**SPECIAL ISSUE**

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## CENTRAL BANK OF KENYA

### ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

**BOARD OF DIRECTORS**

| | |
|---|---|
| Mr. Mohammed Nyaoga | Chairman (Term ended on 17 June, 2023) |
| Dr. Patrick Njoroge | Governor (Term ended on 17 June, 2023) |
| Dr. Kamau Thugge | Governor (Appointed on 19 June, 2023) |
| Dr. Julius Muia | Principal Secretary, The National Treasury (Term ended on 30 November, 2022) |
| Dr. Chris Kiptoo | Principal Secretary, The National Treasury (Appointed on 01 December, 2022) |
| Mr. Samson Cherutich | Member |
| Mrs. Nelius W. Kariuki | Member |
| Mrs. Rachel Dzombo | Member |
| Mr. Ravi J. Ruparel | Member |

**SENIOR MANAGEMENT**

| | |
|---|---|
| Dr. Patrick Njoroge | Governor (Term ended on 17 June, 2023) |
| Mrs. Sheila M'Mbijjewe | Deputy Governor (Term ended on 17 June, 2023) |
| Dr. Kamau Thugge | Governor (Appointed on 19 June, 2023) |
| Dr. Susan Koech | Deputy Governor (Appointed on 10 March, 2023) |

**HEADS OF DEPARTMENT**

| | |
|---|---|
| Mr. Kennedy Abuga | Director – Governor's Office (Board Secretary) |
| Mr. William Nyagaka | Director - Kenya School of Monetary Studies |
| Mr. David Luusa | Director - Financial Markets Department |
| Mr. Gerald Nyaoma | Director - Bank Supervision Department |
| Mr. Anthony Gacanja | Director - Information Technology Department (Resigned on 27 May, 2023) |
| Mr. Stephen Muriu | Director - General Services Department |
| Ms. Darliah M. Mbugua | Director - Human Resource and Administration Department |
| Mr. Michael Rundu Eganza | Director – Banking & National Payments Department |
| Ms. Caroline Mackola | Director - Finance Department |
| Ms. Beth Kithinji | Director - Internal Audit and Risk Management Department |
| Prof. Robert Mudida | Director - Research Department |
| Dr. Walter Onyino | Acting Director - Information Technology Department (Appointed on 27 May, 2023) |
| Mr. Paul Wanyagi | Director - Currency Operations Department (Appointed 10 July, 2023) |
| Mr. George Amollo | Head- Strategic Management Department - (Appointed on 30 November, 2022) |
| Dr. Joshua Ngundi Kimoro | Acting Director- Strategic Management Department - (Retired on 29 November, 2022) |
| Mr. Kibunyi Amdany | Director-Branch Administration Department- (Appointed on 7 August, 2023) |

**REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS**

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80100 Mombasa

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Central Bank of Kenya Building
Jomo Kenyatta Highway
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40100 Kisumu

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

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Kenyatta Street
P.O. Box 840
10100 Nyeri

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

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

Kisii Centre
ABSA Bank Building
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40200 Kisii

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**DELEGATED AUDITOR**

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

**STATEMENT OF CORPORATE GOVERNANCE FOR THE YEAR ENDED 30 JUNE 2023**

**1. Statement of Corporate Governance**

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

**1.1. Board of Directors**

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

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

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

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

| No. | Name | Position | Discipline | Date of Appointment | Contract end date |
|---|---|---|---|---|---|
| 1. | Mr. Mohammed Nyaoga | Chairman | Lawyer | Reappointed on 18 June 2019 | 17 June 2023 |
| | Dr. Patrick Njoroge | Governor | Economist | Reappointed on 18 June 2019 | 17 June 2023 |
| 2. | Dr. Kamau Thugge | Governor | Economist | Appointed on 19 June 2023 | 18 June 2027 |
| 3. | Principal Secretary/ The National Treasury | Executive Officer | Economist | Permanent | Permanent |
| 4. | Mrs. Nelius Kariuki | Member | Economist | Reappointed on 5 December 2020 | 4 December 2024 |
| 5. | Mr. Ravi Ruparel | Member | Financial Sector Expert | Reappointed on 5 December 2020 | 4 December 2024 |
| 6. | Mr. Samson Cherutich | Member | Accountant | Reappointed on 5 December 2020 | 4 December 2024 |
| 7. | Mrs. Rachel Dzombo | Member | Management Expert | Reappointed on 5 December 2020 | 4 December 2024 |

