REPUBLIC OF KENYA

OFFICE OF THE AUDITOR-GENERAL

Enhancing Accountability

REPORT

OF

THE AUDITOR-GENERAL

ON

CENTRAL BANK OF KENYA

FOR YEAR ENDED 30 JUNE, 2024

CENTRAL BANK OF KENYA

ANNUAL REPORT
AND
FINANCIAL STATEMENTS

FOR THE YEAR ENDED
30 JUNE 2024

CONTENTS

BOARD OF DIRECTORS

Mr. Andrew Musangi	Chairman (Appointed on 29 September 2023)
Dr. Kamau Thugge	Governor
Dr. Chris Kiptoo	Principal Secretary, The National Treasury
Mr. Samson Cherutich	Member
Mrs. Nelius W. Kariuki	Member
Mrs. Rachel Dzombo	Member
Mr. Ravi J. Ruparel	Member

SENIOR MANAGEMENT

Dr. Kamau Thugge	Governor
Dr. Susan Koech	Deputy Governor

HEADS OF DEPARTMENT

Mr. Kennedy Abuga	Director – Governor's Office (Board Secretary)
Mr. William Nyagaka	Director – Central Bank of Kenya Institute of Monetary Studies
Mr. David Luusa	Director - Financial Markets Department
Mr. Gerald Nyaoma	Director - Bank Supervision Department
Mr. Stephen Muriu	Director - General Services Department
Ms. Darliah M. Mbugua	Director - Human Resource and Administration Department
Mr. Michael Rundu Eganza	Director – Banking & National Payments Department
Ms. Caroline Mackola	Director - Finance Department
Ms. Beth Kithinji	Director - Internal Audit and Risk Management Department (Resigned 29 January 2024)
Mr. Leonard Ouma	Acting Director - Internal Audit and Risk Management Department (Appointed on 29 January 2024)
Prof. Robert Mudida	Director - Research Department
Dr. Walter Onyino	Director - Information Technology Department (Appointed on 1 July 2024)
Mr. Paul Wanyagi	Director - Currency Operations Department
Mr. George Amollo	Head- Strategic Management Department
Mr. Kibunyi Amdany	Director-Branch Administration Department

REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS

Central Bank of Kenya Building
Haile Selassie Avenue
P.O. Box 60000
00200 Nairobi, Kenya
Tel.(+254) (020) 2860000

BRANCHES

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Nkrumah Road
P.O. Box 86372
80100 Mombasa

Kisumu Branch
Central Bank of Kenya Building
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
George Morara Street
P.O. Box 14094
20100 Nakuru

Kisii Centre
ABSA Bank Building
Sotik Road
P.O. Box 411
40200 Kisii

SUBSIDIARY

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PRINCIPAL AUDITOR

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

DELEGATED AUDITOR

Deloitte & Touche LLP
Deloitte Place
Waiyaki Way, Muthangari
P.O Box 40092
00100 Nairobi

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 given to the Governor by law. It however, retains the responsibility of approving the policies of the Bank.

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	Economist	Reappointed on 5 December 2020	4 December 2024
5.	Mr. Ravi Ruparel	Member	Financial Sector Expert	Reappointed on 5 December 2020	4 December 2024
6.	Mr. Samson Cherutich	Member	Accountant	Reappointed on 5 December 2020	4 December 2024
7.	Mrs. Rachel Dzombo	Member	Management Expert	Reappointed on 5 December 2020	4 December 2024

The Members of the Board (all Kenyans) in the year ended 30 June 2024, 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	5
2.	Dr. Kamau Thugge	Governor	Economist	8
3.	Principal Secretary/ The National Treasury	Executive Officer	Economist	4
4.	Mrs. Nelius Kariuki	Member	Economist	7
5.	Mr. Ravi Ruparel	Member	Financial Sector Expert	7
6.	Mr. Samson Cherutich	Member	Accountant	8
7.	Mrs. Rachel Dzombo	Member	Management Expert	8

1. Statement of Corporate Governance (Continued)

1.1. Board of Directors (continued)

The remuneration paid to the Directors for services rendered during the financial year 2023/2024 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 Committee

The members of the Audit Committee in the year ended 30 June 2024 were Mr. Samson K. Cherutich (Chairman), Mr. Ravi J. Ruparel, Mrs. Nelius W. Kariuki and Mrs. Rachel Dzombo. 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 Committee cover five (5) major areas, namely: Internal Control System, Risk Management, Financial Reporting and Related Reporting Practices, External and Internal Audits.

The Audit 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 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 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 Committee reports to the Board of Directors on the standing and independence of the internal audit function within the Bank. The Audit Committee also reports to the Board of Directors on internal audit scope, approach and deliverables.

The Committee Members' positions, disciplines and number of meetings attended for the year ended 30 June 2024 were as follows:

No.	Name	Position	Discipline	Meetings Attended
1.	Mr. Samson Cherutich	Chairman	Accountant	9
2.	Mr. Ravi Ruparel	Member	Financial Sector Expert	8
3.	Mrs. Nelius Kariuki	Member	Economist	9
4.	Mrs. Rachel Dzombo	Member	Management Expert	9

1. Statement of Corporate Governance (Continued)

1.4. Human Resources Committee (HRC)

The members of the HRC in the year ended 30 June 2024 were Mrs. Nelius Kariuki (Chairperson), Mr. Samson Cherutich, Mrs. Rachel Dzombo and Mr. Ravi Ruparel. The members are all Non-Executive Directors with experience in Accounting, Management and Business.

The HRC 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 HRC of the Board.

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

The members of the Human Resources Committee in the year ended 30 June 2024 and their attendance of the meetings held in the year were as follows:

No.	Name	Position	Discipline	Meetings attended
1.	Mrs. Nelius Kariuki	Chairperson	Economist	5
2.	Mr. Samson Cherutich	Member	Accountant	5
3.	Mrs Rachel Dzombo	Member	Management Expert	5
4.	Mr. Ravi Ruparel	Member	Financial Sector Expert	4

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.

1. Statement of Corporate Governance (Continued)

1.5. Monetary Policy Committee (MPC) (continued)

The MPC held seven (6) meetings in the year ended 30 June 2024, 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	Financial Sector Expert	6
3.	Dr. Margaret Chemengich	Member (External)	Economist	6
4.	Prof. Jane Kabubo-Mariara	Member (External)	Economist	5
5.	Prof. Benson Ateng'	Member (External)	Economist	6
6.	Mr. Humphrey Muga	Member (External)	Economist	4
7.	Mr. Musa Kathanje	Representative of the Principal Secretary, The National Treasury	Economist	6
8.	Mr. David Luusa	Member (Internal)	Economist	6
9.	Prof. Robert Mudida	Member (Internal)	Economist	6

1.6. Management Structure

The positions of Governor and Deputy Governor are set out in the CBK Act Cap 491 of the Laws of Kenya. The Governor and the Deputy Governor constitute the Central Bank's Senior Management. As the Chief Executive of the Bank, the Governor assigns duties to the Deputy Governor.
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 approved by the Board and a Procurement Plan approved by the Senior Management 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. Statement of Corporate Governance (Continued)

1.10. Internal Audit and Risk Management

The internal audit function and risk oversight is performed by Internal Audit 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 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 page 12 to 21 of these financial statements.

During financial year ended 30 June 2024, the Bank recorded a net deficit of KShs 24,342 million compared to a net surplus of KShs 150,494 million in the financial year ended 30 June 2023. The net deficit includes an unrealized exchange loss of KShs 73,555 million (2023: gain of Kshs 131,489 million). The deficit is included as part of the General Reserve Fund.

During the financial year ended 30 June 2024, the Bank's operating surplus was KShs 49,213 million (2023: KShs 19,005 million) due to higher average returns on the securities portfolio and deposits. An unrealised foreign exchange loss of KShs 73,555 million was recorded during the year ended 30 June 2024 (2023: gain of KShs 131,489 million) due to the strengthening of the Kenya Shilling against the US Dollar. The Bank also recorded a fair value gain on fixed income securities held at fair value through other comprehensive income (FVOCI) of KShs 9,691 million (2023: loss of KShs 4,698 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 337 million (2023: loss of KShs 2,770 million) was also recorded.

The consolidated Bank's assets increased to KShs 1,960,317 million (2023: KShs 1,783,209 million) mainly attributed to an increase in advances to Banks and advances on programs for on-lending to the Government of Kenya. Liabilities increased to KShs 1,560,359 million (2023: KShs 1,373,132 million) mainly due to an increase in IMF liabilities and deposits due to Banks.

The Directors submit their report together with the audited financial statements for the year ended 30 June 2024, 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 incorporated by 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 deficit for the year was KShs 24,342 million (2023: surplus of KShs 150,494 million) made up of KShs 49,213 million (2023: KShs 19,005 million) realized surplus and KShs 73,555 million unrealized loss (2023: gain of KShs 131,489 million). The surplus and deficit have been included as part of the General Reserve Fund. The directors recommend a transfer of operational surplus in the year to 30 June 2024 of KShs 30,000 million (2023: KShs 5,000 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 page 1.

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. Section 23(1) of the Act empowers the Auditor-General to appoint other auditors to carry out the audit on his behalf. Accordingly, Deloitte & Touche LLP were appointed to carry out the audit for the year ended 30 June 2024 and report to the Auditor General.

By Order of the Board

Kennedy Abuga
Board Secretary

6 September 2024

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 2024 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:

Chairman	Governor
Mr. Andrew Musangi	Dr. Kamau Thugge
6 September 2024	6 September 2024

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REPORT OF THE AUDITOR-GENERAL ON CENTRAL BANK OF KENYA FOR THE YEAR ENDED 30 JUNE, 2024

PREAMBLE

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

A. Report on the 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 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 intended purpose.

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

The three parts of the report are aimed at addressing the statutory roles and responsibilities of the Auditor-General 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

The accompanying Consolidated and Bank financial statements of Central Bank of Kenya (the "Bank") and its subsidiary (together, the "Consolidated"), set out on pages 12 to 118, which comprise of the Consolidated and Bank statement of financial position as at 30 June, 2024, and the Consolidated and Bank statement of profit or loss and other comprehensive income, Consolidated and Bank statement of changes in equity and the

Consolidated and Bank statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information have been audited on my behalf by Deloitte and Touche LLP auditors appointed under Section 23 of the Public Audit Act, 2015 and in accordance with the provisions of Article 229 of the Constitution of Kenya. The auditors have duly reported to me the results of their audit and on the basis of their report, I am satisfied that all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit were obtained.

In my opinion, the Consolidated and Bank financial statements present fairly, in all material respects, the Consolidated and Bank financial position of the Central Bank of Kenya as at 30 June, 2024, and of its Consolidated and Bank financial performance and its Consolidated and Bank 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 the 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.

Emphasis of Matter

Dissolution of Kenya School of Monetary Studies

I draw your attention to Note 28(iv) to the financial statements highlighting the dissolution of the Kenya School of Monetary Studies (KSMS). The dissolution was effected through a gazette notice on 17 May, 2024 with an effective dissolution date of 24 April, 2024. Following the dissolution, all assets and liabilities of KSMS were transferred to the Bank where it will run as a department.

My opinion is not modified in respect of this matter.

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

1. Lack of the Required Number of Non-Executive Directors

As reported in the previous year, Section 11(1)(d) of the Central Bank of Kenya Act, Cap 491 of 2014, provides that there shall be eight (8) other Non-Executive Directors of the

Board. During the year under review, the Bank had only four (4) Non-Executive Directors in place transacting business on its behalf and whose tenure will end on 4 December, 2024. However, this did not affect the quorum during Board meetings as provided for in Section 12(2) of the Central Bank of Kenya Act, Cap 491 of 2014.

There was no amendment to the Central Bank of Kenya Act to provide for reduction in the number of Directors.

2. Lack of a Second Deputy Governor

Section 13B (1) of the Central Bank of Kenya Act, Cap 491 provides that, there shall be two Deputy Governors who shall be appointed by the President through a transparent and competitive process and with the approval of Parliament. During the year under review, the Bank operated with only one Deputy Governor.

There was no amendment to the Central Bank of Kenya Act to provide for reduction in the number of Deputy Governors.

