SDR holdings were SDR 223 million (2024: SDR 308 million). The Rapid Credit Facility will be paid within a period of five years from November 2025 to May 2030. ECF will be paid within a period of 8 years from October 2026 to November 2034. EFF will be paid within a period of nine years from October 2025 to November 2034. The Resilience and Sustainability Facility (RSF) has a 20-year maturity period.

13. SECURITIES AND ADVANCES TO BANKS

	2025 KShs' million	2024 KShs' million
Treasury bonds discounted	5,306	5,167
Treasury bills discounted	181	183
Accrued interest bonds discounted	163	154
Repo treasury bills (Injection)*	32,072	210,709
Accrued interest repo	191	822
Liquidity support framework	44,961	49,116
	82,874	266,151
Impairment allowance	(26,304)	(26,304)
	56,570	239,847

An analysis of changes in the impairment allowance of securities and advances to banks is as follows:

	2025 KShs' million	2024 KShs' million
At the start of the year	26,304	22,746
Charge to profit or loss (Note 8)	-	3,558
At 30 June	26,304	26,304

Year ended 30 June 2025	Maturity period			
	0-3 months KShs' million	4-12 months KShs' million	Over 1 year KShs' million	Total KShs' million
Treasury bills discounted	-	4	177	181
Treasury bonds discounted	854	14	4,438	5,306
Accrued interest bonds discounted	-	-	163	163
Repo treasury bills & bonds (injection)*	32,072	-	-	32,072
Accrued interest repo	191	-	-	191
Liquidity support framework	882	2,934	14,841	18,657
	33,999	2,952	19,619	56,570

Year ended 30 June 2024	Maturity period			
	0-3 months KShs' million	4-12 months KShs' million	Over 1 year KShs' million	Total KShs' million
Treasury bills discounted	132	39	12	183
Treasury bonds discounted	-	1,062	4,105	5,167
Accrued interest bonds discounted	1	153	-	154
Repo treasury bills & bonds (injection)*	203,295	7,414	-	210,709
Accrued interest repo	822	-	-	822
Liquidity support framework	851	3,042	18,919	22,812
	205,101	11,710	23,036	239,847

*Liquidity provided into the market via repurchase agreements such as securitised borrowings by banks using T-bills and T-bonds.

14. LOANS AND ADVANCES

	2025 KShs' million	2024 KShs' million
Due from banks under liquidation	3,319	3,376
Advances to employees	3,739	3,696
	7,058	7,072
Impairment allowance	(3,388)	(3,445)
Net advances	3,670	3,627
The movement in the impairment allowance is as follows:		
At 1 July	3,445	3,468
Payment	(57)	(24)
Movement in impairment allowance (Note 8)	-	1
At 30 June	3,388	3,445

15. DEBT INSTRUMENTS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2025 KShs' million	2024 KShs' million
Fixed income securities – Internally managed portfolio	892,003	518,737
Fixed income securities under World Bank RAMP	48,475	46,087
	940,478	564,824

Maturity analysis	Maturity period			
	0-3 months	4-12 months	Over 1 year	Total
Year ended 30 June 2025	KShs' million	KShs' million	KShs' million	KShs' million
Fixed income securities – Internally managed Portfolio	114,300	270,310	507,393	892,003
Fixed income securities under World Bank RAMP	4,092	11,128	33,255	48,475
	118,392	281,438	540,648	940,478

Maturity analysis	Maturity period			
	0-3 months	4-12 months	Over 1 year	Total
Year ended 30 June 2024	KShs' million	KShs' million	KShs' million	KShs' million
Fixed income securities – Internally managed Portfolio	36,415	148,107	334,215	518,737
Fixed income securities under World Bank RAMP	4,916	10,279	30,892	46,087
	41,331	158,386	365,107	564,824

16. UNLISTED EQUITY INVESTMENTS

	2025 KShs' million	2024 KShs' million
Unquoted equity securities at fair value through other comprehensive income	12	11

17. (a) OTHER ASSETS

	2025 KShs' million	2024 KShs' million
Prepayments	2,310	2,941
Deferred currency expenses	4,073	3,627
Sundry debtors	459	778
Items in the course of collection	325	120
Uncleared effects	21	8
At 30 June	7,188	7,474
Impairment allowance	(366)	(357)
	6,822	7,117

	2025 KShs' million	2024 KShs' million
All other assets balances are recoverable within one year.		
The movement in the impairment allowance is as follows:		
At start of the year	357	325
Increase in impairment allowance (Note 9(a))	9	32
At 30 June	366	357

17. (b) GOLD HOLDINGS

	2025 KShs' million	2024 KShs' million
Gold holdings	238	169

18. (a) RIGHT OF USE ASSETS

	2025 KShs' million	2024 KShs' million
COST		
At 1 July	385	330
Additions	125	55
Disposals	(17)	-
At 30 June	493	385
ACCCUMULATED AMORTISATION		
At 1 July	321	251
Charge for the year	64	70
Disposals	(17)	-
At 30 June	368	321
CARRYING AMOUNT	125	64

Set out below are the carrying amounts of lease liabilities (included under 'Other liabilities' in Note 24) and the movements during the period:

	2025 KShs' million	2024 KShs' million
At start of the year	69	90
Additions	125	55
Accretion of interest	9	6
Payment of principal	(74)	(75)
Payment of interest	(7)	(7)
At 30 June	122	69

The maturity analysis of lease liabilities is disclosed in Note 29. The following are the amounts recognised in profit or loss:

	2025 KShs' million	2024 KShs' million
Depreciation expense for right-of-use assets	64	70
Interest expense on lease liabilities	9	6
Total amount recognised in profit or loss	73	76

The Bank had total cash outflows for leases of KShs 81 million (2024: KShs 82 million) during the year. No impairment loss or reversals of impairment loss has been recognized in profit or loss during the period. The bank uses the Central Bank Rate (CBR) as the discount rate 9.75% (2024: 13.0%).

The Bank also had non-cash additions to the right-of-use assets and lease liabilities of KShs 125 million (2024: KShs 55 million).

The following table sets out a maturity analysis of operating lease payments, showing the undiscounted lease payments to be received after the reporting date.

Maturity analysis – Contractual undiscounted cash flows	2025 KShs' million	2024 KShs' million
Less than one year	75	49
Between one and five years	61	26
	136	75
Interest expense	(14)	(6)
	122	69

18(b). PROPERTY AND EQUIPMENT

Year ended 30 June 2025	Freehold land and buildings KShs' million	Leasehold land and buildings KShs' million	Work in Progress (WIP) KShs' million	Motor vehicles KShs' million	Furniture and equipment KShs' million	Total KShs' million
AT COST OR VALUATION						
At 1 July 2024	19,560	5,458	2,626	596	13,678	41,918
Capitalization of WIP	2,254	-	(2,498)	-	244	-
Reclassification	-	-	-	-	(114)	(114)
Additions	-	145	482	171	496	1,294
Disposals	-	-	-	(5)	(945)	(950)
At 30 June 2025	21,814	5,603	610	762	13,359	42,148
DEPRECIATION						
At 1 July 2024	2,212	518	-	462	9,143	12,335
Charge for the year	781	169	-	62	1,256	2,268
Reclassification	-	-	-	-	(114)	(114)
Disposals	-	-	-	(5)	(923)	(928)
At 30 June 2025	2,993	687	-	519	9,362	13,561
NET CARRYING AMOUNT	18,821	4,916	610	243	3,997	28,587

Year ended 30 June 2024	Freehold land and buildings KShs' million	Leasehold land and buildings KShs' million	Work in progress KShs' million	Motor vehicles KShs' million	Furniture and equipment KShs' million	Total KShs' million
AT COST OR VALUATION						
At 1 July 2023	19,560	5,458	2,092	442	12,450	40,002
Additions	-	-	534	154	1,242	1,930
Disposals	-	-	-	_	(14)	(14)
At 30 June 2024	19,560	5,458	2,626	596	13,678	41,918
DEPRECIATION						
At 1 July 2023	1,494	350	-	422	8,026	10,292
Charge for the year	718	168	-	40	1,129	2,055
Disposals	-	-	-	_	(12)	(12)
At 30 June 2024	2,212	518	-	462	9,143	12,335
NET CARRYING AMOUNT	17,348	4,940	2,626	134	4,535	29,583