The Members of the Board (all Kenyans) in the year ended 30 June 2023 the number of meetings held in the year and their attendance were as follows:

| No. | Name | Position | Discipline | Meetings Attended |
|---|---|---|---|---|
| 1. | Mr. Mohammed Nyaoga | Chairman | Lawyer | 8 |
| 2. | Dr. Patrick Njoroge | Governor | Economist | 8 |
| 3. | Principal Secretary/ The National Treasury | Executive Officer | Economist | 7 |
| 4. | Mrs. Nelius Kariuki | Member | Economist | 8 |
| 5. | Mr. Ravi Ruparel | Member | Financial Sector Expert | 6 |
| 6. | Mr. Samson Cherutich | Member | Accountant | 8 |
| 7. | Mrs. Rachel Dzombo | Member | Management Expert | 8 |

The remuneration paid to the Directors for services rendered during the financial year 2022/2023 is disclosed in Note 28 to the financial statements. The Non-Executive Directors are paid a monthly retainer fee and a sitting allowance for every meeting attended. There were no loans to Non-Executive Directors during the year while Executive Directors are paid a monthly salary and are eligible for staff loans.

**1.2. Secretary to the Board**

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

**1.3. Audit Committee**

The members of the Audit Committee in the year ended 30 June 2023 were Mr. Samson K. Cherutich (Chairman), Mr. Ravi J. Ruparel, Mrs. Nelius W. Kariuki and Mrs. Rachel Dzombo. The members are all Non-Executive Directors with experience in Accounting, Auditing, Finance and Management. The Committee meets once every two (2) months and as necessary. The Terms of Reference of the Audit Committee cover five (5) major areas, namely: Internal Control System, Risk Management, Financial Reporting and Related Reporting Practices, External and Internal Audits.

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

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

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

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

The Committee Members' positions, disciplines and number of meetings attended for the year ended 30 June 2023 were as follows:

| No. | Name | Position | Discipline | Meetings Attended |
|---|---|---|---|---|
| 1. | Mr. Samson Cherutich | Chairman | Accountant | 10 |
| 2. | Mr. Ravi Ruparel | Member | Financial Sector Expert | 10 |
| 3. | Mrs. Nelius Kariuki | Member | Economist | 9 |
| 4. | Mrs. Rachel Dzombo | Member | Management Expert | 10 |

**1.4. Human Resources Committee (HRC)**

The members of the HRC in the year ended 30 June 2023 were Mrs. Nelius Kariuki (Chairperson), Mr. Samson Cherutich, Mrs. Rachel Dzombo and Mr. Ravi Ruparel. The members are all Non-Executive Directors with experience in Accounting, Management and Business.

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

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

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

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

d) Monitor the implementation of Board resolutions relating to the HRC of the Board.

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

The members of the Human Resources Committee in the year ended 30 June 2023 and their attendance of the meetings held in the year were as follows:

| No. | Name | Position | Discipline | Meetings attended |
|---|---|---|---|---|
| 1. | Mrs. Nelius Kariuki | Chairperson | Economist | 6 |
| 2. | Mr. Samson Cherutich | Member | Accountant | 6 |
| 3. | Mrs Rachel Dzombo | Member | Management Expert | 6 |
| 4. | Mr. Ravi Ruparel | Member | Financial Sector Expert | 6 |

**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

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

The MPC held seven (7) meetings in the year ended 30 June 2023, and attendance was as follows:

| No. | Name | Position | Discipline | Meetings Attended |
|---|---|---|---|---|
| 1. | Dr. Kamau Thugge, CBS | Chairman[1] | Economist | 1 |
| 2. | Dr. Patrick Njoroge | Chairman[2] | Economist | 6 |
| 3. | Dr. Susan Koech | Deputy Chairperson[3] | Finance | 3 |
| 4. | Mrs. Sheila M'Mbijjewe | Deputy Chairperson[4] | Finance/ Accountancy | 6 |
| 5. | Dr. Margaret Chemengich | Member (External) | Economist | 7 |
| 6. | Prof. Jane Kabubo-Mariara | Member (External) | Economist | 7 |
| 7. | Prof. Benson Ateng' | Member (External) | Economist | 7 |
| 8. | Mr. Humphrey Muga | Member (External) | Economist | 7 |
| 9. | Mr. Musa Kathanje | Representative of the Principal Secretary, The National Treasury | Economist | 7 |
| 10. | Mr. David Luusa | Member (Internal) | Economist | 7 |
| 11. | Prof. Robert Mudida | Member (Internal) | Economist | 7 |