Other Information

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

My opinion on the Consolidated and Bank financial statements does not cover the other information and I do not express any form of assurance or conclusion 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 matter described in the Basis for Conclusion on Lawfulness and Effectiveness in 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

1. Delay in Construction Contract

The Bank awarded a contract for the office space optimization and improvement of entry and exit points at Central Bank of Kenya Headquarters on 16 September, 2022 at a contract sum of Kshs.414,037,056 for a period of six (6) months beginning 16 September, 2022 to 16 April, 2023.

Review of records revealed that the contractor requested for a thirty-seven (37) week extension of the contract period which was approved on 24 April, 2023 and the extension contract addendum signed on 3 May, 2023 at no additional cost. Thereafter, the contractor requested and was granted a second extension for a duration of twenty-four (24) weeks ending on 14 June, 2024. A third extension was requested, and which although approved on 10 June, 2024, the extension contract addendum was signed on 19 July, 2024 for a period of six (6) months to end on 13 December, 2024. The contract period has therefore, been extended three (3) times for an additional twenty one (21) months. Review of the latest valuation certificate dated 19 July, 2024 revealed that certified works amounted to Kshs.136,685,644 and the works were only at 50% level of completion, casting doubt that the contract would be completed by 13 December, 2024.

The reasons provided by the contractor for the delay in completion included delayed access to the site, temporary suspension of the site, delays in confirming change orders and delayed payment of Interim Certificate No. 3 all of which were in control of Management.

In the circumstances, the continued delay in completion of the office space optimization and improvement of entry and exit points is likely to result in further variation and the bank has not obtained value for money so far expended.

2. Procurement of Kenyan Currency Printing Services

During the year under review, the Bank procured and signed a currency printing contract on 22 April, 2024 with a foreign company for a consideration of Euro103,229,100(equivalent to Kshs.14,509,221,629). The procurement was done through the classified method of procurement under Section 90 of the Public Procurement and Asset Disposal Act, 2015. Management sought approval for the use of classified procurement method from the Cabinet Secretary, The National Treasury, which was granted on 12 January, 2024.

However, audit review of the procurement process revealed that the internal processes prior to the procurement were not followed in compliance with Regulation 84 of the Public Procurement and Asset Disposal Regulations, 2020 on the identification and assessment of the suitable currency supplier, the appointment of a special committee to handle the procurement of classified items, or the requirement for monitoring by the Director-General of Public Procurement Regulatory Authority in accordance with Section 9(1)(d) of the Act among other requirements under Regulation 84 of the Public Procurement and Asset Disposal Regulations, 2020.

In the circumstances, Management did not fully comply with the Public Procurement and Asset Disposal Act, 2015 and the attendant Regulations, 2020.

The audit was conducted in accordance with ISSAI 4000. The standard requires 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 are in compliance, 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, I confirm that, nothing has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

Basis for Conclusion

The audit was conducted in accordance with the 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 consolidated 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 consolidated 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 Consolidated and Bank 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 liquidate the Bank or 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 are in compliance 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 overall 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 the International Standards of Supreme Audit Institutions (ISSAIs), Article 229(4) of the Constitution and Section 35 of the Public Audit Act, 2015.

Further, Article 229(6) of the Constitution 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 comply with the law and other authorities that govern them and that public resources are applied in an effective way.

In addition, I also consider the entity's control environment in order to give assurance on the effectiveness of internal controls, risk management and governance in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015.

The report is submitted to Parliament in accordance with Article 229(7) of the Constitution and Section 48 of the Public Audit Act, 2015.

FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

24 September, 2024

CENTRAL BANK OF KENYA
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2024

	Notes	2024 KShs' million	2023 KShs' million
Interest income	4	63,630	29,020
Interest expense	5	(6,526)	(3,993)
Net interest income		57,104	25,027
Fees and commission income	6(a)	3,000	3,000
Net trading income	6(b)	9,092	12,666
Other income	7(a)	1,387	1,077
Operating income		70,583	41,770
Impairment allowance expense on financial assets	8	(3,782)	(2,813)
Operating expenses	9(a)	(17,588)	(19,952)
Operating surplus before unrealized (losses)/gains		49,213	19,005
Unrealised (loss)/gain:			
Foreign exchange (loss)/gain	9(c)	(73,555)	131,489
(Deficit)/Surplus for the year		(24,342)	150,494
Other comprehensive (loss) / income:			
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)	9,691	(4,698)
Reclassification to income statement	10(b)	9,122	6,612
Changes in impairment allowance	8	73	39
		18,886	1,953
Items that will not be reclassified to profit or loss:			
Actuarial gain/(loss) on retirement benefit asset	20	337	(2,770)
		337	(2,770)
Other comprehensive income/(loss) for the year		19,223	(817)
Total comprehensive (loss)/income for the year		(5,119)	149,677

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

	Notes	2024 KShs' million	2023 KShs' million
Interest income	4	63,630	29,020
Interest expense	5	(6,526)	(3,993)
Net interest income		57,104	25,027
Fees and commission income	6(a)	3,000	3,000
Net trading income	6(b)	9,092	12,666
Other income	7(a)	1,206	951
Operating income		70,402	41,644
Impairment allowance expense on financial assets	8	(3,782)	(2,813)
Operating expenses	9(a)	(17,407)	(19,826)
Operating surplus before unrealized (losses)/gains		49,213	19,005
Unrealised (loss)/gain:			
Foreign exchange (loss)/gain	9(c)	(73,555)	131,489
(Deficit)/Surplus for the year		(24,342)	150,494
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		337	(2,770)
Other comprehensive income/(loss) for the year		19,223	(817)
Total comprehensive (loss)/income for the year		(5,119)	149,677

CENTRAL BANK OF KENYA
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2024

	Notes	2024 KShs' million	2023 KShs' million
ASSETS			
Balances due from banking institutions	11	484,312	421,469
Funds held with International Monetary Fund (IMF)	12(a)	52,550	73,275
Securities and advances to banks	13	239,847	82,469
Loans and advances	14	3,627	3,694
Debt instruments at fair value through other comprehensive income	15	564,824	640,530
Equity instruments at fair value through other comprehensive income	16	11	12
Other assets	17(a)	7,117	7,997
Gold holdings	17(b)	169	150
Right-of-use assets	18(a)	64	79
Property and equipment	18(b)	29,583	29,710
Intangible assets	19	2,666	1,998
Retirement benefit asset	20	5,861	4,994
IMF On-Lent to Government of Kenya (GOK)	21(a)	409,375	326,865
Due from Government of Kenya	21(b)	160,311	189,967
TOTAL ASSETS		1,960,317	1,783,209
LIABILITIES			
Currency in circulation	22	333,795	315,967
Deposits due to banks and Government	23	647,035	572,975
Due to IMF	12(b)	573,412	477,899
Other liabilities	24	6,117	6,291
TOTAL LIABILITIES		1,560,359	1,373,132
EQUITY			
Share capital	25(a)	50,000	38,000
General reserve fund	25(b)	300,725	366,730
Fair value reserve	25(c)	(2,447)	(21,333)
Revaluation reserve	25(d)	21,680	21,680
Consolidated fund	25(e)	30,000	5,000
TOTAL EQUITY		399,958	410,077
TOTAL LIABILITIES AND EQUITY		1,960,317	1,783,209

The financial statements on pages 12 to 118 were authorised for issue by the Board of Directors on 6 September 2024 and signed on its behalf by:

Chairman of the Board
Mr. Andrew Musangi

Governor
Dr. Kamau Thugge

CENTRAL BANK OF KENYA
BANK STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2024

	Notes	2024 KShs' million	2023 KShs' million
ASSETS			
Balances due from banking institutions	11	484,312	421,469
Funds held with International Monetary Fund (IMF)	12(a)	52,550	73,275
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Equity instruments at fair value through other comprehensive income	16	11	12
Other assets	17(a)	7,117	7,858
Gold holdings	17(b)	169	150
Right-of-use assets	18(a)	64	79
Property and equipment	18(b)	29,583	29,710
Intangible assets	19	2,666	1,998
Retirement benefit asset	20	5,861	4,994
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TOTAL ASSETS		1,960,317	1,783,070
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Currency in circulation	22	333,795	315,967
Deposits due to banks and Government	23	647,035	572,975
Due to IMF	12(b)	573,412	477,899
Other liabilities	24	6,117	6,152
TOTAL LIABILITIES		1,560,359	1,372,993
EQUITY			
Share capital	25(a)	50,000	38,000
General reserve fund	25(b)	300,725	366,730
Fair value reserve	25(c)	(2,447)	(21,333)
Revaluation reserve	25(d)	21,680	21,680
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TOTAL LIABILITIES AND EQUITY		1,960,317	1,783,070

The financial statements on pages 12 to 118 were authorised for issue by the Board of Directors on 6 September 2024 and signed on its behalf by:

Chairman of the Board
Mr. Andrew Musangi

Governor
Dr. Kamau Thugge

CENTRAL BANK OF KENYA
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2024

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	25(a)	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

CENTRAL BANK OF KENYA
BANK STATEMENT OF CHANGES IN EQUITY (continued)
FOR THE YEAR ENDED 30 JUNE 2024

Year ended 30 June 2023	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 2022		35,000	226,986	21,680	(23,286)	4,000	264,380
Surplus for the year		-	150,494	-	-	-	150,494
Net change in fair value of debt instrument at FVOCI		-	-	-	(4,698)	-	(4,698)
Net amount reclassified to the income statement on sale and maturity of debt instruments at FVOCI		-	-	-	6,612	-	6,612
Net change in impairment allowance on debt instruments at FVOCI		-	-	-	39	-	39
Actuarial loss on retirement benefit asset	20	-	(2,770)	-	-	-	(2,770)
Other comprehensive (loss) for the year		-	(2,770)	-	1,953	-	(817)
Total comprehensive income for the year		-	147,724	-	1,953	-	149,677
Consolidation adjustment		-	20	-	-	-	20
Additional share capital	25(a)	3,000	(3,000)	-	-	-	-
Transactions with owners							
-Transfer to consolidated fund	25(e)	-	(5,000)	-	-	5,000	-
-Payments out of consolidated fund	25(e)	-	-	-	-	(4,000)	(4,000)
At 30 June 2023		38,000	366,730	21,680	(21,333)	5,000	410,077

CENTRAL BANK OF KENYA
BANK STATEMENT OF CHANGES IN EQUITY (continued)
FOR THE YEAR ENDED 30 JUNE 2024

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	25(a)	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

CENTRAL BANK OF KENYA
BANK STATEMENT OF CHANGES IN EQUITY (continued)
FOR THE YEAR ENDED 30 JUNE 2024

Year ended 30 June 2023	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 2022		35,000	227,006	21,680	(23,286)	4,000	264,400
Surplus for the year		-	150,494	-	-	-	150,494
Net change in fair value of debt instrument at FVOCI		-	-	-	(4,698)	-	(4,698)
Net amount reclassified to the income statement on sale and maturity of debt instruments at FVOCI		-	-	-	6,612	-	6,612
Net change in impairment allowance on debt instruments at FVOCI		-	-	-	39	-	39
Actuarial loss on retirement benefit asset	20	-	(2,770)	-	-	-	(2,770)
Other comprehensive (loss) for the year		-	(2,770)	-	1,953	-	(817)
Total comprehensive income for the year		-	147,724	-	1,953	-	149,677
Additional share capital	25(a)	3,000	(3,000)	-	-	-	-
Transactions with owners							
-Transfer to consolidated fund	25(e)	-	(5,000)	-	-	5,000	-
-Payments out of consolidated fund	25(e)	-	-	-	-	(4,000)	(4,000)
At 30 June 2023		38,000	366,730	21,680	(21,333)	5,000	410,077

CENTRAL BANK OF KENYA
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2024

	Notes	2024 KShs' million	2023 KShs' million
OPERATING ACTIVITIES			
Cash generated from / (used in) operating activities	26	10,212	(102,820)
Interest received		62,907	27,319
Interest paid		(6,526)	(3,993)
Interest paid on lease liabilities	18(a)	(7)	(5)
Cash generated from / (used) in operating activities		66,586	(79,499)
INVESTING ACTIVITIES			
Purchase of property and equipment	18(b)	(1,930)	(1,449)
Purchase of intangible assets	19	(955)	(1,865)
Proceeds from disposal of property and equipment		4	4
Net change in debt instruments at fair value through other comprehensive income		33,909	98,910
Net change in securities and advances to banks		(21,410)	(1,300)
Net change in funds held with International Monetary Fund (IMF)		15,521	10,224
Net cash generated from investing activities		25,139	104,524
FINANCING ACTIVITIES			
Payment of principal portion of lease liabilities	18(a)	(75)	(57)
Receipts from International Monetary Fund (IMF)	27(b)	139,866	96,587
Repayments to the International Monetary Fund (IMF)	27(b)	(1,225)	(6,736)
Net cash generated from financing activities		138,566	89,794
Net increase in cash and cash equivalents		230,291	114,819
Cash and cash equivalents at the beginning of the year		512,113	361,875
Effect of foreign exchange rate changes on cash and cash equivalents		(11,446)	35,419
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	27(a)	730,958	512,113