19. INTANGIBLE ASSETS

	Software KShs' million	Work in Progress KShs' million	Total KShs' million
Year ended 30 June 2025			
COST			
At 1 July 2024	3,910	1,516	5,426
Capitalization of work-in-progress	54	(54)	-
Reclassification	114	-	114
Additions	314	1,319	1,633
At 30 June 2025	4,392	2,781	7,173
ACCUMULATED AMORTISATION			
At 1 July 2024	2,760	-	2,760
Reclassification	114	-	114
Charge for the year	357	-	357
At 30 June 2025	3,231	-	3,231
NET CARRYING AMOUNT	1,161	2,781	3,942
Year ended 30 June 2024			
COST			
At 1 July 2023	2,639	1,832	4,471
Capitalization of work-in-progress	316	(316)	-
Additions	955	-	955
At 30 June 2024	3,910	1,516	5,426
ACCUMULATED AMORTISATION			
At 1 July 2023	2,473	-	2,473
Charge for the year	287	-	287
At 30 June 2024	2,760	-	2,760
NET CARRYING AMOUNT	1,150	1,516	2,666

20. RETIREMENT BENEFIT ASSET

	2025 KShs' million	2024 KShs' million
Present value of funded obligations	19,480	16,925
Fair value of plan assets	(34,726)	(31,082)
Net overfunding in funded plan	(15,246)	(14,157)
Limit on defined benefit asset	7,988	8,296
Retirement Benefit Asset	(7,258)	(5,861)

Movements in the net defined benefit asset recognised are as follows:

	2025	2024
At start of the year	5,861	4,994
Net income recognised in profit or loss (Note 9(b))	640	482
Net income recognized in other comprehensive income (OCI)	720	337
Employer contributions	37	48
At 30 June	7,258	5,861

Movements in the plan assets are as follows:

	2025	2024
At start of the year	31,082	29,799
Interest income on plan assets	4,478	4,205
Employer contributions	37	48
Employee contributions	19	24
Benefits expenses paid	(2,516)	(2,058)
Return on plan assets excluding amount in interest income	1,626	(936)
At 30 June	34,726	31,082

Movements in the plan benefit obligation are as follows:

	2025	2024
At start of the year	16,925	17,177
Current service cost net of employees' contributions	219	226
Interest cost	2,375	2,384
Employee contributions	19	24
Actuarial gain due to change in financial assumptions and experience	2,458	(828)
Benefits paid	(2,516)	(2,058)
At 30 June	19,480	16,925

The principal actuarial assumptions at the reporting date were:	2025	2024
Discount rate (p.a.)	13.30%	15.00%
Salary increase (p.a.)	7.00%	7.00%
Future pension increases	3.00%	3.00%

Five-year summary	2025 KShs' million	2024 KShs' million	2023 KShs' million	2022 KShs' million	2021 KShs' million
Fair value of plan assets	34,726	31,082	29,799	30,430	32,048
Present value of funded obligations	(19,480)	(16,925)	(17,177)	(16,620)	(17,302)
Adjustment to retirement benefit asset	(7,988)	(8,296)	(7,628)	(6,729)	(7,107)
Net retirement benefit asset	7,258	5,861	4,994	7,081	7,639

Plan assets are distributed as follows:	2025		2024	
	KShs' million	%	KShs' million	%
Quoted shares	4,524	13%	3,257	10.5%
Investment properties	9,450	27.20%	9,461	30.4%
Government of Kenya treasury bills and bonds	18,126	52.2%	15,765	50.7%
Commercial paper and corporate bonds	83	0.2%	155	0.5%
Offshore investments	957	2.8%	250	0.8%
Fixed and term deposits	830	2.4%	1,490	4.8%
Fixed assets	47	0.1%	42	0.1%
Private equity	475	1.4%	376	1.2%
Net current assets	234	0.7%	286	1.0%
	34,726	100%	31,082	100%

Sensitivity of principal actuarial assumptions:

If the discount rate is 1% lower, the present value of funded obligations would be KShs 20,965 million (increase by KShs 1,485 million). This sensitivity analysis has been determined based on reasonably possible changes of the assumption occurring at the end of 30 June 2025, while holding all other assumptions constant.

The other principal actuarial assumptions, that is salary increase and future pension increase are not expected to change materially because they are within the control of management and are approved in the Human Resource Policy on employee benefits. Additionally, any change is not expected to be material based on historical trends and may not have a linear impact on the present value of the fund obligation.

The Bank does not have any asset-liability matching strategies used to manage risk. The retirement benefit scheme is funded and hence the assets under the scheme are used to meet benefit payments as and when they arise. The timing of the benefit payments from the scheme are unknown as the fund comprises active members, pensioners and deferred pensioners.

The scheme is funded by contributions from employer and employees. The average duration of the defined benefit plan obligation at the end of the reporting period is 7.6 years (2024: 7.2 years).

21. (a) IMF On-Lent to GOK

	2025 KShs' million	2024 KShs' million
Rapid credit facility	96,340	92,455
Extended credit facility	122,035	96,848
Extended fund facility	236,121	212,367
Resilience and sustainability facility	24,086	7,705
	478,582	409,375

The balance as at 30 June 2025 relates to IMF on-lent funds disbursed to the Government of Kenya by the International Monetary Fund (IMF) to improve the economy. The funds amount to SDR 542.8 million under the Rapid Credit Facility (RCF) and SDR 687 million under the Extended Credit Facility (ECF), SDR 1,330 million Extended Fund Facility (EFF) and SDR 136 million under the Resilience and Sustainability Facility (RSF). RCF will be paid within a period of five years from November 2025 to May 2030. ECF will be paid within a period of 8 years from October 2026 to November 2034. EFF will be paid within a period of nine years from October 2025 to November 2034. The Resilience and Sustainability Facility (RSF) has a 20-year maturity period.

(b) DUE FROM GOVERNMENT OF KENYA

	2025 KShs' million	2024 KShs' million
Overdraft	67,628	61,021
Government loan	16,164	16,679
SDR Allocation due from National Treasury	81,459	82,611
	165,251	160,311

Movement in the government loan is as follows:

	Government Loan		SDR Allocation Due from National Treasury	
	2025 KShs' million	2024 KShs' million	2025 KShs' million	2024 KShs' million
At start of the year	16,679	17,789	82,611	95,721
Principal repayment	(555)	(1,110)	(4,427)	(4,435)
Interest charged	491	526	-	-
Interest paid	(451)	(526)	-	-
Foreign exchange revaluation	-	-	3,275	(8,675)
At 30 June	16,164	16,679	81,459	82,611

Section 46(3) of the Central Bank of Kenya Act sets the limit of the Government of Kenya's overdraft facility at the Bank at 5% of the Gross Recurrent Revenue as reported in the latest Government of Kenya audited financial statements. The limit for the year ended 30 June 2025 is KShs 114,695 million (2024: KShs 97,048 million) based on the gross recurrent revenue for the year ended 30 June 2024 which are the latest audited financial statements at the date of approval of these financial statements. Interest is charged at the Central Bank Rate, currently at 9.75%.

The Bank converted the Government of Kenya overdraft facility that exceeded statutory limit in 1997 into a loan at 3% interest repayable by 2039 and is guaranteed by a deed executed by the Cabinet Secretary, The National Treasury. Principal repayments of KShs 555 million are paid half yearly while interests accruing are paid monthly.

22. CURRENCY IN CIRCULATION

	2025 KShs' million	2024 KShs' million
Kenya bank notes	345,640	322,766
Kenya coins	11,375	11,029
	357,015	333,795
Movement in the account was as follows:		
At 1 July	333,795	315,967
Deposits by commercial banks	(476,321)	(516,854)
Withdrawals by commercial banks	499,555	534,712
(Withdrawals)/deposits by CBK	(14)	(30)
At 30 June	357,015	333,795

23. (a) DEPOSITS DUE TO BANKS AND GOVERNMENT

Local commercial banks clearing accounts and cash reserve ratio	215,007	245,876
Local banks foreign exchange settlement accounts	40,012	45,371
External banks foreign exchange settlement accounts	3,154	3,077
Other public entities and project accounts	51,254	1,106
Government of Kenya	378,094	351,605
	687,521	647,035

(b) INVESTMENT BY BANKS	106,018	-

This relates to unsecured placements by commercial banks with CBK as part of monetary operations.

