



Central Bank of Kenya

**“Deepening reforms to enhance macro-economic and
financial sector stability”**

ANNUAL REPORT

AND FINANCIAL STATEMENTS

2024/2025

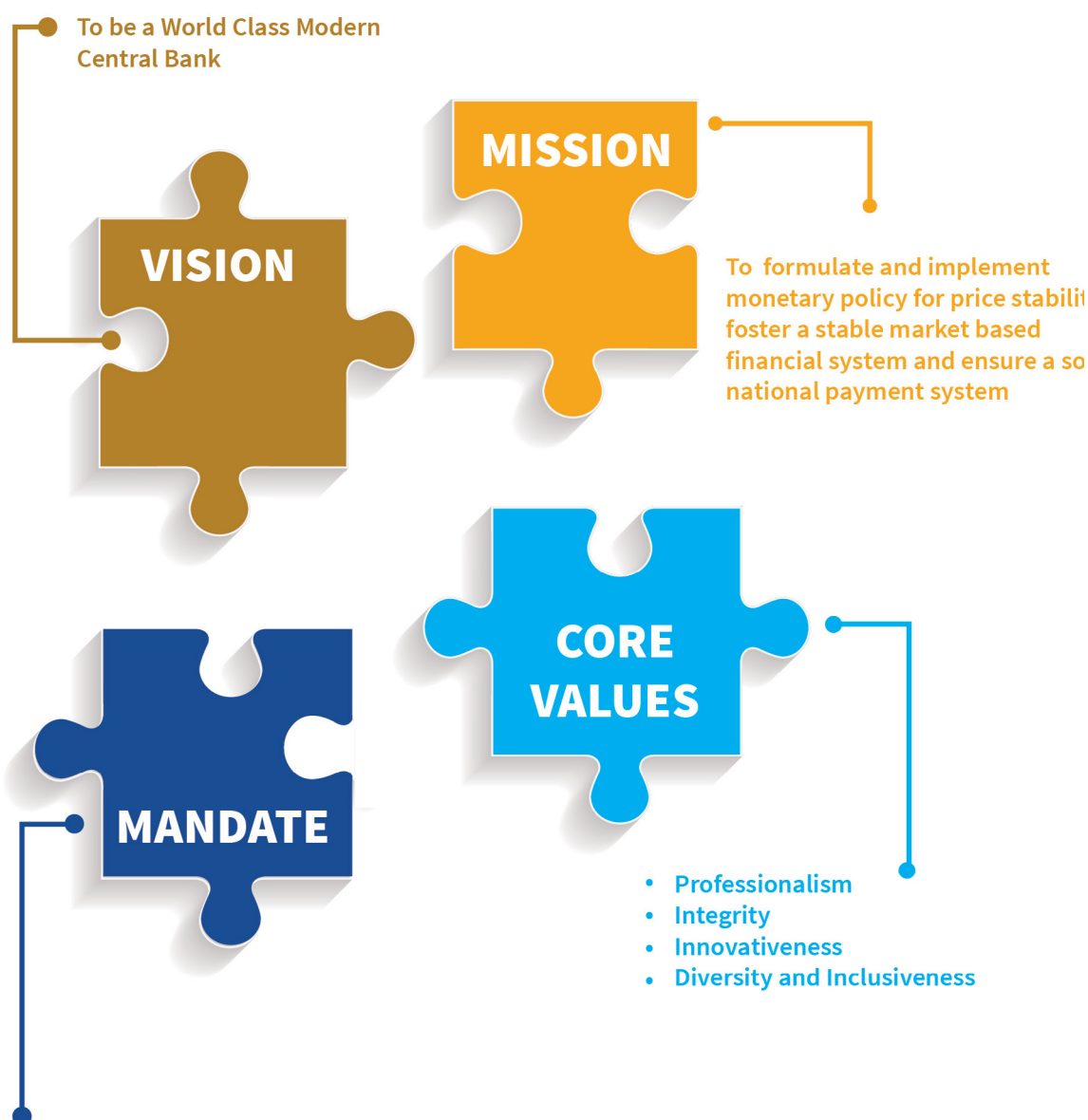




LETTER OF TRANSMITTAL

In accordance with Section 54 of the Central Bank of Kenya Act, it is my honour to present to you, Honourable Cabinet Secretary of The National Treasury and Economic Planning, the Annual Report of the Central Bank of Kenya for the Financial Year 2024/25. The Annual Report contains economic and financial developments and the financial performance of the Central Bank of Kenya for the Financial Year ended June 30, 2025.

Dr. Kamau Thugge, CBS
Governor



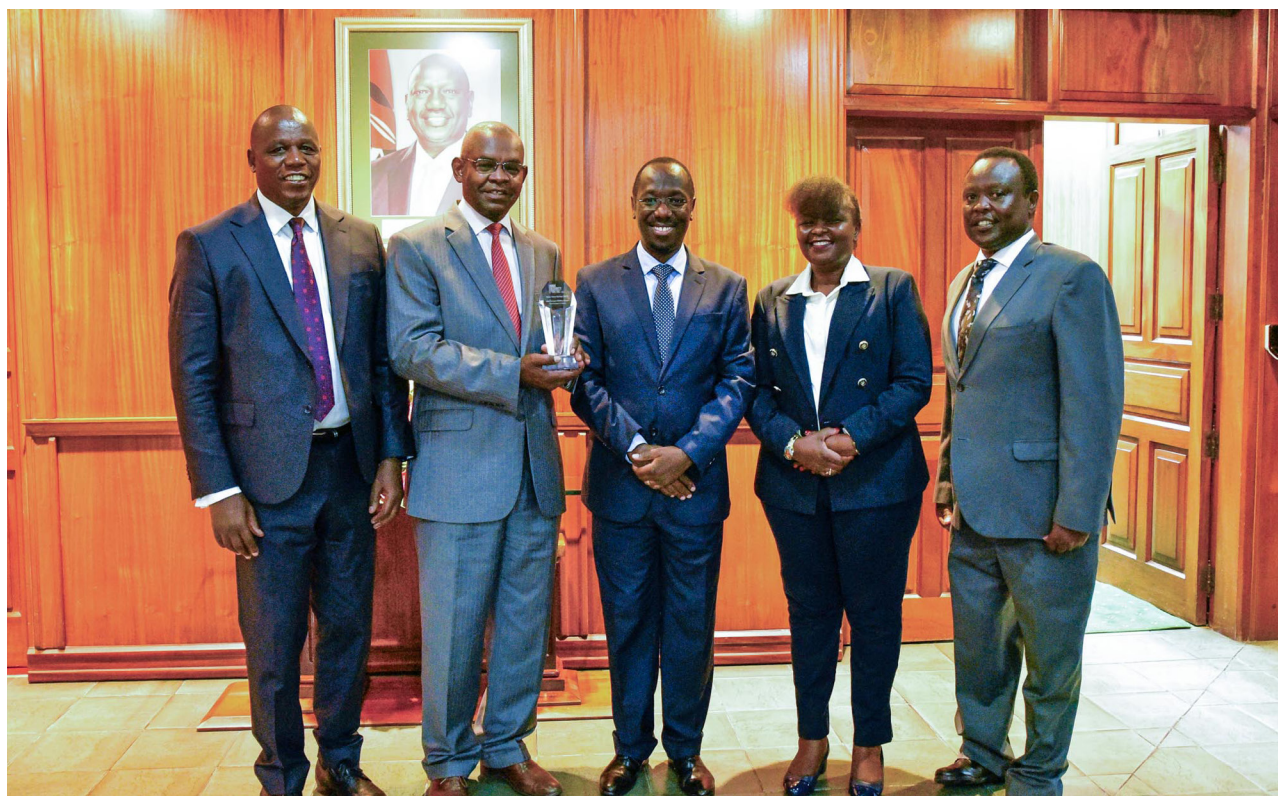
Article 231 of the Constitution of Kenya and Sections 4 and 4A of the Central Bank of Kenya (CBK) Act outline the key mandate of Central Bank of Kenya (CBK) as to:

1. Formulate and implement Monetary Policy directed to achieving and maintaining stability in the general level of prices.
2. Foster the liquidity, solvency and proper functioning of a stable market-based financial system.
3. Subject to (1) and (2), support the economic policy of the Government, including its objectives for growth and employment.
4. Formulate and implement policies to promote the establishment, regulation and supervision of efficient and effective payment, clearing and settlement systems.
5. Issue currency notes and coins.

The other mandates of the Bank include:- formulating and implementing foreign exchange policy; effective management of the nation's foreign exchange reserves; licensing and supervising authorised dealers, digital credit providers and mortgage refinance companies; act as banker and advisor to, and fiscal agent of the Government.

CBK WINS GLOBAL BANKNOTE AWARD

The Central Bank of Kenya was awarded the Best New Series of Banknotes at the High Security Printing - Europe, Middle East and Africa (HSP-EMEA) Conference in Basel, Switzerland on February 4, 2025.



HIGHLIGHTS



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ABBREVIATIONS AND ACRONYMS

AACB	Association of African Central Banks
ACH	Automated Clearing House
AfCFTA	African Continental Free Trade Area
AMCP	African Monetary Cooperation Programme
AML/CTF	Anti-Money Laundering/ Combating the Financing of Terrorism
ATM	Average Time to Maturity
CBK	Central Bank of Kenya
COMESA	Common Market for Eastern and Southern Africa
COVID-19	Corona Virus Disease 2019
CRBs	Credit Reference Bureaus
CRR	Cash Reserve Ratio
CSD	Central Securities Depository
DCPs	Digital Credit Providers
EAC	East African Community
EAMU	East African Monetary Union
EAPSS	East Africa Payments System
EDW	Enterprise Data Warehouse
EFT	Electronic Funds Transfer
EMDEs	Emerging Markets & Developing Economies
ESAAMLG	Eastern and Southern Anti-money Laundering Group
FY	Financial Year (July-June)
GDP	Gross Domestic Product
IMF	International Monetary Fund
KAPS	Kenya Airports Parking Services
KBA	Kenya Bankers Association
KEPSS	Kenya Electronic Payments and Settlement System
KNBS	Kenya National Bureau of Statistics
KSh	Kenya Shillings
MAC	Monetary Affairs Committee
MFBs	Microfinance Banks
MNOs	Mobile Network Operators
MPC	Monetary Policy Committee
MSME	Micro, Small and Medium Enterprise
NFNF	Non-Food-Non-Fuel
NPL	Non-Performing Loan
NPS	National Payment Systems
OPEC	Organisation of the Petroleum Exporting Countries
PAPSS	Pan-African Payment and Settlement System
PSPs	Payment Service Providers
REPSS	Regional Payment and Settlement System
RIMS	Reserves Investments Management System
RTGS	Real Time Gross Settlement
SCFEA	Sectoral Council of Finance and Economic Affairs
SSA	Sub-Saharan Africa
STP	Straight-through-Processing
TRWA	Total Risk Weighted Assets
USD	United States Dollars
VAT	Value Added Tax
WEO	World Economic Outlook

FOREWORD BY THE GOVERNOR

I am pleased to present the Central Bank of Kenya's (CBK) Annual Report for the FY2024/25, a year characterised by a stable macroeconomic environment, anchored on policy actions and key reforms implemented by CBK to strengthen the monetary policy framework, and implementation of measures to strengthen the banking sector. The Bank also rolled out its Strategic Plan for 2024-2027.

The financial year was also characterised by elevated global uncertainties, largely attributed to implementation of higher tariffs on U.S. imports, and escalation of geopolitical tensions particularly in the Middle East. Nevertheless, global inflation eased during the period, with central banks in major economies lowering their interest rates to support economic growth. The Kenyan economy remained resilient during the period, supported by robust performance of key service sectors and agriculture, and improved exports and diaspora remittances inflows.

The CBK implemented policies aimed at fulfilling its core mandates of achieving and maintaining price stability, and fostering a stable market-based financial system. Overall inflation declined to 3.8 percent in June 2025 from 4.6 percent in June 2024, supported by relatively lower food and energy prices, and continued exchange rate stability. The Monetary Policy Committee (MPC) lowered the Central Bank Rate (CBR) gradually from 13.00 percent in June 2024 to 9.75 percent by June 2025, to stimulate lending by banks to the private sector and support economic activity. Short term interest rates and commercial banks' lending interest rates declined during the period. The banking sector remained stable and resilient, with strong liquidity and capital adequacy ratios.

The CBK implemented several key reforms during the year, including: re-implementation of the T24 Core Banking system which will enhance the efficiency, effectiveness and security of banking processes, as well as support Exchequer automation; enhancing the effectiveness of the monetary policy implementation framework by narrowing further the width of the interest rate corridor around the CBR; implementation of a progressive increase in the minimum core capital requirement for commercial banks to KSh 10 billion by December 2029 to foster stronger and resilient banks with lower costs; establishment of the Financial Stability Committee of the CBK; and, the lifting of the moratorium on licensing of commercial banks to spur the entry of new large players to further increase the competitiveness of the banking sector. The CBK also engaged with the banking sector on the review of the Risk-Based Credit Pricing (RBCP) Model, with the objective of making lending rates more responsive to monetary policy decisions.

The other key milestone achieved during the year on the regional front was the hosting of the 28th Ordinary Meeting of the East African Community (EAC) Monetary Affairs Committee (MAC) by the CBK. Notably, the meeting adopted the EAC Cross-Border Payment System Masterplan, which sets out strategic initiatives for payment systems' modernisation and integration in the region. Additionally, to strengthen macroprudential policy surveillance in the region, the MAC meeting approved the Memorandum of Understanding (MOU) for regional Information Sharing on Crisis Preparedness, Management and Resolutions.

Looking ahead in the FY2025/26, the CBK will continue to implement the initiatives and reforms outlined in its Strategic Plan for 2024–2027, including continued implementation of reforms to strengthen the monetary policy framework and the banking sector, automation of the Bank's processes to promote efficiency, modernisation of the Bank's physical infrastructure, and strengthening of human capital to enhance the Bank's ability to execute its mandate. The Bank will also continue to deepen its collaborations with other institutions, particularly with other central banks and government institutions, and research institutions.

Dr. Kamau Thugge, CBS
Governor

STATEMENT BY THE CHAIRMAN OF THE BOARD OF DIRECTORS

During the FY2024/25, the Bank successfully completed first phase of its Strategic Plan 2024- 2027. The strategy is anchored on four thematic areas: resilience and sustainability, digital transformation, human capital and service excellence. These are supported by four core values; professionalism, integrity, innovativeness and diversity and inclusiveness.

Implementation of the Strategy along the four pillars has ensured efficient allocation of resources for effective delivery of the Bank's mandate and realisation of the vision of a World Class Modern Central Bank. The milestones achieved include:

1. Increased authorised Bank's capital from KSh 50 billion to KSh 100 billion and the paid-up capital enhanced to KSh 60 billion, thus positioning the Bank well to address vulnerabilities in the financial sector.
2. Raised minimum core capital of all banks from KSh 1 billion to KSh 10 billion by 2029, applicable penalties were revised upward to ensure compliance, issuance of Guidance Note on implementation of liquidity coverage ratio and net stable funding ratio, and development and implementation of Anti-Money Laundering and Combating the Financing of Terrorism (AML/CFT) outreach strategy.
3. Establishment of the Financial Stability Committee for effective coordination of financial stability policies, enhanced coordination between financial, monetary and fiscal policies and provision of a platform for sharing information across departments on matters relating to financial stability and crisis management.
4. Optimised the use of the existing systems under the digital transformation strategic pillar for worldclass service delivery. Towards this end, the Bank upgraded its core banking system to the T24 release 23 system; and also successively migrated the Kenya large value payment system (KEPSS) to ISO 20022 standard.
5. Successful implementation of the Staff Performance Management Framework to optimise Human Capital for enhanced productivity. Appointment of the 2nd Deputy Governor, recruitment of new staff and filling of staffing gaps has further strengthened human capital.
6. Modernisation of the Bank's infrastructure in Nyeri Currency Centre and acquisition of property in Meru for CBK Currency Centre to improve service delivery. The Bank also successfully completed the CBK Police Housing Complex, which was officially opened by His Excellency the President, Dr. William Samoei Ruto on June 3, 2025.

On behalf of the Board of Directors, I wish to take this opportunity to thank the Bank Management and staff for the commitment, dedication, and support given to the Board. The Board remains proactive in addressing any challenges and take advantage of emerging opportunities to fully implement the Strategic Plan: 2024 - 2027.

Mr. Andrew Musangi
Chairman

BOARD OF DIRECTORS



Mr. Andrew Musangi
Chairman



Dr. Kamau Thugge
Governor



Dr. Chris K. Kiptoo
PS, The National Treasury



FCPA. Sophie Njeri Moturi, MBS
Member (Appointed on 12 May 2025)



CPA. Abdullahi M. Abdi, PhD
Member (Appointed on 12 May 2025)



Ms. Beatrice Kosgei
Member (Appointed on 12 May 2025)



Mr. David S.O. Owuor
Member (Appointed on 12 May 2025)



Mrs. Nelius W. Kariuki
Member (Retired on 4 December 2024)



Mr. Samson Cherutich
Member (Retired on 4 December 2024)



Mr. Ravi J. Ruparel
Member (Retired on 4 December 2024)



Mrs. Rachel Dzombo
Member (Retired on 4 December 2024)

MEMBERS OF THE MONETARY POLICY COMMITTEE



Dr. Kamau Thugge
Governor



Dr. Susan Koech
Deputy Governor



Mr. Gerald Nyaoma
Deputy Governor



Ms. Isis Nyong'o
External Member



Dr. Chris K. Kiptoo
PS, The National Treasury



Dr. Kemboi Kipruto
External Member



Dr. Freshia Mugo
External Member



Mr. Jared Osoro
External Member



Mr. David Luusa
Director, Financial Markets



Prof. Robert Mudida
Director, Research

SENIOR MANAGEMENT



Dr. Kamau Thugge
Governor



Dr. Susan Koech
Deputy Governor



Mr. Gerald Nyaoma
Deputy Governor



Mr. Kennedy K. Abuga
*Director, Governor's Office
(Board Secretary)*



Mr. David Luusa
Director, Financial Markets



Mr. Matu Mugo
Director, Bank Supervision



Mr. Michael Eganza
*Director, Banking and
Payment Services*



Prof. Robert Mudida
Director, Research

SENIOR MANAGEMENT



Mr. Evans K. Muttai
Director, Currency Operations



Ms. Darliah Mbugua
Director, Human Resources



Mr. William Nyagaka
*Director, Central Bank of Kenya
Institute of Monetary Studies
(Retired on 21 August, 2025)*



Dr. Walter Onyino
*Director, Information
Technology*



Ms. Caroline Mackola
Director, Finance



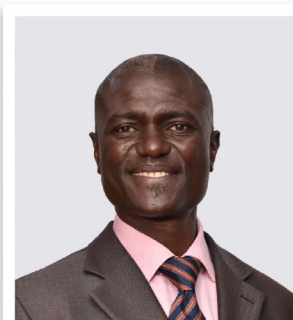
Mr. Kibunyi Amdany
*Director, Branch
Administration*



Mr. Stephen Muriu
Director, General Services



Mr. Leonard Ouma
*Director, Internal Audit
and Risk*



Mr. George Amollo
Head, Strategic Management

1.0 FINANCIAL STABILITY COMMITTEE

1.0 FINANCIAL STABILITY COMMITTEE

Kenya's financial system has grown significantly by assets size, complexity (players, products and services) and interconnectedness of cross-border and cross-sector operations. In addition, the financial system has become more integrated in the economy, accounting for about 9.5 percent of GDP over the last 3 years and about 1 percent of GDP growth. It also plays a pivotal role in jobs creation, with the sector employing about 86,000 people as of December 2024.