CENTRAL BANK OF KENYA
BANK STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2024

	Notes	2024 KShs' million	2023 KShs' million
OPERATING ACTIVITIES			
Cash generated from / (used) in operating activities	26	10,212	(102,820)
Interest received		62,907	27,319
Interest paid		(6,526)	(3,993)
Interest paid on lease liabilities	18(a)	(7)	(5)
Cash generated from / (used) in operating activities		66,586	(79,499)
INVESTING ACTIVITIES			
Purchase of property and equipment	18(b)	(1,930)	(1,449)
Purchase of intangible assets	19	(955)	(1,865)
Proceeds from disposal of property and equipment		4	4
Net change in debt instruments at fair value through other comprehensive income		33,909	98,910
Net change in securities and advances to banks		(21,410)	(1,300)
Net change in funds held with International Monetary Fund (IMF)		15,521	10,224
Net cash generated from investing activities		25,139	104,524
FINANCING ACTIVITIES			
Payment of principal portion of lease liabilities	18(a)	(75)	(57)
Receipts from International Monetary Fund (IMF)	27(b)	139,866	96,587
Repayments to the International Monetary Fund (IMF)	27(b)	(1,225)	(6,736)
Net cash generated from financing activities		138,566	89,794
Net increase in cash and cash equivalents		230,291	114,819
Cash and cash equivalents at the beginning of the year		512,113	361,875
Effect of foreign exchange rate changes on cash and cash equivalent		(11,446)	35,419
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	27(a)	730,958	512,113

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 and its subsidiary 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 and IFRS practice statement 2: Disclosure of accounting policies	1 January 2023 with earlier application permitted
Amendments to IAS 8: Definition of accounting estimates	1 January 2023
IFRS 17 Insurance Contracts	1 January 2023

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

(b). Changes in accounting policies and disclosures (Continued)

New and amended standards (Continued)

Amendments to IAS 1 and IFRS practice statement 2: Disclosure of accounting policies	The amendments require that an entity discloses its material accounting policies, instead of its significant accounting policies. Further amendments explain how an entity can identify a material accounting policy. Examples of when an accounting policy is likely to be material are added. To support the amendment, the Board has also developed guidance and examples to explain and demonstrate the application of the 'four-step materiality process' described in IFRS Practice Statement 2. Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) amends IAS 1 in the following ways: a) An entity is now required to disclose its material accounting policy information instead of its significant accounting policies; b) several paragraphs are added to explain how an entity can identify material accounting policy information and to give examples of when accounting policy information is likely to be material; c) the amendments clarify that accounting policy information may be material because of its nature, even if the related amounts are immaterial; the amendments clarify that accounting policy information is material if users of an entity's financial statements would need it to understand other material information in the financial statements; and d) the amendments clarify that if an entity discloses immaterial accounting policy information, such information shall not obscure material accounting policy information. In addition, IFRS Practice Statement 2 has been amended by adding guidance and examples to explain and demonstrate the application of the 'four-step materiality process' to accounting policy information in order to support the amendments to IAS 1. The amendments are applied prospectively. The amendments to IAS 1 are effective for annual periods beginning on or after 1 January 2023. Earlier application is permitted. Once the entity applies the amendments to IAS 1, it is also permitted to apply the amendments to IFRS Practice Statement 2. The changes did not have material impact on the financial statements of the Bank.
Amendments to IAS 8: Definition of accounting estimates	The amendments replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty". Entities develop accounting estimates if accounting policies require items in financial statements to be measured in a way that involves measurement uncertainty. The amendments clarify that a change in accounting estimate that results from new information or new developments is not the correction of an error.

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

(b). Changes in accounting policies and disclosures (Continued)

New and amended standards (Continued)

Amendments to IAS 8: Definition of accounting estimates (continued)	The changes to IAS 8 focus entirely on accounting estimates and clarify the following: a)The definition of a change in accounting estimates is replaced with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty". b)Entities develop accounting estimates if accounting policies require items in financial statements to be measured in a way that involves measurement uncertainty. c) The effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors. d) A change in an accounting estimate may affect only the current period's profit or loss, or the profit or loss of both the current period and future periods. The effect of the change relating to the current period is recognised as income or expense in the current period. The effect, if any, on future periods is recognized as income or expense in those future periods. The amendments are effective for annual periods beginning on or after 1 January 2023 and changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted. The changes did not have material impact on the financial statements of the Bank.
IFRS 17 Insurance Contracts	IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes IFRS 4 Insurance Contracts. IFRS 17 outlines a general model, which is modified for insurance contracts with direct participation features, described as the variable fee approach. The general model is simplified if certain criteria are met by measuring the liability for remaining coverage using the premium allocation approach. The general model uses current assumptions to estimate the amount, timing and uncertainty of future cash flows and it explicitly measures the cost of that uncertainty. It takes into account market interest rates and the impact of policyholders' options and guarantees. The Bank does not have any contracts that meet the definition of an insurance contract under IFRS 17.

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

(b). Changes in accounting policies and disclosures (Continued)

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 earlier application permitted
Amendments to IFRS 9 and IFRS 7: Amendments to the classification and measurement of financial statements	1 January 2026
IFRS 19: Subsidiaries without public accountability disclosures	1 January 2027
Amendments to IAS 1 – Classification of liabilities as current or non-current	1 January 2024, with earlier application permitted
Amendments to IFRS 16 - Lease Liability in a Sale and Leaseback	1 January 2024, with earlier application permitted
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 as earlier adoption permitted
Amendments to IAS 1- *Non-current Liabilities with Covenants*	1 January 2024 as earlier adoption permitted

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.

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

(c) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Bank and its subsidiary, Kenya School of Monetary Studies, as at June 30, 2024. Kenya School of Monetary Studies has been consolidated as at April 30, 2024 following the gazettement of liquidation on May 17, 2024 effective April 24, 2024. The investment in subsidiary in the separate financial statements is measured at cost less impairment.

The Kenya School of Monetary Studies (KSMS) was incorporated on April 15, 1997, as a Company limited by guarantee by the Central Bank of Kenya (CBK) and the National Treasury to offer training and courses for the financial sector in Kenya and the East African region.

In November 2019, the subscribers of KSMS resolved to dissolve it and transfer the activities of the Company to CBK. The winding up process has been going on, culminating in the dissolution of the Company through a Kenya Gazette notice dated May 17, 2024, effective the date of application (April 24, 2024). Consequently, all the functions, assets, and liabilities of KSMS were transferred to the Bank and its business, in particular the Learning and Capability Development function, will be run as a new Department of the Bank under the name – Central Bank of Kenya Institute of Monetary Studies.

Inter-company transactions, balances and unrealised gains on transactions between Bank and its subsidiary entities are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Bank.

(d) Functional currency and translation of foreign currencies

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)'.

(e) 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.

(f) 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.

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

(f) Financial instruments (Continued)

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:

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

(f) Financial instruments (Continued)

Financial assets (continued)

Financial assets at fair value through OCI (debt instruments) (Continued)

- 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.

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

(f) Financial instruments (continued)

Financial assets (continued)

Classes of financial instruments

				CONSOLIDATED	
Category (as defined by IFRS 9)		Class (as determined by the Bank)		2024	2023
				KShs' million	KShs' million
Financial assets	Financial assets at amortized cost	Securities and advances to banks		239,847	82,469
		Funds held with IMF		52,550	73,275
		Net advances to staff and banks under liquidation		3,627	3,694
		Other assets (classified as financial assets)		497	573
		Due from Government	Government term loan	16,679	17,789
			IMF On-Lent to GOK	409,375	326,865
			SDR Allocation due from National Treasury	82,611	95,721
			GOK Overdraft facility	61,021	76,457
		Balances due from banking institutions	Foreign currency denominated term deposits and current account balances	484,312	421,469
	Financial assets at Fair value through other comprehensive income	Fixed income securities	World Bank managed and internally managed fixed income portfolios	564,824	640,530
		Equity	Investment securities	11	12
Financial liabilities	Financial liabilities at amortised cost	Deposits from banks	Cash reserve ratio and current account deposits	294,324	211,850
		Due to IMF		573,412	477,899
		Other liabilities		6,117	6,291
		Deposits from Government institutions		352,711	361,125

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

(f) Financial instruments (continued)

Financial assets (continued)

Category (as defined by IFRS 9)		Class (as determined by the Bank)		BANK 2024 KShs' million	BANK 2023 KShs' million
Financial assets	Financial assets at amortized cost	Securities and advances to banks		239,847	82,469
		Funds held with IMF		52,550	73,275
		Net advances to staff and banks under liquidation		3,627	3,694
		Other assets (classified as financial assets)		497	434
		Due from Government	Government term loan	16,679	17,789
			IMF On-Lent to GOK	409,375	326,865
			SDR Allocation due from National Treasury	82,611	95,721
			GOK Overdraft facility	61,021	76,457
		Balances due from banking institutions	Foreign currency denominated term deposits and current account balances	484,312	421,469
	Financial assets at Fair value through other comprehensive income	Fixed income securities	World Bank managed and internally managed fixed income portfolios	564,824	640,530
		Equity	Investment securities	11	12
Financial liabilities	Financial liabilities at amortised cost	Deposits due to banks	Cash reserve ratio and current account deposits	294,324	211,850
		Due to IMF		573,412	477,899
		Other liabilities		6,117	6,152
		Deposits due to Government institutions		352,711	361,125

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

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

(f) Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

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

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

(f) Financial instruments (continued)

Financial assets (continued)

- 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 and its subsidiary of similar financial assets) is primarily derecognised (i.e., removed from the Bank's consolidated 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.

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

(f) Financial instruments (continued)

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 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.

(g) 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.

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

(g) Sale and repurchase agreements (Continued)

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.

(h) 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 consolidated 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.

(i) 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

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

(i) Property and equipment (Continued)

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.

(j) 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. 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 as set out in note 2(j). 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.

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

(k) 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.

(l) 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.

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

(l) Employee benefits (Continued)

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.

(m) 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.

(n) 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.

(o) Surplus funds

The *Central Bank of Kenya Act (Cap 491)* allows the Bank to retain 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 for distribution to the Government of Kenya shall be held in the consolidated fund.

(p) Share capital

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

(q) 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.

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

(q) Leases (continued)

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 recognises 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 recognises 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 recognised, 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(k) 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 equipments (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 equipments that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised 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.

(r) 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

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

(r) Interest income and expense (continued)

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.

(s) 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.

(t) 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.

(u) 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.

(v) 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

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

(v)Loan due from the Government of Kenya (continued)

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.

(w) 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.

(x) 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

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

(x) Fair value measurement (continued)

- 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)

(y) Order of liquidity

As a financial institution, the Bank and its subsidiary 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 and its subsidiary 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 consolidated 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 consolidated 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, 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.

		CONSOLIDATED AND BANK	
		2024	2023
4.	INTEREST INCOME	KShs' million	KShs' million
	Interest income calculated using the effective interest method		
	Financial assets – debt instruments at amortised cost	47,096	20,565
	Financial assets at fair value through other comprehensive income	16,534	8,455
		63,630	29,020
	Interest income from debt instruments at amortised cost		
	Interest on term deposits	9,519	3,443
	Interest on Government of Kenya loan	526	559
	Interest on Government of Kenya overdraft	9,630	5,161
	Interest on staff loans and advances	130	120
	Interest on advances to banks	20,591	7,710
	Other interest income	6,700	3,572
		47,096	20,565
	Interest income from debt instruments at fair value through other comprehensive income comprises:		
	Internally managed portfolio	15,386	7,879
	Externally managed portfolio – (World Bank Reserve Advisory & Management Partnership)-(RAMP)	1,148	576
		16,534	8,455

5. INTEREST EXPENSE

	CONSOLIDATED AND BANK 2024 KShs' million	2023 KShs' million
Interest expense calculated using the effective interest method		
Interest on monetary policy issues	163	141
Interest expense – IMF	6,363	3,852
	6,526	3,993

6. (a) FEES AND COMMISSION INCOME

	2024	2023
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.