24. OTHER LIABILITIES

	2025 KShs' million	2024 KShs' million
Impersonal accounts*	258	183
Sundry creditors	4,835	4,056
Lease liability (Note 18(a))	122	69
Refundable deposits	334	308
Leave accrual	277	235
Bond pending payables	1,807	1,204
Gratuity to staff members	116	62
	7,749	6,117

*Impersonal accounts hold amounts due to ministries and departments of Government of Kenya.

	2025	2024
25. (a) SHARE CAPITAL	KShs' million	KShs' million
Authorised share capital:		
At 1 July and 30 June	100,000	100,000
Paid up share capital:		
At 1 July and 30 June	60,000	50,000

Ownership of the entire share capital is vested in the Principal Secretary to the National Treasury. The Board of Directors authorised the capitalisation of KShs 10,000 million from the general reserve fund on 6 September 2024, resulting in the increase in paid up share capital from KShs 50,000 million to KShs 60,000 million.

(b) GENERAL RESERVE FUND

The general reserve of KShs 357,334 million (2024: KShs 300,725 million) represents accumulated realized surplus of KShs 114,715 million (2024: KShs 72,708 million) arising from normal operations of the Bank and unrealized gains of KShs 242,619 million (2024: KShs 228,017 million).

(c) FAIR VALUE RESERVE

The fair value reserve represents cumulative gains and losses arising from revaluation of debt instruments from cost to fair value based on the market values at the end of the reporting date.

(d) REVALUATION RESERVE

The revaluation reserve relates to unrealized revaluation gains on land and buildings that will not be recycled into profit or loss. The reserve is non-distributable.

(e) CONSOLIDATED FUND

The Consolidated Fund represents amounts proposed for distribution to the Government of Kenya from the General Reserve Fund.

Movement in the consolidated fund is as follows:

	2025	2024
	KShs' million	KShs' million
At start of the year	30,000	5,000
Transfer from the general reserve	-	30,000
Payments out of consolidated fund	(30,000)	(5,000)
At 30 June	-	30,000

26. CASH GENERATED IN OPERATIONS

	2025	2024
	KShs' million	KShs' million
Surplus / (Deficit) for the year	65,889	(24,342)
Adjustments for:		
Unrealized foreign exchange (gains)/losses	(13,882)	73,555
Accrued Interest adjustment	(4,612)	723
Depreciation of property and equipment (Note 18(b))	2,268	2,055
Amortisation of intangible assets (Note 19)	357	287
Amortisation of right-of-use assets (Note 18(a))	64	70
Gain on disposal of property and equipment (Note 7)	4	(2)
Impairment allowance on financial assets (Note 8)	(22)	3,782
Interest income (Note 4)	(68,569)	(63,630)
Interest expense (Note 5)	10,527	6,526
Interest on lease liability (Note 9(a))	9	6
Provision for impairment loss on other assets (Note 9(a))	9	32
Net credit relating to the retirement benefit asset (Note 20)	(640)	(482)
Employer contributions on defined benefit asset (Note 20)	(37)	(48)
Reclassification from fair value reserve (Note 10(b))	1,021	9,122
Operating surplus before working capital changes	(7,614)	7,654
Changes in working capital:		
Loans and advances	(43)	67
Other assets	91	755
Due from Government of Kenya	(4,940)	29,656
Currency in circulation	23,220	17,828
Deposits	40,486	79,714
IMF on-lent	(69,207)	(120,363)
Investment by banks	106,018	-
Other liabilities	1,703	(99)
Net cash from operations	89,714	15,212

27. NET CASH FROM/ (USED) IN OPERATIONS

a) For the purpose of the statement of cash flows, cash and cash equivalents include:

	2025	2024
	KShs' million	KShs' million
Balances due from banking institutions (Note 11)	548,887	484,526
Financial assets – FVOCI (Note 15)	118,392	41,331
Securities discounted by banks and other advances (Note 13)	33,999	205,101
	701,278	730,958

27. (b) Changes in liabilities arising from financing activities

	2025 KShs' million	2024 KShs' million
At start of the year	573,412	477,899
Cash flow items:		
Repayments to IMF	-	(1,225)
Receipts during the year	80,934	139,866
Foreign exchange changes	24,594	(43,128)
At 30 June	678,940	573,412

28. RELATED PARTY TRANSACTIONS

In the course of its operations, the Bank enters into transactions with related parties, which include the Government of Kenya (the ultimate owner of the Bank). The main transactions are ordinary banking facilities to government ministries included in Note 23 and lending to the Government of Kenya included in Note 21.

(i) Loans

The Bank extends loan facilities to all staff including the key management staff. The advances are at preferential rates of interest determined by the Bank. The repayment terms and collateral used are similar to those of loans and advances to other staff. Provisions on loans and advances to staff are arrived at using collective assessment approach. Provisions at 30 June 2025 are disclosed in Note 14. Collateral information is disclosed in Note 29. The repayment terms of the loans are between 4 years and 25 years.

Loans to key senior staff	2025 KShs' million	2024 KShs' million
At 1 July	40	55
Loans advanced during the year	101	30
Interest earned	3	2
Loan repayments	(36)	(47)
At 30 June	108	40

		2025	2024
(ii)	Directors' emoluments:		
	Fees to non-executive directors	14	19
	Directors' travelling expenses	5	21
	Other remuneration to executive directors	46	45
		65	85
(iii)	Remuneration to senior staff	336	298
(iv)	Post–employment pension to senior management	20	15

(v) Government of Kenya - owner of the Bank	2025 KShs' million	2024 KShs' million
Due from Government of Kenya (Note 21(b))	165,251	160,311
Government Institutions Deposits (Note 23(a))	429,348	352,711
Investment by banks (Note 23(b))	106,018	-
IMF On-lent to GOK (Note 21(a))	478,582	409,375
Interest earned from Government of Kenya – Loan (Note 4)	491	526
Interest earned from Government of Kenya - Overdraft (Note 4)	7,444	9,630
Fees and commission income (Note 6(a))	3,000	3,000
Loan principal repayment (Note 21(b))	555	1,110

Transactions entered into with the Government include:

- Banking services;
- Management of issue and redemption of securities at a commission and;
- Foreign currency denominated debt settlement and other remittances at a fee.

(vi) Central Bank of Kenya Pension Fund and Banki Kuu Pension Scheme 2012

The pension schemes (that is, the defined benefit and defined contribution schemes) are managed and administered by the Pension Secretariat appointed by the sponsor.

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Central Bank of Kenya activities expose it to a variety of financial risks, including credit risk and the effects of changes in debt, foreign currency exchange rates and interest rates. The Bank's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on its financial performance.

Risk management is carried out by the Internal Audit and Risk Management Department under policies approved by the Board of Directors. Other organs that monitor the assessment and management of risks within the Bank include: Board Audit, Risk and Strategy Committee.

(a) Strategy in using financial instruments

The Bank holds foreign exchange reserves for the purpose of servicing official foreign debt, paying non-debt government and Central Bank of Kenya expenditures abroad and intervention in the foreign exchange market to minimize volatility and facilitate its smooth functioning.

The foreign exchange reserves are managed via a governance framework anchored in legislation and a reserves management policy set by the Board of Directors. The policy sets the context within which the Strategic Asset Allocation, Investment guidelines and Investment Committee are operationalized in order to achieve the overarching principles of safety, liquidity and return.

(b) Risks facing the Bank

The following are the main types of financial risks that the Bank is exposed to in the course of executing its operations:

- Credit risk
- Market risk
- Liquidity risk

(i) Credit risk

Credit risk is the risk that the Bank will incur a loss because its customers or counterparties fail to discharge their contractual obligations. The Bank manages and controls credit risk by setting limits on the amount of risk it is willing to accept for individual counterparties and for geographical and industry concentrations, and by monitoring exposures in relation to such limits.

Credit risk arises from balances due from banking institutions, funds held with IMF, securities and advances to banks, loans and advances, debt instruments at fair value through other comprehensive income, other assets (sundry debtors) and due from Government of Kenya.