The increasing complexity, size and significance of Kenya's financial system calls for more rigorous surveillance and assessment to stem and mitigate systemic risks. It is against this realisation that the 14th Meeting of Boards of Directors of the domestic Joint Financial Sector Regulators Forum, the Bank's 2024-2027 Strategic Plan, 26th Meeting of Monetary Affairs Committee (MAC) of East Africa Community, and most recently, the IMF Mission on Financial Sector Stability Review, recommended the establishment of the Financial Stability Committee (FSC) for effective coordination and collaboration on financial system stability policies. Consequently, in February 2025, the Bank established the FSC that brings together the main policy departments to deliberate, share information and collaborate on financial stability policies. The FSC meets quarterly and is chaired by the Governor, with Deputy Governors as Vice Chairpersons. FSC members are the directors of Research, Bank Supervision, Financial Markets, and Banking & Payments Services departments, as well as Heads of Legal, Communications, and Cyber Fusion Divisions. The Committee has the discretion to appoint, invite, or remove members. Establishment of FSC is therefore a key strategic initiative under upscaling Macroprudential Policy implementation that supports the Bank's vision to become a World Class Modern Central Bank. The Committee is mandated to:

- Coordinate the formulation, implementation and monitoring of financial stability policies within the realm of the CBK Act to achieve and maintain system-wide inclusive and stable market-based financial system.
- Provide a platform for regular and periodic review of key risks, developments and policies that have implications on the financial stability.

- Enhance information sharing and collaboration across various departments within the Central Bank, on financial system stability matters.
- Direct and support the development and implementation of CBK's macroprudential policy and crisis management frameworks for the financial sector.
- Provide oversight and direction on emerging areas with implications on financial sector stability, including climate change, financial technologies and global developments.
- Enhance coordination of financial, monetary, fiscal and other policies with implication on financial stability, including communication both in regular and crisis periods.
- Undertake any other tasks that may be assigned to the Committee.

Since its establishment, the Committee has met thrice in March, June and September 2025, where critical issues have been discussed and decision made to foster financial system stability. The Committee has enhanced coordination, information sharing and communication on financial stability issues across the Bank, which is expected to contribute to effective, supervision, licensing and enforcement of regulations to achieve and maintain financial stability. The CBK now joins other EAC Partner States Central Banks and leading central banks in advanced and emerging market economies, in establishing a dedicated committee on financial stability policy as a good practice.

The FSC's role will become even more crucial as the financial system experience significant financial innovations that come with cyber threats, face climate change related risks, and geopolitical shocks that pose systemic risks. The Committee's establishment is therefore timely to address these issues and come up with appropriate policy measures to foster financial stability. Onboarding other key members such as the National Treasury, domestic Financial Sector Regulators, key financial markets infrastructure players and Safety Nets on a wider policy Committee, as is the case of Financial Stability Oversight Committee under South Africa Reserve Bank, would further strengthen the Bank's financial system oversight role.

2.0 GLOBAL ECONOMY

2.0 GLOBAL ECONOMY

Global economic growth is projected to moderate slightly to 3.0 percent in 2025 and rise modestly to 3.1 percent in 2026, according to the IMF's July 2025 World Economic Outlook (WEO) update. These forecasts represent upward revisions of 0.2 and 0.1 percentage points, respectively, from the April 2025 WEO. While the global economy showed resilience with an estimated 3.3 percent growth in 2024, the pace remains below the historical average of 3.7 percent recorded before the pandemic. The marginal upward revisions reflect stronger-than-anticipated trade activity—some of it front-loaded in anticipation of potential tariff hikes—softer U.S. tariffs, a weaker US dollar, and fiscal stimulus in key economies.

In advanced economies, growth is forecast at 1.5 percent in 2025, rising slightly to 1.6 percent in 2026. The United States is expected to grow by 1.9 percent in 2025 and 2.0 percent in 2026, supported by lower effective tariffs and looser financial conditions. This outlook comes despite a slowdown in private demand and a projected decline in immigration. The Euro Area is projected to grow by 1.0 percent in 2025, up by 0.2 percentage points from the April forecast, driven in part by an early-year surge in pharmaceutical exports from Ireland. Growth in the region is forecast to reach 1.2 percent in 2026 as economies adjust back to potential

output. Meanwhile, Japan is expected to recover gradually from a weak 2024, with improved real income growth helping support consumption.

For emerging market and developing economies (EMDEs), growth is projected at 4.1 percent in 2025 and 4.0 percent in 2026, both slightly higher than previous estimates. The outlook for China has improved significantly, with growth revised up to 4.8 percent in 2025 and 4.2 percent in 2026, due to stronger-than-expected first-half performance and an easing of U.S.–China trade tensions. India remains the world's fastest-growing major economy, with growth projected at 6.4 percent in both 2025 and 2026. The robust performance reflects strong domestic demand and sustained investment activity.

In Sub-Saharan Africa, growth is expected to hold steady at 4.0 percent in 2025 and rise to 4.3 percent in 2026, driven by improving macroeconomic stability, easing inflation, and recovery in key sectors such as energy and services. In South Africa, efforts to reduce logistical constraints and power outages are expected to contribute to a gradual rebound in activity. Similarly, Nigeria's growth prospects are supported by strong investment sentiment and continued reforms to improve the business environment.

2.0 GLOBAL ECONOMY

Table 2.1: Economic Growth in Selected Countries/Regions

Country/ Region	Actual	Projections	
	2024	2025	2026
World Output	3.3	3.0	3.1
Advanced Economies	1.8	1.5	1.6
United States	2.8	1.9	2.0
Euro Area	0.9	1.0	1.2
Japan	0.2	0.7	0.5
United Kingdom	1.1	1.2	1.4
Emerging Markets and Developing Economies	4.3	4.1	4.0
Emerging and Developing Asia	5.3	5.1	4.7
China	5.0	4.8	4.2
India	6.5	6.4	6.4
Emerging and Developing Europe	3.5	1.8	2.2
Russia	4.3	0.9	1.0
Latin America and the Caribbean	2.4	2.2	2.4
Brazil	3.4	2.3	2.1
Sub-Saharan Africa	4.0	4.0	4.3
Nigeria	3.4	3.4	3.2
South Africa	0.5	1.0	1.3
Kenya	4.7	5.2	5.4
Middle East and Central Asia	1.9	3.2	3.4

Source: IMF, World Economic Outlook, July 2025 Update

* Central Bank of Kenya

Global financial markets have remained broadly resilient despite the continued tightening of monetary policy, supported by improved investor confidence and gradual disinflation. However, vulnerabilities persist, particularly in emerging markets with high debt burdens and limited fiscal space. Global headline inflation is projected to decline gradually to 4.2 percent in 2025 and 3.6 percent in 2026, according to the IMF. Nonetheless, inflation remains elevated in some advanced economies, especially the United States, posing challenges for the pace and sequencing of monetary policy normalization.

Global commodity market pressures are expected to ease slightly rather than rise. The IMF projects average oil prices to decline by 7 percent in 2025, following temporary geopolitical-driven spikes earlier in the year. Meanwhile, nonfuel commodity prices are expected to rise modestly but at a slower pace compared to 2024,

reflecting a moderation in global demand. World trade growth is projected at 2.6 percent in 2025, down from 3.5 percent in 2024.

The overall risks to global growth remain broadly balanced, but substantial uncertainty persists. Key downside risks include geopolitical tensions, especially in the Middle East and Eastern Europe. A further escalation could disrupt energy and financial markets, pushing up inflation and undermining growth momentum. Rising trade protectionism and elevated fiscal vulnerabilities in some economies also weigh on the outlook. On the upside, growth could surprise positively if ongoing disinflation leads to a stronger recovery in consumer purchasing power, boosting household consumption, business investment, and employment. A more predictable trade policy environment could also enhance investor confidence and global demand.

3.0 DOMESTIC ECONOMY

3.0 DOMESTIC ECONOMY

3.1 Economic Growth

Economic growth decelerated in 2024 to 4.7 percent from a revised growth of 5.7 percent in 2023, due to a notable contraction of construction and mining and quarrying sectors, and a general deceleration in growth across key sectors of the economy. However, growth was supported by the resilient performance of agriculture and key service sectors.

Economic growth improved in the first half of 2025. In the first quarter of 2025, the economy expanded by 4.9 percent, similar to the corresponding quarter of 2024, and was supported by the strong performance of agriculture and recovery in industrial activity. The economy expanded further in the second quarter of 2025 and grew by 5.0 percent compared to 4.6 percent in a similar quarter of 2024. Growth was supported by continued improvement in industrial activity, resilient performance of key service sectors, and stable growth of agriculture (**Table 3.1 and Chart 3.1**).

Table 3.1: Real Gross Domestic Product by Sector							
Main Sectors	Growth Rates (Percent)						
	2022	2023+	2024*	Q1 2024	Q2 2024	Q1 2025*	Q2 2025*
1. Agriculture	-1.5	6.6	4.6	5.6	4.5	6.0	4.4
2. Non-Agriculture (o/w)	6.3	5.5	4.7	4.8	4.6	4.7	5.1
2.1 Industry	3.9	2.0	0.8	0.4	0.2	3.0	4.0
Mining & Quarrying	9.3	-6.5	-9.2	-16.1	-5.5	10.8	15.3
Manufacturing	2.6	2.2	2.8	1.9	3.2	2.1	1.0
Electricity & water supply	5.5	3.2	1.9	2.8	1.2	3.6	5.7
Construction	4.1	3.0	-0.7	0.4	-3.7	3.0	5.7
2.2 Services	7.0	7.0	6.0	6.4	6.1	5.0	5.7
Wholesale & Retail Trade	3.5	3.3	3.8	3.6	2.5	5.4	4.0
Accommodation & restaurant	26.8	33.6	25.7	38.1	35.0	4.1	7.8
Transport & Storage	5.8	5.5	4.4	4.1	3.4	3.8	5.4
Information & Communication	9.0	10.3	7.0	9.2	6.7	5.8	6.0
Financial & Insurance	12.0	10.1	7.6	9.6	8.0	5.1	6.6
Public administration	5.1	5.0	8.2	7.5	9.0	6.5	6.0
Professional, Administration & Support Services	9.5	9.9	6.2	9.4	6.7	4.6	8.5
Real estate	4.5	7.3	5.3	6.9	5.9	5.3	5.5
Education	5.2	2.9	3.9	2.4	3.2	2.9	3.2
Health	3.4	4.5	6.3	5.4	8.1	4.8	6.8
Other services	6.5	4.3	4.7	5.1	4.8	2.8	1.4
FISIM	0.2	2.7	9.0	15.4	10.3	1.9	1.4
2.3 Taxes on products	6.7	3.2	4.4	2.9	3.8	5.7	3.3
Real GDP Growth	4.9	5.7	4.7	4.9	4.6	4.9	5.0

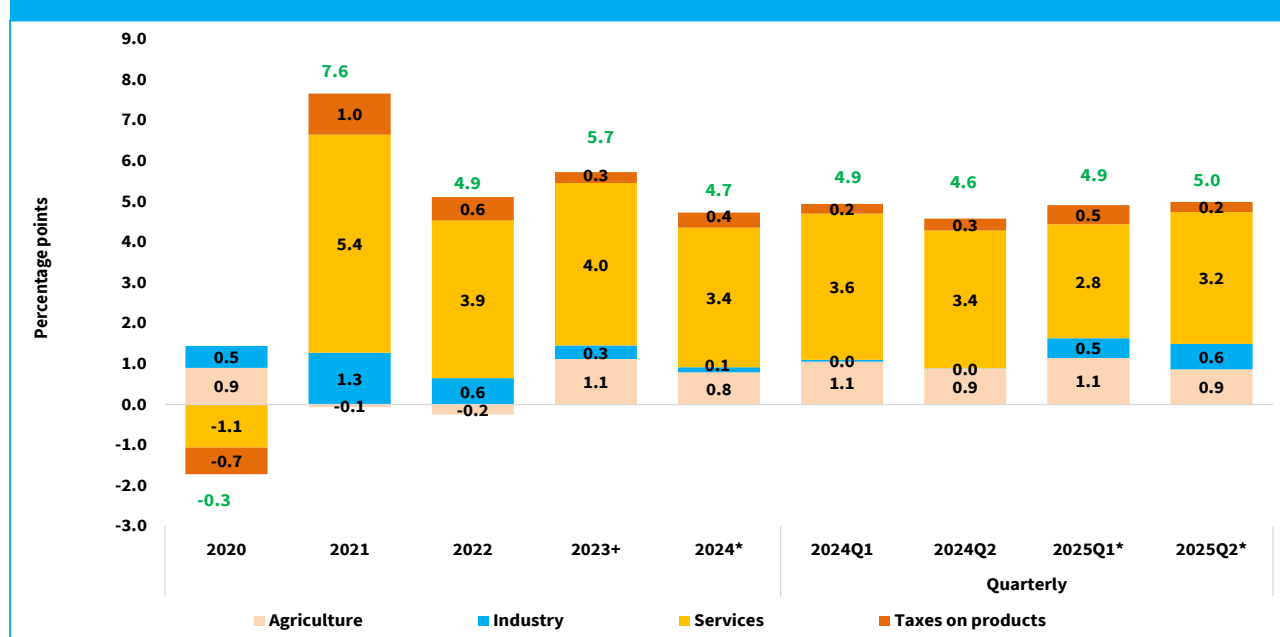
+ revised

* provisional

Source: Kenya National Bureau of Statistics (KNBS)

3.0 DOMESTIC ECONOMY

Chart 3.1: Contributions to Real GDP Growth



+ revised

* provisional

Source: KNBS

Agriculture

The agriculture sector remained resilient, though growth slowed to 4.6 percent in 2024 from 6.6 percent in 2023. It contributed 0.8 percentage points to overall GDP growth. Production of key crops was mixed during the year. Maize and potatoes production declined, while sugarcane, tea, beans and coffee production increased. Additionally, the quantity of milk produced and marketed increased by 1.0 percent and 17.4 percent, respectively.

Growth of the sector was strong in the first half of 2025, supported by favourable weather conditions and continued Government interventions in the sector, particularly provision of high quality and affordable inputs. It grew by 6.0 percent and 4.4 percent in the first and second quarters of 2025, respectively, compared to 5.6 and 4.5 percent in similar quarters of 2024.

Services

The Services sector growth moderated but remained strong at 6.0 percent in 2024 compared to 7.0 percent in 2023, driven by the strong performance of accommodation and food services (25.7 percent),

financial and insurance services (7.6 percent), information and communication (7.0 percent), and wholesale and retail trade (3.8 percent). The sector contributed 3.5 percentage points to overall real GDP growth in 2024.

In the first quarter of 2025, however, growth of services broadly decelerated to 5.0 percent compared to 6.4 percent in a corresponding quarter of 2024, reflecting subdued growth of all sectors except wholesale and retail trade, and education. Growth of the sector improved to 5.7 percent in the second quarter of 2025 compared to 6.1 percent in a similar quarter of 2024. The improvement was supported by resilient performance of transport and storage, finance and insurance, information and communication, and wholesale and retail trade.

Industry

Industrial activity was subdued in 2024, with growth slowing to 0.8 percent from 2.0 percent in 2023. It contributed 0.1 percentage points to real GDP growth. The deceleration was mainly driven by the notable contraction of construction and mining and quarrying sectors by -0.7 percent and -9.2 percent,

3.0 DOMESTIC ECONOMY

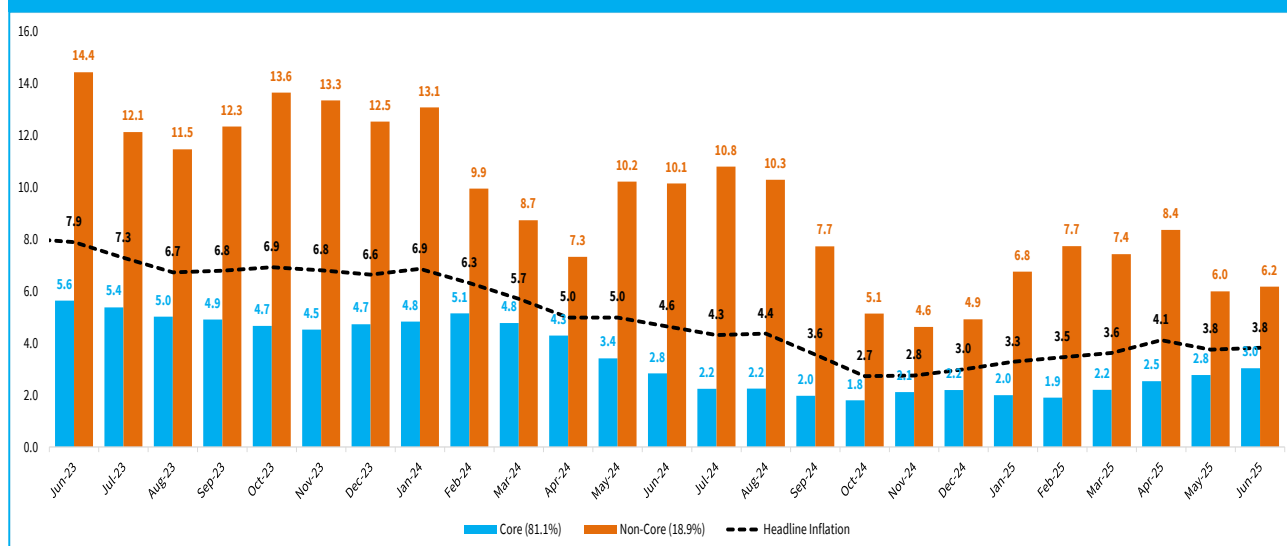
respectively in 2024, compared to 3.0 percent and -6.5 percent, respectively, in 2023. Moreover, electricity and water supply sector growth decelerated while the manufacturing sector accelerated, mainly supported by increased agro processing.

Activity recovered in the first quarter of 2025, and industry grew by 3.0 percent compared to 0.4 percent in a similar quarter of 2024, mainly reflecting the notable improvement of construction and mining and quarrying sectors.

3.2 Inflation

Overall inflation remained within the medium-term target band of 5 ± 2.5 percent during the FY2024/2025. It declined from 4.6 percent in June 2024 to 3.8 percent in June 2025, largely driven by lower non-core inflation. Non-core inflation declined from 10.1 percent to 6.2 percent in June 2025, while core inflation increased slightly to 3.0 percent in June 2025 from 2.8 percent in June 2024 (**Charts 3.2 and 3.3**).

Chart 3.2: Developments in Broad Components of Inflation (y/y, Percent)



Source: KNBS and CBK

Core Inflation

Core inflation increased to 3.0 percent in June 2025 from 2.8 percent in June 2024, reflecting increased prices of select processed food items, as well as the impact of monetary policy easing since August 2024. Meanwhile, prices of non-food items remained relatively stable.