1 Dr. Kamau Thugge was appointed Governor of CBK effective from June 19, 2023

2 Dr. Patrick Njoroge's term as Governor of CBK ended on June 17, 2023

3 Dr. Susan Koech was appointed Deputy Governor of CBK effective from March 10, 2023

4 Mrs. Sheila M'Mbijjewe's term as Deputy Governor of CBK ended on June 17, 2023

**1.6. Management Structure**

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

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

**1.7. Code of Ethics**

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

**1.8. Internal Controls**

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

**1.9. Authorizations**

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

**1.10. Internal Audit and Risk Management**

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

**1.11. Transparency**

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

**2.0. Financial Performance**

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

During financial year ended 30 June 2023, the Bank recorded a net surplus of KShs 150,494 million compared to KShs 76,894 million in the financial year ended 30 June 2022. The net surplus includes an unrealized exchange gain of KShs 131,489 million (2022: Kshs 68,560 million). The surplus is included as part of the General Reserve Fund.

During the financial year ended 30 June 2023, the Bank's operating surplus was KShs 19,005 million (2022: KShs 8,334 million) due to higher average returns on the securities portfolio and deposits. An unrealised foreign exchange gain of KShs 131,489 million was recorded during the year ended 30 June 2023 (2022: KShs 68,560 million) due to the strengthening of the US Dollar against the Kenya Shilling. The Bank also recorded a fair value loss on fixed income securities held at fair value through other comprehensive income (FVOCI) of KShs 4,698 million (2022: loss of KShs 21,613 million) as a result of a decline in market prices. The loss recorded during the year has been presented in other comprehensive income.

In addition, an actuarial loss on retirement benefit asset of KShs 2,770 million (2022: KShs 1,276 million) was also recorded. There was no revaluation of land and buildings during the year. Valuation is performed every 3 years in line with the Bank's fixed assets management policy.

The consolidated Bank's assets increased to KShs 1,783,209 million (2022: KShs 1,438,948 million) mainly attributed to an increase in foreign reserves and loans and advances on programs for on-lending to the Government of Kenya. Liabilities increased to KShs 1,373,132 million (2022: KShs 1,174,568 million) mainly due to an increase in IMF liabilities.

**REPORT OF THE DIRECTORS FOR THE YEAR ENDED 30 JUNE 2023**

The Directors submit their report together with the audited financial statements for the year ended 30 June 2023, which shows performance of the Bank during the year and the state of affairs of Central Bank of Kenya (the "Bank"/" CBK") as at the year end.

**1. INCORPORATION**

The Bank is incorporated by Article 231 of the Constitution of Kenya, 2010.

**2. PRINCIPAL ACTIVITIES**

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

**3. RESULTS AND SURPLUS**

The surplus for the year was KShs 150,494 million (2022: KShs 76,894 million) made up of KShs 19,005 million (2022: KShs 8,334 million) realized surplus and KShs 131,489 million (2022: KShs 68,560 million) unrealized surplus. 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 2023 of KShs 5,000 million (2022: KShs 4,000 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 first page.

**5. AUDITOR**

The Auditor General is responsible for the statutory audit of the Bank's Financial Statements in accordance with Section 35 of the Public Audit Act, 2015. Section 23(1) of the Act empowers the Auditor-General to appoint other auditors to carry out the audit on his behalf. Accordingly, Deloitte & Touche LLP were appointed to carry out the audit for the year ended 30 June 2023 and report to the Auditor General.

By Order of the Board

Kennedy Abuga

Board Secretary

8 September 2023

**STATEMENT OF DIRECTORS RESPONSIBILITIES FOR THE YEAR ENDED 30 JUNE 2023**

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 2023 and of the Bank's financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards 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 is monetary policy, financial stability and payment system leadership.

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

__________________________
Director
Mr. Samson Cherutich

8 September 2023

__________________________
Governor
Dr. Kamau Thugge

8 September 2023

**REPORT OF THE AUDITOR-GENERAL ON CENTRAL BANK OF KENYA FOR THE YEAR ENDED 30 JUNE, 2023**

PREAMBLE

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

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

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

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

An unmodified opinion does not necessarily mean that an entity has complied with all relevant laws and regulations, and that its internal controls, risk management and governance systems are properly designed and were working effectively in the financial year under review.

The three parts of the report are aimed at addressing the statutory roles and responsibilities of the Auditor-General as provided by Article 229 of the Constitution, the Public Finance Management Act, 2012 and the Public Audit Act, 2015. The three parts of the report, when read together constitute the report of the Auditor-General.