Management of credit risk is carried out through the choice of counterparties. The Bank's choice of counterparties is confined to top international banks that meet the set eligibility criteria of financial soundness on long-term credit rating, short-term credit rating and capital adequacy.

The following table sets out the carrying amounts of the financial assets that are exposed to credit risk:

	2025 KShs' million	2024 KShs' million
Balances due from banking institutions	548,702	484,312
Funds held with International Monetary Fund (IMF)	39,565	52,550
Securities and advances to banks	56,570	239,847
IMF On-Lent to GOK	478,582	409,375
Loans and advances	3,670	3,627
Debt instruments at fair value through other comprehensive income	940,478	564,824
Other assets – sundry debtors	181	140
Due from Government of Kenya	165,251	160,311
	2,232,999	1,914,986

The Bank assesses the credit quality of these assets at every reporting date. None of the balances have had their terms renegotiated as a result of non-performance. Management monitors the credit exposure of staff on a continuous basis, taking into account their financial position, past experience and other factors.

Credit quality analysis

The following tables set out information about the credit quality of financial assets measured at amortised cost and debt instruments at FVOCI. Unless specifically indicated, for financial assets, the amounts in the table represent gross carrying amounts.

Explanation of the terms: 'Stage 1', 'Stage 2' and 'Stage 3' are included in Note 2(e). The credit ratings are obtained from recognized international credit rating agencies.

Year ended 30 June 2025	Stage 1 KShs' million	Stage 2 KShs' million	Stage 3 KShs' million	Total KShs' million
Balance due from banking institutions				
Rated AAA	160	-	-	160
Rated AA+ to AA-	160,536	-	-	160,536
Rated A+ to A-	149,355	-	-	149,355
Rated BBB to BB-	100,524	-	-	100,524
Unrated	138,312	-	-	138,312
Gross carrying amount	548,887	-	-	548,887
Impairment allowance	(185)	-	-	(185)
Net carrying amount	548,702	-	-	548,702
Debt instruments at fair value through OCI				
Rated AAA	151,289	-	-	151,289
Rated AA+ to AA-	759,393	-	-	759,393
Rated A+ to A-	29,796	-	-	29,796
Carrying amount	940,478	-	-	940,478
Due from Government of Kenya				
Unrated	165,251	-	-	165,251
Funds with IMF				
Unrated	39,568	-	-	39,568
Gross carrying amount	39,568	-	-	39,568
Impairment allowance	(3)	-	-	(3)
Net carrying amount	39,565	-	-	39,565
IMF On-Lent to GOK				
Unrated	478,582	-	-	478,582

Year ended 30 June 2025

	Stage 1 KShs' million	Stage 2 KShs' million	Stage 3 KShs' million	Total KShs' million
Securities and advances to banks				
Unrated	57,091	-	25,783	82,874
Gross carrying amount	57,091	-	25,783	82,874
Impairment allowance	(521)	-	(25,783)	(26,304)
Net carrying amount	56,570	-	-	56,570
Loans and advances				
Unrated	3,541	-	3,517	7,058
Gross carrying amount	3,541	-	3,517	7,058
Impairment allowance	(7)	-	(3,381)	(3,388)
Net carrying amount	3,534	-	136	3,670
Other assets				
Unrated	547	-	547	547
Gross carrying amount	547	-	-	547
Impairment allowance	(366)	-	-	(366)
Net carrying amount	181	-	-	181

Year ended 30 June 2024

	Stage 1 KShs' million	Stage 2 KShs' million	Stage 3 KShs' million	Total KShs' million
Balance due from banking institutions				
Rated AAA	55	-	-	55
Rated AA- to AA+	168,464	-	-	168,464
Rated A- to A+	110,893	-	-	110,893
Rated BBB – BB	112,468	-	-	112,468
Unrated	92,646	-	-	92,646
Gross carrying amount	484,526	-	-	484,526
Impairment allowance	(214)	-	-	(214)
Net carrying amount	484,312	-	-	484,312
Debt instruments at fair value through OCI				
Rated AAA	90,164	-	-	90,164
Rated AA- to AA+	466,073	-	-	466,073
Rated A- to A+	8,587	-	-	8,587
Carrying amount	564,824	-	-	564,824
Due from Government of Kenya				
Unrated	160,311	-	-	160,311
Funds with IMF				
Unrated	52,554	-	-	52,554
Gross carrying amount	52,554	-	-	52,554
Impairment allowance	(4)			(4)
Net carrying amount	52,550	-	-	52,550
IMF On-Lent to GOK				
Unrated	409,375	-	-	409,375

Year ended 30 June 2024	Stage 1 KShs' million	Stage 2 KShs' million	Stage 3 KShs' million	Total KShs' million
Securities and advances to banks				
Unrated	240,368	-	25,783	266,151
Gross carrying amount	240,368	-	25,783	266,151
Impairment allowance	(521)	-	(25,783)	(26,304)
Net carrying amount	239,847	-	-	239,847
Loans and advances				
Unrated	3,496	-	3,576	7,072
Gross carrying amount	3,496	-	3,576	7,072
Impairment allowance	(7)	-	(3,438)	(3,445)
Net carrying amount	3,489	-	138	3,627
Other assets				
Unrated	497	-	-	497
Gross carrying amount	497	-	-	497
Impairment allowance	(357)	-	-	(357)
Net carrying amount	140	-	-	140

Collateral and other credit enhancements

The Bank holds collateral and other credit enhancements against certain credit exposures. The following table sets out the principal types of collateral held against different types of financial assets.

	Notes	Percentage of exposure that is subject to collateral requirements		
		30 June 2025	30 June 2024	Principal type of collateral held
Advances to banks – Reverse repurchase arrangements and due from commercial banks	13	100	100	Kenya Government debt securities
Loans and advances – Loans to staff	14	100	100	Land and buildings, government securities, motor vehicles

At 30 June 2025, the Bank held advances to banks of KShs 32,072 million (2024: KShs 210,709 million), for which no impairment allowance is recognised because of full collateral coverage. The fair value of the collateral held for Advances to banks was KShs 36,902 million (2024: KShs 185,445 million). These have been determined based on market price quotations at the reporting date.

Inputs, assumptions and techniques used for estimating expected credit loss

Significant increase in credit risk

When determining whether the risk of default of the invested amount on a financial instrument has increased significantly since initial recognition, the Bank considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Bank's historical experience and credit risk specialist's assessment and including forward-looking information.

The objective of the assessment is to identify whether a significant increase in credit risk has occurred for an exposure by comparing:

- the remaining lifetime probability of default (PD) as at the reporting date; with
- the remaining lifetime PD for this point in time that was estimated at the time of initial recognition of the exposure (adjusted where relevant for changes in prepayment expectations).

Credit risk grades/ratings

For assessing the risk of default, at initial recognition, the Bank assigns to each exposure credit risk grade/rating determined based on the credit risk assessment.

The Bank, at initial recognition, allocates each exposure to banks a credit risk grade based on a variety of data that is determined to be predictive of the risk of default and applies experienced credit judgement. Credit risk grades are defined using qualitative and quantitative factors that are indicative of risk of default. These factors vary depending on the nature of the exposure and the type of borrower. Credit risk grades are defined and calibrated such that the risk of default occurring increases exponentially as the credit risk deteriorates.

Exposures are subject to ongoing monitoring, which may result in an exposure being moved to a different credit risk grade/rating. The monitoring typically involves use of the following information.

Foreign currency exposures	*Domestic currency exposures*	*Other assets (staff loans)*
Data from credit rating agencies, press articles, changes in external credit ratings. Quoted bond prices for the counterparty, where available. Actual and expected significant changes in the political, regulatory and technological environment of the counterparty or in its business activities.	Internally collected data on banks and supervisory indicators. Existing and forecast changes in business, financial and economic conditions.	Repayment history – this includes overdue status and financial situation of the borrower.

PD estimation process

Credit risk grades/ratings are a primary input into the determination of the term structure of PD for exposures. The Bank collects performance and default information about its credit risk exposures analysed by counterparty as well as by credit risk grading/ratings. The Bank employs statistical models such as transition matrices to analyse the data collected and generate estimates of the lifetime PD of exposures and how these are expected to change as a result of the passage of time.