(b) NET TRADING INCOME

	CONSOLIDATED AND BANK 2024 KShs' million	2023 KShs' million
Net gain on sale of foreign currencies	14,475	17,038
Net loss on disposal of financial assets carried at fair value through other comprehensive income	(5,383)	(4,372)
	9,092	12,666

7. (a) OTHER INCOME

	CONSOLIDATED	
Licence fees from commercial banks and foreign exchange bureaus	335	315
Penalties from commercial banks and foreign exchange bureaus	191	66
Rental income	57	28
Kenya School of Monetary Studies operating income - hospitality services.	181	126
Gain on disposal of property and equipment	2	4
KEPSS billing revenue	543	494
Miscellaneous income	78	44
	1,387	1,077

	BANK	
Licence fees from commercial banks and foreign exchange bureaus	335	315
Penalties from commercial banks and foreign exchange bureaus	191	66
Rental income	57	28
Gain on disposal of property and equipment	2	4
KEPSS billing revenue	543	494
Miscellaneous income	78	44
	1,206	951

8. IMPAIRMENT ALLOWANCE ON FINANCIAL ASSETS

	CONSOLIDATED AND BANK	
	2024	2023
	KShs' million	KShs' million
The table below shows the ECL charges on financial instruments:		
Impairment allowance on staff loans (Note 14)	(1)	(12)
Impairment allowance on balances due from banking institutions (Note 11)	(183)	(20)
Impairment allowance on Funds held with IMF (Note 12(a))	33	(32)
Impairment allowance on securities and advances to banks (Note 13)	(3,558)	(2,710)
Impairment allowance on debt instruments at fair value through other comprehensive income	(73)	(39)
	(3,782)	(2,813)

9. (a) OPERATING EXPENSES

	CONSOLIDATED	
	2024	2023
	KShs' million	KShs' million
Employee benefits (Note 9(b))	6,535	5,971
Currency production expenses	2,311	2,771
Property maintenance and utility expenses	3,769	4,251
Depreciation of property and equipment (Note 18(b))	2,055	2,156
Amortisation of intangible assets (Note 19)	287	177
Depreciation of right -of -use asset (Note 18(a))	70	66
Interest on lease liabilities (Note 18(a))	6	7
Impairment allowance on other assets (Note 17(a))	32	27
Auditor's remuneration	12	12
Transport and travelling costs	486	293
Office expenses	273	192
Communication expenses	428	365
Legal and professional fees	8	621
Grant to National Police Service	-	1,493
Other administrative expenses	1,316	1,550
	17,588	19,952

9. (a) OPERATING EXPENSES (Continued)

	BANK	
	2024 KShs' million	2023 KShs' million
Employee benefits (Note 9(b))	6,229	5,639
Currency production expenses	2,311	2,771
Property maintenance and utility expenses	3,769	4,251
Depreciation of property and equipment (Note 18(b))	2,055	2,156
Amortisation of intangible assets (Note 19)	287	177
Depreciation of right -of -use asset (Note 18(a))	70	66
Interest on lease liabilities (Note 18(a))	6	7
Impairment allowance on other assets (Note 17(a))	32	27
Auditor's remuneration	12	10
Transport and travelling costs	486	293
Office expenses	273	192
Communication expenses	428	365
Legal and professional fees	8	621
Grant to National Police Service	-	1,493
Other administrative expenses*	1,441	1,758
	17,407	19,826

*Other administrative expenses include expenses incurred by the Bank on behalf of KSMS.

(b) EMPLOYEE BENEFITS

	CONSOLIDATED	
	2024 KShs' million	2023 KShs' million
Wages and salaries	5,155	4,998
Pension costs – Defined contribution plan	615	553
Pension costs – Defined benefit plan	30	62
Medical expenses	554	468
Other staff costs	578	464
Directors' emoluments (Note 28(ii))	85	53
Net income relating to the retirement benefit asset (Note 20)	(482)	(627)
	6,535	5,971

(b) EMPLOYEE BENEFITS

	BANK	
	2024 KShs' million	2023 KShs' million
Wages and salaries	4,877	4,666
Pension costs – Defined contribution plan	615	553
Pension costs – Defined benefit plan	30	62
Medical expenses	537	468
Other staff costs	567	464
Directors' emoluments (Note 28(ii))	85	53
Net income relating to the retirement benefit asset (Note 20)	(482)	(627)
	6,229	5,639

9. OPERATING EXPENSES (Continued)

(c) FOREIGN EXCHANGE (LOSS) / GAIN	CONSOLIDATED AND BANK 2024 KShs' million	2023 KShs' million
Foreign exchange (loss)/gain	(73,555)	131,489

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

10. (a) CHANGES IN FAIR VALUE OF INVESTMENTS	CONSOLIDATED AND BANK 2024 KShs' million	2023 KShs' million
Fair value changes on debt instruments at fair value through other comprehensive income:		
Internally managed portfolio	8,960	(4,631)
Externally managed portfolio – RAMP	731	(67)
	9,691	(4,698)

(b) RECLASSIFICATION TO THE INCOME STATEMENT	CONSOLIDATED AND BANK 2024 KShs' million	2023 KShs' million
Net amount reclassified to the income statement on sale and maturity of debt instruments at FVOCI:		
Internally managed portfolio	8,828	6,143
World Bank managed portfolio-RAMP	294	469
	9,122	6,612

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

	CONSOLIDATED AND BANK	
	2024	2023
11. BALANCES DUE FROM BANKING INSTITUTIONS	KShs' million	KShs' million
Current accounts	109,132	80,865
Foreign currency denominated term deposits	281,317	256,765
Accrued interest on term deposits	439	348
Special project accounts	43,304	41,859
Domestic foreign currency cheque clearing (DFCC)	47,621	39,433
REPSS clearing and regional central banks	2,713	2,230
	484,526	421,500
Impairment allowance	(214)	(31)
	484,312	421,469

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

	2024 KShs' million	2023 KShs' million
At start of the year	31	11
Movement in impairment allowance (Note 8)	183	20
At 30 June	214	31

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)

		CONSOLIDATED AND BANK			
		2024 SDR million	2024 KShs' million	2023 SDR million	2023 KShs' million
(a)	Assets				
	IMF balances (SDR asset account)	308	52,554	391	73,312
	Allowance for impairment losses	-	(4)	-	(37)
		308	52,550	391	73,275

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

	2024 KShs' million	2023 KShs' million
At 1 July	37	5
Charges to profit or loss (note 8)	(33)	32
At 30 June	4	37

		2024 SDR million	2024 KShs' million	2023 SDR million	2023 KShs' million
(b)	Liabilities				
	International Monetary Fund Account No. 1	20	3,458	20	3,604
	International Monetary Fund Account No. 2	0.03	5	0.03	5
	International Monetary Fund – Poverty Reduction and Growth Facility (PRGF) Account	-	-	7	1,347
	Rapid Credit Facility (RCF)	543	92,455	543	101,668
	Extended Credit Facility (ECF)	637	108,497	451	84,386
	Extended Fund Facility (EFF)	1,341	228,454	752	140,811
	Resilience and Sustainability Facility (RSF)	45	7,705	-	-
	IMF - SDR Allocation account	780	132,838	780	146,078
		3,366	573,412	2,553	477,899

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 received SDR 589 million, SDR 186 million and SDR 45 million for Extended Fund Facility (EFF), Extended Credit Facility (ECF) and Resilience and Sustainability Facility (RSF) respectively in two tranches in the month of July 2023 and January 2024.

Kenya's quota in IMF of SDR 542.8 million (2023: 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

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

statements of the Bank as the custodian of the Government of Kenya. The cumulative SDR allocations stood at SDR 780 million (2023: SDR 780 million) while the current SDR holdings were SDR 308 million.
(2023: SDR 391 million). The repayment of IMF facilities is currently bi-annual and attracts nil interest until advised by IMF. The Rapid Credit Facility will be paid within a period of five years from November 2025 to May 2030. ECF will be paid quarterly within a period of 5 years from October 2026 to June 2031. EFF will be paid quarterly within a period of six years from October 2025 to June 2031. The Resilience and Sustainability Facility (RSF) has a 20-year maturity period.

13. SECURITIES AND ADVANCES TO BANKS

	CONSOLIDATED AND BANK	
	2024	2023
	KShs' million	KShs' million
Treasury bonds discounted	5,167	7,759
Treasury bills discounted	183	220
Accrued interest bonds discounted	154	470
Repo treasury bills (Injection)*	210,709	41,142
Accrued interest repo	822	126
Liquidity support framework	49,116	54,236
Due from commercial banks	-	1,262
	266,151	105,215
Impairment allowance	(26,304)	(22,746)
	239,847	82,469

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

	2024	2023
	KShs' million	KShs' million
At the start of the year	22,746	20,036
Charge to profit or loss (Note 8)	3,558	2,710
At 30 June	26,304	22,746

Year ended 30 June 2024	Maturity period			
	0-3 months	4-12 months	Over 1 year	Total
	KShs' million	KShs' million	KShs' million	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

13. SECURITIES AND ADVANCES TO BANKS (continued)

Year ended 30 June 2023	Maturity period			
	0-3 months KShs' million	4-12 months KShs' million	Over 1 year KShs' million	Total KShs' million
Treasury bills discounted	58	162	-	220
Treasury bonds discounted	1,632	599	5,528	7,759
Accrued interest bonds discounted	421	49	-	470
Repo treasury bills & bonds (injection)*	41,142	-	-	41,142
Accrued interest repo	126	-	-	126
Due from commercial banks	1,262	-	-	1,262
Liquidity support framework	872	2,682	27,936	31,490
	45,513	3,492	33,464	82,469

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

14. LOANS AND ADVANCES

	CONSOLIDATED AND BANK	
	2024 KShs' million	2023 KShs' million
Due from banks under liquidation	3,376	3,400
Advances to employees	3,696	3,762
	7,072	7,162
Impairment allowance	(3,445)	(3,468)
Net advances	3,627	3,694
The movement in the impairment allowance is as follows:		
At 1 July	3,468	3,456
Payment	(24)	-
Movement in impairment allowance (Note 8)	1	12
At 30 June	3,445	3,468

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

	CONSOLIDATED AND BANK	
	2024 KShs' million	2023 KShs' million
Fixed income securities – Internally managed portfolio	518,737	595,503
Fixed income securities under World Bank RAMP	46,087	45,027
	564,824	640,530

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

Maturity analysis	Maturity period			
Year ended 30 June 2024	0-3 months KShs' million	4-12 months KShs' million	Over 1 year KShs' million	Total 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

Maturity analysis	Maturity period			
Year ended 30 June 2023	0-3 months KShs' million	4-12 months KShs' million	Over 1 year KShs' million	Total KShs' million
Fixed income securities – Internally managed Portfolio	43,053	232,521	319,929	595,503
Fixed income securities under World Bank RAMP	2,047	12,484	30,496	45,027
	45,100	245,005	350,425	640,530

Fixed income securities decreased by KShs 75,706 million to KShs 564,824 million (2023: KShs 640,530 million) during the year under review.

16. UNLISTED EQUITY INVESTMENTS

	CONSOLIDATED AND BANK	
	2024 KShs' million	2023 KShs' million
Unquoted equity securities at fair value through other comprehensive income	11	12

17. (a) OTHER ASSETS

	CONSOLIDATED	
	2024	2023
	KShs' million	KShs' million
Prepayments	2,941	199
Bonds Pending Receivables - World Bank	-	932
Deferred currency expenses	3,627	5,937
Sundry debtors	778	956
Items in the course of collection	120	256
Uncleared effects	8	42
	7,474	8,322
Impairment allowance	(357)	(325)
	7,117	7,997

All other assets balances are recoverable within one year.

The movement in the impairment allowance is as follows:		
At start of the year	325	4,997
Financial asset derecognised	-	(4,699)
Increase in impairment allowance (Note 9(a))	32	27
At 30 June	357	325

	BANK	
Prepayments	2,941	199
Bonds Pending Receivables - World Bank	-	932
Deferred currency expenses	3,627	5,937
Sundry debtors	778	817
Items in the course of collection	120	256
Uncleared effects	8	42
	7,474	8,183
Impairment allowance	(357)	(325)
	7,117	7,858

All other assets balances are recoverable within one year.