REPORT ON THE FINANCIAL STATEMENTS

**Opinion**

The accompanying Consolidated and Bank financial statements of Central Bank of Kenya (the "Bank") and its subsidiary (together, the "Consolidated"), set out on pages below, which comprise of the Consolidated and Bank statement of financial position as at 30 June, 2023, and the Consolidated and Bank statement of profit or loss and other comprehensive income, Consolidated and Bank statement of changes in equity and the Consolidated and Bank statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information have been audited on my behalf by Deloitte and Touche LLP auditors appointed under Section 23 of the Public Audit Act, 2015 and in accordance with the provisions of Article 229 of the Constitution of Kenya. The auditors have duly reported to me the results of their audit and on the basis of their report, I am satisfied that all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit were obtained.

In my opinion, the Consolidated and Bank financial statements present fairly, in all material respects, the Consolidated and Bank financial position of Central Bank of Kenya as at 30 June, 2023, and of its Consolidated and Bank financial performance and its Consolidated and Bank cash flows for the year then ended, in accordance with International Financial Reporting Standards (IFRS) and comply with the Central Bank of Kenya Act, Cap 491 of the Laws of Kenya and the Public Finance Management Act, 2012.

**Basis for Opinion**

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Central Bank of Kenya Management in accordance with ISSAI 130 on 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 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**

**1. Failure to Maintain the Required Number of Non-Executive Directors**

As was reported in the previous year, Section 11(1)(d) of the Central Bank of Kenya Act, Cap 491 of 2014, provides that there shall be eight (8) other Non-Executive Directors of the Board. During the year under review, the Bank had only four (4) Non-Executive Directors in place transacting business on its behalf. However, this has not affected the quorum during Board meetings as provided for in Section 12(2) of the Central Bank of Kenya Act, Cap 491 of 2014.

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

**2. Lack of a Second Deputy Governor**

Section 13B (1) of the Central Bank of Kenya Act, Cap 491 states that, "There shall be two Deputy Governors who shall be appointed by the President through a transparent and competitive process and with the approval of Parliament". During the year under review, the Bank operated with one Deputy Governor until 10 March, 2023 when a second Deputy Governor was appointed. However, one Deputy Governor retired within the financial year on 17 June, 2023. As at the time of audit in September 2023, the Bank continued operating with one Deputy Governor.

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

**Other Information**

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

My opinion on the Consolidated and Bank financial statements does not cover the other information and I do not express any form of assurance or conclusion thereon.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

**Conclusion**

As required by Article 229(6) of the Constitution, based on the audit procedures performed, I confirm that, nothing 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**

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

**Conclusion**

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, except for 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 an overall governance were not effective.

**Basis for Conclusion**

**Unapproved Financial Statements of Subsidiary**

As disclosed in Note 2(c) and 28(vi) to the financial statements, the consolidated financial statements comprise financial statements of the Bank and its subsidiary, the Kenya School of Monetary Studies (KSMS). However, the financial statement of KSMS were not approved. Management has indicated that, for the last seven (7) years, KSMS has not had a functional Board of Directors and had been proposed for winding up in order to address concerns regarding governance and internal controls at the KSMS, and to align its objectives and financial reporting framework with that of CBK. The dissolution of KSMS as a legal entity was gazetted on 24 April, 2020. However, as at the date of this report, KSMS had not been dissolved.

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

**Responsibilities of Management and the Board of Directors**

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

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

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

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

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

**Auditor-General's Responsibilities for the Audit**

The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. 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 and weakness 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 addition to the audit of the financial statements, a compliance audit is planned and performed to express a conclusion about whether, 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 accordance with the provisions of Article 229(6) of the Constitution and submit the audit report in compliance with Article 229(7) of the Constitution.

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal controls in order to give an assurance on the effectiveness of internal controls, risk management and overall governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal control would not necessarily disclose all matters in the internal control that might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal control components, does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Because of its inherent limitations, internal control may not prevent or detect misstatements and instances of non-compliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.

As part of an audit conducted in accordance with ISSAIs, I exercise professional judgement and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.

- Conclude on the appropriateness of the Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Bank to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Bank to express an opinion on the financial statements.

- Perform such other procedures as I consider necessary in the circumstances.

I communicate with the Management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that are identified during the audit.

I also provide the Management with a statement that I have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.