Non-Core Inflation

Non-core CPI component is largely comprised of fresh farm produce including vegetable items, energy items, and select transport components. These items are predominantly driven by domestic weather conditions and global energy prices. Non-core inflation declined to 6.2 percent in June 2025 from 10.1 percent in June

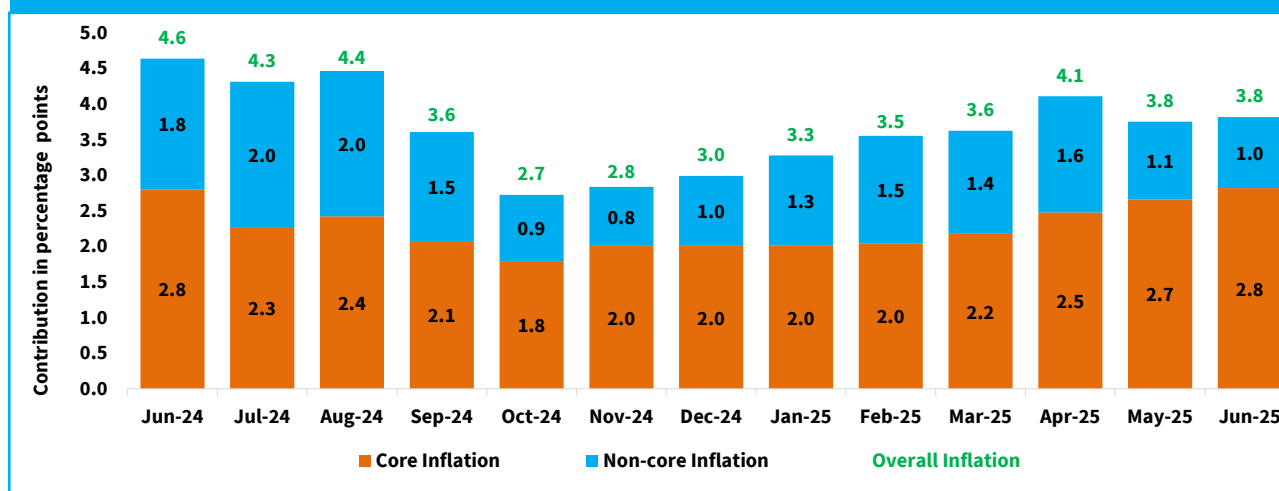
2024, supported by lower prices of select vegetable items, electricity and pump prices. Prices of vegetables declined due to favourable weather conditions experienced in the period under review, while electricity and pump prices declined in line with easing international oil prices and a stable exchange rate.

Inflation Outlook

Inflation is expected to remain low and stable in the near-term supported by muted demand pressures and prudent monetary policy actions, easing international oil prices, and favorable weather outlook. Risks to the outlook include uncertainty in the global environment, including the ongoing geopolitical conflicts and trade wars.

3.0 DOMESTIC ECONOMY

Chart 3.3: Contributions of Core and Non-Core Inflation to Overall Inflation



Source: KNBS and CBK

3.3 Balance of Payments

Overall Balance

The overall balance of payments recorded a higher deficit of USD 2,832 million in FY2024/25 compared to USD 658 million in FY2023/24.

Current Account

The current account deficit widened slightly to USD 2,098 million (1.6 percent of GDP) compared to a deficit of USD 1,926 million (1.8 percent of GDP) in FY2023/24.

Goods Account

The goods trade deficit widened by USD 1,167 million, to USD 10,382 million in FY2024/25, up from USD 9,215 million in FY2023/24. The increase was attributed to a 10 percent increase in imports which rose to USD 23,134 million while exports grew modestly by 8 percent to USD 12,752 million. The export growth was supported by an increase in horticulture, manufactured goods, coffee and miscellaneous manufactured articles while

tea exports, chemicals and re-exports declined (**Table 3.2**). Exports to the EAC, COMESA and other key markets such as the UAE, the U.S., and the UK contributed to the improved overall performance (**Table 3.3**).

On the imports side, notable increases were recorded in machinery, manufactured goods, and chemicals. However, this was partially offset by a decline in oil imports, reflecting both lower global prices and reduced volumes. Transport equipment imports also fell significantly by USD 686 million, indicating a drop in capital goods related to infrastructure.

Services Account

The services account improved by USD 471 million, recording a surplus of USD 2,400 million in FY2024/25 compared to USD 1,929 million the previous year an increase for 24 percent. The improvement was mainly driven by strong performance in travel services, which increased by 21% to USD 2,753 million, and transport services, which rose by 64 percent. This reflects a sustained recovery in tourism and cross-border trade.

3.0 DOMESTIC ECONOMY

Primary and Secondary Income Account

The primary income account recorded a deficit of USD 1,728 million, a slight improvement from USD 1,819 million the previous year. The secondary income surplus increased by USD 432 million to USD 7,612 million, supported by a 12.1 percent rise in remittance inflows, which reached USD 5,084 million from USD 4,535 million in FY2023/24.

Capital and Financial Account

The capital account registered inflows of USD 258 million, up from USD 155 million in FY2023/24.

However, the financial accounts experienced a deterioration, with net outflows of USD 4,191 million in FY2024/25 compared to net outflows of USD 502 million

the previous year. This was mainly driven by a sharp reversal in other investment assets, which shifted from a surplus of USD 2,760 million in FY2023/24 to a deficit of USD 2,154 million in FY2024/25. Other investments liabilities rose by USD 467 million to USD 3,474 million, reflecting higher disbursements of government loans and trade credits, including under the G-to-G oil import arrangement.

Foreign direct investment flows remained relatively stable, with liabilities at USD 678 million compared to USD 586 million the previous year. In contrast, portfolio investment liabilities registered a net outflow of USD 1,200 million, reversing from a surplus of USD 526 million in FY2023/24.

3.0 DOMESTIC ECONOMY

Table 3.2: Balance on Current Account (USD Million)

Item	FY 2023/24*	FY 2024/25**				FY 2024/25	FY 2024/25**	
		Jul-Sep Q1	Oct-Dec Q2	Jan-Mar Q3	Apr-Jun Q4		Absolute Change	% Change
Overall Balance	658	-140	-882	-595	-1,215	-2,832	-3,490	-530
Current Account	-1,926	-336	-588	-513	-662	-2,098	-173	9
Goods Balance	-9,215	-2,480	-2,788	-2,364	-2,750	-10,382	-1,167	13
Exports (fob)	11,841	3,265	2,960	3,229	3,299	12,752	911	8
o/w Coffee	248	96	59	123	155	434	186	75
Tea	1,415	345	324	356	340	1,365	-50	-4
Horticulture	990	290	249	280	316	1,135	145	15
Oil Products	118	31	25	26	27	109	-10	-8
Manufactured Goods	640	184	142	158	169	652	13	2
Crude Materials	347	83	120	90	63	356	9	3
Chemicals and Related Products	607	178	146	139	156	617	10	2
Miscellaneous Manufactured Articles	634	213	202	197	192	804	170	27
Re-exports	4,917	1,327	1,178	1,072	988	4,565	-352	-7
Imports (fob)	21,056	5,745	5,748	5,592	6,049	23,134	2,078	10
o/w Oil Products	8,409	2,084	1,899	1,825	1,813	7,620	-789	-9
Chemicals and Related Products	2,880	849	766	756	758	3,130	250	9
Manufactured Goods	2,548	699	767	763	897	3,125	578	23
Machinery	2,465	787	731	747	828	3,094	629	26
Transport Equipment	2,338	484	382	355	431	1,652	-686	-29
Food	2,143	473	552	432	626	2,083	-60	-3
Other	4,480	1,065	1,451	1,231	1,273	5,019	540	12
Services Balance	1,929	777	535	636	452	2,400	471	24
Transport Services	161	144	21	36	62	263	102	64
Travel Services	2,280	801	672	670	610	2,753	473	21
Other Services	-512	-168	-158	-70	-220	-616	-104	20
Primary Income Balance	-1,819	-624	-289	-571	-245	-1,728	91	-5
Secondary Income Balance	7,180	1,991	1,954	1,785	1,881	7,612	432	6
Capital Account	155	10	104	0	144	258	102	66
Financial Account	-502	-517	-1,152	-380	-2,142	-4,191	-3,689	736
Direct Investment Assets	339	134	94	58	58	344	5	1
Direct Investment Liabilities	586	112	232	175	159	678	92	16
Portfolio Investment Assets	455	101	199	155	174	629	174	38
Portfolio Investment Liabilities	526	149	-265	-746	-338	-1,200	-1,726	-328
Other Investment Assets	2,760	-214	-1,562	-379	2	-2,154	-4,914	-178
Other Investment Liabilities	3,007	270	-114	770	2,548	3,474	467	16
Net Errors and Omissions	611	-52	214	728	-409	481	-129	-21
Reserves and Related Items	-658	140	882	595	1,215	2,832	3,490	-530

*Revised

**Provisional

fob - free on board

3.0 DOMESTIC ECONOMY

Table 3.3: Kenya's Direction of Trade

IMPORTS	USD Millions		Share of Imports (%)		EXPORTS	USD Millions		Share of Exports (%)	
	FY		FY			FY		FY	
Region/Country	2024*	2025**	2024	2025		2024*	2025**	2024	2025
Africa	1,834	2,017	8.1	8.3	Africa	6,878	6,601	60.0	55.8
o/w South Africa	498	483	2.2	2.0	o/w Uganda	4,188	4,393	36.5	37.2
Tanzania	380	407	1.7	1.7	Tanzania	525	500	4.6	4.2
Egypt	308	390	1.4	1.6	Rwanda	340	312	3.0	2.6
Uganda	248	296	1.1	1.2	South Sudan	703	197	6.1	1.7
			-	-	Egypt	228	192	2.0	1.6
EAC	684	748	3.0	3.1	DRC	205	243	1.8	2.1
COMESA	853	985	3.8	4.1	Somalia	132	124	1.1	1.1
					Ethiopia	103	106	0.9	0.9
Rest of the World	20,766	22,300	91.9	91.7	Zambia	71	66	0.6	0.6
o/w China	3,557	4,820	15.7	19.8					
UAE	5,594	5,375	24.8	22.1	EAC	6,025	5,716	52.6	48.3
India	1,783	2,112	7.9	8.7	COMESA	5,345	5,563	46.6	47.1
Malaysia	986	1,038	4.4	4.3					
USA	960	1,144	4.2	4.7	Rest of the World	4,581	5,222	40.0	44.2
Japan	742	957	3.3	3.9	o/w UAE	652	687	5.7	5.8
Saudi Arabia	1,538	1,316	6.8	5.4	Pakistan	580	572	5.1	4.8
Russia	552	453	2.4	1.9	Netherlands	556	512	4.9	4.3
Netherlands	417	189	1.8	0.8	USA	525	653	4.6	5.5
Oman	393	345	1.7	1.4	United Kingdom	421	460	3.7	3.9
United Kingdom	319	340	1.4	1.4	Saudi Arabia	221	126	1.9	1.1
Germany	266	331	1.2	1.4	China	173	160	1.5	1.3
Pakistan	255	255	1.1	1.0	Germany	120	164	1.0	1.4
France	254	228	1.1	0.9	France	108	117	0.9	1.0
Indonesia	219	231	1.0	1.0	India	86	144	0.8	1.2
Belgium	214	243	0.9	1.0	Spain	73	80	0.6	0.7
Total Imports (CIF)	22,599	24,317	100	100	Total Exports (CIF)	11,459	11,823	100	100

European Union	1,736	1,680	8	7	European Union	1,528	1,704	13	14
China	3,557	4,820	16	20	China	173	160	2	1

* Revised

**Provisional

Source: KNBS and CBK

CIF - Cost Insurance and Freight

3.4 Government Budget

Government budgetary operations in the FY 2024/25 resulted in a deficit including grants (cash basis) of KSh 1,019.1 billion (5.8 percent of GDP), an increase from

5.2 percent of GDP in the previous year. The deficit was however, within the supplementary III target of 5.8 percent of GDP (**Chart 3.4 and Table 3.4**)

3.0 DOMESTIC ECONOMY

Government Revenue

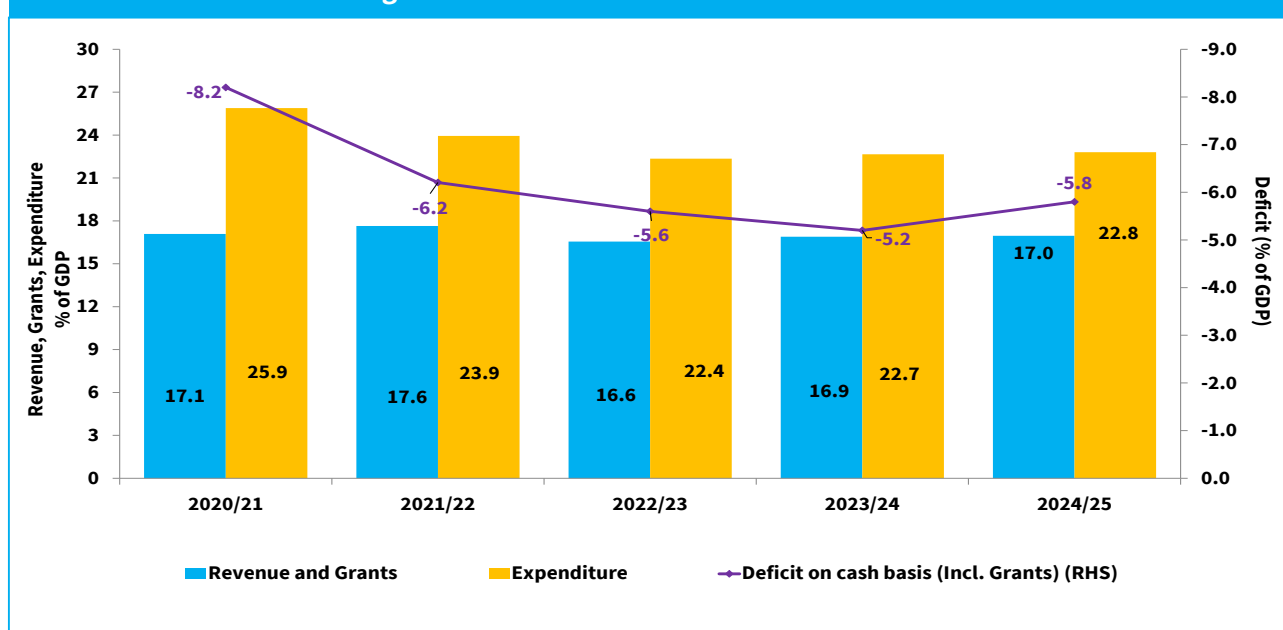
Government revenue (including grants) in FY 2024/25 stood at KSh 2,956.9 billion (17.0 percent of GDP) compared to KSh 2,724.7 billion during the previous fiscal year. The increase was reflected in the main categories of ordinary revenue. Tax revenue, which accounted for 77.7 percent of revenues, increased by 4.8 percent largely reflecting improved business environment due to continued economic recovery. Non-tax revenue, Appropriations-in-Aid and external grants increased by 22.1 percent, 21.7 percent and 51.2 percent, respectively (**Table 2.6**) reflecting improved

economic activity and increase in programme and project grants.

Expenditure and Net Lending

Government expenditure and net lending increased by 9.9 percent to KSh 3,975.9 billion (22.8 percent of GDP) in FY 2024/25 but remained below the programmed target. The increase in expenditures reflected a rise in recurrent expenditures, development expenditures and transfers to the county governments. Recurrent expenditure accounted for 74.2 percent of total government expenditure.

Chart 3.4: Government Budget Performance



3.0 DOMESTIC ECONOMY

Table 3.4: Statement of Central Government Operations in KSh Billion

	FY2022/23	FY2023/24	FY2024/25			% change FY2024/25- FY2023/24	FY2024/25 % share to GDP	FY2025/26 Approved Budget
	Actual	Actual	Preliminary	Suppl. Budget III	Over(+) / Below (-) Target			
1. REVENUE & GRANTS	2,362.2	2,724.7	2,956.9	3,032.8	-75.9	8.5	17.0	3,368.9
Revenue	2,326.3	2,702.7	2,923.6	2,985.6	-62.0	8.2	16.8	3,321.7
Tax Revenue	1,960.4	2,167.0	2,271.4	2,304.1	-32.7	4.8	13.0	2,625.6
Non Tax Revenue	80.7	121.9	148.8	192.1	-43.3	22.1	0.9	129.1
Appropriations-in-Aid	285.2	413.7	503.4	489.4	14.0	21.7	2.9	566.9
External Grants	35.9	22.0	33.3	47.2	-13.9	51.2	0.2	47.2
2. EXPENDITURE AND NET LENDING	3,132.3	3,655.5	3,975.9	4,045.1	-69.1	8.8	22.8	4,269.9
Recurrent Expenditure	2,258.8	2,702.1	2,948.4	2,989.1	-40.6	9.1	16.9	3,134.1
Development Expenditure	457.7	571.9	582.9	602.1	-19.1	1.9	3.3	649.0
County Transfers	415.8	380.4	444.6	454.0	-9.4	16.9	2.5	484.8
Other	0.0	1.2	0.0	0.0	0.0			2.0
3. DEFICIT (incl Grants) on a commitment basis (1-2)	-770.1	-930.9	-1,019.1	-1,012.3	-6.7	9.5	-5.8	-901.0
Deficit (incl Grants) on a commitment basis (% of GDP)	-5.3	-5.8	-5.8	-5.8	0.0			-4.7
4. ADJUSTMENT TO CASH BASIS	0.0	121.5	0.0	0.0				0.0
5. DEFICIT ON A CASH BASIS	-770.1	-809.3	-1,019.1	-1,012.3	-6.7	25.9	-5.8	-901.0
Deficit on a cash basis (% of GDP)	-5.3	-5.2	-5.8	-5.8	0.0			-4.7
6. DISCREPANCY: Expenditure (+) / Revenue (-)	-53.5	-42.3	15.1	0.0	15.1	-135.8	0.1	-
7. FINANCING	716.7	767.0	1,034.3	1,012.3	21.9	34.8	5.9	901.0
Domestic (Net)	420.3	544.3	854.5	825.8	28.7	57.0	4.9	613.5
External (Net)	296.4	222.7	179.8	186.5	-6.7	-19.3	1.0	287.4
Domestic Loan Repayments(Receipts)	2.9	1.4	8.0	9.6	-1.6	463.3	0.0	11.9
Other domestic Financing	0.0	0.0	0.0	0.0	0.0		0.0	0.0

Source: The National Treasury
Nominal GDP (Fiscal Year)

Financing

The deficit was financed through net foreign financing and net domestic financing of KSh 854.5 billion and KSh 179.8 billion, respectively. Net domestic borrowing during FY 2024/25 comprised of KSh 376.2 billion from

Commercial Banks, KSh 474.6 billion from Non-Banking Financial Institutions, net repayment of KSh 1.0 billion to non-residents, and a drawdown in government deposits at the Central Bank Bank of KSh 3.3 billion. Other domestic financing amounted to KSh 8.0 billion (Table 3.5).

Table 3.5: Domestic Financing (KSh Billion)

		FY 2021/22	FY2022/23	FY 2023/24	FY 2024/25
1.	From CBK	125.5	(13.8)	(54.8)	(3.3)
2.	From commercial banks	179.0	77.0	190.3	376.2
3.	From Non-banks	425.8	338.2	404.8	474.6
4.	From Non-Residents	(0.7)	0.1	2.1	(1.0)
5.	Change in Net Dom. Credit (from end June)	729.6	401.6	542.3	846.4
6.	Other Domestic financing /1	(124.3)	18.7	1.9	8.0
7.	Net Domestic Financing	605.3	420.3	544.3	854.5

/1 Include accounts payable and domestic loan repayment receipts
NB. Treasury Bills & Bonds are reflected at Cost
Source: Central Bank of Kenya and National Treasury

3.0 DOMESTIC ECONOMY

Outlook for - FY2025/26

In the approved budget for FY 2025/26, total revenue (including Appropriations-in-Aid and grants) is projected at KSh 3,368.9 billion (17.5 percent of GDP) while Government expenditure and net lending is projected at KSh 4,269.9 billion (22.2 percent of GDP). The overall budget deficit including grants is therefore, projected at KSh 901.0 billion (4.7 percent of GDP) to be financed through net external borrowing of KSh 287.4 billion (1.5 percent of GDP) and net domestic financing of KSh 613.5 billion (3.2 percent of GDP). The Government remains committed to the fiscal consolidation over the medium term.

3.5 Public Debt

Kenya's public and publicly guaranteed debt increased by 11.9 percent during the FY 2024/25, supported by an increase in domestic and external debt which grew by 16.9 percent and 6.6 percent respectively. Public debt profile comprised of 53.5 percent and 46.5 percent of domestic and external debt, respectively. The ratio of public debt to GDP was estimated at 67.8 percent compared to 65.5 percent in June 2024 (**Table 3.6**).