The movement in the impairment allowance is as follows:		
At start of the year	325	4,997
Financial asset derecognised	-	(4,699)
Increase in impairment allowance (Note 9(a))	32	27
At 30 June	357	325

17. (b) GOLD HOLDINGS

	CONSOLIDATED AND BANK	
	2024	2023
	KShs' million	KShs' million
Gold holdings	169	150

18. (a) RIGHT OF USE ASSETS

	CONSOLIDATED AND BANK		
Year ended 30 June 2024	Leases relating to buildings KShs' million	Leases relating to equipment KShs' million	Total KShs' million
COST	330	204	534
At 1 July 2023			
Additions	55	-	55
At 30 June 2024	385	204	589
ACCCUMULATED AMORTISATION			
At 1 July 2023	251	204	455
Charge for the year	70	-	70
At 30 June 2024	321	204	525
CARRYING AMOUNT			
At 30 June 2024	64	-	64
Year ended 30 June 2023			
COST			
At 1 July 2022	275	204	479
Additions	55	-	55
At 30 June 2023	330	204	534
ACCCUMULATED AMORTISATION			
At 1 July 2022	185	204	389
Charge for the year	66	-	66
At 30 June 2023	251	204	455
CARRYING AMOUNT			
At 30 June 2023	79	-	79

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

18 (a) RIGHT OF USE ASSETS (Continued)

	CONSOLIDATED AND BANK	
	2024	2023
	Kshs million	KShs 'million
At start of the year	90	90
Additions	55	55
Accretion of interest	6	7
Payment of principal	(75)	(57)
Payment of interest	(7)	(5)
At 30 June	69	90

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

	CONSOLIDATED AND BANK	
	2024	2023
	KShs 'million	KShs 'million
Depreciation expense for right-of-use assets	70	66
Interest expense on lease liabilities	6	7
Total amount recognised in profit or loss	76	73

The Bank had total cash outflows for leases of KShs 82 million (2023: KShs 62 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 13.0% (2023: 10.5%).

The bank also had non-cash additions to the right-of-use assets and lease liabilities of KShs 55 million (2023: 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.

	2024	2023
Maturity analysis – Contractual undiscounted cash flows	KShs 'million	KShs 'million
Less than one year	49	65
Between one and five years	26	30
	75	95
Interest expense	(6)	(5)
	69	90

18(b). PROPERTY AND EQUIPMENT

CONSOLIDATED AND BANK

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
CARRYING AMOUNT						
At 30 June 2024	17,348	4,940	2,626	134	4,535	29,583

18(b). PROPERTY AND EQUIPMENT (continued)

CONSOLIDATED AND BANK

Year ended 30 June 2023	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 2022	19,560	5,458	2,516	426	12,156	40,116
Additions	-	-	1,227	19	203	1,449
Grant to National Police Service*	-	-	(1,493)	-	-	(1,493)
Capitalization of work in progress	-	-	(158)	-	158	-
Disposals	-	-	-	(3)	(67)	(70)
At 30 June 2023	19,560	5,458	2,092	442	12,450	40,002
DEPRECIATION						
At 1 July 2022	776	182	-	414	6,834	8,206
Charge for the year	718	168	-	11	1,259	2,156
Disposals	-	-	-	(3)	(67)	(70)
At 30 June 2023	1,494	350	-	422	8,026	10,292
CARRYING AMOUNT						
At 30 June 2023	18,066	5,108	2,092	20	4,424	29,710

*CBK and National Police Service (NPS) agreed to cooperate on the building of National Police Leadership Academy (the Academy) in Ngong, on premises fully owned by the NPS. Under this arrangement, CBK agreed to finance and oversee the construction of the Academy and subsequently hand it over to NPS for its exclusive use. The Academy was completed in December 2022 and handed over to the NPS. The project cost of Ksh.1,493 million has now been expensed fully in the financial statements for the year ended June 30, 2023.

19. INTANGIBLE ASSETS

	CONSOLIDATED AND BANK		
	Software KShs' million	Work in Progress KShs' million	Total KShs' million
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			
At 30 June 2024	1,150	1,516	2,666
Year ended 30 June 2023			
COST			
At 1 July 2022	2,606	-	2,606
Additions	33	1,832	1,865
At 30 June 2023	2,639	1,832	4,471
ACCUMULATED AMORTISATION			
At 1 July 2022	2,296	-	2,296
Charge for the year	177	-	177
At 30 June 2023	2,473	-	2,473
NET CARRYING AMOUNT	166	1,832	1,998

20. RETIREMENT BENEFIT ASSET

	CONSOLIDATED AND BANK	
	2024	2023
	KShs' million	KShs' million
Present value of funded obligations	16,925	17,177
Fair value of plan assets	(31,082)	(29,799)
Net overfunding in funded plan	(14,157)	(12,622)
Limit on defined benefit asset	8,296	7,628
Retirement Benefit Asset	(5,861)	(4,994)
Movements in the net defined benefit asset recognised are as follows:		
At start of the year	4,994	7,081
Net income recognised in profit or loss (Note 9(b))	482	627
Net income recognized in other comprehensive income (OCI)	337	(2,770)
Employer contributions	48	56
At 30 June	5,861	4,994
Movements in the plan assets are as follows:		
At start of the year	29,799	30,430
Interest income on plan assets	4,205	3,837
Employer contributions	48	56
Employee contributions	24	28
Benefits expenses paid	(2,058)	(1,892)
Return on plan assets excluding amount in interest income	(936)	(2,660)
At 30 June	31,082	29,799
Movements in the plan benefit obligation are as follows:		
At start of the year	17,177	16,620
Current service cost net of employees' contributions	226	269
Interest cost	2,384	2,068
Employee contributions	24	28
Actuarial gain due to change in financial assumptions and experience	(828)	84
Benefits paid	(2,058)	(1,892)
At 30 June	16,925	17,177

The principal actuarial assumptions at the reporting date were:	2024	2023
Discount rate (p.a.)	15.0%	14.60%
Salary increase (p.a.)	7.00%	7.00%
Future pension increases	3.00%	3.00%

20. RETIREMENT BENEFIT ASSET (continued)

Five-year summary	2024 KShs' million	2023 KShs' million	2022 KShs' million	2021 KShs' million	2020 KShs' million
Fair value of plan assets	31,082	29,799	30,430	32,048	30,270
Present value of funded obligations	(16,925)	(17,177)	(16,620)	(17,302)	(17,910)
Adjustment to retirement benefit asset	(8,296)	(7,628)	(6,729)	(7,107)	(5,823)
Net retirement benefit asset	5,861	4,994	7,081	7,639	6,537

Plan assets are distributed as follows:

	2024		2023	
	KShs' million	%	KShs' million	%
Quoted shares	3,257	10.5%	3,679	12.3%
Investment properties	9,461	30.4%	9,448	31.7%
Government of Kenya treasury bills and bonds	15,765	50.7%	13,823	46.5%
Commercial paper and corporate bonds	155	0.5%	222	0.7%
Offshore investments	250	0.8%	149	0.5%
Fixed and term deposits	1,490	4.8%	1,668	5.6%
Fixed assets	42	0.1%	5	0.0%
Private equity	376	1.2%	435	1.5%
Net current assets	286	1.0%	370	1.2%
	31,082	100%	29,799	100%

Sensitivity of principal actuarial assumptions:

If the discount rate is 1% lower, the present value of funded obligations would be KShs 18,142 million (increase by KShs 1,217 million). This sensitivity analysis has been determined based on reasonably possible changes of the assumption occurring at the end of 30 June 2024, 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 7.2 years (2023: 8.1 years).

21. (a) IMF On-Lent to GOK

	CONSOLIDATED AND BANK 2024 KShs' million	2023 KShs' million
Rapid credit facility	92,455	101,668
Extended credit facility	96,848	84,386
Extended fund facility	212,367	140,811
Resilience and Sustainability Facility	7,705	-
	409,375	326,865

The balance as at 30 June 2024 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 568 million under the Extended Credit Facility (ECF), SDR 1,247 million Extended Fund Facility (EFF) and SDR 45 million under the Resilience and Sustainability Facility (RSF). RCF will be paid half-yearly within a period of five years from November 2025 to May 2030. ECF will be paid quarterly within a period of 5 years from October 2026 to June 2031. EFF will be paid quarterly within a period of six years from October 2025 to June 2031.

(b) DUE FROM GOVERNMENT OF KENYA

	CONSOLIDATED AND BANK 2024 KShs' million	2023 KShs' million
Overdraft	61,021	76,457
Government loan	16,679	17,789
SDR Allocation due from National Treasury	82,611	95,721
	160,311	189,967

Movement in the government loan is as follows:

	Government Loan 2024 KShs' million	Government Loan 2023 KShs' million	SDR Allocation Due from National Treasury 2024 KShs' million	SDR Allocation Due from National Treasury 2023 KShs' million
At start of the year	17,789	18,899	95,721	40,862
Advance	-	-	-	48,774
Principal repayment	(1,110)	(1,110)	(4,435)	(1,826)
Interest charged	526	559	-	-
Interest paid	(526)	(559)	-	-
Foreign exchange revaluation	-	-	(8,675)	7,911
At 30 June	16,679	17,789	82,611	95,721

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 2024 is KShs 97,048 million (2023: KShs 80,051million) based on the gross recurrent revenue for the year ended 30 June 2022 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 13%.

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

	CONSOLIDATED AND BANK 2024 KShs' million	2023 KShs' million
Kenya bank notes	322,766	305,407
Kenya coins	11,029	10,560
	333,795	315,967
Movement in the account was as follows:		
At 1 July	315,967	305,350
Deposits by commercial banks	(516,854)	(544,656)
Withdrawals by commercial banks	534,712	555,300
(Withdrawals)/deposits by CBK	(30)	(27)
At 30 June	333,795	315,967

23. DEPOSITS DUE TO BANKS AND GOVERNMENT

	CONSOLIDATED AND BANK 2024 KShs' million	2023 KShs' million
Local commercial banks clearing accounts and cash reserve ratio	245,876	172,226
Local banks foreign exchange settlement accounts	45,371	36,385
External banks foreign exchange settlement accounts	3,077	3,239
Other public entities and project accounts	1,106	1,245
Government of Kenya	351,605	359,880
	647,035	572,975

24. OTHER LIABILITIES

	CONSOLIDATED 2024 KShs' million	2023 KShs' million
Impersonal accounts*	183	326
Sundry creditors	4,056	3,273
Lease liability (Note 18(a))	69	90
Refundable deposits	308	317
Leave accrual	235	253
Bond pending payables	1,204	1,990
Gratuity to staff members	62	42
	6,117	6,291
	BANK	
Impersonal accounts*	183	326
Sundry creditors	4,056	3,134
Lease liability (Note 18(a))	69	90
Refundable deposits	308	317
Leave accrual	235	253
Bond pending payables	1,204	1,990
Gratuity to staff members	62	42
	6,117	6,152

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

25. (a) SHARE CAPITAL

	CONSOLIDATED AND BANK 2024 KShs' million	2023 KShs' million
Authorised share capital:		
At 1 July and 30 June	100,000	50,000
Paid up share capital:		
At 1 July and 30 June	50,000	38,000

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 12,000 million from the general reserve fund on 8 September 2023, resulting in the increase in paid up share capital from KShs 38,000 million to KShs 50,000 million. Further the Board of Directors authorised the increase in authorised share capital to KShs 100,000 million in April 12, 2024. In addition, the Board of Directors authorised the capitalisation of KShs 10,000 million from the general reserve fund on 6 September 2024 to enhance the Bank's paid up capital to KShs 60,000 million.

(b) GENERAL RESERVE FUND - CONSOLIDATED AND BANK

The general reserve of KShs 300,725 million (2023: KShs 366,730 million) represents accumulated realized surplus of KShs 72,708 million (2023: KShs 65,495 million) arising from normal operations of the Bank and unrealized gains of KShs 228,017 million (2023: KShs 301,235 million).