**CPA Nancy Gathungu, CBS**
**AUDITOR-GENERAL**

**Nairobi**

**15 September, 2023**

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2023**

| | Notes | 2023 KShs' million | 2022 KShs' million |
|---|---|---|---|
| Interest income | 4 | 29,020 | 16,769 |
| Interest expense | 5 | (3,993) | (2,132) |
| Net interest income | | 25,027 | 14,637 |
| Fees and commission income | 6(a) | 3,000 | 3,000 |
| Net trading income | 6(b) | 12,666 | 9,742 |
| Other income | 7(a) | 1,077 | 973 |
| Operating income | | 41,770 | 28,352 |
| Impairment allowance expense on financial assets | 8 | (2,813) | (4,100) |
| Operating expenses | 9(a) | (19,952) | (15,918) |
| Operating surplus before unrealized gains | | 19,005 | 8,334 |
| *Unrealised gains:* | | | |
| Foreign exchange gain | 9(c) | 131,489 | 68,560 |
| Surplus for the year | | 150,494 | 76,894 |
| Other comprehensive income: | | | |
| *Items that are or may be subsequently reclassified to profit or loss:* | | | |
| Debt instruments at fair value through other comprehensive income: | | | |
| Net change in fair value during the year | 10(a) | (4,698) | (21,613) |
| Reclassification to income statement | 10(b) | 6,612 | (644) |
| Changes in impairment allowance | 8 | 39 | 25 |
| | | 1,953 | (22,232) |
| *Items that will not be reclassified to profit or loss:* | | | |
| Actuarial loss on retirement benefit asset | 20 | (2,770) | (1,276) |
| | | (2,770) | (1,276) |
| Other comprehensive income for the year | | (817) | (23,508) |
| Total comprehensive income for the year | | 149,677 | 53,386 |

**BANK STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2023**

| | Notes | 2023 KShs' million | 2022 KShs' million |
|---|---|---|---|
| Interest income | 4 | 29,020 | 16,769 |
| Interest expense | 5 | (3,993) | (2,132) |
| Net interest income | | 25,027 | 14,637 |
| Fees and commission income | 6(a) | 3,000 | 3,000 |
| Net trading income | 6(b) | 12,666 | 9,742 |
| Other income | 7(a) | 951 | 794 |
| Operating income | | 41,644 | 28,173 |
| Impairment allowance expense on financial assets | 8 | (2,813) | (4,100) |
| Operating expenses | 9(a) | (19,826) | (15,739) |
| Operating surplus before unrealized gains | | 19,005 | 8,334 |
| *Unrealised gains:* | | | |
| Foreign exchange gain | 9(c) | 131,489 | 68,560 |
| Surplus for the year | | 150,494 | 76,894 |
| Other comprehensive income: | | | |
| *Items that are or may be subsequently reclassified to profit or loss:* | | | |
| Debt instruments at fair value through other comprehensive income: | | | |
| Net change in fair value during the year | 10(a) | (4,698) | (21,613) |
| Reclassification to income statement | 10(b) | 6,612 | (644) |
| Changes in impairment allowance | 8 | 39 | 25 |
| | | 1,953 | (22,232) |
| *Items that will not be reclassified to profit or loss:* | | | |
| Actuarial loss on retirement benefit asset | 20 | (2,770) | (1,276) |
| | | (2,770) | (1,276) |
| Other comprehensive income for the year | | (817) | (23,508) |
| Total comprehensive income for the year | | 149,677 | 53,386 |

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2023**

| | Notes | 2023<br>KShs' million | 2022<br>KShs' million |
|---|---|---|---|
| ASSETS | | | |
| Balances due from banking institutions | 11 | 421,469 | 295,836 |
| Funds held with International Monetary Fund (IMF) | 12(a) | 73,275 | 71,639 |
| Securities and advances to banks | 13 | 82,469 | 71,829 |
| Loans and advances | 14 | 3,694 | 3,726 |
| Debt instruments at fair value through other comprehensive income | 15 | 640,530 | 636,651 |
| Equity instruments at fair value through other comprehensive income | 16 | 12 | 10 |
| Other assets | 17(a) | 7,997 | 8,559 |
| Gold holdings | 17(b) | 150 | 120 |
| Right-of-use assets | 18(a) | 79 | 90 |
| Property and equipment | 18(b) | 29,710 | 31,910 |
| Intangible assets | 19 | 1,998 | 310 |
| Retirement benefit asset | 20 | 4,994 | 7,081 |
| IMF On-Lent to Government of Kenya (GOK) | 21(a) | 326,865 | 192,924 |
| Due from Government of Kenya | 21(b) | 189,967 | 118,263 |
| TOTAL ASSETS | | 1,783,209 | 1,438,948 |
| LIABILITIES | | | |
| Currency in circulation | 22 | 315,967 | 305,350 |
| Deposits due to Banks and Government | 23 | 572,975 | 539,610 |
| Due to IMF | 12(b) | 477,899 | 325,145 |
| Other liabilities | 24 | 6,291 | 4,463 |
| TOTAL LIABILITIES | | 1,373,132 | 1,174,568 |
| EQUITY | | | |
| Share capital | 25(a) | 38,000 | 35,000 |
| General reserve fund | 25(b) | 366,730 | 226,986 |
| Fair value reserve | 25(c) | (21,333) | (23,286) |
| Revaluation reserve | 25(d) | 21,680 | 21,680 |
| Consolidated fund | 25(e) | 5,000 | 4,000 |
| TOTAL EQUITY | | 410,077 | 264,380 |
| TOTAL LIABILITIES AND EQUITY | | 1,783,209 | 1,438,948 |