Domestic Debt

The increase in domestic debt was driven by increased uptake of Treasury bills and bonds by 66.6 percent and 10.4 percent. This brought the ratio of Treasury bonds to Treasury bills to 83:17 surpassing the government's

medium-term objective of achieving 70:30 ratio. This goal was accomplished through issuance of medium- and long-term Treasury bonds in the recent past. The stock of Treasury bills increased by 66.6 percent to KSh 1,052.9 billion in June 2025 from KSh 632.0 billion in June 2024 (**Table 3.6**).

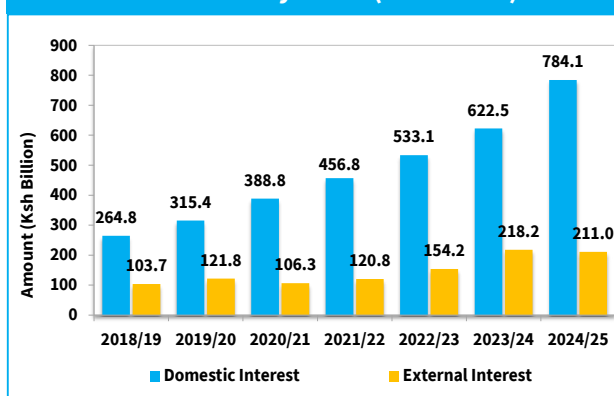
External Debt

Kenya's public and publicly guaranteed external debt increased by 6.6 percent to KSh 5,488.5 billion in June 2025 (**Table 3.6**). The Government continued its efforts to improve the external debt structure with the proportion of debt owed to multilateral lenders and commercial creditors increasing by 1.6 percentage points and 0.6 percentage points, respectively, while that of bilateral decreased by 2.3 percentage points. This improved debt structure was aimed at enhancing debt sustainability.

Public Debt Service

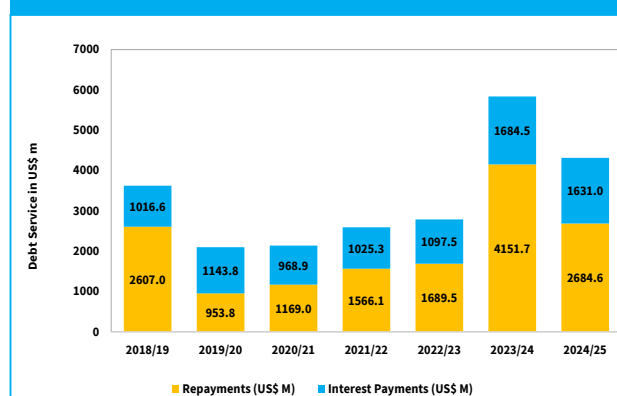
Cumulative interest and other charges on domestic increased by 26.0 percent while that on external debt decreased by 3.3 percent during the FY2024/25 (**Chart 3.5**). Total external debt service decreased by USD 1,520.6 million during the FY2024/25 to USD 4,315.6 from USD 5,836.2 million in the FY2023/24. The large debt service in FY2023/24 reflected refinancing of the USD 2.0 Eurobond and the impact of exchange rate appreciation (**Chart 3.6**).

Chart 3.5: Interest Payments (KSh Billion)



Source: The National Treasury

Chart 3.6: External Debt Service



Source: The National Treasury and CBK

3.0 DOMESTIC ECONOMY

Table 3.6: Public Debt										
	June 2021		June 2022		June 2023		June 2024		June 2025	
	KSh bn	%	KSh bn	%	KSh bn	%	KSh bn	%	KSh bn	%
DOMESTIC DEBT										
Securitised debt	3,634.7	98.3	4,216.7	98.3	4,581.3	94.8	5,259.1	97.2	6,163.0	97.4
Treasury Bills	784.8	21.2	647.6	15.1	598.7	12.4	632.0	11.7	1,052.9	16.6
Of which Repo Treasury bills	19.4	0.5	18.8	0.4	18.8	0.4	16.6	0.3	16.1	0.3
Treasury Bonds	2,849.9	77.1	3,569.1	83.2	3,982.6	82.4	4,627.1	85.5	5,110.0	80.8
Non Securitised debt	63.0	1.7	71.6	1.7	250.8	5.2	151.2	2.8	163.1	2.6
Overdraft at CBK	59.3	1.6	58.5	1.4	76.5	1.6	61.0	1.1	67.6	1.1
others	3.3	0.1	13.1	0.3	174.4	3.6	90.2	1.7	95.4	1.5
TOTAL DOMESTIC DEBT	3,697.7	100.0	4,288.3	100.0	4,832.1	100.0	5,410.3	100.0	6,326.0	100.0
(as a % of GDP)*	32.9		33.5		33.6		33.5		36.3	
(as a % of Total Debt)	48.0		50.0		47.0		51.2		53.5	
EXTERNAL DEBT**										
Bilateral	1,140.5	28.5	1,173.2	27.3	1,339.5	24.6	1,154.7	22.4	1,106.4	20.2
Multilateral	1,659.4	41.5	1,924.0	44.8	2,654.9	48.7	2,774.4	53.9	3,045.4	55.5
Comm. Banks	1,187.4	29.7	1,181.3	27.5	1,437.3	26.4	1,207.5	23.4	1,322.3	24.1
Export Credit	12.2	0.3	12.2	0.3	14.8	0.3	14.2	0.3	14.4	0.3
TOTAL EXTERNAL DEBT	3,999.5	100.0	4,290.7	100.0	5,446.5	100.0	5,150.8	100.0	5,488.5	100.0
(as a % of GDP)*	35.5		33.5		38.2		31.9		31.5	
(as a % of Total Debt)	52.0		50.0		53.0		48.8		46.5	
TOTAL PUBLIC DEBT	7,697.3		8,579.1		10,278.6		10,561.1		11,814.5	
(as a % of GDP)*	68.4		67.0		72.0		65.5		67.8	
* Provisional										

Source: The National Treasury and CBK

4.0 REGIONAL INTEGRATION DEVELOPMENTS

4.0 REGIONAL INTEGRATION DEVELOPMENTS

4.1 Background

Kenya participates in the regional integration initiatives of the East African Community (EAC), Common Market for Eastern and Southern Africa (COMESA) and African Union (AU), which aim to advance the economic development of Africa. The integration initiatives build closer economic and political ties among African countries, thereby enabling coordination of economic, financial, and industrial policies among member countries; intra-Africa trade and investment; and regional peace and political stability. An important objective of the EAC, COMESA and AU, is the attainment of monetary unions, which involves the adoption of a single currency and establishment of a common Central Bank. This objective is achieved through, among others, harmonisation of monetary and fiscal policies among member countries and integrating financial, payment and settlement systems. The harmonisation processes are guided by monetary cooperation programmes, which are frameworks for coordinating the macroeconomic policies of member countries and ensuring sustainable convergence towards a monetary union.

During the FY2024/25, further progress was made towards the realisation of the East African Monetary Union (EAMU) within the EAC, the COMESA Monetary Union within COMESA and the African Monetary Union (AMU) within the AU. Although overlapping, the three integration processes are well coordinated and will eventually converge into the AMU at the continental level. During the year, the CBK participated in the meetings, workshops and other events of the EAC and COMESA. The CBK also participated in the activities of the AU predominantly through the Association of African Central Banks (AACB).

4.2 The EAC Monetary Cooperation Programme

The 24th Ordinary Summit of the EAC Heads of State held on November 30, 2024, in Arusha, Tanzania, decided that the Republic of Kenya will be the Chairperson of the EAC for the year 2024/2025, and that the Federal Republic of Somalia will be the rapporteur. The CBK, therefore,

took over the Chairmanship of the EAC Monetary Affairs Committee (MAC). The MAC is mandated to enhance monetary and financial cooperation in accordance with the provisions of the Treaty for the Establishment of the EAC, including the implementation of approved macroeconomic policies, harmonisation programmes and the convergence framework of the EAC. During the FY2024/25, the CBK participated in the meetings and activities of the Sub-Committees and Technical Working Groups (TWGs) of the MAC, including the Economic Affairs and Coordination Sub-Committee, Banking Supervision and Financial Stability Sub-Committee, Financial Markets and Payment Systems Sub-Committee, Human Resources TWG, Accounting and Finance TWG, Crisis Management TWG, and Macro-Prudential Analysis, Stress Testing and Statistics TWG. The CBK also participated in the meeting of the EAC Sectoral Council on Finance and Economic Affairs (SCFEA).

Specifically, the CBK hosted the 28th Ordinary Meeting of the MAC on May 9, 2025, in Mombasa, Kenya. The meeting was chaired by the CBK Governor, Dr. Kamau Thugge. The MAC reviewed global developments and economic performance of the EAC region. The Committee noted that GDP growth varied among EAC Partner States in 2024, with some recording robust growth that signalled sustained economic momentum, while a few EAC Partner States had slowed down partly due to global and domestic shocks. The Committee noted that the EAC economies had a strong growth outlook that would be supported by expected continued strong performance of agriculture and services sectors; supportive government policies and macroeconomic stability. The MAC also noted that the average inflation in the EAC had declined reflecting the impact of monetary policy measures, improved food supply owing to favourable weather conditions in most Partner States, and easing global commodity prices. Inflation was expected to continue moderating across most Partner States in 2025, albeit with risks arising from climate and global shocks.

The MAC reviewed progress made in the implementation of the revised roadmap towards realisation of the EAMU by 2031 and noted that significant progress

4.0 REGIONAL INTEGRATION DEVELOPMENTS

has been made in the harmonisation of monetary and exchange rate policies; harmonising principles and rules for the regulation and supervision of the region's financial system; harmonisation of information technology infrastructure; enhancing risk and crisis management frameworks to ensure the stability of the region's financial systems; adopting climate risk awareness; promoting the use of the regional cross-border payments system, EAPS; and harmonisation of payment systems governance, legal, regulatory framework and standards. The MAC noted that the financial sector in the EAC Region remained stable and resilient on account of adequate capital and liquidity buffers, but with risks relating to decelerating growth in credit to the private sector, elevated cyber security threats, and AML/CFT compliance risks.

The MAC approved the Memorandum of Understanding (MoU) for regional information sharing on crisis preparedness, management and resolutions in pre-,

during, and post-crisis periods. The MoU aims to strengthen macroprudential surveillance in the region. The MAC also adopted the EAC Cross-Border Payment System Masterplan, which sets out strategic initiatives for payment systems modernisation and integration in the EAC.

The MAC noted that the EAC Partner States had made notable progress in the implementation of the EAC macroeconomic convergence criteria. During the FY2024/25, Kenya met the criteria on headline inflation and gross reserves, but did not meet the criteria on fiscal deficit and gross public debt (**Table 4.1**). The Kenya Government aims to achieve the fiscal criteria over the medium term through fiscal consolidation, which entails enhanced revenue mobilization and expenditure restraint in order to reduce the fiscal deficit. This in turn will constrain the growth of Kenya's public debt and boost the country's debt sustainability position.

Table 4.1: East African Monetary Union (EAMU) Convergence Criteria

Criteria	2022-23	2023-24	2024-25
Ceiling on headline inflation of 8 percent	8.8	6.2	3.6
A floor of official foreign exchange reserve cover of 4.5 months of imports	3.9	3.8	5.2
Ceiling on fiscal deficit (including grants) of 3 percent	-5.3	-5.3	-5.8
Ceiling on gross public debt of 50 percent of GDP in NPV terms	68.7	63.0	64.0

^{/^} Imports cover based on 36-month average of imports of goods and services

Source: CBK

The COMESA Monetary Cooperation Programme

The overarching objective of the COMESA Monetary Cooperation Programme is the establishment of a Monetary Union. Towards this end, Partner States are expected to maintain eight (8) primary (preconditions for convergence) and secondary (reinforcement conditions) convergence criteria (**Table 4.2**). In FY2024/2025, Kenya met the COMESA primary

convergence criteria on inflation, central bank financing of the budget and external reserves but not the criterion on the budget deficit. Kenya also met the secondary criterion on government capital investment but not the secondary criteria on exchange rate variability, general government debt and total tax revenue.

4.0 REGIONAL INTEGRATION DEVELOPMENTS

Table 4.2: Revised Convergence Criteria under the COMESA Monetary Programme

Primary Criteria	2022-23	2023-24	2024-25
Overall budget deficit to GDP ratio (including grants) not exceeding 5 percent	-5.3	-5.3	-5.8
Annual average inflation rate of 7 percent with a band of +/- 1 percent	8.8	6.2	3.6
Central bank financing of the budget as a share of the previous year's tax revenue not exceeding 5 percent, with a target of 0 percent	4.2	3.1	3.1
External reserves of equal to or more than 3 months of imports of goods and non-factor services (moving average of imports of the last 6 months), with a target of at least 6 months	3.7	3.8	5.0
Secondary Criteria			
Variability of the nominal exchange rate against the US dollar not exceeding ± 10 percent, with a target of ± 5 percent	11.9	14.1	-10.2
General Government debt to GDP ratio of less than 65 percent	72.0	65.5	67.8
Total tax revenue to GDP ratio of not less than 20 percent	13.5	13.7	13.0
Government capital investment to tax revenue ratio of not less than 20 percent	23.3	25.2	25.6

Source: CBK

The African Monetary Cooperation Programme (AMCP)

The African Monetary Cooperation Programme (AMCP) is implemented by the Association of African Central Banks (AACB) with a view to establishing a monetary union, with a single currency and a common central bank, among AACB member states (**Table 4.3**). In

FY2024/2025, Kenya met the criteria on inflation, central bank financing of the budget and external reserves, but did not meet the criteria on the budget deficit, general government debt, total tax revenue, exchange rate variability and government capital investment.

Table 4.3: The African Monetary Cooperation Programme (AMCP)

Primary Criteria	2022-23	2023-24	2024-25
Annual average inflation rate not exceeding 7 percent (Target ≤ 3 percent by 2038)	8.8	6.2	3.6
Overall budget deficit/GDP ratio of not more than 5 percent (Target ≤ 3 percent by 2033)	-5.3	-5.3	-5.8
Minimize the central bank financing of the budget to below 5 percent (Target 0 percent)	4.2	3.1	3.1
External reserves of equal to or more than 3 months of imports of goods and non-factor services (moving average of imports of the last 6 months) (Target ≥ 6 months by 2038)	3.7	3.8	5.0
General Government debt to GDP ratio of not more than 65 percent	72.0	65.5	67.8
Secondary Criteria			
Total tax revenue to GDP ratio of not less than 20 percent	13.5	13.7	13.0
Nominal exchange rate variability ± 10 percent (Target ± 5 percent)	11.9	14.1	-10.2
Ratio of Government capital investment to tax revenue of not less than 30 percent	23.3	25.2	25.6

Source: CBK

5.0 CENTRAL BANK OPERATIONS

5.0 CENTRAL BANK OPERATIONS

5.1 Monetary Operations

Monetary Policy

The CBK conducted monetary policy in FY2024/2025 with the objective of maintaining overall inflation within the target range of 5 ± 2.5 percent and support economic activities, while ensuring continued exchange rate stability. Overall inflation remained within the target range, averaging 3.6 percent during the financial year. Core inflation remained low and stable at 3.0 percent in June 2025 compared to 2.8 percent in June 2024, indicating muted demand pressures in the economy.

The Monetary Policy Committee (MPC) lowered the Central Bank Rate (CBR) cumulatively by 325 basis points between June 2024 and June 2025 to support economic activity, while ensuring exchange rate stability. In August 2024, the MPC meeting lowered the CBR by 25 basis points to 12.75 percent, noting that there was scope for a gradual easing of the monetary policy stance, as the previous measures had lowered overall inflation to below the mid-point of the target range, stabilized the exchange rate, and anchored inflationary expectations. Additionally, central banks in some major economies had lowered interest rates in response to easing inflationary pressures. The MPC further lowered the CBR by 75 basis points each, in October and December 2024 meetings, to 11.25 percent, noting the sharp deceleration in credit to the private sector and slowdown in growth in the first half of 2024, and concluded that there was scope for a further easing of the monetary policy stance to support economic activity, while ensuring exchange rate stability. The MPC sustained a gradual easing of the monetary policy stance in the second half of the financial year, with the CBR lowered by 50 basis points in February 2025 to 10.75 percent, followed by a further reduction of 75 basis points in April and 25 basis points in June 2025 to 9.75 percent. To complement the lowering of the CBR, and support lowering of lending rates, the MPC in February 2025 lowered the Cash Reserve Ratio (CRR) by 100 basis points from 4.25 percent to 3.25 percent.

Modernisation of the Monetary Policy Framework

To enhance the effectiveness of the monetary policy implementation, the MPC approved in April 2025 the narrowing of the width of the interest rate corridor around the CBR, from ± 150 basis points to ± 75 basis points. This enhances the stability of the interbank rate and align the rate closer to the CBR. In addition, the Committee approved the adjustment of the applicable interest rate on the Discount Window from 300 basis points above CBR to 75 basis points, which is the upper bound of the interest rate corridor.

Money Supply

Annual growth in money supply, M3, increased to 7.5 percent in FY2024/25 from 6.8 percent in FY2023/24, mainly due to increased net domestic assets of the banking system. Growth in net domestic assets increased to 5.5 percent compared to a growth of 0.7 percent over a similar period in 2024, mainly reflecting increased net lending to government. Meanwhile, growth of net foreign assets of the banking system moderated mainly on account of reduced commercial banks' foreign assets. On the liability side, the increase in money supply was reflected in increased deposits, mainly demand, time and savings deposits (**Table 5.1**).

Domestic Credit

Annual growth in domestic credit increased to 7.9 percent in FY2024/25 from 6.0 percent in FY2023/24, mainly due to increased net lending to Government. Growth in net lending to the government increased to 18.6 in FY2024/25 from 9.8 percent in the previous financial year. Private sector credit grew by 2.2 percent in FY2024/25 compared to 4.0 percent in the previous financial year; and an improvement from a contraction of 2.9 percent in January 2025. This reflects credit demand in line with the declining lending interest rates, and dissipation of exchange rate valuation effects on foreign currency denominated loans, following the appreciation of the Shilling. Credit to some key sectors of the economy improved, including manufacturing, trade, building and construction and consumer durables (**Table 5.2**).

5.0 CENTRAL BANK OPERATIONS

Table 5.1: Monetary Aggregates

	End Period Level (KSh Billion)			Annual Growth Rate (Percent)			Annual Absolute Change (KSh Billion)		
	2022/23	2023/24	2024/25	2022/23	2023/24	2024/25	2022/23	2023/24	2024/25
Components of M3									
1. Money supply, M1 (1.1+1.2+1.3)	2,098.2	2,063.6	2,342.3	10.0	-1.6	13.5	191.4	-34.6	278.7
1.1 Currency outside banks	257.9	274.2	286.0	2.6	6.3	4.3	6.5	16.3	11.8
1.2 Demand deposits	1,680.7	1,630.6	1,880.4	8.3	-3.0	15.3	128.5	-50.1	249.8
1.3 Other deposits at CBK 1/	159.6	158.9	175.9	54.3	-0.5	10.7	56.2	-0.7	17.0
2. Money supply, M2 (1+2.1)	3,852.2	4,041.6	4,519.6	8.5	4.9	11.8	300.7	189.4	478.0
2.1 Time and saving deposits	1,754.0	1,978.0	2,177.3	6.6	12.8	10.1	109.3	224.0	199.3
3. Money supply, M3 (2+3.1)	5,037.4	5,381.3	5,786.5	13.4	6.8	7.5	594.4	343.9	405.2
3.1 Foreign Currency Deposits	1,185.2	1,339.7	1,266.9	32.9	13.0	-5.4	293.7	154.5	-72.8
Sources of M3									
1. Net foreign assets 2/	591.5	905.9	1,066.3	29.5	53.2	17.7	134.6	314.4	160.4
Central Bank	616.9	479.2	810.8	-3.8	-22.3	69.2	-24.6	-137.7	331.6
Banking Institutions	-25.4	426.7	255.5	86.2	1,780.1	40.1	159.3	452.1	-171.2
2. Net domestic assets (2.1+2.2)	4,445.9	4,475.4	4,720.2	11.5	0.7	5.5	459.7	29.5	244.7
2.1 Domestic credit	5,820.2	6,170.1	6,655.5	12.2	6.0	7.9	634.4	349.9	485.4
2.1.1 Government (net)	2,083.9	2,287.7	2,713.3	13.0	9.8	18.6	239.2	203.7	425.6
2.1.2 Private sector	3,652.6	3,797.5	3,880.9	12.2	4.0	2.2	395.7	144.9	83.4
2.1.3 Other public sector	83.7	84.9	61.4	-0.5	1.5	-27.7	-0.4	1.3	-23.5
2.2 Other assets net	-1,374.3	-1,694.7	-1,935.4	-14.6	-23.3	-14.2	-174.7	-320.4	-240.7
Memorandum items									
4. Overall liquidity, L (3+4.1)	7,562.6	8,313.4	9,192.1	14.1	9.9	10.6	932.7	750.8	878.7
4.1 Non-bank holdings of government securities	2,525.2	2,932.1	3,405.6	15.5	16.1	16.1	338.4	406.9	473.5

Absolute and percentage changes may not necessarily add up due to rounding

1/ Includes county deposits and special projects deposit

2/ Net Foreign Assets at current exchange rate to the US dollar.