(c) FAIR VALUE RESERVE - CONSOLIDATED AND BANK

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 - CONSOLIDATED AND BANK

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 -CONSOLIDATED AND BANK

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:	CONSOLIDATED AND BANK 2024 KShs' million	2023 KShs' million
At start of the year	5,000	4,000
Transfer from general reserve	30,000	5,000
Payments out of consolidated fund	(5,000)	(4,000)
At 30 June	30,000	5,000

26. CASH GENERATED / (USED) IN OPERATIONS

	CONSOLIDATED	
	2024 KShs' million	2023 KShs' million
(Deficit)/Surplus for the year	(24,342)	150,494
Adjustments for:		
Unrealized foreign exchange (gains)/losses	73,555	(131,489)
Accrued Interest adjustment	723	1,701
Depreciation of property and equipment (Note 18(b))	2,055	2,156
Amortisation of intangible assets (Note 19)	287	177
Amortisation of right-of-use assets (Note 18(a))	70	66
Grant to National Police Service (Note 18(b))	-	1,493
Gain on disposal of property and equipment (Note 7)	(2)	(4)
Impairment allowance on financial assets	3,782	2,813
Interest income	(63,630)	(29,020)
Interest expense	6,526	3,993
Interest on lease liability (Note 9(a))	6	7
Provision for impairment loss on other assets (Note 9(a))	32	27
Net credit relating to the retirement benefit asset (Note 20)	(482)	(627)
Employer contributions on defined benefit asset (Note 20)	(48)	(56)
Reclassification from fair value reserve (Note 10(b))	9,122	6,612
Operating surplus before working capital changes	7,654	8,343
Changes in working capital:		
Loans and advances	67	20
Other assets	755	480
Due from Government of Kenya	29,656	(71,704)
Currency in circulation	17,828	10,617
Deposits	79,714	22,548
IMF on-lent	(120,363)	(71,038)
Consolidated Fund (Note 25(e))	(5,000)	(4,000)
Other liabilities	(99)	1,914
Net cash from/ (used in) operations	10,212	(102,820)

26. CASH GENERATED / (USED) IN OPERATIONS

	BANK	
	2024	2023
	KShs' million	KShs' million
(Deficit)/Surplus for the year	(24,342)	150,494
Adjustments for:		
Unrealized foreign exchange (gains)/losses	73,555	(131,489)
Accrued Interest adjustment	723	1,701
Depreciation of property and equipment (Note 18(b))	2,055	2,156
Amortisation of intangible assets (Note 19)	287	177
Amortisation of right-of-use assets (Note 18(a))	70	66
Grant to National Police Service (Note 18(b))	-	1,493
Gain on disposal of property and equipment (Note 7)	(2)	(4)
Impairment allowance on financial assets	3,782	2,813
Interest income	(63,630)	(29,020)
Interest expense	6,526	3,993
Interest on lease liability (Note 9(a))	6	7
Provision for impairment loss on other assets (Note 9(a))	32	27
Net credit relating to the retirement benefit asset (Note 20)	(482)	(627)
Employer contributions on defined benefit asset (Note 20)	(48)	(56)
Reclassification from fair value reserve (Note 10(b))	9,122	6,612
Operating surplus before working capital changes	7,654	8,343
Changes in working capital:		
Loans and advances	67	20
Other assets	616	506
Due from Government of Kenya	29,656	(71,704)
Currency in circulation	17,828	10,617
Deposits	79,714	22,548
IMF on-lent	(120,363)	(71,038)
Consolidated fund (Note 25(e))	(5,000)	(4,000)
Other liabilities	40	1,888
Net cash from/ (used in) operations	10,212	(102,820)

27. NET CASH FROM/ (USED) IN OPERATIONS

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

	CONSOLIDATED AND BANK	
	2024	2023
	KShs' million	KShs' million
Balances due from banking institutions (Note 11)	484,526	421,500
Financial assets – FVOCI (Note 15)	41,331	45,100
Securities discounted by banks and other advances (Note 13)	205,101	45,513
	730,958	512,113

27. NET CASH FROM/ (USED) IN OPERATIONS (continued)

(b) Changes in liabilities arising from financing activities

	CONSOLIDATED AND BANK	
	2024	2023
	KShs' million	KShs' million
At start of the year	477,899	325,145
Cash flow items:		
Repayments to IMF	(1,225)	(6,736)
Receipts during the year	139,866	96,587
Foreign exchange changes	(43,128)	62,903
At 30 June	573,412	477,899

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 2024 are disclosed in Note 14. Collateral information is disclosed in Note 29. The repayment terms of the loans are between 3 years and 25 years.

	CONSOLIDATED AND BANK	
	2024	2023
Loans to key senior staff	KShs' million	KShs' million
At 1 July	55	45
Loans advanced during the year	30	33
Interest earned	2	1
Loan repayments	(47)	(24)
At 30 June	40	55
(ii) Directors' emoluments:		
Fees to non-executive directors	19	17
Directors' travelling expenses	21	1
Other remuneration to executive directors	37	35
	77	53
(iii) Remuneration to senior staff	298	324
(iv) Post–employment pension to senior management	15	19

28. RELATED PARTY TRANSACTIONS (continued)

(v) Government of Kenya - owner of the Bank

	CONSOLIDATED AND BANK	
	2024	2023
	KShs' million	KShs' million
Due from Government of Kenya (Note 21(b))	160,311	189,967
Government Institutions Deposits (Note 23)	352,711	361,125
IMF On-lent to GOK (Note 21(a))	409,375	326,865
Interest earned from Government of Kenya – Loan (Note 4)	526	559
Interest earned from Government of Kenya - Overdraft (Note 4)	9,630	5,161
Fees and commission income (Note 6(a))	3,000	3,000
Loan principal repayment (Note 21(b))	1,110	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) Kenya School of Monetary Studies (KSMS)

The Kenya School of Monetary Studies (KSMS) was incorporated on April 15, 1997, as a Company limited by guarantee by the Central Bank of Kenya (CBK) and the National Treasury to offer training and courses for the financial sector in Kenya and the East African region.

In November 2019, the subscribers of KSMS resolved to dissolve it and transfer the activities of the Company to CBK. The winding up process has been going on, culminating in the dissolution of the Company through a Kenya Gazette notice dated May 17, 2024, effective the date of application (April 24, 2024). Consequently, all the functions, assets, and liabilities of KSMS were transferred to the Bank and its business, in particular the Learning and Capability Development function, will be run as a new Department of the Bank under the name – Central Bank of Kenya Institute of Monetary Studies.

All the tangible assets at the Central Bank of Kenya Institute of Monetary Studies (formerly KSMS) have always been fully owned by CBK and therefore not part of this transfer.

For the year under review, the transactions and balances between CBK and KSMS are as follows.

	CONSOLIDATED AND BANK	
	2024	2023
	KShs' million	KShs' million
CBK-KSMS related transactions and balances		
Grants from CBK	364	532
Due (from)/to CBK	-	(21)

(vii) 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 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 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.

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

The following table sets out the carrying amounts of the financial assets that are exposed to credit risk as at 30 June 2024 and 30 June 2023:

	CONSOLIDATED	
	2024	2023
	KShs' million	KShs' million
Balances due from banking institutions	484,312	421,469
Funds held with International Monetary Fund (IMF)	52,550	73,275
Securities and advances to banks	239,847	82,469
IMF On-Lent to GOK	409,375	326,865
Loans and advances	3,627	3,694
Debt instruments at fair value through other comprehensive income	564,824	640,530
Other assets – sundry debtors	140	248
Due from Government of Kenya	160,311	189,967
	1,914,986	1,738,517

	BANK	
	2024	2023
	KShs' million	KShs' million
Balances due from banking institutions	484,312	421,469
Funds held with International Monetary Fund (IMF)	52,550	73,275
Securities and advances to banks	239,847	82,469
IMF On-Lent to GOK	409,375	326,865
Loans and advances	3,627	3,694
Debt instruments at fair value through other comprehensive income	564,824	640,530
Other assets	140	109
Due from Government of Kenya	160,311	189,967
	1,914,986	1,738,378

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.

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(i) Credit risk (continued)

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(f). The credit ratings are obtained from recognized international credit rating agencies.

Year ended 30 June 2024

	CONSOLIDATED			
	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 to 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	88,551	-	-	88,551
Rated AA+ to AA-	466,073	-	-	466,073
Rated A+ to A-	8,587	-	-	8,587
Rated BBB to BB-	1,613	-	-	1,613
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

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(i) Credit risk (continued)

Credit quality analysis (continued)

Year ended 30 June 2024

	CONSOLIDATED			
	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

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(i) Credit risk (continued)

Credit quality analysis (continued)

Year ended 30 June 2023

	CONSOLIDATED			
	Stage 1 KShs' million	Stage 2 KShs' million	Stage 3 KShs' million	Total KShs' million
Balance due from banking institutions				
Rated AAA	94	-	-	94
Rated AA- to AA+	164,530	-	-	164,530
Rated A- to A+	78,728	-	-	78,728
Rated BBB – BB	117,841	-	-	117,841
Unrated	60,307	-	-	60,307
Gross carrying amount	421,500	-	-	421,500
Impairment allowance	(31)	-	-	(31)
Net carrying amount	421,469	-	-	421,469
Debt instruments at fair value through OCI				
Rated AAA	93,624	-	-	93,624
Rated AA- to AA+	538,187	-	-	538,187
Rated A- to A+	8,719	-	-	8,719
Carrying amount	640,530	-	-	640,530
Due from Government of Kenya				
Unrated	189,967	-	-	189,967
Funds with IMF				
Unrated	73,312	-	-	73,312
Gross carrying amount	73,312	-	-	73,312
Impairment allowance	(37)			(37)
Net carrying amount	73,275	-	-	73,275
IMF On-Lent to GOK				
Unrated	326,865	-	-	326,865

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(i) Credit risk (continued)

Credit quality analysis (continued)

Year ended 30 June 2023

	CONSOLIDATED			
	Stage 1 KShs' million	Stage 2 KShs' million	Stage 3 KShs' million	Total KShs' million
Securities and advances to banks				
Unrated	78,857	-	26,358	105,215
Gross carrying amount	78,857	-	26,358	105,215
Impairment allowance	(523)	-	(22,223)	(22,746)
Net carrying amount	78,334	-	4,135	82,469
Loans and advances				
Unrated	3,575	5	3,582	7,162
Gross carrying amount	3,575	5	3,582	7,162
Impairment allowance	(10)	-	(3,458)	(3,468)
Net carrying amount	3,565	5	124	3,694
Other assets				
Unrated	267	-	306	573
Gross carrying amount	267	-	306	573
Impairment allowance	(27)	-	(298)	(325)
Net carrying amount	240	-	8	248

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(i) Credit risk (continued)

Credit quality analysis (continued)

Year ended 30 June 2024

	BANK			
	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 to 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	88,551	-	-	88,551
Rated AA+ to AA-	466,073	-	-	466,073
Rated A+ to A-	8,587	-	-	8,587
Rated BBB to BB-	1,613	-	-	1,613
Carrying amount	564,824	-	-	564,824
Due from Government of Kenya	160,311	-	-	160,311
Unrated				
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

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(i) Credit risk (continued)

Credit quality analysis (continued)

Year ended 30 June 2024

	BANK			
	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

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(i) Credit risk (continued)

Credit quality analysis (continued)

Year ended 30 June 2023

	BANK			
	Stage 1 KShs' million	Stage 2 KShs' million	Stage 3 KShs' million	Total KShs' million
Balance due from banking institutions				
Rated AAA	94	-	-	94
Rated AA- to AA+	164,530	-	-	164,530
Rated A- to A+	78,728	-	-	78,728
Rated BBB – BB	117,841	-	-	117,841
Unrated	60,307	-	-	60,307
Gross carrying amount	421,500	-	-	421,500
Impairment allowance	(31)	-	-	(31)
Net carrying amount	421,469	-	-	421,469
Debt instruments at fair value through OCI				
Rated AAA				
Rated AA- to AA+	93,624	-	-	93,624
Rated A- to A+	538,187	-	-	538,187
	8,719			8,719
Carrying amount	640,530	-	-	640,530
Due from Government of Kenya				
Unrated	189,967	-	-	189,967
Funds with IMF				
Unrated	73,312	-	-	73,312
Gross carrying amount	73,312	-	-	73,312
Impairment allowance	(37)			(37)
Net carrying amount	73,275	-	-	73,275
IMF On-Lent to GOK				
Unrated	326,865	-	-	326,865

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(i) Credit risk (continued)

Credit quality analysis (continued)

Year ended 30 June 2023

	BANK			
	Stage 1 KShs' million	Stage 2 KShs' million	Stage 3 KShs' million	Total KShs' million
Securities and advances to banks				
Unrated	78,857	-	26,358	105,215
Gross carrying amount	78,857	-	26,358	105,215
Impairment allowance	(523)	-	(22,223)	(22,746)
Net carrying amount	78,334	-	4,135	82,469
Loans and advances				
Unrated	3,575	5	3,582	7,162
Gross carrying amount	3,575	5	3,582	7,162
Impairment allowance	(10)	-	(3,458)	(3,468)
Net carrying amount	3,565	5	124	3,694
Other assets				
Unrated	128	-	306	434
Gross carrying amount	128	-	306	434
Impairment allowance	(27)	-	(298)	(325)
Net carrying amount	101	-	8	109

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(i) Credit risk (continued)

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.