The financial statements were authorised for issue by the Board of Directors on 8 September 2023 and signed on its behalf by:

| | |
|---|---|
| Director<br>Mr. Samson Cherutich | Governor<br>Dr. Kamau Thugge |

**BANK STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2023**

| | Notes | 2023 KShs' million | 2022 KShs' million |
|---|---|---|---|
| ASSETS | | | |
| Balances due from banking institutions | 11 | 421,469 | 295,836 |
| Funds held with International Monetary Fund (IMF) | 12(a) | 73,275 | 71,639 |
| Securities and advances to banks | 13 | 82,469 | 71,829 |
| Loans and advances | 14 | 3,694 | 3,726 |
| Debt instruments at fair value through other comprehensive income | 15 | 640,530 | 636,651 |
| Equity instruments at fair value through other comprehensive income | 16 | 12 | 10 |
| Other assets | 17(a) | 7,858 | 8,446 |
| Gold holdings | 17(b) | 150 | 120 |
| Right-of-use assets | 18(a) | 79 | 90 |
| Property and equipment | 18(b) | 29,710 | 31,910 |
| Intangible assets | 19 | 1,998 | 310 |
| Retirement benefit asset | 20 | 4,994 | 7,081 |
| IMF On-Lent to Government of Kenya (GOK) | 21(a) | 326,865 | 192,924 |
| Due from Government of Kenya | 21(b) | 189,967 | 118,263 |
| TOTAL ASSETS | | 1,783,070 | 1,438,835 |
| LIABILITIES | | | |
| Currency in circulation | 22 | 315,967 | 305,350 |
| Deposits due to Banks and Government | 23 | 572,975 | 539,610 |
| Due to IMF | 12(b) | 477,899 | 325,145 |
| Other liabilities | 24 | 6,152 | 4,330 |
| TOTAL LIABILITIES | | 1,372,993 | 1,174,435 |
| EQUITY | | | |
| Share capital | 25(a) | 38,000 | 35,000 |
| General reserve fund | 25(b) | 366,730 | 227,006 |
| Fair value reserve | 25(c) | (21,333) | (23,286) |
| Revaluation reserve | 25(d) | 21,680 | 21,680 |
| Consolidated fund | 25(e) | 5,000 | 4,000 |
| TOTAL EQUITY | | 410,077 | 264,400 |
| TOTAL LIABILITIES AND EQUITY | | 1,783,070 | 1,438,835 |

The financial statements were authorised for issue by the Board of Directors on 8 September 2023 and signed on its behalf by:

| | |
|---|---|
| __________________________ | __________________________ |
| Director | Governor |
| Mr. Samson Cherutich | Dr. Kamau Thugge |

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2023**

| Year ended 30 June 2023 | Notes | Share Capital KShs' million | General Reserve KShs' million | Revaluation Reserve KShs' million | Fair value Reserve KShs' million | Consolidated Fund KShs' million | Total KShs' million |
|---|---|---|---|---|---|---|---|
| At 1 July 2022 | | 35,000 | 226,986 | 21,680 | (23,286) | 4,000 | 264,380 |
| Surplus for the year | | - | 150,494 | - | - | - | 150,494 |
| Net change in fair value of debt instrument at FVOCI | | - | - | - | (4,698) | - | (4,698) |
| Net amount reclassified to the income statement on sale and maturity of debt instruments at FVOCI | | - | - | - | 6,612 | - | 6,612 |
| Net change in impairment allowance on debt instruments at FVOCI | | - | - | - | 39 | - | 39 |
| Consolidation adjustment | | - | 20 | - | - | - | 20 |
| Actuarial loss on retirement benefit asset | 20 | - | (2,770) | - | - | - | (2,770) |
| Total comprehensive income for the year | | - | 147,744 | - | 1,953 | - | 149,697 |
| Additional share capital | 25(a) | 3,000 | (3,000) | - | - | - | - |
| *Transactions with owners* | | | | | | | |
| -Transfer to consolidated fund | 25(e) | - | (5,000) | - | - | 5,000 | - |
| -Payments out of consolidated fund | 25(e) | - | - | - | - | (4,000) | (4,000) |
| At 30 June 2023 | | 38,000 | 366,730 | 21,680 | (21,333) | 5,000 | 410,077 |