Source: CBK

5.0 CENTRAL BANK OPERATIONS

Table 5.2: Banking Sector Net Domestic Credit

	End Period Level (KSh Billion)			Annual Growth Rate (Percent)			Annual Absolute Change (KSh Billion)		
	2022/23	2023/24	2024/25	2022/23	2023/24	2024/25	2022/23	2023/24	2024/25
1. Credit to Government	2,083.9	2,287.7	2,713.3	13.0	9.8	18.6	239.2	203.7	425.6
Central Bank	323.4	380.8	395.9	118.0	17.7	4.0	175.1	57.4	15.1
Commercial Banks & NBFIs	1,760.5	1,906.9	2,317.3	3.8	8.3	21.5	64.1	146.3	410.5
2. Credit to other public sector	83.7	84.9	61.4	-0.5	1.5	-27.7	-0.4	1.3	-23.5
Local government	6.7	6.4	16.1	15.8	-4.9	150.8	0.9	-0.3	9.7
Parastatals	77.0	78.5	45.3	-1.7	2.1	-42.3	-1.4	1.6	-33.2
3. Credit to private sector	3,652.6	3,797.5	3,880.9	12.2	4.0	2.2	395.7	144.9	83.4
Agriculture	121.9	134.2	151.1	18.6	10.1	12.6	19.1	12.3	16.9
Manufacturing	583.6	580.2	598.3	18.0	-0.6	3.1	89.1	-3.4	18.1
Trade	613.7	632.7	696.8	10.2	3.1	10.1	56.9	19.0	64.1
Building and construction	139.2	127.7	159.6	4.9	-8.3	25.0	6.5	-11.6	31.9
Transport & communications	328.4	343.0	336.2	19.8	4.4	-2.0	54.3	14.5	-6.7
Finance & insurance	147.6	152.4	142.1	29.7	3.2	-6.7	33.8	4.8	-10.3
Real estate	429.2	444.7	452.0	3.7	3.6	1.6	15.2	15.5	7.3
Mining and quarrying	20.3	42.9	22.7	24.0	111.7	-47.1	3.9	22.6	-20.2
Private households	526.3	566.0	564.8	8.4	7.5	-0.2	40.6	39.7	-1.1
Consumer durables	401.5	417.3	457.5	12.0	3.9	9.6	42.9	15.8	40.2
Business services	209.8	213.8	192.5	12.1	1.9	-10.0	22.7	4.0	-21.4
Other activities	131.2	142.8	107.3	8.7	8.8	-24.8	10.5	11.6	-35.5
4. Overall	5,820.2	6,170.1	6,655.5	12.2	6.0	7.9	634.4	349.9	485.4

Source: CBK

Reserve Money

Reserve money contracted by 1.3 percent in FY2024/25 compared to an increase of 18.7 percent in the previous

financial year, partly reflecting decreased bank reserves. The decrease in bank reserves mainly arose from the reduction in required reserves (**Table 5.3**).

Table 5.3: Reserve Money and its Components

	End Period Level (KSh Billion)			Annual Growth Rate (Percent)			Annual Absolute Change (KSh Billion)		
	2022/23	2023/24	2024/25	2022/23	2023/24	2024/25	2022/23	2023/24	2024/25
1. Net Foreign Assets	616.9	479.2	810.8	-3.8	-22.3	69.2	-24.6	-137.7	331.6
2. Net Domestic Assets	-128.6	100.5	-238.5	4.9	-178.2	-337.3	-6.0	229.1	-339.1
2.1 Government Borrowing (net)	323.4	380.8	395.9	118.0	17.7	4.0	175.1	57.4	15.1
2.2 Commercial banks (net)	96.7	260.5	-28.7	38.7	169.3	-111.0	27.0	163.8	-289.2
2.3 Other Domestic Assets (net)	-552.5	-544.5	-609.5	60.4	-1.5	11.9	-208.0	8.0	-65.0
3. Reserve Money	488.3	579.7	572.3	-5.9	18.7	-1.3	-30.7	91.4	-7.5
3.1 Currency outside banks	257.9	274.2	286.0	2.6	6.3	4.3	6.5	16.3	11.8
3.2 Bank reserves	230.4	305.6	286.3	-13.9	32.6	-6.3	-37.1	75.2	-19.3
3.2.1 Required Reserves	197.5	221.1	181.5	9.1	11.9	-17.9	16.5	23.6	-39.6
3.2.2 Cash in Till	58.1	59.6	70.8	7.7	2.7	18.7	4.1	1.6	11.2
3.2.3 Excess Reserves	-25.2	24.9	34.0	-177.2	198.8	36.7	-57.8	50.0	9.1

Source: CBK

5.0 CENTRAL BANK OPERATIONS

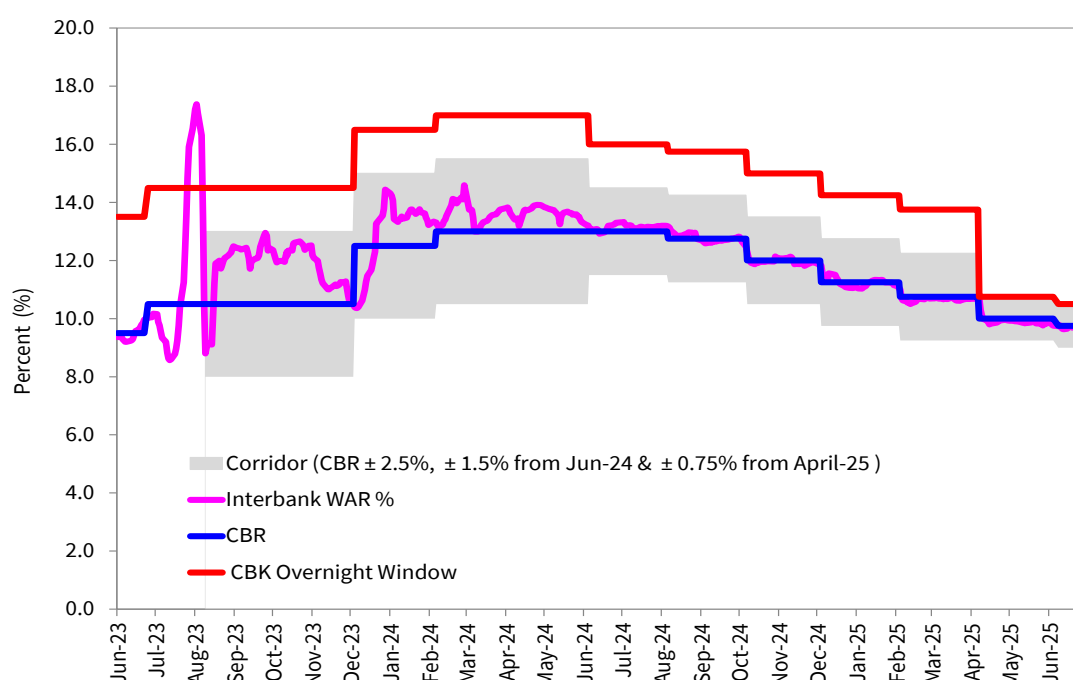
5.2 Interest Rates

Short Term Rates

Interest rates declined during the FY2024/25, mainly reflecting easing of the monetary policy stance and improved liquidity conditions in the money market (**Chart 5.1a**). The average interbank interest rate decreased to 9.73 percent in June 2025 from 13.14

percent in June 2024; and remained within the prescribed interest rate corridor band around the CBR (**Chart 5.1b**). Similarly, the average 91-day Treasury bill rate decreased to 8.19 percent in June 2025 from 15.97 percent in June 2024, while the average 182-day Treasury bill rate decreased to 8.49 percent from 16.67 percent.

Chart 5.1a: Interbank rate, interest rate corridor, and Overnight Discount Window Rate



Source: CBK

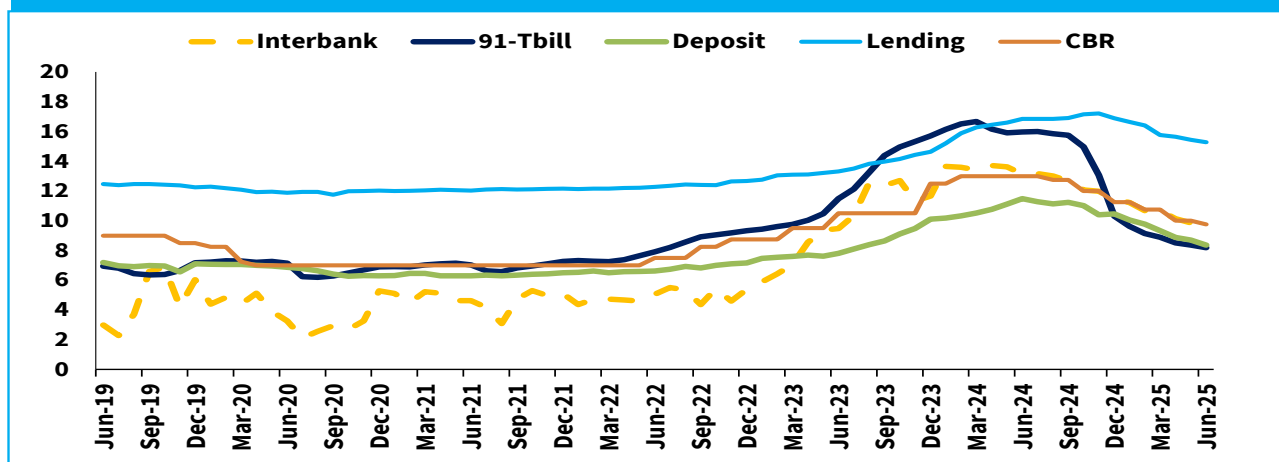
Commercial Bank Rates

Commercial banks average lending and deposit rates declined in FY2024/25, partly reflecting the easing of the monetary policy stance. Commercial banks weighted average lending rate declined to 15.3 percent in June 2025 compared to a peak of 17.2 percent in

October 2024 and 16.9 percent in June 2024. Similarly, the weighted average deposit rate decreased to 8.4 percent in June 2025 from 11.5 percent in June 2024, reflecting easing cost of funds.

5.0 CENTRAL BANK OPERATIONS

Chart 5.1b: Interest Rates (Percent)



Source: CBK

5.3 Foreign Exchange Operations and Reserves Management

Kenya Foreign Exchange Market

In FY2024/25, the Kenyan shilling (KSh) exhibited relative stability against the U.S. dollar (USD), with quarterly average exchange rates fluctuating within a narrow range of KSh 129.32 to KSh 129.47 per U.S. dollar. In Q1 FY2024/25, the exchange rate stood at an average of KSh 129.47, and by Q4 FY2024/25, it had slightly strengthened to an average of KSh 129.34. This stability was supported by robust diaspora remittances, offshore investors and agricultural exports. Demand for foreign currency was primarily driven by oil imports,

alongside a modest uptick in manufacturing. Year-on-Year, the Kenyan shilling strengthened by 10.3 percent averaging KSh 129.37 in FY2024/25 compared to KSh 144.18 in FY2023/24 (**Table 5.4**).

However, the shilling weakened against the Pound Sterling and the Euro over the same period. In Q1 FY2025/24, it traded at a quarterly average of KSh 168.46 against the British Pound, closing at KSh 172.80 in Q4 FY2025/24. Against the Euro, the shilling moved from KSh 142.28 to KSh 146.76 within the same timeframe.

Table 5.4: Kenya Shilling Exchange Rates

	2021/22	2022/23	2023/24	2024/25				Annual Average 2024/25	% change 2023/24_2024/25
				Q1	Q2	Q3	Q4		
				Jul-Sep	Oct-Dec	Jan-Mar	Apr-Jun		
US Dollar	112.75	126.32	144.18	129.47	129.32	129.34	129.34	129.37	-10.3
Pound Sterling	149.91	152.42	181.53	168.46	165.74	162.82	172.80	167.45	-7.8
Euro	126.92	129.54	155.95	142.28	137.95	136.08	146.76	140.77	-9.7
100 Japanese Yen	96.21	92.05	96.87	87.01	84.88	84.84	89.53	86.57	-10.6
South Africa Rand	7.41	7.10	7.70	7.21	7.22	6.99	7.08	7.13	-7.5
Uganda Shilling*	31.59	29.72	26.34	28.68	28.39	28.44	28.17	28.42	7.9
Tanzania Shilling*	20.47	18.52	17.65	20.86	20.30	19.92	20.64	20.43	15.8
Rwanda Franc*	8.98	8.47	8.70	10.22	10.55	10.81	10.96	10.64	22.3
Burundi Franc*	17.61	17.00	19.86	22.29	22.72	22.89	23.00	22.73	14.4

* Units of currency per Kenya Shilling

Source: CBK

5.0 CENTRAL BANK OPERATIONS

Reserves Management

The CBK usable foreign exchange reserves closed the FY 2024/25 at an all-time high of US\$ 11,082.28 million, equivalent to 4.86 months of import cover, up from the opening level of US\$ 7,798.46 million, which represented 4.06 months of import cover. This exceeds the CBK's statutory requirement to endeavor to maintain a minimum of 4 months of import cover, providing a strong buffer against short-term external shocks in the foreign exchange market.

5.4 Banking Sector Developments

Banking Sector Performance

The Kenyan banking sector registered improved performance in the year ending June 30, 2025, demonstrating stability and resilience. The sector's key performance indicators as at June 30, 2025 are highlighted below:

- a) **Asset Base** - The banking sector's aggregate balance sheet increased by 2.6 percent to KSh 7.8 trillion as at June 30, 2025, from KSh 7.6 trillion as at June 30, 2024. The increase was mainly driven by growth in government securities (24 percent), cash (18.5 percent) and balances at CBK (12.6 percent).
- b) **Loan book** - The banking sector's loan book increased by 2.5 percent to KSh 4.1 trillion in June 2025, from KSh 4.0 trillion in June 2024. This was mainly driven by increased lending to the Personal and Household, Trade, Agriculture, Building and Construction, Financial Services, Manufacturing, and Real Estate sectors.
- c) **Asset Quality** deteriorated slightly with the ratio of Gross Non-Performing Loans (NPLs) to Gross Loans increasing from 16.3 percent in June 2024, to 17.6 percent in June 2025.
- d) **Funding** - Customer deposits increased by 3.6 percent from KSh 5.6 trillion in June 2024, to KSh 5.8 trillion in June 2025. Deposits remained the main source of funding to banks, accounting for 74.5 percent of the banking sector's total liabilities and shareholders' funds as at June 2025.
- e) **Profitability** - Cumulative pre-tax profits increased by KSh 8.5 billion (6.1 percent) to KSh 148.1 billion in June 2025, from KSh 139.6 billion in June 2024. The increased profitability resulted from a greater reduction in total expenses than the reduction in

total income ((KSh 22.8 billion against KSh 14.3 billion, respectively) for the period under review.

Banking Sector Legal and Policy Developments

On the regulatory front, various regulatory reforms were undertaken in the year to June 2025, aimed at enhancing the banking sector's stability and resilience. These include the following:

- a) Amendments to various statutes through the Business Laws (Amendment) Act, 2024, which was enacted in December 2024. The Act amended several laws including the CBK Act (Cap 491), Banking Act (Cap 488) and the Microfinance Act, 2006, impacting institutions under the purview of the CBK. The amendments are highlighted below:
 - i. **Review of banking sector penalty assessment framework** - The Banking Act was amended by introducing a new penalty assessment approach. Regulatory penalties are now set at the higher of KSh 20 million or three times the financial benefit gained/loss avoided by the subject institution. The new framework is aimed at making penalties effective, proportionate, dissuasive, aligned with global standards, and entrenching a compliance culture in banks.
 - ii. **Increase of commercial banks minimum core capital** - The Business Laws (Amendment) Act 20 of 2024 mandated a progressive increase in the minimum core capital requirement for commercial banks from KSh 1.0 billion to KSh 10 billion by December 2029. The review of the minimum core capital requirements aligns with CBK's broader objectives of fostering a robust, competitive, and well-capitalized banking sector that can withstand economic shocks and facilitate sustainable development. The increase is to be effected progressively over 5 years to ensure that banks are able to mobilize the additional capital incrementally.
 - iii. **Expanding the regulatory framework for non-deposit taking credit business (formerly Digital Credit Providers)** - aimed at widening its scope to cover all forms of non-deposit credit providers (not just mobile lenders).

5.0 CENTRAL BANK OPERATIONS

- b) *Greening of Kenya's Banking Sector* – CBK issued the Kenya Green Finance Taxonomy (KGFT) and Climate Risk Disclosure Framework (CRDF) to the banking sector on April 4, 2025. Both frameworks were developed with Technical Assistance from the European Investment Bank (EIB) under EIB's Greening Financial Systems Technical Assistance Programme to CBK that commenced in October 2023. The two frameworks were the second generation reforms in greening the banking sector following issuance of Guidance on Climate-Related Risk Management in October 2021.
- c) *Enhanced Liquidity Management Framework*: To update the banking sector liquidity management framework to Basel III Standards, CBK issued guidelines on implementation of the Liquidity Coverage Ratio (LCR), Net Stable Funding Ratio (NSFR), and Leverage Ratio (LR) in April 2025. The guidelines are intended to enhance the sector's liquidity frameworks, to promote greater financial stability and resilience of the sector.
- d) *Strengthening the Anti-Money Laundering and Combating the Financing of Terrorism (AML/ CFT) Framework* – Following Kenya's placement on the Financial Action Task Force (FATF) grey list in 2024 due to deficiencies in its Anti-Money Laundering, Countering the Financing of Terrorism, and Countering Proliferation Financing (AML/ CFT/CPF) framework, Kenya implemented key AML/CFT reforms which focused on enhancing risk-based supervision and compliance.
- e) *Virtual Assets (VA) and Virtual Assets Service Providers (VASPs)*: CBK was part of efforts spearheaded by the National Treasury to formulate the National Policy on Virtual Assets and draft Virtual Assets Service Providers Bill, 2024, aimed at regulating VA and VASPs under a comprehensive legal and supervisory framework. The draft Bill outlined licensing requirements, market entry controls, supervision, monitoring, and the implementation of AML/CFT preventive measures for VASPs.