CONSOLIDATED AND BANK

	Notes	Percentage of exposure that is subject to collateral requirements		
		30 June 2024	30 June 2023	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 2024, the Bank held advances to banks of KShs 210,709 million (2023: KShs 41,142 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 185,445 million (2023: KShs 40,964 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.

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(i) Credit risk (continued)

Inputs, assumptions and techniques used for estimating expected credit loss (continued)

Credit risk grades/ratings (continued)

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.

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(i) Credit risk (continued)

Inputs, assumptions and techniques used for estimating impairment (continued)

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.

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(i) Credit risk (continued)

Inputs, assumptions and techniques used for estimating impairment (continued)

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.

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(i) Credit risk (continued)

Inputs, assumptions and techniques used for estimating impairment (continued)

Measurement of ECL (continued)

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:

	CONSOLIDATED AND BANK			
	Exposure	Exposure	External benchmarks used	
	2024	2023		
	KShs' million	KShs' million	PD	LGD
Balances due from banking institutions	484,312	421,469	Bloomberg PD rating model	Basel II recovery studies
Debt instruments at fair value through other comprehensive income	564,824	640,530	Bloomberg PD rating model	Basel II recovery studies
Funds held with IMF	52,550	73,275	Bloomberg PD rating model	Basel II recovery studies

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(i) Credit risk (continued)

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

	CONSOLIDATED							
	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 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

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(i) Credit risk (continued)

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

	CONSOLIDATED							
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 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	-
Transfer to stages	-	-	-	-	-	-	-	-
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/purchased	-	-	-	-	20	20	20	20
Asset derecognized or repaid	(96)	-	-	-	-	-	(96)	-
Change in risk parameters	-	-	-	-	-	12	-	12
Transfer to stage 3	-	-	-	-	-	-	-	-
At 30 June 2024	171	27	-	-	326	330	497	357

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(i) Credit risk (continued)

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

CONSOLIDATED

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 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
Changes in risk parameters	-	-	-	-	-	-	-	-
At 30 June 2024	3,496	10	-	-	3,576	3,435	7,072	3,445
Year ended 30 June 2023								
Debt instruments at fair value through other comprehensive income								
At 1 July 2022	636,651	184	-	-	-	-	636,651	184
New assets originated or purchased	177,301	71	-	-	-	-	177,301	71
Asset derecognized or repaid	(293,307)	(78)	-	-	-	-	(293,307)	(78)
Accrued interest	14,014	-	-	-	-	-	14,014	-
Realised gains	2,059	-	-	-	-	-	2,059	-
Foreign exchange adjustments	108,329	37	-	-	-	-	108,329	37
Changes in risk parameters	-	9	-	-	-	-	-	9
Fair value changes	(4,517)	-	-	-	-	-	(4,517)	-
At 30 June 2023	640,530	223	-	-	-	-	640,530	223
Balances due from banking institutions								
At 1 July 2022	295,847	11	-	-	-	-	295,847	11
Net movement during the year	125,653	20	-	-	-	-	125,653	20
At 30 June 2023	421,500	31	-	-	-	-	421,500	- 31

29 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(i) Credit risk (continued)

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 2023

	CONSOLIDATED							
	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 2022	65,176	500	7,307	200	19,382	19,336	91,865	20,036
New assets originated or purchased	2,265,394	23	-	-	-	2,687	2,265,394	2,710
Asset derecognized or repaid	(2,235,096)	-	-	-	(331)	-	(2,235,427)	-
Accrued interest	(16,617)	-	-	-	-	-	(16,617)	-
Transfer to stages	-	-	(7,307)	(200)	7,307	200	-	-
Change in risk parameters	-	-	-	-	-	-	-	-
At 30 June 2023	78,857	523	-	-	26,358	22,223	105,215	22,746
Funds held with IMF								
At 1 July 2022	71,644	5	-	-	-	-	71,644	5
Net movement during the year	1,668	32	-	-	-	-	1,668	32
At 30 June 2023	73,312	37	-	-	-	-	73,312	37

29 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(i) Credit risk (continued)

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 2023

	CONSOLIDATED							
	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
Other assets								
At 1 July 2022	349	-	-	-	5,005	4,997	5,354	4,997
New assets originated or purchased	673	27	-	-	-	-	673	27
Asset derecognized or repaid	(755)	-	-	-	(4,699)	(4,699)	(5,454)	(4,699)
Transfer to Stage 3								
At 30 June 2023	267	27	-	-	306	298	573	325
Loans and advances								
At 1 July 2022	3,650	12	-	-	3,532	3,444	7,182	3,456
New assets originated or purchased	797	2	-	-	-	-	797	2
Asset derecognized or repaid	(792)	(2)	-	-	(25)	(12)	(817)	(14)
Transfer to stages	(80)	-	5	-	75	26	-	26
Changes in risk parameters	-	(2)	-	-	-	-	-	(2)
At 30 June 2023	3,575	10	5	-	3,582	3,458	7,162	3,468

29 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(i) Credit risk (continued)

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

	BANK							
	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
Debt instruments at fair value through other comprehensive income								
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

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(i) Credit risk (continued)

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

	BANK							
	Stage 1 Gross carrying amount	ECL	Stage 2 Gross carrying amount	ECL	Stage3 Gross carrying amount	ECL	Total Gross carrying amount	ECL
Securities and advances to banks	KShs' million	KShs' million	KShs' million	KShs' million	KShs' million	KShs' million	KShs' million	KShs' million
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	-
Transfer to Stages	-	-	-	-	-	-	-	-
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

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(i) Credit risk (continued)

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

BANK

	Stage 1 Gross carrying amount	ECL	Stage 2 Gross carrying amount	ECL	Stage3 Gross carrying amount	ECL	Total Gross carrying amount	ECL
Other assets	KShs' million	KShs' million	KShs' million	KShs' million	KShs' million	KShs' million	KShs' million	KShs' million
At 1 July 2023	128	27	-	-	306	298	434	325
New assets originated or purchased	-	-	-	-	-	-	-	-
Asset derecognized or repaid	43	-	-	-	20	32	63	32
Transfer to Stage 3	-	-	-	-	-	-	-	-
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
Changes in risk parameters	-	-	-	-	-	-	-	-
At 30 June 2024	3,496	10	-	-	3,576	3,435	7,072	3,445

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(i) Credit risk (continued)

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 2023

	BANK							
	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
Debt instruments at fair value through other comprehensive income								
At 1 July 2022	636,651	184	-	-	-	-	636,651	184
New assets originated or purchased	177,301	71	-	-	-	-	177,301	71
Asset derecognized or repaid	(293,307)	(78)	-	-	-	-	(293,307)	(78)
Accrued interest	14,014	-	-	-	-	-	14,014	-
Realised gains	2,059	-	-	-	-	-	2,059	-
Foreign exchange adjustments	108,329	37	-	-	-	-	108,329	37
Changes in risk parameters	-	9	-	-	-	-	-	9
Fair value changes	(4,517)	-	-	-	-	-	(4,517)	-
At 30 June 2023	640,530	223	-	-	-	-	640,530	223
Balances due from banking institutions								
At 1 July 2022	295,847	11	-	-	-	-	295,847	11
Net movement during the year	125,653	20	-	-	-	-	125,653	20
At 30 June 2023	421,500	31	-	-	-	-	421,500	31

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(i) Credit risk (continued)

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 2023

	BANK							
	Stage 1		Stage 2		Stage 3		Total	
	Gross carrying amount	ECL	Gross carrying amount	ECL	Gross carrying amount	ECL	Gross carrying amount	ECL
Securities and advances to banks	KShs' million	KShs' million	KShs' million	KShs' million	KShs' million	KShs' million	KShs' million	KShs' million
At 1 July 2022	65,176	500	7,307	200	19,382	19,336	91,865	20,036
New assets originated or purchased	2,265,394	23	-	-	-	2,687	2,265,394	2,710
Asset derecognized or repaid	(2,235,096)	-	-	-	(331)	-	(2,235,427)	-
Accrued interest	(16,617)	-	-	-	-	-	(16,617)	-
Transfer to Stages	-	-	(7,307)	(200)	7,307	200	-	-
Change in risk parameters	-	-	-	-	-	-	-	-
At 30 June 2023	78,857	523	-	-	26,358	22,223	105,215	22,746
Funds held with IMF								
At 1 July 2022	71,644	5	-	-	-	-	71,644	5
Net movement during the year	1,668	32	-	-	-	-	1,668	32
At 30 June 2023	73,312	37	-	-	-	-	73,312	37
Other assets								
At 1 July 2022	211	-	-	-	5,005	4,997	5,216	4,997
New assets originated or purchased	673	27	-	-	-	-	673	27
Asset derecognized or repaid	(756)	-	-	-	(4,699)	(4,699)	(5,455)	(4,699)
Transfer to Stage 3	-	-	-	-	-	-	-	-
At 30 June 2023	128	27	-	-	306	298	434	325

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(i) Credit risk (continued)

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 2023

	BANK							
	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
Loans and advances								
At 1 July 2022	3,650	12	-	-	3,532	3,444	7,182	3,456
New assets originated or purchased	797	2	-	-	-	-	797	2
Asset derecognized or repaid	(792)	(2)	-	-	(25)	(12)	(817)	(14)
Transfer to Stages	(80)	-	5	-	75	26	-	26
Changes in risk parameters	-	(2)	-	-	-	-	-	(2)
At 30 June 2023	3,575	10	5	-	3,582	3,458	7,162	3,468

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(i) Credit risk (continued)

Concentrations 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 2024

CONSOLIDATED

	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

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(i) Credit risk (continued)

Concentrations of credit risk (continued)

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

Year ended 30 June 2023

	CONSOLIDATED							
	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	80,615	83,230	30,664	53,935	859	159,247	12,950	421,500
Funds held with IMF	73,312	-	-	-	-	-	-	73,312
IMF On-Lent to GOK	-	-	-	-	-	326,865	-	326,865
Securities and advances to banks	-	-	-	-	-	105,215	-	105,215
Loans and advances	-	-	-	-	-	7,162	-	7,162
Debt instruments at fair value through OCI	568,529	29,845	-	-	4,659	-	37,497	640,530
Other assets - Sundry debtors	-	-	-	-	-	573	-	573
Due from Government of Kenya	-	-	-	-	-	189,967	-	189,967
Total financial assets	722,456	113,075	30,664	53,935	5,518	789,029	50,447	1,765,124

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(i) Credit risk (continued)

Concentrations of credit risk(continued)

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

Year ended 30 June 2024

	BANK							
	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

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(i) Credit risk (continued)

Concentrations of credit risk (continued)

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

Year ended 30 June 2023

	BANK							
	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	80,615	83,230	30,664	53,935	859	159,247	12,950	421,500
Funds held with IMF	73,312	-	-	-	-	-	-	73,312
IMF On-Lent to GOK	-	-	-	-	-	326,865	-	326,865
Securities and advances to banks	-	-	-	-	-	105,215	-	105,215
Loans and advances	-	-	-	-	-	7,162	-	7,162
Debt instruments at fair value through OCI	568,529	29,845	-	-	4,659	-	37,497	640,530
Other assets - Sundry debtors	-	-	-	-	-	434	-	434
Due from Government of Kenya	-	-	-	-	-	189,967	-	189,967
Total financial assets	722,456	113,075	30,664	53,935	5,518	788,890	50,447	1,764,985

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(i) Credit risk (continued)

Concentrations of credit risk (continued)

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

Year ended 30 June 2024

CONSOLIDATED

	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

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(i) Credit risk (continued)

Concentrations of credit risk (continued)

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

Year ended 30 June 2023

CONSOLIDATED

	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	28,392	-	-	-	-	-	-	-	28,392
Foreign Governments	-	-	-	-	-	560,123	-	-	560,123
Supranational Institutions	61,593	-	73,312	-	-	50,667	-	-	185,572
Commercial Banks	331,515	96,767	-	-	3,400	-	-	-	431,682
Foreign Agencies	-	-	-	-	-	29,081	-	-	29,081
Government of Kenya	-	8,448	-	326,865	-		189,967		525,280
Others	-	-	-	-	3,762	659	-	573	4,994
	421,500	105,215	73,312	326,865	7,162	640,530	189,967	573	1,765,124

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(i) Credit risk (continued)

Concentrations of credit risk (continued)

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

Year ended 30 June 2024

	BANK								
	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

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(i) Credit risk (continued)

Concentrations of credit risk (continued)

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

Year ended 30 June 2023

BANK

	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	28,392	-	-	-	-	-	-	-	28,392
Foreign Governments	-	-	-	-	-	560,123	-	-	560,123
Supranational Institutions	61,593	-	73,312	-	-	50,667	-	-	185,572
Commercial Banks	331,515	96,767	-	-	3,400	-	-	-	431,682
Foreign Agencies	-	-	-	-	-	29,081	-	-	29,081
Government of Kenya	-	8,448	-	326,865	-		189,967		525,280
Others	-	-	-	-	3,762	659	-	434	4,855
	421,500	105,215	73,312	326,865	7,162	640,530	189,967	434	1,764,985

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(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.