The methodology for determining PDs for domestic commercial banks is based on the risk assessment techniques used for supervisory purposes. Factors considered by these techniques include the capital adequacy, credit risk, liquidity and profitability of the counterparty. The PDs are calculated as the average weighted PDs for each factor, where the weights are determined based on the importance of the factor.

For the assets denominated in foreign currency, the Bank uses 12-month PDs for sovereign and non-sovereign issuances, estimated based on Bloomberg's probability of default model which indicate a possibility of bankruptcy over 12 months for issuers per each respective rating category. The Bloomberg PD includes the estimates of forward-looking parameters such as GDP, forex rates, and interest rates.

For exposures to the Kenyan Government in domestic currency, the estimated PD considers the short-term maturity of such exposures, the absence of historical defaults and detailed assessments of the ability of the Kenyan Government to fulfil its contractual cash flow obligations in the short-term which considers also the macroeconomic indicators over the assessment period.

Determining whether credit risk has increased significantly

The Bank considers a financial instrument to have experienced a significant increase in credit risk, when one or more of the following quantitative, qualitative or backstop criteria have been put:

- Significant dip in operating results of counterparty.
- Credit distress necessitated extension to terms granted.
- Significant adverse changes in the financial and /or economic conditions affecting the counterparty.
- Significant change in collateral value which is expected to increase risk of default.
- Signs of cash flow / liquidity problems.

A backstop is applied, and the financial instrument considered to have experience a significant increase in credit risk if the counterparty is more than 30 days past due.

Days past due are determined by counting the number of days since the earliest elapsed due date in respect of which full payment has not been received. Due dates are determined without considering any grace period that might be available to the counterparty.

The Bank monitors the effectiveness of the criteria used to identify significant increases in credit risk by regular reviews to confirm that the criteria are capable of identifying significant increases in credit risk before an exposure is in default.

Definition of default

The Bank considers a financial asset to be in default when:

- the counterparty is unlikely to pay its credit obligations to the Bank in full, without recourse by the Bank to actions such as realizing security (if any is held); or
- the counterparty is past due more than 90 days on any material credit obligation to the Bank.

In assessing whether a counterparty is in default, the Bank considers indicators that are:

- qualitative – e.g. breaches of covenants;
- quantitative – e.g. overdue status and non-payment on another obligation of the same issuer to the Bank; and
- based on data developed internally and obtained from external sources.

Inputs into the assessment of whether a financial instrument is in default and its significance may vary over time to reflect changes in circumstances.

Incorporation of forward-looking information

In its ECL models, the Bank relies on Bloomberg credit risk model for provision of probabilities of default values for both the investment counterparties and the sovereigns. The Bank also relies on international credit rating agencies for credit rating information. Credit ratings are a tool, among others, that investors can use when making decisions about purchasing bonds and other fixed income investments. They express independent opinions on creditworthiness, using a common terminology that may help investors make more informed investment decisions.

As part of their ratings analysis, the external credit agencies as well as the Bloomberg credit risk model evaluate current and historical information and assess the potential impact of a broad range of forward-looking information.

Measurement of ECL

The key inputs into the measurement of ECL are the term structure of the following variables:

- Probability of default (PD);
- Loss given default (LGD);
- Exposure at default (EAD).

These parameters are derived from internally developed statistical models, globally recognized external developed statistical models and other historical data. They are adjusted to reflect forward-looking information as described above.

Probability of default (PD); PD estimates are estimates at a certain date, which are calculated based on statistical rating models, and assessed using rating tools tailored to the various categories of counterparties and exposures. These statistical models are based on internally and externally compiled data comprising both quantitative and qualitative factors. Transition matrixes data are used to derive the PD for counterparties. If a counterparty or exposure migrates between rating classes, then this will lead to a change in the estimate of the associated PD.

Loss given default (LGD); LGD is the magnitude of the likely loss if there is a default. The Bank estimates LGD parameters based on Basel recommended LGDs.

Exposure at default (EAD); EAD represents the expected exposure in the event of a default. The Bank derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract including amortisation.

The EAD of a financial asset is its gross carrying amount. EAD estimates are calculated on a discounted cash flow basis using the effective interest rate as the discounting factor.

As described above, and subject to using a maximum of a 12-month PD for financial assets for which credit risk has not significantly increased, the Bank measures ECL considering the risk of default over the maximum contractual period over which it is exposed to credit risk, even if, for risk management purposes, the Bank considers a longer period. The maximum contractual period extends to the date at which the Bank has the right to require repayment of an advance.

Where modelling of a parameter is carried out on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics that include: instrument type, credit risk grading; collateral type; date of initial recognition; remaining term to maturity; industry; and, geographic location of the counterparty.

The groupings are subject to regular review to ensure that exposures within a particular group remain appropriately homogeneous.

For portfolios in respect of which the Bank has limited historical data, external benchmark information is used to supplement the internally available data. The portfolios for which external benchmark information represents a significant input into measurement of ECL comprise financial assets as follows:

	Exposure	Exposure	External benchmarks used	
	2025	2024		
	KShs' million	KShs' million	PD	LGD
Balances due from banking institutions	548,702	484,312	Bloomberg PD rating model	Basel II recovery studies
Debt instruments at fair value through other comprehensive income	940,478	564,824	Bloomberg PD rating model	Basel II recovery studies
Funds held with IMF	39,565	52,550	Bloomberg PD rating model	Basel II recovery studies

An analysis of changes in the gross carrying amount and the corresponding ECL allowances in relation to the relevant financial assets is as follows:

Year ended 30 June 2025	Stage 1 Gross carrying amount	ECL	Stage 2 Gross carrying amount	ECL	Stage3 Gross carrying amount	ECL	Total Gross carrying amount	ECL
Debt instruments at fair value through other comprehensive income	KShs' million	KShs' million	KShs' million	KShs' million	KShs' million	KShs' million	KShs' million	KShs' million
At 1 July 2024	564,824	294	-	-	-	-	564,824	294
New assets originated or purchased	596,874	96	-	-	-	-	596,874	96
Asset derecognized or repaid	(218,126)	(53)	-	-	-	-	(218,126)	(53)
Accrued interest	4,778	-	-	-	-	-	4,778	-
Realised gains	(1,767)	-	-	-	-	-	(1,767)	-
Foreign exchange adjustments	(1,142)	(1)	-	-	-	-	(1,142)	(1)
Changes in risk parameters	-	(66)	-	-	-	-	-	(66)
Fair value changes	(4,963)	-	-	-	-	-	(4,963)	-
At 30 June 2025	940,478	270	-	-	-	-	940,478	270
Balances due from banking institutions								
At 1 July 2024	484,526	214	-	-	-	-	484,526	214
Net movement during the year	64,361	(29)	-	-	-	-	64,361	(29)
At 30 June 2025	548,887	185	-	-	-	-	548,887	185

Year ended 30 June 2025 Securities and advances to banks	Stage 1 Gross carrying amount KShs' million	ECL KShs' million	Stage 2 Gross carrying amount KShs' million	ECL KShs' million	Stage3 Gross carrying amount KShs' million	ECL KShs' million	Total Gross carrying amount KShs' million	ECL KShs' million
At 1 July 2024	240,124	521	-	-	26,027	25,783	266,151	26,304
New assets originated or purchased	2,308,513	-	-	-	-	-	2,308,513	-
Asset derecognized or repaid	(2,492,260)	-	-	-	-	-	(2,492,260)	-
Accrued interest	470	-	-	-	-	-	470	-
At 30 June 2025	56,847	521	-	-	26,027	25,783	82,874	26,304
Funds held with IMF								
At 1 July 2024	52,554	4	-	-	-	-	52,554	4
Net movement during the year	(12,986)	(1)	-	-	-	-	(12,986)	(1)
At 30 June 2025	39,568	3	-	-	-	-	39,568	3
Other assets								
At 1 July 2024	171	27	-	-	326	330	497	357
New assets originated/purchased	29	-	-	-	21	21	50	21
Change in risk parameters	-	-	-	-	-	(12)	-	(12)
Transfer to stage 3	-	(27)	-	-	-	27	-	-
At 30 June 2025	200	-	-	-	347	366	547	366