| Year ended 30 June 2022 | 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 2021 | | 35,000 | 155,368 | 21,680 | (1,054) | 5,500 | 216,494 |
| Surplus for the year | | - | 76,894 | - | - | - | 76,894 |
| Net change in fair value of debt instrument at FVOCI | | - | - | - | (21,613) | - | (21,613) |
| Net amount reclassified to the income statement on sale and maturity of debt instruments at FVOCI | | - | - | - | (644) | - | (644) |
| Net change in impairment allowance on debt instruments at FVOCI | | - | - | - | 25 | - | 25 |
| Actuarial loss on retirement benefit asset | 20 | - | (1,276) | - | - | - | (1,276) |
| Total comprehensive income for the year | | - | 75,618 | - | (22,232) | - | 53,386 |
| *Transactions with owners* | | | | | | | |
| -Transfer to consolidated fund | 25(e) | - | (4,000) | - | - | 4,000 | - |
| -Payments out of consolidated fund | 25(e) | - | - | - | - | (5,500) | (5,500) |
| At 30 June 2022 | | 35,000 | 226,986 | 21,680 | (23,286) | 4,000 | 264,380 |

**BANK STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2023**

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

| Year ended 30 June 2022 | 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 2021 | | 35,000 | 155,388 | 21,680 | (1,054) | 5,500 | 216,514 |
| Surplus for the year | | - | 76,894 | - | - | - | 76,894 |
| Net change in fair value of debt instrument at FVOCI | | - | - | - | (21,613) | - | (21,613) |
| Net amount reclassified to the income statement on sale and maturity of debt instruments at FVOCI | | - | - | - | (644) | - | (644) |
| Net change in impairment allowance on debt instruments at FVOCI | | - | - | - | 25 | - | 25 |
| Actuarial loss on retirement benefit asset | 20 | - | (1,276) | - | - | - | (1,276) |
| Total comprehensive income for the year | | - | 75,618 | - | (22,232) | - | 53,386 |
| *Transactions with owners* | | | | | | | |
| -Transfer to consolidated fund | 25(e) | - | (4,000) | - | - | 4,000 | - |
| -Payments out of consolidated fund | 25(e) | - | - | - | - | (5,500) | (5,500) |
| At 30 June 2022 | | 35,000 | 227,006 | 21,680 | (23,286) | 4,000 | 264,400 |

**CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2023**

| | Notes | 2023 KShs' million | 2022 KShs' million |
|---|---|---|---|
| OPERATING ACTIVITIES | | | |
| Cash used in operating activities | 26 | (102,820) | (238,793) |
| Interest received | | 27,319 | 17,210 |
| Interest paid | | (3,993) | (2,132) |
| Interest paid on lease liabilities | 18(a) | (5) | (7) |
| Cash used in operating activities | | (79,499) | (223,722) |
| INVESTING ACTIVITIES | | | |
| Purchase of property and equipment | 18(b) | (1,449) | (1,395) |
| Purchase of intangible assets | 19 | (1,865) | (779) |
| Proceeds from disposal of property and equipment | | 4 | 3 |
| Net change in debt instruments at fair value through other comprehensive income | | 98,910 | 47,264 |
| Net change in securities and advances to banks | | (1,300) | 4,434 |
| Net change in funds held with International Monetary Fund (IMF) | | 10,224 | (67,985) |
| Net cash generated from /(used in) investing activities | | 104,524 | (18,458) |
| FINANCING ACTIVITIES | | | |
| Payment of principal portion of lease liabilities | 18(a) | (57) | (61) |
| Receipts from International Monetary Fund (IMF) | 27(b) | 96,587 | 110,597 |
| Repayments to the International Monetary Fund (IMF) | 27(b) | (6,736) | (11,220) |
| Net cash generated from financing activities | | 89,794 | 99,316 |
| Net increase/(decrease) in cash and cash equivalents | | 114,819 | (142,864) |
| Cash and cash equivalents at the beginning of the year | | 361,875 | 489,666 |
| Effect of foreign exchange rate changes on cash and cash equivalents | | 35,419 | 15,073 |
| CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR | 27(a) | 512,113 | 361,875 |
| | | ======= | ======= |