Market Entrants and Exits

The banking sector witnessed the following new entrants and exits in the year to June 2025:

- JPMorgan Chase Bank N.A. of the United States of America (USA) was granted authority on October 14, 2024, to establish a Representative Office in Kenya by the name JPMorgan Chase Bank N.A. Representative Office Kenya.
- Bank of Kigali of Rwanda closed down its Representative Office in Kenya in April 2024.
- Bank Al Habib Ltd (BAHL) of Pakistan closed down its Representative Office in Kenya effective May 15, 2025. The exit of Bank of Kigali and bank Al Habib Ltd from Kenya, and the entry of JPMorgan Chase Bank N.A, left the number of authorized Representative Office in Kenya at 9 as at June 30, 2025.
- 68 additional Digital Credit Providers (DCPs) were licensed in the year to June 30, 2025, bringing the total number of licensed DCPs to 126 from the 58 DCPs licensed as at June 30, 2024.

2025/2026 Outlook

CBK looks forward to continued stability and resilience in the banking sector over the FY2025/26 year as it continues pursuing its mandate of ensuring a stable, market-based banking and financial system.

5.5 Developments in Currency Operations

Currency in Circulation

Currency in circulation increased by KSh 23.2 billion during the financial year 2024/25, marking a 7.0 percent increase compared to the previous year's growth of 5.6 percent (**Table 5.5**):

Table 5.5: Composition of Currency in Circulation

	Jun-24	Jun-25	
	KSh Billion	KSh Billion	Growth (%)
Coins	11.03	11.38	3.2%
Banknotes	322.77	345.64	7.1%
Total Currency in Circulation	333.80	357.02	7.0%

Source: CBK

5.0 CENTRAL BANK OPERATIONS

This growth was attributed to a greater volume of currency outflows (withdrawals) than inflows (deposits). Overall currency inflows totalled KSh 476.32 billion, while outflows amounted to KSh 499.56 billion. Whereas the net effect was an increase in currency in circulation, the inflows and outflows declined by 7.8 and 6.6 percent respectively from the previous year (Table 5.6).

Table 5.6: Inflows and Outflows of Currency in Circulation

Inflow (Deposits)	2023/24	2024/25
	KSh Billion	KSh Billion
Banknotes	516.761	476.212
Coins	0.093	0.109
Total Inflows	516.854	476.321
Outflow (Withdrawals)	2023/24	2024/25
	KSh Billion	KSh Billion
Banknotes	(534.149)	499.100
Coins	(0.563)	0.455
Total Outflows	(534.712)	499.555
Net Outflows	(17.858)	23.234

Source: CBK

Release of New Currency Banknotes

In fulfilment of its mandate of issuing currency in accordance with Article 231 (2) of the Constitution of Kenya and Section 22 (2) of the CBK Act, the Bank made changes and released a new series of banknotes into circulation in August 2024. The changes affected the fifty shillings (KSh 50), one hundred shillings (KSh 100), two hundred shillings (KSh 200), five hundred shillings (KSh 500) and one thousand shillings (KSh 1,000) currency banknotes.

The banknotes bear:

- The signature of the Governor of the Central Bank of Kenya, Dr. Kamau Thugge,
- The signature of the Principal Secretary, National Treasury, Dr. Chris Kiptoo,
- The year of print – 2024, and
- New security threads with colour changing effects that are specific to each denomination

The rest of the features remain the same as those of the series issued in 2019. The released banknotes co-circulate with those previously issued but not decommissioned.

International Currency Award

In February 2025, CBK was recognised for the Best New Series of banknotes at the High Security Printing - Europe, Middle East and Africa (HSP-EMEA) Conference in Basel, Switzerland. The award recognised CBK's release of a new banknote series in August 2024 taking note of the enhanced security features in the banknotes. The award puts the Kenyan series of banknotes at the forefront of being appealing, secure and world class status.

The award citation stated - 'The full series comprises KSh 1,000, 500, 200, 100 and 50 banknotes, with the same design as the notes they replace but with enhanced security in the form of Louisenthal's RollingStar® i+ thread on each of the denominations. The three higher denominations – the KSh 1000, 500 and 200 – utilise the ZigZag dynamic movement effect, while the two lower denominations – the KSh 100 and 50 – utilise the Crystal effect. Additionally, the banknotes feature the use of iridescent bands with UV for each of the denominations, while dual colour fluorescence is also maintained as a secondary level security element against counterfeiting'. The new series of banknotes utilises the latest technology to mitigate against counterfeiting, giving citizens assurance on the security of their currency.

The international award ceremony brought together security document players who focused on government-specified and issued documents, including currency, fiduciary documents, excise stamps, ID cards, e-passports, visas, vehicle documents and licences.

Public Engagement on Currency Usage

As part of public engagement efforts to ensure effective circulation of currency in the economy, CBK collaborated with commercial banks through the Kenya Bankers Association (KBA) and retail outlets, through the Retail Traders Association of Kenya (RETRAK) to carry out the *Chomoa Coin* Campaign. The campaign targeted to promote the recirculation of coins in Kenya and giving clarity to the market on the validity of denominations issued. CBK will continue engaging the public on effective use of currency.

5.0 CENTRAL BANK OPERATIONS

5.6 Banking and Payments Services

Introduction and overall policy developments

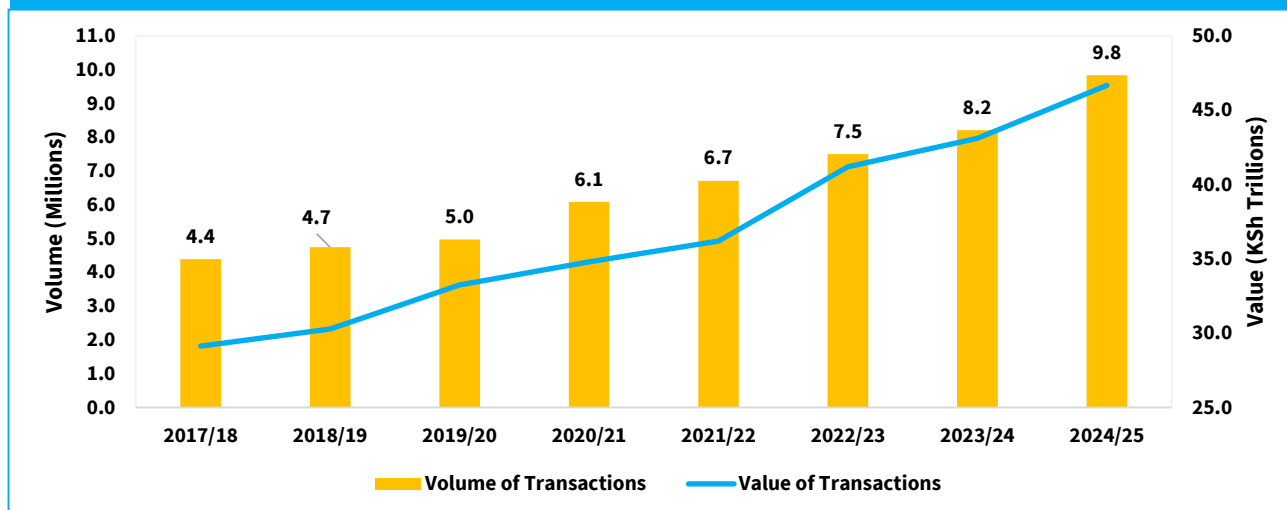
In the FY2024/25, the CBK continued with the implementation of the National Payments Strategy 2022 – 2025, with several initiatives at various stages of implementation. The initiatives include migration of the Kenyan large value payment system (KEPSS) to ISO 20022 standard, while in collaboration with EAC Partner States Central Banks, the migration of the regional payment systems (EAPS and RESPSS) is in progress. Migration for the regional payment systems is expected to be completed by end of November 2025. Other initiatives that begun in FY2024/2025, that are ongoing include the review and amendment of the National Payment System (NPS) Act and implementation of a fast payment system for retail payments in Kenya.

On the digitization of retail payments, CBK has continued to authorize more Payment Service Providers (PSPs), and more digital payment products continued to be approved to realize the outcomes of the Strategy, namely, trust, security, usefulness, choice and innovation.

New Generation KEPSS platform

The Kenya Electronic Payment and Settlement System (KEPSS), which was upgraded in 2020 continues to provide improved processing speed, increased capacity, and scalability with 24/7 processing & settlement capabilities, and improved interoperability and sustainability. In the FY2024/2025, KEPSS continued to record increased performance in both volume and value of transactions, from 8.2 million transaction messages valued at KSh 43.1 trillion in the FY2023/24, to 9.8 million transaction messages valued at KSh 46.6 trillion as the end of FY2024/2025 (**Chart 5.2**).

Chart 5.2: Volume and Value of KEPSS Transactions



Source: CBK

Furthermore, in October 2024, KEPSS successfully migrated to the ISO 20022 global payment messaging standard. This transition ensures that KEPSS can receive and settle ISO 20022 compliant electronic payments submitted by financial institutions and other authorized Payment Service Providers (PSPs).

Innovations within the payment services focusing on 24/7 have also emerged, creating a stronger case to

adopt longer operating hours across jurisdictions. The Bank has revised the KEPSS operating hours from 8.30am to 4.30pm to new timelines of 7.00am to 7.00pm. This strategic enhancement is aimed at improving the efficiency, accessibility, and resilience of Kenya's payments ecosystem. By enabling earlier initiation and later completion of large-value and time-sensitive payments, this move will support the country's transition towards a 24/7 digital economy.

5.0 CENTRAL BANK OPERATIONS

Regional Payment Developments

During the year under review, cross-border regional payment systems continued to play a critical role in supporting regional trade and facilitating payment obligations within the East African Community (EAC) and the Common Market for Eastern and Southern Africa (COMESA). Between July 1, 2024, and June 30, 2025, the East African Payment System (EAPS) processed 46,463 transactions valued at USD 1,510 million, while the Regional Electronic Payment and Settlement System (REPSS) recorded 1,498 transactions worth USD 101 million. These systems continue to address inefficiencies associated with traditional cross-border payment channels such as correspondent banking, which remain costly, slow, and opaque.

To further strengthen the regional payments ecosystem, the EAC Partner States Central Banks developed an EAC Regional Payment System Masterplan which was approved and adopted in May 2025. The Masterplan provides a five-year strategic roadmap designed to enhance the efficiency, security, and accessibility of cross-border payments within the East African Community. It aims to achieve this by promoting the harmonized integration of both retail and high-value payment systems across EAC Partner States, thereby fostering greater financial inclusion and regional economic integration.

In line with global priorities, Kenya continues to align its payment system reforms with the G20 Roadmap on Enhancing Cross-border Payments, which seeks to address longstanding challenges related to cost, speed, access, and transparency. As part of these efforts, the Central Bank of Kenya continues to adopt international standards such as ISO 20022, which enhances interoperability of cross border payments, supports innovation, and positions the country as a leader in secure and modern payment infrastructure both regionally and globally.

The Automated Clearing House (ACH) and Society for Worldwide Interbank Financial Telecommunication (SWIFT)

During the year under review the Automated Clearing House (ACH) system continued to support the banking

industry with settlements. The industry has continued to enjoy the benefits of migrating the ACH to ISO 20022, including the straight through processing of transactions and multiple settlement windows, leading to faster access to funds by customers. The upgraded ACH is rich in remittance data that enables deeper payments insights and analysis and permits improved AML/CFT screening and effective fraud monitoring.

Authorisation of Payment Service Providers (PSPs)

During the FY2024/2025, the Bank granted Authorisation Certificates to six (6) Payment Service Providers (PSPs), increasing the total number of authorised PSPs in Kenya to forty-two (42). This expansion significantly contributed to the growth and diversification of payment service delivery across the country. Additionally, CBK authorised pricing proposals aimed at enhancing affordability and accessibility, thereby broadening consumer choices and improving overall service quality.

Furthermore, to strengthen corporate governance standards within the sector, CBK conducted comprehensive vetting exercises and approved the appointments of senior officials across various PSPs, ensuring leadership integrity, accountability, and regulatory compliance.

Payment Systems Oversight and Compliance

Compliance by Payment Service Providers (PSPs), was observed in various aspects including but not limited to governance, financial health, cyber security, AML/CFT/CPF, trust arrangements among others. CBK conducted various sensitization and capacity building initiatives that touched on emerging trends and risks cyber-security threats, Money Laundering, Terrorism Financing, and Proliferation Financing (ML/TF/PF). Enforcement action was also taken in cases of non-compliance with the aim of enhancing discipline by licensed PSPs and compliance to the law. Additionally, enhanced reporting by PSPs was also implemented to enhance the level of supervision by CBK including automation with the aim of providing timely and accurate reports.

5.0 CENTRAL BANK OPERATIONS

5.7 Domestic Debt Operations and Developments

Successful Government budget funding

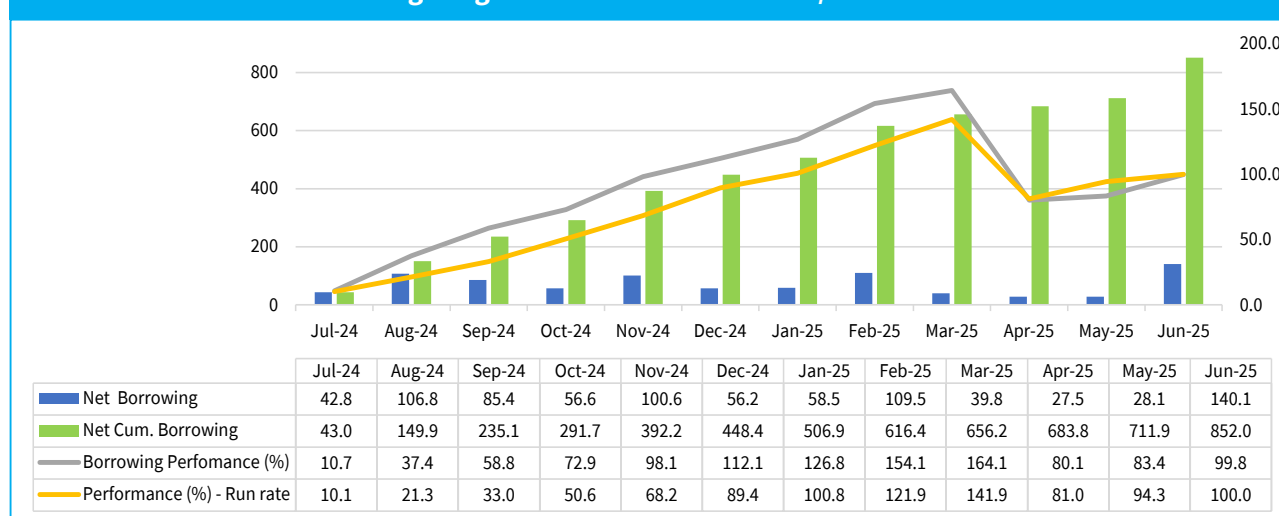
The government borrowing program FY2024/25 was run against the backdrop of increased uncertainties in the global economic outlook that reflected concerns about financial sector stability in the advanced economies, continuing geopolitical tensions particularly the global tensions trade tariffs. The approach towards government funding was guided by the following key priorities:

- Meet the domestic borrowing target.
- Manage the cost of debt by developing and maintaining a well-priced stable yield curve.

- Minimize debt maturity risk by extending bond tenor and targeting a higher ratio of T-Bonds to T-Bills.
- Contribute to stable liquidity flows.
- Support market development.

The domestic debt market witnessed the lengthening of the maturity profile of domestic debt and vibrant secondary market bond turnover. As at 30th June 2025, KSh 852bn (99.79%) was achieved out of the revised borrowing target of KSh 853.81bn as illustrated in (Chart 5.3).

Chart 5.3: Domestic Borrowing Program Performance FY 2024/25



Source: CBK

The successful financing achievement was supported by the following key drivers:

- A stable local investor base and participation by non-resident investors.
- Sustained market engagement and stakeholder collaboration between The National Treasury, CBK, Capital Market Authority, and institutional and retail investors.

- A careful Issuance Plan that considered bond blends designed to supply all segments of the market and incentivize different investor preferences.
- The transformational impact of the DhowCSD in revolutionizing investment in Government securities and supporting market development.

5.0 CENTRAL BANK OPERATIONS

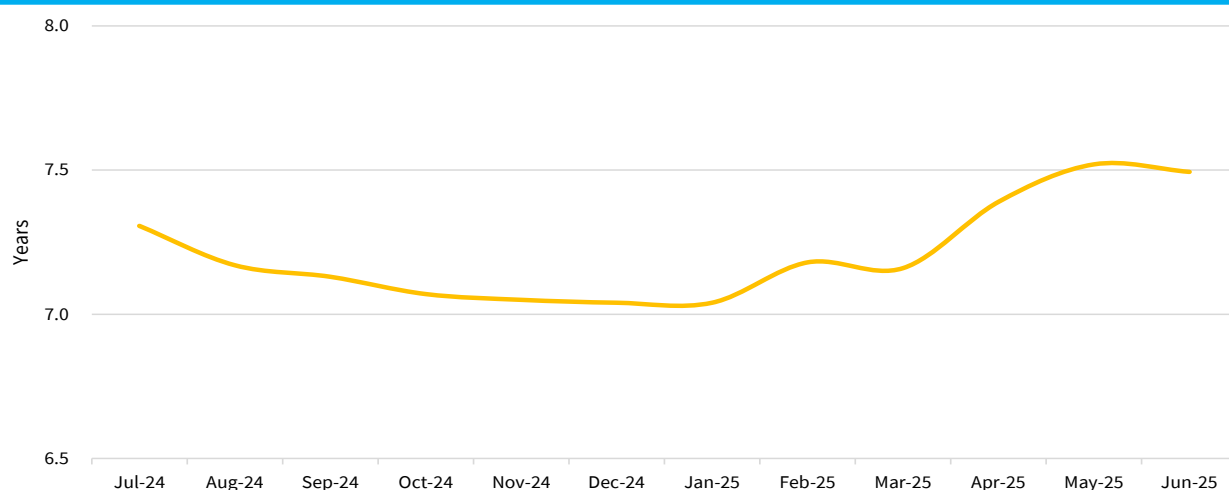
Successful Debt Maturity Lengthening

The average time to maturity (ATM) of T-bonds was 7.49 years as at end June 2025 from 7.36 years in June 2024, driven by consistent issuance of medium to long term instruments in line with enhancing the benchmark bond issuance program (**Chart 5.4a**). The ratio of Treasury bills to bonds was at 17:83 in June 2025 from 12:88 in June 2024 (**Chart 5.4 b & 5.4 bc**), which has continued to mitigate debt refinancing risk. This has been achieved through consistent issuance and reopening of medium-to-long Treasury bonds. Gross Treasury

bonds issued during the year amounted KSh 821.4bn through reopening, of which Fixed coupon bonds and Infrastructure bonds (IFBs) (FXDs) accounted for 69% and 31% respectively.

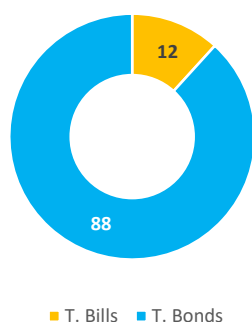
The Bank carried out a successful Liability Management Operation (LMO) in February 2025. The inaugural domestic bond buyback targeting KSh 50bn attracted bids totaling KSh 56.1 bn, of which KSh 50.09bn was accepted (**Table 5.7**).