An analysis of changes in the gross carrying amount and the corresponding ECL allowances in relation to the relevant financial assets is as follows:

Year ended 30 June 2025

Loans and advances	Stage 1 Gross carrying amount KShs' million	ECL KShs' million	Stage 2 Gross carrying amount KShs' million	ECL KShs' million	Stage3 Gross carrying amount KShs' million	ECL KShs' million	Total Gross carrying amount KShs' million	ECL KShs' million
At 1 July 2024	3,496	10	-	-	3,576	3,435	7,072	3,445
New assets originated or purchased	1,352	-	-	-	-	-	1,352	(57)
Asset derecognized or repaid	(1,182)	(3)	-	-	(184)	(91)	(1,366)	-
Transfer to stages	(125)	-	-	-	125	37	-	-
At 30 June 2025	3,541	7	-	-	3,517	3,381	7,058	3,388

Year ended 30 June 2024

Debt instruments at fair value through other comprehensive income	Stage 1 Gross Carrying Amount KShs' million	ECL KShs' million	Stage 2 Gross Carrying Amount KShs' million	ECL KShs' million	Stage 3 Gross Carrying Amount KShs' million	ECL KShs' million	Total Gross Carrying Amount KShs' million	ECL KShs' million
At 1 July 2023	640,530	223	-	-	-	-	640,530	223
New assets originated or purchased	320,875	223	-	-	-	-	320,875	223
Asset derecognized or repaid	(360,832)	(116)	-	-	-	-	(360,832)	(116)
Accrued interest	1,073	-	-	-	-	-	1,073	-
Realised gains	(3,739)	-	-	-	-	-	(3,739)	-
Foreign exchange adjustments	(23,392)	(18)	-	-	-	-	(23,392)	(18)
Changes in risk parameters	-	(18)	-	-	-	-	-	(18)
Fair value changes	(9,691)	-	-	-	-	-	(9,691)	-
At 30 June 2024	564,824	294	-	-	-	-	564,824	294
Balances due from banking institutions								
At 1 July 2023	421,500	31	-	-	-	-	421,500	31
Net movement during the year	63,026	183	-	-	-	-	63,026	183
At 30 June 2024	484,526	214	-	-	-	-	484,526	214

An analysis of changes in the gross carrying amount and the corresponding ECL allowances in relation to the relevant financial assets is as follows:

Year ended 30 June 2024	Stage 1 Gross carrying amount KShs' million	ECL KShs' million	Stage 2 Gross carrying amount KShs' million	ECL KShs' million	Stage 3 Gross carrying amount KShs' million	ECL KShs' million	Total Gross carrying amount KShs' million	ECL KShs' million
Securities and advances to banks								
At 1 July 2023	78,857	523	-	-	26,358	22,223	105,215	22,746
New assets originated or purchased	5,518,923	-	-	-	-	-	5,518,923	-
Asset derecognized or repaid	(5,358,315)	-	-	-	(331)	-	(5,358,646)	-
Accrued interest	659	-	-	-	-	-	659	-
Change in risk parameters	-	(2)	-	-	-	3,560	-	3,558
At 30 June 2024	240,124	521	-	-	26,027	25,783	266,151	26,304
Funds held with IMF								
At 1 July 2023	73,312	37	-	-	-	-	73,312	37
Net movement during the year	(20,758)	(33)	-	-	-	-	(20,758)	(33)
At 30 June 2024	52,554	4	-	-	-	-	52,554	4
Other assets								
At 1 July 2023	267	27	-	-	306	298	573	325
New assets originated or purchased	-	-	-	-	20	20	20	20
Asset derecognized or repaid	(96)	-	-	-	-	-	(96)	-
Change in risk parameters	-	-	-	-	-	12	-	12
At 30 June 2024	171	27	-	-	326	330	497	357
Loans and advances								
At 1 July 2023	3,575	10	5	-	3,582	3,458	7,162	3,468
New assets originated or purchased	997	3	-	-	19	6	1,016	9
Asset derecognized or repaid	(1,017)	(3)	-	-	(89)	(50)	(1,106)	(53)
Transfer to stages	(59)	-	(5)	-	64	21	-	21
At 30 June 2024	3,496	10	-	-	3,576	3,435	7,072	3,445

Concetration of credit risk

The Bank monitors concentrations of credit risk by geographic location and by counterparty type. An analysis of concentrations of credit risk is shown below.

Concentration by geographical location is based on the country of domicile of the issuer of the security. Concentration by counterparty type is based on the nature of the institution such as foreign governments, central banks and supranational institutions.

A segregation of the financial assets by geography is set out below:

Year ended 30 June 2025

	United States of America KShs' million	Germany KShs' million	United Kingdom KShs' million	Singapore KShs' million	Canada KShs' million	Kenya KShs' million	Others KShs' million	Total KShs' million
Balances due from banking institutions	111,686	88,732	50,227	46,010	477	9,230	242,525	548,887
Funds held with IMF	39,568	-	-	-	-	-	-	39,568
IMF On-Lent to GOK	-	-	-	-	-	478,582	-	478,582
Securities and advances to banks	-	-	-	-	-	82,874	-	82,874
Loans and advances	-	-	-	-	-	7,058	-	7,058
Debt instruments at fair value through OCI	733,036	71,295	-	-	2,859	-	133,288	940,478
Other assets - Sundry debtors	-	-	-	-	-	547	-	547
Due from Government of Kenya	-	-	-	-	-	165,251	-	165,251
Total financial assets	884,290	160,027	50,227	46,010	3,336	743,542	375,813	2,263,245

Year ended 30 June 2024

	United States of America KShs' million	Germany KShs' million	United Kingdom KShs' million	Singapore KShs' million	Canada KShs' million	Kenya KShs' million	Others KShs' million	Total KShs' million
Balances due from banking institutions	137,430	67,081	40,451	33,286	815	10,553	194,910	484,526
Funds held with IMF	52,554	-	-	-	-	-	-	52,554
IMF On-Lent to GOK	-	-	-	-	-	409,375	-	409,375
Securities and advances to banks	-	-	-	-	-	266,151	-	266,151
Loans and advances	-	-	-	-	-	7,072	-	7,072
Debt instruments at fair value through OCI	463,317	49,623	-	-	5,299	-	46,585	564,824
Other assets - Sundry debtors	-	-	-	-	-	497	-	497
Due from Government of Kenya	-	-	-	-	-	160,311	-	160,311
Total financial assets	653,301	116,704	40,451	33,286	6,114	853,959	241,495	1,945,310

A segregation of the financial assets by conterparty type is set out below;

Year ended 30 June 2025

	Balances due from financial institutions KShs' million	Securities and advances KShs' million	Funds held with IMF KShs' million	IMF-On Lent to GoK KShs' million	Loans and advances KShs' million	Fixed income securities KShs' million	Due from GOK KShs' million	Other assets KShs' million	Total KShs' million
Central Banks	61,601	-	-	-	-	-	-	-	61,601
Foreign Governments	-	-	-	-	-	712,809	-	-	712,809
Supranational Institutions	98,894	-	39,568	-	-	113,381	-	-	251,843
Commercial Banks	346,078	77,224	-	-	3,319	-	-	-	426,621
Foreign Agencies	-	-	-	-	-	111,556	-	-	111,556
Government of Kenya	-	5,650	-	478,582	-	-	165,251	-	649,483
Others	42,314	-	-	-	3,739	2,732	-	547	49,332
	548,887	82,874	39,568	478,582	7,058	940,478	165,251	547	2,263,245

Year ended 30 June 2024

	Balances due from financial institutions KShs' million	Securities and advances KShs' million	Funds held with IMF KShs' million	IMF-On Lent to GoK KShs' million	Loans and advances KShs' million	Fixed income securities KShs' million	Due from GOK KShs' million	Other assets KShs' million	Total KShs' million
Central Banks	49,472	-	-	-	-	-	-	-	49,472
Foreign Governments	-	-	-	-	-	465,276	-	-	465,276
Supranational Institutions	103,934	-	52,554	-	-	53,621	-	-	210,109
Commercial Banks	331,120	260,647	-	-	3,375	-	-	-	595,142
Foreign Agencies	-	-	-	-	-	45,203	-	-	45,203
Government of Kenya	-	5,504	-	409,375	-	-	160,311	-	575,190
Others	-	-	-	-	3,697	724	-	497	4,918
	484,526	266,151	52,554	409,375	7,072	564,824	160,311	497	1,945,310

(ii) Market risk

The Bank takes on exposure to market risk, which is the risk that fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk arises from open positions in interest rate, currency and equity, all of which are exposed to general and specific market movements and changes in the level of volatility of market rates or prices such as interest rates, foreign exchange rates and equity prices. The Bank separates exposure to market risk into either trading or non-trading portfolios. Market risk arising from trading and non-trading activities are concentrated in Bank Treasury and are monitored by management with oversight from the Monetary Policy Committee.