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(ii) Market risk (continued)

Interest rate risk (continued)
The tables below summarise the Bank's financial assets and liabilities and analyses them into the earlier of contractual maturity or re-pricing.

CONSOLIDATED

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).

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(ii) Market risk (continued)

Interest rate risk (continued)

CONSOLIDATED

At 30 June 2023	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	421,500	-	-	-	-	421,500
Securities and advances to banks	98,879	809	4,703	824	-	105,215
Debt instruments at FVOCI	45,100	245,005	350,425			640,530
Funds held with International Monetary Fund (IMF)	-	-	-	73,312	-	73,312
Loans and advances	165	476	1,676	1,445	3,400	7,162
Other assets	-	-	-	-	573	573
IMF On-lent to GOK	-	-	-	-	326,865	326,865
Due from Government of Kenya	76,457	1,110	4,440	12,239	95,721	189,967
Total financial assets	642,101	247,400	361,244	87,820	426,559	1,765,124
Liabilities						
Deposits due to banks and government	-	-	-	-	572,975	572,975
Other liabilities	-	-	-	-	6,291	6,291
Due to International Monetary Fund (IMF)	-	-	-	151,034	326,865	477,899
Total financial liabilities	-	-	-	151,034	906,131	1,057,165
Interest sensitivity gap	642,101	247,400	361,244	(63,214)	(479,572)	707,959

As at 30 June 2023, increase of 10 basis points would have resulted in a decrease/increase in profit and equity of KShs 552 million (2022: KShs 562 million).

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(ii) Market risk (continued)

Interest rate risk (continued)

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

BANK

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).

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(ii) Market risk (continued)

Interest rate risk (continued)

	BANK					
At 30 June 2023	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	421,500	-	-	-	-	421,500
Securities and advances to banks	98,879	809	4,703	824	-	105,215
Debt instruments at FVOCI	45,100	245,005	350,425			640,530
Funds held with International Monetary Fund (IMF)	-	-	-	73,312	-	73,312
Loans and advances	165	476	1,676	1,445	3,400	7,162
Other assets	-	-	-	-	434	434
IMF On-lent to GOK	-	-	-	-	326,865	326,865
Due from Government of Kenya	76,457	1,110	4,440	12,239	95,721	189,967
Total financial assets	642,101	247,400	361,244	87,820	426,420	1,764,985
Liabilities						
Deposits due to banks and government	-	-	-	-	572,975	572,975
Other liabilities	-	-	-	-	6,152	6,152
Due to International Monetary Fund (IMF)	-	-	-	151,034	326,865	477,899
Total financial liabilities	-	-	-	151,034	905,992	1,057,026
Interest sensitivity gap	642,101	247,400	361,244	(63,214)	(479,572)	707,959

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

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(ii) Market risk (continued)

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 2024. Included in the table are the Bank's financial instruments categorised by currency:

	CONSOLIDATED AND BANK					
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

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(ii) Market risk (continued)

Foreign exchange risk (continued)

	CONSOLIDATED AND BANK					
At 30 June 2023	USD KShs' million	GBP KShs' million	EUR KShs' million	SDR KShs' million	Others KShs' million	Total KShs' million
Assets						
Balances due from banking institutions	228,053	25,952	73,393	-	94,102	421,500
Debt instruments at FVOCI	632,650	-	-	-	7,880	640,530
Funds held with International Monetary Fund (IMF)	-	-	-	73,312	-	73,312
Total financial assets	860,703	25,952	73,393	73,312	101,982	1,135,342
Liabilities						
Due to International Monetary Fund (IMF)	-	-	-	151,034	-	151,034
Deposits due to banks and government	27,060	2,479	42,602	-	924	73,065
Total financial liabilities	27,060	2,479	42,602	151,034	924	224,099
Net position	833,643	23,473	30,791	(77,722)	101,058	911,243

As at 30 June 2024, 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 39,943 million (2023: KShs 41,682 million)
- British Pound KShs 488 million (2023: KShs 1,174 million)
- Euro KShs 8,014 million (2023: KShs 1,540 million)
- SDR KShs 5,574 million (2023: KShs 3,886 million).

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(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.

	CONSOLIDATED					
	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 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 liabilitiesAt 30 June 2024	647,035	22	6,071	199,954	373,482	1,226,564
At 30 June 2023						
Deposits due to banks and government	572,975	-	-	-	-	572,975
Due to International Monetary Fund (IMF)	-	-	1,347	80,420	396,132	477,899
Lease liability		27	36	27		90
Other liabilities	-	-	6,201	-	-	6,201
Total financial liabilities At 30 June 2023	572,975	27	7,584	80,447	396,132	1,057,165

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(iii) Liquidity risk (continued)

			BANK			
	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 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	647,035	22	6,071	199,954	373,482	1,226,564
At 30 June 2023						
Deposits due to banks and government	572,975	-	-	-	-	572,975
Due to International Monetary Fund (IMF)	-	-	1,347	80,420	396,132	477,899
Lease liability		27	36	27		90
Other liabilities	-	-	6,062	-	-	6,062
Total financial liabilities	572,975	27	7,445	80,447	396,132	1,057,026

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:

	CONSOLIDATED AND BANK			
	2024		2023	
	Carrying Amount KShs' million	Fair value KShs' million	Carrying amount KShs' million	Fair value KShs' million
Financial assets				
Securities and advances to banks (rediscounted treasury bonds)	5,321	4,974	7,759	7,692
Loans and advances	3,627	3,580	3,694	3,569
Due from Government of Kenya	160,311	132,193	189,967	132,780
	=======	=======	=======	=======
Financial liabilities				
Due to International Monetary Fund	573,412	371,548	477,899	313,634
	=======	=======	=======	=======

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.

30. FAIR VALUE OF ASSETS AND LIABILITIES (continued)

b) Fair value hierarchy (continued)

	CONSOLIDATED AND BANK		
	Level 1	Level 2	Level 3
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:			
Due to International Monetary Fund	-	371,548	-
	=======	=======	=======

	CONSOLIDATED AND BANK		
	Level 1	Level 2	Level 3
Year ended 30 June 2023	KShs' million	KShs' million	KShs' million
Assets measured at fair value:			
Land and buildings	-	-	23,174
Debt instruments at fair value through other comprehensive income	640,530	-	-
Equity instruments at fair value through other comprehensive income			12
Gold holdings	150	-	-
	=======	=======	=======
Assets for which fair values are disclosed:			
Securities and advances to banks (rediscounted treasury bonds)	7,692	-	-
Loans and advances	-	3,569	-
Due from Government of Kenya	-	132,780	-
	=======	=======	=======
Liabilities for which fair values are disclosed:			
Due to International Monetary Fund	-	313,634	-
	=======	=======	=======

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

30. FAIR VALUE OF ASSETS AND LIABILITIES (continued)

b) Fair value hierarchy (continued)

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

CONSOLIDATED AND BANK			
LEVEL 2	Valuation technique	Significant observable inputs	Range (weighted average) Interest rate
Loans and advances	DCF	Interest rate	13.3%
Due from Government of Kenya	DCF	Interest rate	11%
Due to IMF	DCF	Interest rate	3.9%
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: -

CONSOLIDATED AND BANK	1 July 2023	Additions	Change in Fair value	Depreciation charge to profit or loss	30 June 2024
	KShs' million	KShs' million	KShs' million	KShs' million	KShs' million
Freehold land and buildings	18,066	-	-	(718)	17,348
Leasehold land and buildings	5,108	-	-	(168)	4,940
	23,174	-	-	(886)	22,288

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 2024, the Bank had capital commitments of KShs 12,210 million (2023: KShs 8,338 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 57 million (2023: KShs 28 million).

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

	2024 KShs 'million	2023 KShs 'million
Within one year	33	45
After one year but not more than five years	32	-
More than five years	24	-
	89	45

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.

	CONSOLIDATED		
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 – leases	-	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

32. MATURITY ANALYSIS OF ASSETS AND LIABILITIES (continued)

	CONSOLIDATED		
Year ended 30 June 2023	Within 12 months KShs' million	After 12 months KShs' million	Total KShs' million
ASSETS			
Balances due from banking institutions	421,469	-	421,469
Funds held with International Monetary Fund (IMF)	73,275	-	73,275
Securities and advances to banks	49,005	33,464	82,469
Loans and advances	641	3,053	3,694
Debt instruments at fair value through other comprehensive income	290,105	350,425	640,530
Equity instruments at fair value through other comprehensive income	-	12	12
Other assets	7,997	-	7,997
Gold holdings	-	150	150
Right-of-use asset – leases	-	79	79
Property and equipment	-	29,710	29,710
Intangible assets	-	1,998	1,998
Retirement benefit assets	-	4,994	4,994
IMF Funds On – Lent to GOK	-	326,865	326,865
Due from Government of Kenya	77,567	112,400	189,967
TOTAL ASSETS	920,059	863,150	1,783,209
LIABILITIES			
Currency in circulation	-	315,967	315,967
Deposits due to banks and government	572,975	-	572,975
Due to IMF	1,347	476,552	477,899
Other liabilities	6,291	-	6,291
TOTAL LIABILITIES	580,613	792,519	1,373,132
NET ASSETS	339,446	70,631	410,077

32. MATURITY ANALYSIS OF ASSETS AND LIABILITIES (continued)

	BANK		
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 – leases	-	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

32. MATURITY ANALYSIS OF ASSETS AND LIABILITIES (continued)

	BANK		
Year ended 30 June 2023	Within 12 months KShs' million	After 12 months KShs' million	Total KShs' million
ASSETS			
Balances due from banking institutions	421,469	-	421,469
Funds held with International Monetary Fund (IMF)	73,275	-	73,275
Securities and advances to banks	49,005	33,464	82,469
Loans and advances	641	3,053	3,694
Debt instruments at fair value through other comprehensive income	290,105	350,425	640,530
Equity instruments at fair value through other comprehensive income	-	12	12
Other assets	7,858	-	7,858
Gold holdings	-	150	150
Right-of-use asset – leases	-	79	79
Property and equipment	-	29,710	29,710
Intangible assets	-	1,998	1,998
Retirement benefit assets	-	4,994	4,994
IMF Funds On – Lent to GOK	-	326,865	326,865
Due from Government of Kenya	77,567	112,400	189,967
TOTAL ASSETS	919,920	863,150	1,783,070
LIABILITIES			
Currency in circulation	-	315,967	315,967
Deposits due to banks and government	572,975	-	572,975
Due to IMF	1,347	476,552	477,899
Other liabilities	6,152	-	6,152
TOTAL LIABILITIES	580,474	792,519	1,372,993
NET ASSETS	339,446	70,631	410,077