Chart 5.4a: Average Time to Maturity (Yrs) for bonds



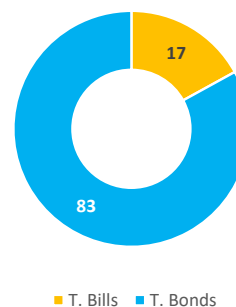
Source: CBK

Chart 5.4b : Government Securities stock of debt by instrument, June 2024



Source: CBK

Chart 5.4c: Government Securities stock of debt by instrument, June 2025



Source: CBK

5.0 CENTRAL BANK OPERATIONS

Table 5.7 - Treasury Bond Buyback (KSh bn)

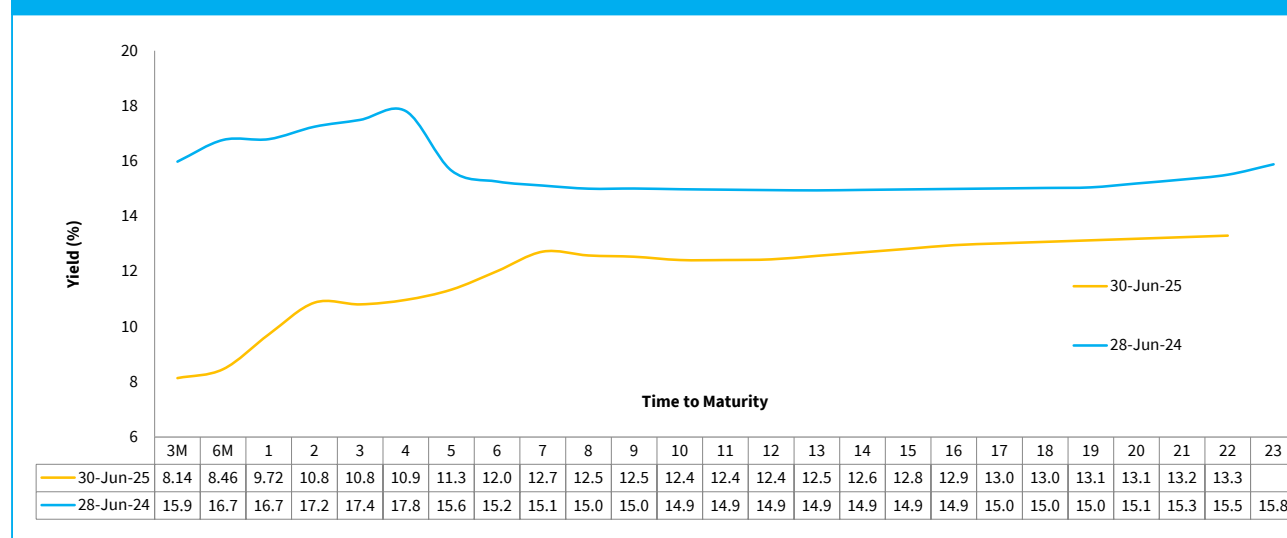
Issue No	Due Date	Coupon Rate (%)	I Stock before buy back	Buyback Auction	Outstanding stock
FXD1/2022/003	07-Apr-25	11.766	60.61	9.25	51.36
FXD1/2020/005	05-May-25	11.667	104.52	34.90	69.62
IFB1/2016/009	12-May-25	12.500	19.92	5.69	14.23
Total			185.05	49.84	135.21

Sustained Yield Curve Stability

The yield curve continues to adjust to the monetary policy stance and has adjusted steadily across the

tenors to reflect the current positions (**Chart 5.5**). The yield curve continues to play an important role as a pricing benchmark for financial market investments.

Chart 5.5: Government Securities Yield Curve



Source: CBK

Looking Ahead to FY2025/2026

The Domestic Debt Programme continues to be implemented within the broader context of the Government's ongoing fiscal consolidation programme. The borrowing pace is expected to be influenced by global economic and market conditions and domestic market liquidity conditions. It is expected that the achievement of the above priorities will continue to be supported by:

- Strong and stable macroeconomic and market conditions.
- Stable local investor base and participation by non-resident investors.
- Careful issuance plan with active liability management.

Sustained market engagement and stakeholder collaboration.

6.0 STRATEGIC PLAN 2024-2027

6.0 STRATEGIC PLAN 2024-2027

The 2024-2027 Strategic Plan provides a road map that ensures long term sustainability in achieving the Bank's mission. Successful implementation of the plan provides needed transformation to move the Bank closer to its vision of becoming a World-Class, Modern Central Bank. The Plan builds on milestones achieved over the period 2021-2024, the strategic cycle when the Bank implemented notable systems improvements to enhance operational efficiency and customer experience.

Further, the plan seeks to position the Bank to efficiently and effectively implement its mandate and achieve its vision. Specifically, the strategic initiatives are geared towards ensuring that the Bank remains steadfast in fostering a resilient and progressive economy, maintaining stability and predictability in general level of prices, promoting a stable and inclusive banking sector and a payment eco-system that is safe and efficient. The 2024-2027 Strategic Plan is premised on the overarching theme of transitioning from Good to Great. In this journey, four major areas of focus have been identified.

The first theme is **Resilience and Sustainability**, where the Bank seeks to enhance its capacity to withstand shocks, risks and disruptions inherent in its operating environment, and enhance its regulatory capability to foster a strong and stable banking and payment industry. The second focus area is **Digital Transformation** which seeks to integrate digital technology in all areas of the Banks operations to deliver value to customers and stakeholders. The third focus area is **Service Excellence**, whose objective addresses the core of bank operations of offering superlative services to both our internal and external stakeholders. The fourth area is the **Human Capital**, where the Bank seeks to build on remarkable achievements recorded previously that ensure staff remain highly engaged and effective in delivering the Bank's mandate.

The FY2024/2025 was the first year of strategy implementation and the Bank successfully completed implementation of the following initiatives:

1. **Resilience and Sustainability pillar:**

- a. The authorized capital for the bank was increased from KSh 50B to KSh 100B and the paid-up capital enhanced by KSh 10B to KSh 60B

- b. The core capital requirement for commercial banks was revised to KSh 10B by an Act of parliament gazette in December 2024. The amendment provides for increased capital requirements for banks and mortgage finance companies to be implemented progressively over five years from 2025 to 2029
- c. The Bank revised the Penalty regulations that apply to commercial banks as an initiative under the objective of enhancing financial sector stability
- d. A Macro-prudential policy strategy designed to enhance the overall stability of the financial sector was developed and implementation of the recommendation is in progress
- e. The Bank developed and issued a guidance note on Internal Liquidity Adequacy Assessment Process to commercial banks
- f. The Bank licensed 68 more digital credit providers applications, surpassing the target of licensing at least 50 in FY2024/2025.
- g. The Anti-Money Laundering and Combating of Financing of Terrorism (AML/CFT) outreach strategy was developed and implementation commenced and targeted financial sanction training courses also commenced for institutions under the purview of the Bank.

2. **Digital Transformation pillar:**

The bank enhanced and optimized the use of some of its originally implemented systems functionalities, hence delivering great customer experience as they interact with the Bank.

3. **Human Capital pillar**

The Bank rolled out the Staff Performance Management Framework system under the human capital theme which is in the first cycle of implementation.

4. **Service Excellence pillar**

The bank completed remodeling its Nyeri Centre and now the central banking services are now available to customers in the region. Further within this focus area, the Bank completed the acquisition of the property in Meru for the planned CBK Centre premises.

7.0 FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2025

REPUBLIC OF KENYA



Enhancing Accountability

REPORT

OF

THE AUDITOR-GENERAL

ON

CENTRAL BANK OF KENYA

**FOR THE YEAR ENDED
30 JUNE, 2025**

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

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BANK INFORMATION

FOR THE YEAR ENDED 30 JUNE 2025

BOARD OF DIRECTORS

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

SENIOR MANAGEMENT

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

HEADS OF DEPARTMENT

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

REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS

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

BANK INFORMATION (continued)

FOR THE YEAR ENDED 30 JUNE 2025

BRANCHES

Mombasa Branch
Central Bank of Kenya Building
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
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20100 Nakuru

Kisii Centre
ABSA Bank Building
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40200 Kisii

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00200 Nairobi

Amolo & Gacoka Advocates.
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Grevillea Grove, Kyuna
P.O. Box 53319-00200
Nairobi

PRINCIPAL AUDITOR

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

STATEMENT OF CORPORATE GOVERNANCE FOR THE YEAR ENDED 30 JUNE 2025

1.0 Statement of Corporate Governance

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

1.1 Board of Directors

The Central Bank of Kenya Act (the “Act”) provides that the Board of Directors (the “Board”) shall be composed of a Chairperson, a Governor, Principal Secretary to The National Treasury who is a non-voting member and eight Non-Executive Directors. The law requires that the President appoints the Chairman and Governor after a competitive process and approval of Parliament. Other than the Principal Secretary to The National Treasury who is an ex-officio member, all the Non-Executive Directors of the Board are also appointed by the

President with the approval of Parliament. All the Board members are appointed for a term of four (4) years each and are eligible for reappointment for a term of four (4) years provided that no Board member holds office for more than two (2) terms.

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

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

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

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

STATEMENT OF CORPORATE GOVERNANCE (continued) FOR THE YEAR ENDED 30 JUNE 2025

1.1 Board of Directors (continued)

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

No.	Name	Position	Discipline	Date of Appointment	Contract end date
10.	Ms. Beatrice Kosgei	Member	Legal Expert	Appointed on 12 May 2025	11 May 2029
11.	Mr. David Simpson Osawa Owuor	Member	Information Technology Expert	Appointed on 12 May 2025	11 May 2029

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

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

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

1.2. Secretary to the Board

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

STATEMENT OF CORPORATE GOVERNANCE (continued) FOR THE YEAR ENDED 30 JUNE 2025

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

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

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

The Audit, Risk and Strategy Committee mandate relating to Financial Reporting and Related Reporting Practices includes review of the annual financial statements of the Bank, the external auditor's opinion and their comments on internal

controls and other observations. The Committee also reviews significant accounting and reporting issues and their impact on financial reports and legal matters that could significantly impact on the financial statements, among other financial reporting responsibilities.

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

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

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

STATEMENT OF CORPORATE GOVERNANCE (continued) FOR THE YEAR ENDED 30 JUNE 2025

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

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

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

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

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

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

- Monitor the formulation and implementation of Human Resources Policies in the Bank;
- 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;
- Perform any other Human Resources related functions as assigned by the Board;
- Monitor the implementation of Board resolutions relating to the HRITC of the Board;
- Monitor the formulation and implementation of ITD policies and frameworks in the Bank; and
- Monitor the implementation of IT strategic initiatives and transformation journey.

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

STATEMENT OF CORPORATE GOVERNANCE (continued) FOR THE YEAR ENDED 30 JUNE 2025

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

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

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

1.5. Monetary Policy Committee (MPC)

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

- i) Governor who is the Chairman
- ii) The Deputy Governor who is the Deputy Chairperson
- iii) Two (2) members appointed by the Governor from the CBK. Of the two members:
 - a) one shall be a person with executive responsibility within the Bank for monetary analyses and;
 - b) one shall be a person with responsibility within the Bank for monetary policy operations.

- iv) Four (4) external members appointed by the Cabinet Secretary for The National Treasury
- v) Principal Secretary for the National Treasury or his Representative, who is a non voting member.

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

STATEMENT OF CORPORATE GOVERNANCE (continued) FOR THE YEAR ENDED 30 JUNE 2025

1.5. Monetary Policy Committee (MPC)(continued)

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

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

Notes:

¹ Appointed Deputy Governor of the CBK on December 9, 2024.

² The second term as external Members of the MPC ended on August 23, 2024.

³ Appointed as external Members of the MPC effective from August 24, 2024.

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.

1.6. Management Structure

The positions of Governor and Deputy Governors are set out in the CBK Act Cap 491 of the Laws of Kenya. The Governor and the Deputy Governors constitute the Central Bank's Senior Management. As the Chief Executive of the Bank, the Governor assigns duties to the Deputy Governors. There are 14 heads of department who lead the key departments of the Central Bank of Kenya,

STATEMENT OF CORPORATE GOVERNANCE (continued) FOR THE YEAR ENDED 30 JUNE 2025

1.8. Internal Controls

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

1.9. Authorizations

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

1.10. Internal Audit and Risk Management

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

1.11. Transparency

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

2.0. Financial Performance

The Bank's financial performance is primarily affected by the Monetary Policy stance adopted, interest rates and changes in exchange rate. The Bank's financial performance is presented on page 58 to 62 of these financial statements.

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

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

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

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

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 30 JUNE 2025

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

1. INCORPORATION

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

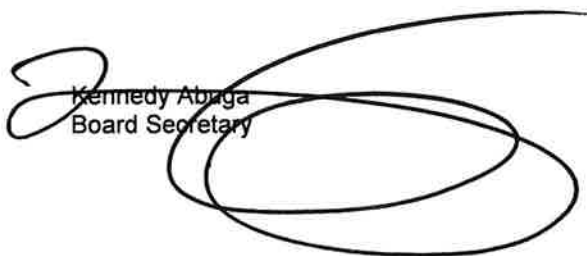
4. BOARD OF DIRECTORS

The members of the Board of Directors who served during the year and up to the date of this report are listed on page 41.

5. AUDITOR

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

By Order of the Board


Kennedy Abaga
Board Secretary

STATEMENT OF DIRECTORS' RESPONSIBILITIES FOR THE YEAR ENDED 30 JUNE 2025

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

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

- (i) designing, implementing and maintaining internal control necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error;
- (ii) selecting and applying appropriate accounting policies; and
- (iii) making accounting estimates and judgments that are reasonable in the circumstances.

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

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

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



Mr. Andrew Musangi
Chairman of the Board

19 September 2025



Dr. Kamau Thugge
Governor

19 September 2025

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

PREAMBLE

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

- A. Report on Financial Statements that considers whether the financial statements are fairly presented in accordance with the applicable financial reporting framework, accounting standards and the relevant laws and regulations that have a direct effect on the financial statements;
- B. Report on Lawfulness and Effectiveness in the Use of Public Resources which considers compliance with applicable laws, regulations, policies, gazette notices, circulars, guidelines and manuals and whether public resources are applied in a prudent, efficient, economic, transparent and accountable manner to ensure the Government achieves value for money and that such funds are applied for the intended purpose; and,
- C. Report on Effectiveness of Internal Controls, Risk Management and Governance which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, risk management environment and internal controls, developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

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

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

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying financial statements of Central Bank of Kenya set out on pages 58 to 135, which comprise the statement of financial position as at 30 June, 2025 and the statement of profit or loss and other comprehensive income, statement of

Report of the Auditor-General on Central Bank of Kenya for the year ended 30 June, 2025

changes in equity, statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which to the best of my knowledge and belief, were necessary for the purpose of the audit.

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

Basis for Opinion

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

Key Audit Matters

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

Other Matter

Constitution of Board of Directors

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

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

My opinion is not modified in respect of this matter.

Other Information

The Directors are responsible for the other information set out on page 41 to 51 which comprise of the Bank's information, Statement of Corporate Governance, Report of the Directors and Statement of Directors' Responsibilities. The Other Information does not include the financial statements and my audit report thereon.

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

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

Direct Deduction of Agency Fees on Government Securities

The statement of profit or loss and other comprehensive income reflects an amount of Kshs.3 Billion in respect of fees and commissions which, as disclosed in Note 6(a) to the financial statements relates to income the Bank earned from the Government of Kenya through the Bank's agency role in the issuance of Treasury Bills and Treasury Bonds. However, it was noted that the Bank deducted its commission at source and remitted net proceeds to the Exchequer, contrary to Article 206(1)(a) of the Constitution and Section 17(2) of the Public Finance Management Act, 2012, which require all money raised or received by or on behalf of the national government to be paid into the Exchequer Account, except money that is reasonably excluded from the Fund by an Act of Parliament. Further, although the Agency Agreement provides that The National Treasury and the Bank should

agree on the commission and method of payment, no evidence of an agreed payment method was provided for review.

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

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

Human Resource Practices

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

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

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

Responsibilities of the Management and Board of Directors

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

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

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

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

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

Auditor-General's Responsibilities for the Audit

My responsibility is to conduct an audit of the financial statements in accordance with Article 229(4) of the Constitution, Section 35 of the Public Audit Act, 2015 and the

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

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

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

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


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

Date: 29 September, 2025

Report of the Auditor-General on Central Bank of Kenya for the year ended 30 June, 2025

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

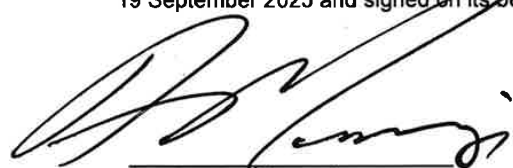
	Notes	2025 KShs' million	2024 KShs' million
Interest income	4	68,569	63,630
Interest expense	5	(10,527)	(6,526)
Net interest income		58,042	57,104
Fees and commission income	6(a)	3,000	3,000
Net trading income	6(b)	9,684	9,092
Other income	7(a)	1,453	1,387
Operating income		72,179	70,583
Impairment allowance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

STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2025

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

The financial statements on pages 58 to 135 were authorised for issue by the Board of Directors on 19 September 2025 and signed on its behalf by:



Mr. Andrew Musangi
Chairman of the Board



Dr. Kamau Thugge
Governor

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

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

STATEMENT OF CHANGES IN EQUITY (continued)

FOR THE YEAR ENDED 30 JUNE 2025

Year ended 30 June 2024	Notes	Share capital KShs' million	General reserve KShs' million	Revaluation reserve KShs' million	Fair value reserve KShs' million	Consolidated fund KShs' million	Total KShs' million
At 1 July 2023		<u>38,000</u>	<u>366,730</u>	<u>21,680</u>	<u>(21,333)</u>	<u>5,000</u>	<u>410,077</u>
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	<u>-</u>	<u>337</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>337</u>
Other comprehensive income for the year		-	337	-	18,886	-	19,223
Total comprehensive income for the year		-	(24,005)	-	18,886	-	(5,119)
Additional share capital		12,000	(12,000)	-	-	-	-
<i>Transactions with owners</i>							
-Transfer to consolidated fund	25(e)	-	(30,000)	-	-	30,000	-
-Payments out of consolidated fund	25(e)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(5,000)</u>	<u>(5,000)</u>
At 30 June 2024		<u>50,000</u>	<u>300,725</u>	<u>21,680</u>	<u>(2,447)</u>	<u>30,000</u>	<u>399,958</u>

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2025

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

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

1. GENERAL INFORMATION

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

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES

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

(a) Basis of preparation

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

(b) Changes in accounting policies and disclosures

New and amended standards

The following amendments became effective during the period:

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 30 JUNE 2025

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 early application permitted
Amendments to IFRS 9 and IFRS 7: Amendments to the classification and measurement of financial statements	1 January 2026, with early application permitted
IFRS 19: Subsidiaries without public accountability disclosures	1 January 2027

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

Early adoption of standards

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

(c) Functional 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)’.

(d) Currency Inventory

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

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

(e) Financial instruments

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

NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 30 JUNE 2025

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

(e) 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.

NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 30 JUNE 2025

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

(e) Financial instruments (continued)

Financial assets (continued)

Financial assets at fair value through OCI (debt instruments)

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

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

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

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

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

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

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

Subsequent measurement

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

Financial assets at fair value through profit or loss

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2025

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

(e) Financial instruments (continued)

Financial assets (continued)

Classes of financial instruments

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

NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 30 JUNE 2025

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

(e) Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets

Overview of Expected Credit Loss (ECL) principles

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

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

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

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

Measurement of ECL

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

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

Credit impaired financial assets

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

NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 30 JUNE 2025

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

(e) Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

Credit impaired financial assets (continued)

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

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event;
- the restructuring of a loan or advance by the Bank on terms that the Bank would not consider otherwise;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganization; and,
- the disappearance of an active market for a security because of financial difficulties.

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

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

Presentation of allowance for ECL in the statement of financial position

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

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

NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 30 JUNE 2025

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

(e) Financial instruments (continued)

Financial assets (continued)

Derecognition

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

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

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

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

Write-offs

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

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

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

Financial liabilities

Initial recognition and measurement

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

NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 30 JUNE 2025

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

(e) 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, investment by banks and other liabilities.