Trading portfolios include those positions arising from market-making transactions where the Bank acts as principal with commercial banks or the market.

Non-trading portfolios primarily arise from the interest rate management of the Bank's investment and monetary policy assets and liabilities. Non-trading portfolios also consist of foreign exchange and equity risks arising from the Bank's internally managed debt instruments at amortised cost and World Bank RAMP financial assets.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Bank's interest rate risk arises from balances due from banking institutions, securities and advances to banks, debt instruments at FVOCI, loans and advances, due from the Government of Kenya and deposits from bank and Government. Borrowings issued at variable rates expose the Bank to cash flow interest rate risk which is partially offset by cash held at variable rates. Borrowings issued at fixed rates expose the Bank to fair value interest rate risk.

The tables below summarise the Bank’s financial assets and liabilities and analyses them into the earlier of contractual maturity or re-pricing.

At 30 June 2025	1 – 3 months KShs’ million	4-12 months KShs’ million	1 - 5 years KShs’ million	Over 5 years KShs’ million	Non-interest bearing KShs’ million	Total KShs’ million
Assets						
Balances due from banking institutions	548,887	-	-	-	-	548,887
Securities and advances to banks	33,999	2,952	-	45,923	-	82,874
Debt instruments at FVOCI	118,392	281,438	540,648	-	-	940,478
Funds held with International Monetary Fund (IMF)	-	-	-	39,568	-	39,568
Loans and advances	146	347	1,254	1,992	3,319	7,058
Other assets	-	-	-	-	547	547
IMF On-lent to GOK	-	-	-	-	478,582	478,582
Due from Government of Kenya	67,628	1,110	4,440	10,614	81,459	165,251
Total financial assets	769,052	285,847	546,342	98,097	563,907	2,263,245
Liabilities						
Deposits due to banks and government	-	-	-	-	687,521	687,521
Other liabilities	-	-	-	-	7,749	7,749
Due to International Monetary Fund (IMF)	-	-	-	200,358	478,582	678,940
Total financial liabilities	-	-	-	200,358	1,173,852	1,374,210
Interest sensitivity gap	769,052	285,847	546,342	(102,261)	(609,945)	889,035

As at 30 June 2025, increase of 10 basis points would have resulted in a decrease/increase in profit and equity of KShs 739 million (2024: KShs 552 million).

At 30 June 2024	1 – 3 months KShs’ million	4-12 months KShs’ million	1 - 5 years KShs’ million	Over 5 years KShs’ million	Non-interest bearing KShs’ million	Total KShs’ million
Assets						
Balances due from banking institutions	484,526	-	-	-	-	484,526
Securities and advances to banks	205,101	11,710	45,235	4,105	-	266,151
Debt instruments at FVOCI	41,331	158,386	365,107	-		564,824
Funds held with International Monetary Fund (IMF)	-	-	-	52,554	-	52,554
Loans and advances	173	476	1,712	1,335	3,376	7,072
Other assets	-	-	-	-	497	497
IMF On-lent to GOK	-	-	-	-	409,375	409,375
Due from Government of Kenya	61,021	1,110	4,440	11,129	82,611	160,311
Total financial assets	792,152	171,682	416,494	69,123	495,859	1,945,310
Liabilities						
Deposits due to banks and government	-	-	-	-	647,035	647,035
Other liabilities	-	-	-	-	6,117	6,117
Due to International Monetary Fund (IMF)	-	-	-	164,037	409,375	573,412
Total financial liabilities	-	-	-	164,037	1,062,527	1,226,564
Interest sensitivity gap	792,152	171,682	416,494	(94,914)	(566,668)	718,746

As at 30 June 2024, increase of 10 basis points would have resulted in a decrease/increase in profit and equity of KShs 552 million (2023: KShs 562 million).

Foreign exchange risk

The Bank takes on exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The Monetary Policy Committee sets limits on the level of exposure by currency which is monitored daily.

The table below summarises the Bank's exposure to foreign currency exchange rate risk as at 30 June 2025. Included in the table are the Bank's financial instruments categorised by currency:

At 30 June 2025	USD KShs' million	GBP KShs' million	EUR KShs' million	SDR KShs' million	Others KShs' million	Total KShs' million
Assets						
Balances due from banking institutions	307,648	34,766	172,853	-	33,620	548,887
Debt instruments at FVOCI	871,789	-	61,336	-	7,353	940,478
Funds held with International Monetary Fund (IMF)	-	-	-	39,568	-	39,568
Total financial assets	1,179,437	34,766	234,189	39,568	40,973	1,528,933
Liabilities						
Due to International Monetary Fund (IMF)	-	-	-	196,210	-	196,210
Deposits due to banks and government	30,022	3,607	55,922	-	3,154	92,705
Total financial liabilities	30,022	3,607	55,922	196,210	3,154	288,915
Net position	1,149,415	31,159	178,267	(156,642)	37,819	1,240,018

At 30 June 2024	USD KShs' million	GBP KShs' million	EUR KShs' million	SDR KShs' million	Others KShs' million	Total KShs' million
Assets						
Balances due from banking institutions	279,579	13,552	163,153	-	28,242	484,526
Debt instruments at FVOCI	557,026	-	495	-	7,303	564,824
Funds held with International Monetary Fund (IMF)	-	-	-	52,554	-	52,554
Total financial assets	836,605	13,552	163,648	52,554	35,545	1,101,904
Liabilities						
Due to International Monetary Fund (IMF)	-	-	-	164,037	-	164,037
Deposits due to banks and government	37,754	3,797	3,362	-	731	45,644
Total financial liabilities	37,754	3,797	3,362	164,037	731	209,681
Net position	798,851	9,755	160,286	(111,483)	34,814	892,223

As at 30 June 2025, if the shilling had weakened/strengthened by 5% against the major currencies with all other variables held constant, the impact on the Bank's surplus and equity would have been:

- USD KShs 57,471 million (2024: KShs 39,943 million)
- British Pound KShs 1,558 million (2024: KShs 488 million)
- Euro KShs 8,913 million (2024: KShs 8,014 million)
- SDR KShs 7,832 million (2024: KShs 5,574 million).

(iii) Liquidity risk

Prudent liquidity risk management includes maintaining sufficient cash and marketable securities, and the availability of funding from an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying businesses, Treasury maintains flexibility in funding by maintaining availability under committed credit lines.

Management monitors rolling forecasts of the Bank's liquidity reserve on the basis of expected cash flows.

The table below analyses the Bank's financial liabilities that will be settled on a net basis into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table below are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying amounts, as the impact of discounting is not significant.

	On demand KShs' million	0 – 3 months KShs' million	4-12 months KShs' million	1 - 5 years KShs' million	Over 5 years KShs' million	Total KShs' million
At 30 June 2025						
Deposits due to banks and government	687,521	-	-	-	-	687,521
Due to International Monetary Fund (IMF)	-	-	31,310	343,998	303,632	678,940
Lease liability	-	13	52	57	-	122
Other liabilities	-	-	7,627	-	-	7,627
Total financial liabilities at 30 June 2025	687,521	13	38,989	344,055	303,632	1,374,210
At 30 June 2024						
Deposits due to banks and government	647,035	-	-	-	-	647,035
Due to International Monetary Fund (IMF)	-	-	-	199,930	373,482	573,412
Lease liability		22	23	24	-	69
Other liabilities	-	-	6,048	-	-	6,048
Total financial liabilities at 30 June 2024	647,035	22	6,071	199,954	373,482	1,226,564

30. FAIR VALUE OF ASSETS AND LIABILITIES

a) Comparison by class of the carrying amount and fair values of the financial instruments

The fair values of fixed income securities, equity investments and securities and advances to banks (rediscounted treasury bonds) are based on price quotations at the reporting date.

Management assessed that the fair value of balances due from banking institutions, funds held with International Monetary Fund, securities and advances to banks (Treasury bills discounted, accrued interest bonds discounted, repo treasury bills & bonds, accrued interest repo, liquidity support framework and due from commercial banks), other assets (sundry debtors), deposits from government and banks and other liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

Fair values of the Bank's staff loans and due from Government of Kenya and due to International Monetary Fund are determined by using Discounting Cash Flows (DCF) method using discount rate that reflects the issuer's borrowing rate as at the end of the reporting period. This is shown in the table below:

	2025		2024	
Financial assets	Carrying Amount KShs' million	Fair value KShs' million	Carrying amount KShs' million	Fair value KShs' million
Securities and advances to banks (rediscounted treasury bonds)	5,469	5,522	5,321	4,974
Loans and advances	3,670	3,371	3,627	3,580
Due from Government of Kenya	165,251	119,134	160,311	132,193
Financial liabilities				
Due to International Monetary Fund	678,940	467,696	573,412	371,548

b) Fair value hierarchy

The table below shows an analysis of all assets and liabilities measured at fair value in the financial statements or for which fair values are disclosed in the financial statements by level of the fair value hierarchy. These are grouped into levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes equity securities and debt instruments on recognized exchanges.
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes equity investments and land and buildings with significant unobservable components.

Year ended 30 June 2025	Level 1 KShs' million	Level 2 KShs' million	Level 3 KShs' million
Assets measured at fair value:			
Land and buildings	-	-	23,737
Debt instruments at fair value through other comprehensive income	940,478	-	-
Equity instruments at fair value through other comprehensive income	-	-	12
Gold holdings	238	-	-
Assets for which fair values are disclosed:			
Securities and advances to banks (rediscounted treasury bonds)	5,522	-	-
Loans and advances	-	3,371	-
Due from Government of Kenya	-	119,134	-
Liabilities for which fair values are disclosed			
Due to International Monetary Fund	-	467,696	-

Year ended 30 June 2024	KShs' million	KShs' million	KShs' million
Assets measured at fair value:			
Land and buildings	-	-	22,288
Debt instruments at fair value through other comprehensive income	564,824	-	-
Equity instruments at fair value through other comprehensive income	-	-	11
Gold holdings	169	-	-
Assets for which fair values are disclosed:			
Securities and advances to banks (rediscounted treasury bonds)	4,974	-	-
Loans and advances	-	3,580	-
Due from Government of Kenya	-	132,193	-
Liabilities for which fair values are disclosed disclosed: disclosed:			
Due to International Monetary Fund	-	371,548	-

There were no transfers between levels 1, 2 and 3 in the year.

The Bank's land and buildings were revalued in June 2021.

Description of valuation techniques used and key inputs to valuation of assets and liabilities

LEVEL 2	Valuation technique	Significant observable inputs	Range (weighted average) Interest rate
Loans and advances	DCF	Interest rate	10%-13%
Due from Government of Kenya	DCF	Interest rate	9.75% (SDR allocation and 3%(GOK loan)
Due to IMF	DCF	Interest rate	3%
LEVEL 3			
Land and buildings	Market/Income /cost approach	Incomparable sales of properties due to the uniqueness of CBK properties.	-
Equity instruments at fair value through other comprehensive income	DCF	Incomparable market data.	

Reconciliation of the opening balances to the closing balances of the fair values of property and equipment: -

	1 July 2024 KShs' million	Additions/ Capitalization KShs' million	Change in Fair value KShs' million	Depreciation charge to profit or loss KShs' million	30 June 2025 KShs' million
Freehold land and buildings	17,348	2,254	-	781	18,821
Leasehold land and buildings	4,940	145	-	169	4,916
	22,288	2,399	-	950	23,737

The significant unobservable inputs used in the fair value measurement of the Bank's land and buildings are price per acre and estimated rental value per sqm per month and depreciated replacement cost. Significant increases (decreases) in any of those inputs in isolation would result in a significantly lower/(higher) fair value measurement.

31. CONTINGENT LIABILITIES AND COMMITMENTS

The Bank is party to various legal proceedings. Based on legal advice, the directors believe that no loss will arise from these legal proceedings.

At 30 June 2025, the Bank had capital commitments of KShs 7,861 million (2024: KShs 12,210 million) in respect of property and equipment purchases.

Operating leases - Bank as a lessee

All the commitments relate to future rent payable for various premises based on the existing contracts and projected renewals. The lease agreements are between the Bank and the landlords and have no provisions relating to contingent rent payable. The terms of renewal vary from one lease to another and may include a written notice to the lessors before the expiration of the leases and the lessors will grant to the lessee new leases of the said premises/properties for a further term as may be mutually agreed by the parties.

The escalation rate varies from property to property and is factored into the operating lease commitment values presented above.

Operating leases - Bank as a lessor

The Bank has entered into operating leases on its land and buildings consisting of certain office buildings. These leases have terms of between one and 15 years. All leases include a clause to enable upward revision of the rental charge on an annual basis according to prevailing market conditions. The lessee is also required to provide a residual value guarantee on the properties. Rental income recognised by the Bank during the year is KShs 44 million (2024: KShs 57 million).

Future minimum rentals receivable under non-cancellable operating leases as at 30 June are as follows:

	2025 KShs ‘million	2024 KShs ‘million
Within one year	29	33
After one year but not more than five years	11	32
More than five years	24	24
	64	89

32. MATURITY ANALYSIS OF ASSETS AND LIABILITIES

The table below shows an analysis of assets and liabilities analysed according to when they are expected to be recovered or settled.

Year ended 30 June 2025	Within 12 months KShs' million	After 12 months KShs' million	Total KShs' million
ASSETS			
Balances due from banking institutions	548,702	-	548,702
Funds held with International Monetary Fund (IMF)	39,565	-	39,565
Securities and advances to banks	36,951	19,619	56,570
Loans and advances	493	3,177	3,670
Debt instruments at fair value through other comprehensive income	399,830	540,648	940,478
Equity instruments at fair value through other comprehensive income	-	12	12
Other assets	6,822	-	6,822
Gold holdings	-	238	238
Right-of-use asset	-	125	125
Property and equipment	-	28,587	28,587
Intangible assets	-	3,942	3,942
Retirement benefit assets	-	7,258	7,258
IMF Funds On – Lent to GOK	-	478,582	478,582
Due from Government of Kenya	67,628	97,623	165,251
TOTAL ASSETS	1,099,991	1,179,811	2,279,802
LIABILITIES			
Currency in circulation	-	357,015	357,015
Deposits due to banks and government	687,521	-	687,521
Investment by banks	106,018		106,018
Due to IMF	-	678,940	678,940
Other liabilities	7,749	-	7,749
TOTAL LIABILITIES	801,288	1,035,955	1,837,243
NET ASSETS	298,703	143,856	442,559

Year ended 30 June 2024	Within 12 months KShs' million	After 12 months KShs' million	Total KShs' million
ASSETS			
Balances due from banking institutions	484,312	-	484,312
Funds held with International Monetary Fund (IMF)	52,550	-	52,550
Securities and advances to banks	216,811	23,036	239,847
Loans and advances	649	2,978	3,627
Debt instruments at fair value through other comprehensive income	199,716	365,108	564,824
Equity instruments at fair value through other comprehensive income	-	11	11
Other assets	7,117	-	7,117
Gold holdings	-	169	169
Right-of-use asset	-	64	64
Property and equipment	-	29,583	29,583
Intangible assets	-	2,666	2,666
Retirement benefit assets	-	5,861	5,861
IMF Funds On – Lent to GOK	-	409,375	409,375
Due from Government of Kenya	61,021	99,290	160,311
TOTAL ASSETS	1,022,176	938,141	1,960,317
LIABILITIES			
Currency in circulation	-	333,795	333,795
Deposits due to banks and government	647,035	-	647,035
Due to IMF	-	573,412	573,412
Other liabilities	6,117	-	6,117
TOTAL LIABILITIES	653,152	907,207	1,560,359
NET ASSETS	369,024	30,934	399,958

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