Derecognition

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

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

Offsetting financial instruments

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

NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 30 JUNE 2025

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

(f) Sale and repurchase agreements

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

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

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

(g) Cash and cash equivalents

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

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

(h) Property and equipment

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 30 JUNE 2025

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

(h) Property and equipment (Continued)

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:

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

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

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

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

(i) Intangible assets

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

- (i) It is technically feasible to complete the software product so that it will be available for use;
- (ii) Management intends to complete the software product and use or sell it;
 - there is an ability to use or sell the software product;
 - it can be demonstrated how the software product will generate probable future economic benefits;
 - adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and,
- (iii) The expenditure attributable to the software product during its development can be reliably measured.

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

NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 30 JUNE 2025

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

(i) Intangible assets (continued)

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

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

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

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

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

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

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

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

(j) Impairment of non-financial assets

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

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

NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 30 JUNE 2025

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

(j) Impairment of non-financial assets (continued)

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

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

(k) Employee benefits

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

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2025

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

(k) Employee benefits (continued)

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

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

(l) Income tax

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

(m) Provisions

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

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

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

(n) Surplus funds

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

(o) Share capital

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

(p) Leases

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

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2025

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

(p) **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 recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets

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

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

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

Lease liabilities

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 30 JUNE 2025

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

(p) Leases (continued)

Bank as a lessee (continued)

Short-term leases and leases of low-value assets

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

Bank as a lessor

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

(q) Interest income and expense

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

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

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

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

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

(r) Fee and commission income

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

NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 30 JUNE 2025

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

(r) Fee and commission income (continued)

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

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

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

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

(t) Currency in circulation

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

(u) Loan due from the Government of Kenya

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

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 30 JUNE 2025

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

(w) Fair value measurement

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

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

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

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

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

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 30 JUNE 2025

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

(w) Fair value measurement (continued)

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

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

(x) Order of liquidity

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

NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 30 JUNE 2025

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

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

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

Impairment allowance on financial assets

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

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

Post-retirement benefits

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

Fair value of financial assets

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

Property and equipment

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

Leases - Estimating the incremental borrowing rate

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

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2025

4. INTEREST INCOME

	2025 KShs' million	2024 KShs' million
Interest income calculated using the effective interest method		
Financial assets – debt instruments at amortised cost	38,384	47,096
Financial assets at fair value through other comprehensive income	<u>30,185</u>	<u>16,534</u>
	<u>68,569</u>	<u>63,630</u>
Interest income from debt instruments at amortised cost		
Interest on term deposits	11,814	9,519
Interest on Government of Kenya loan	491	526
Interest on Government of Kenya overdraft	7,444	9,630
Interest on staff loans and advances	121	130
Interest on advances to banks	11,770	20,591
Other interest income	<u>6,744</u>	<u>6,700</u>
	<u>38,384</u>	<u>47,096</u>
Interest income from debt instruments at fair value through other comprehensive income comprises:		
Internally managed portfolio	27,330	15,386
Externally managed portfolio – (World Bank Reserve Advisory & Management Partnership)-(RAMP)	<u>2,855</u>	<u>1,148</u>
	<u>30,185</u>	<u>16,534</u>

5. INTEREST EXPENSE

Interest expense calculated using the effective interest method

Interest on monetary policy issues	5,852	163
Interest expense – IMF	<u>4,675</u>	<u>6,363</u>
	<u>10,527</u>	<u>6,526</u>

6. (a) FEES AND COMMISSION INCOME

	<u>3,000</u>	<u>3,000</u>
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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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2025

	2025 KShs' million	2024 KShs' million
6. (b) NET TRADING INCOME		
Net gain on sale of foreign currencies	8,938	14,475
Net gain / loss on disposal of financial assets carried at fair value through other comprehensive income	<u>746</u>	<u>(5,383)</u>
	<u>9,684</u>	<u>9,092</u>
7. (a) OTHER INCOME		
Licence fees from commercial banks and foreign exchange bureaus	405	335
Penalties from commercial banks and foreign exchange bureaus	59	191
Rental income	44	57
CBK Institute of Monetary Studies operating income - hospitality services.	-	181
(Loss)/Gain on disposal of property and equipment	(4)	2
KEPSS billing revenue	550	543
Miscellaneous income	<u>399</u>	<u>78</u>
	<u>1,453</u>	<u>1,387</u>

8. IMPAIRMENT ALLOWANCE ON FINANCIAL ASSETS

The table below shows the ECL charges on financial instruments:

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2025

9. (a) OPERATING EXPENSES

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 30 JUNE 2025

10. (a) CHANGES IN FAIR VALUE OF INVESTMENTS

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

(b) RECLASSIFICATION TO THE INCOME STATEMENT

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

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2025

11. BALANCES DUE FROM BANKING INSTITUTIONS

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

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

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

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)

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 30 JUNE 2025

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

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

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

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

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

13. SECURITIES AND ADVANCES TO BANKS

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2025

13. SECURITIES AND ADVANCES TO BANKS (continued)

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

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

Year ended 30 June 2025

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

Year ended 30 June 2024

	Maturity period			Total
	0-3 months KShs' million	4-12 months KShs' million	Over 1 year 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	<u>851</u>	<u>3,042</u>	<u>18,919</u>	<u>22,812</u>
	<u>205,101</u>	<u>11,710</u>	<u>23,036</u>	<u>239,847</u>

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2025

14. LOANS AND ADVANCES

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

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

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

Maturity analysis

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2025

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

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

16. UNLISTED EQUITY INVESTMENTS

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

17. (a) OTHER ASSETS

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

All other assets balances are recoverable within one year.

The movement in the Impairment allowance is as follows:

At start of the year	357	325
Increase in impairment allowance (Note 9(a))	<u>9</u>	<u>32</u>
At 30 June	<u>366</u>	<u>357</u>

17. (b) GOLD HOLDINGS

	2025	2024
	KShs' million	KShs' million
Gold holdings	<u>238</u>	<u>169</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2025

18. (a) RIGHT OF USE ASSETS

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

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2025

18. (a) RIGHT OF USE ASSETS (continued)

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

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

18. (b) PROPERTY AND EQUIPMENT

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2025

18. (b) PROPERTY AND EQUIPMENT (continued)

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	<u>19,560</u>	<u>5,458</u>	<u>2,626</u>	<u>596</u>	<u>13,678</u>	<u>41,918</u>
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	<u>2,212</u>	<u>518</u>	<u>-</u>	<u>462</u>	<u>9,143</u>	<u>12,335</u>
NET CARRYING AMOUNT	<u>17,348</u>	<u>4,940</u>	<u>2,626</u>	<u>134</u>	<u>4,535</u>	<u>29,583</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2025

19. INTANGIBLE ASSETS

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2025

20. RETIREMENT BENEFIT ASSET

	2025 KShs' million	2024 KShs' million
Present value of funded obligations	19,480	16,925
Fair value of plan assets	<u>(34,726)</u>	<u>(31,082)</u>
Net overfunding in funded plan	(15,246)	(14,157)
Limit on defined benefit asset	<u>7,988</u>	<u>8,296</u>
Retirement Benefit Asset	<u><u>(7,258)</u></u>	<u><u>(5,861)</u></u>
Movements in the net defined benefit asset recognised are as follows:		
At start of the year	5,861	4,994
Net income recognised in profit or loss (Note 9(b))	640	482
Net income recognized in other comprehensive income (OCI)	720	337
Employer contributions	<u>37</u>	<u>48</u>
At 30 June	<u><u>7,258</u></u>	<u><u>5,861</u></u>
Movements in the plan assets are as follows:		
At start of the year	31,082	29,799
Interest income on plan assets	4,478	4,205
Employer contributions	37	48
Employee contributions	19	24
Benefits expenses paid	(2,516)	(2,058)
Return on plan assets excluding amount in interest income	<u>1,626</u>	<u>(936)</u>
At 30 June	<u><u>34,726</u></u>	<u><u>31,082</u></u>
Movements in the plan benefit obligation are as follows:		
At start of the year	16,925	17,177
Current service cost net of employees' contributions	219	226
Interest cost	2,375	2,384
Employee contributions	19	24
Actuarial gain due to change in financial assumptions and experience	2,458	(828)
Benefits paid	<u>(2,516)</u>	<u>(2,058)</u>
At 30 June	<u><u>19,480</u></u>	<u><u>16,925</u></u>
The principal actuarial assumptions at the reporting date were:		
Discount rate (p.a.)	13.30%	15.00%
Salary increase (p.a.)	7.00%	7.00%
Future pension increases	<u>3.00%</u>	<u>3.00%</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2025

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

Plan assets are distributed as follows:

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

Sensitivity of principal actuarial assumptions:

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2025

21. (a) IMF ON-LENT TO GOK

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

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

(b) DUE FROM GOVERNMENT OF KENYA

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

Movement in the government loan is as follows:

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2025

	2025	2024
	KShs' million	KShs' million
22. CURRENCY IN CIRCULATION		
Kenya bank notes	345,640	322,766
Kenya coins	<u>11,375</u>	<u>11,029</u>
	<u>357,015</u>	<u>333,795</u>
Movement in the account was as follows:		
At 1 July	333,795	315,967
Deposits by commercial banks	(476,321)	(516,854)
Withdrawals by commercial banks	499,555	534,712
(Withdrawals)/deposits by CBK	<u>(14)</u>	<u>(30)</u>
At 30 June	<u>357,015</u>	<u>333,795</u>
23. (a) DEPOSITS DUE TO BANKS AND GOVERNMENT		
	2025	2024
	KShs' million	KShs' million
Local commercial banks clearing accounts and cash reserve ratio	215,007	245,876
Local banks foreign exchange settlement accounts	40,012	45,371
External banks foreign exchange settlement accounts	3,154	3,077
Other public entities and project accounts	51,254	1,106
Government of Kenya	<u>378,094</u>	<u>351,605</u>
	<u>687,521</u>	<u>647,035</u>
(b) INVESTMENT BY BANKS	<u>106,018</u>	<u>-</u>
This relates to unsecured placements by commercial banks with CBK as part of monetary operations.		
24. OTHER LIABILITIES		
	2025	2024
	KShs' million	KShs' million
Impersonal accounts*	258	183
Sundry creditors	4,835	4,056
Lease liability (Note 18(a))	122	69
Refundable deposits	334	308
Leave accrual	277	235
Bond pending payables	1,807	1,204
Gratuity to staff members	<u>116</u>	<u>62</u>
	<u>7,749</u>	<u>6,117</u>

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2025

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

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

(b) GENERAL RESERVE FUND

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

(c) FAIR VALUE RESERVE

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

(d) REVALUATION RESERVE

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

(e) CONSOLIDATED FUND

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

Movement in the consolidated fund is as follows:

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2025

26. CASH GENERATED IN OPERATIONS

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

27. NET CASH FROM/(USED) IN OPERATIONS

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

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2025

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

	2025 KShs' million	2024 KShs' million
(b) Changes in liabilities arising from financing activities		
At start of the year	573,412	477,899
Cash flow items:		
Repayments to IMF	-	(1,225)
Receipts during the year	80,934	139,866
Foreign exchange changes	<u>24,594</u>	<u>(43,128)</u>
At 30 June	<u>678,940</u>	<u>573,412</u>

28. RELATED PARTY TRANSACTIONS

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

(i) Loans

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

	2025 KShs' million	2024 KShs' million
Loans to key senior staff		
At 1 July	40	55
Loans advanced during the year	101	30
Interest earned	3	2
Loan repayments	<u>(36)</u>	<u>(47)</u>
At 30 June	<u>108</u>	<u>40</u>
 (ii) Directors' emoluments:		
	14	19
Fees to non-executive directors	5	21
Directors' travelling expenses	<u>46</u>	<u>45</u>
Other remuneration to executive directors	<u>65</u>	<u>85</u>
	<u>336</u>	<u>298</u>
(iii) Remuneration to senior staff	<u>20</u>	<u>15</u>
(iv) Post-employment pension to senior management		

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2025

28. RELATED PARTY TRANSACTIONS (continued)

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

Transactions entered into with the Government include:

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 30 JUNE 2025

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

(a) Strategy in using financial instruments

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

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

(b) Risks facing the Bank

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

- Credit risk
- Market risk
- Liquidity risk

(i) Credit risk

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2025

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:

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

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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2025

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(i) Credit risk (continued)

Credit quality analysis (continued)

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

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

Year ended 30 June 2025

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2025

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(i) Credit risk (continued)

Credit quality analysis (continued)

Year ended 30 June 2025

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2025

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(i) Credit risk (continued)

Credit quality analysis (continued)

Year ended 30 June 2024

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2025

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(i) Credit risk (continued)

Credit quality analysis (continued)

Year ended 30 June 2024

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

NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 30 JUNE 2025

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.

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

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

Inputs, assumptions and techniques used for estimating expected credit loss

Significant increase in credit risk

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

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

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

Credit risk grades/ratings

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

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2025

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.	Internally collected data on banks and supervisory indicators.	Repayment history – this includes overdue status and financial situation of the borrower.
Quoted bond prices for the counterparty, where available.	Existing and forecast changes in business, financial and economic conditions.	
Actual and expected significant changes in the political, regulatory and technological environment of the counterparty or in its business activities.		

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.

NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 30 JUNE 2025

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.

NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 30 JUNE 2025

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.

NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 30 JUNE 2025

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:

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2025

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 2025

Debt instruments at fair value through other comprehensive income	Stage 1 Gross carrying amount KShs' million	ECL KShs' million	Stage 2 Gross carrying amount KShs' million	ECL KShs' million	Stage 3 Gross carrying amount KShs' million	ECL KShs' million	Total Gross carrying amount KShs' million	ECL KShs' million
At 1 July 2024	564,824	294	-	-	-	-	564,824	294
New assets originated or purchased	596,874	96	-	-	-	-	596,874	96
Asset derecognized or repaid	(218,126)	(53)	-	-	-	-	(218,126)	(53)
Accrued interest	4,778	-	-	-	-	-	4,778	-
Realised gains	(1,767)	-	-	-	-	-	(1,767)	-
Foreign exchange adjustments	(1,142)	(1)	-	-	-	-	(1,142)	(1)
Changes in risk parameters	-	(66)	-	-	-	-	-	(66)
Fair value changes	(4,963)	-	-	-	-	-	(4,963)	-
At 30 June 2025	<u>940,478</u>	<u>270</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>940,478</u>	<u>270</u>
Balances due from banking institutions								
At 1 July 2024	484,526	214	-	-	-	-	484,526	214
Net movement during the year	<u>64,361</u>	<u>(29)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>64,361</u>	<u>(29)</u>
At 30 June 2025	<u>548,887</u>	<u>185</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>548,887</u>	<u>185</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2025

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 2025

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2025

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 2025

	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 2024	3,496	10	-	-	3,576	3,435	7,072	3,445
New assets originated or purchased	1,352	-	-	-	-	-	1,352	(57)
Asset derecognized or repaid	(1,182)	(3)	-	-	(184)	(91)	(1,366)	-
Transfer to stages	<u>(125)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(125)</u>	<u>37</u>	<u>-</u>	<u>-</u>
At 30 June 2025	<u>3,541</u>	<u>7</u>	<u>-</u>	<u>-</u>	<u>3,517</u>	<u>3,381</u>	<u>7,058</u>	<u>3,388</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2025

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

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2025

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

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

NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 30 JUNE 2025

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 2025

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2025

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

	United States of America	Germany	United Kingdom	Singapore	Canada	Kenya	Other	Total
	KShs' million	KShs' million	KShs' million	KShs' million	KShs' million	KShs' million	KShs' million	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
	<u>653,301</u>	<u>116,704</u>	<u>40,451</u>	<u>33,286</u>	<u>6,114</u>	<u>853,959</u>	<u>241,495</u>	<u>1,945,310</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2025

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 2025

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2025

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

	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
	<u>484,526</u>	<u>266,151</u>	<u>52,554</u>	<u>409,375</u>	<u>7,072</u>	<u>564,824</u>	<u>160,311</u>	<u>497</u>	<u>1,945,310</u>

NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 30 JUNE 2025

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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2025

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.

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

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

NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 30 JUNE 2025

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(ii) Market risk (continued)

Interest rate risk (continued)

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-in- terest 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	<u>61,021</u>	<u>1,110</u>	<u>4,440</u>	<u>11,129</u>	<u>82,611</u>	<u>160,311</u>
Total financial assets	<u>792,152</u>	<u>171,682</u>	<u>416,494</u>	<u>69,123</u>	<u>495,859</u>	<u>1,945,310</u>
Liabilities						
Deposits due to banks and government	-	-	-	-	647,035	647,035
Other liabilities	-	-	-	-	6,117	6,117
Due to International Monetary Fund (IMF)	<u>-</u>	<u>-</u>	<u>-</u>	<u>164,037</u>	<u>409,375</u>	<u>573,412</u>
Total financial liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>164,037</u>	<u>1,062,527</u>	<u>1,226,564</u>
Interest sensitivity gap	<u>792,152</u>	<u>171,682</u>	<u>416,494</u>	<u>(94,914)</u>	<u>(566,668)</u>	<u>718,746</u>

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).

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2025

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 2025. Included in the table are the Bank's financial instruments categorised by currency:

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

NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 30 JUNE 2025

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(ii) Market risk (continued)

Foreign exchange risk (continued)

	USD KShs' million	GBP KShs' million	EUR KShs' million	SDR KShs' million	Others KShs' million	Total KShs' million
At 30 June 2024						
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	<u>836,605</u>	<u>13,552</u>	<u>163,648</u>	<u>52,554</u>	<u>35,545</u>	<u>1,101,904</u>
Liabilities						
Due to International Monetary Fund (IMF)	-	-	-	164,037	-	164,037
Deposits due to banks and government	<u>37,754</u>	<u>3,797</u>	<u>3,362</u>	-	<u>731</u>	<u>45,644</u>
Total financial liabilities	<u>37,754</u>	<u>3,797</u>	<u>3,362</u>	<u>164,037</u>	<u>731</u>	<u>209,681</u>
Net position	<u>798,851</u>	<u>9,755</u>	<u>160,286</u>	<u>(111,483)</u>	<u>34,814</u>	<u>892,223</u>

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

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2025

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.

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

NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 30 JUNE 2025

30. FAIR VALUE OF ASSETS AND LIABILITIES

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

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

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

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

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

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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2025

30. FAIR VALUE OF ASSETS AND LIABILITIES (continued)

b) Fair value hierarchy (continued)

Year ended 30 June 2025	Level 1 KShs' million	Level 2 KShs' million	Level 3 KShs' million
Assets measured at fair value:			
Land and buildings	-	-	23,737
Debt instruments at fair value through other comprehensive income	940,478	-	-
Equity instruments at fair value through other comprehensive income	-	-	12
Gold holdings	<u>238</u>	<u>-</u>	<u>-</u>
Assets for which fair values are disclosed:			
Securities and advances to banks (rediscounted treasury bonds)	5,522	-	-
Loans and advances	-	3,371	-
Due from Government of Kenya	<u>-</u>	<u>119,134</u>	<u>-</u>
Liabilities for which fair values are disclosed:			
Due to International Monetary Fund	<u>-</u>	<u>467,696</u>	<u>-</u>
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	<u>169</u>	<u>-</u>	<u>-</u>
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	<u>-</u>	<u>132,193</u>	<u>-</u>
Liabilities for which fair values are disclosed:			
Due to International Monetary Fund	<u>-</u>	<u>371,548</u>	<u>-</u>

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2025

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

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

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

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

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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2025

31. CONTINGENT LIABILITIES AND COMMITMENTS

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

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

Operating leases - Bank as a lessee

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

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

Operating leases - Bank as a lessor

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

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

	2025 KShs' million	2024 KShs' million
Within one year	29	33
After one year but not more than five years	11	32
More than five years	<u>24</u>	<u>24</u>
	<u>64</u>	<u>89</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2025

32. MATURITY ANALYSIS OF ASSETS AND LIABILITIES

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

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2025

32. MATURITY ANALYSIS OF ASSETS AND LIABILITIES (continued)

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



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