**BANK STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2023**

| | Notes | 2023 KShs' million | 2022 KShs' million |
|---|---|---|---|
| OPERATING ACTIVITIES | | | |
| Cash used in operating activities | 26 | (102,820) | (238,793) |
| Interest received | | 27,319 | 17,210 |
| Interest paid | | (3,993) | (2,132) |
| Interest paid on lease liabilities | 18(a) | (5) | (7) |
| Cash used in operating activities | | (79,499) | (223,722) |
| INVESTING ACTIVITIES | | | |
| Purchase of property and equipment | 18(b) | (1,449) | (1,395) |
| Purchase of intangible assets | 19 | (1,865) | (779) |
| Proceeds from disposal of property and equipment | | 4 | 3 |
| Net change in debt instruments at fair value through other comprehensive income | | 98,910 | 47,264 |
| Net change in securities and advances to banks | | (1,300) | 4,434 |
| Net change in funds held with International Monetary Fund (IMF) | | 10,224 | (67,985) |
| Net cash generated from/(used in) investing activities | | 104,524 | (18,458) |
| FINANCING ACTIVITIES | | | |
| Payment of principal portion of lease liabilities | 18(a) | (57) | (61) |
| Receipts from International Monetary Fund (IMF) | 27(b) | 96,587 | 110,597 |
| Repayments to the International Monetary Fund (IMF) | 27(b) | (6,736) | (11,220) |
| Net cash generated from financing activities | | 89,794 | 99,316 |
| Net increase /(decrease) in cash and cash equivalents | | 114,819 | (142,864) |
| Cash and cash equivalents at the beginning of the year | | 361,875 | 489,666 |
| Effect of foreign exchange rate changes on cash and cash equivalents | | 35,419 | 15,073 |
| CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR | 27(a) | 512,113 | 361,875 |
| | | ======= | ======= |

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023**

## 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 SIGNIFICANT 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 (IFRS). The measurement basis applied is the historical cost basis, except where otherwise stated in the accounting policies below. The financial statements are presented in Kenya Shillings (KShs), rounded to the nearest million.

(b) Changes in accounting policies and disclosures

***New and amended standards***

The following amendments became effective during the period:

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

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

| | |
|---|---|
| Amendments to IFRS 3 | *Reference to Conceptual Framework* |
| Amendments to IAS 16 | *Property, Plant and Equipment – Proceeds before Intended Use* |
| Amendments to IAS 37 | *Onerous Contracts – Cost of Fulfilling a Contract* |
| Annual Improvements to IFRS Standards 2018 – 2020 Cycle | *Annual Improvements to IFRS Standards 2018–2020 (May 2020)* |

| | |
|---|---|
| **Amendments to IAS 16 - Property, Plant and Equipment - Proceeds before intended use** | These are amendments regarding proceeds from selling items produced while bringing an asset into the location and condition necessary for it to be capable of operating in the manner intended by management.<br><br>This amends the standard to prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the cost of producing those items, in profit or loss.<br><br>An entity applies the amendments retrospectively only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. The directors do not expect that the adoption of the amendment will have a material impact on the financial statements of the Bank and its subsidiary. |
| **Amendments to IFRS 3: Reference to the Conceptual Framework** | The amendments update an outdated reference to the Conceptual Framework in IFRS 3 without significantly changing the requirements in the standard.<br><br>The changes in Reference to the Conceptual Framework are as follows;<br><br>a) Update IFRS 3 so that it refers to the 2018 Conceptual Framework instead of the 1989 Framework;<br><br>b) Add to IFRS 3 a requirement that, for transactions and other events within the scope of IAS 37 or IFRIC 21, an acquirer applies IAS 37 or IFRIC 21 (instead of the Conceptual Framework) to identify the liabilities it has assumed in a business combination; and<br><br>c) Add to IFRS 3 an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.<br><br>The amendments are effective for annual periods beginning on or after 1 January 2022. Early application is permitted if an entity also applies all other updated references at the same time or earlier.<br><br>The directors do not expect that the adoption of the amendment will have a material impact on the financial statements of the Bank and its subsidiary. |
| **Amendments to IAS 37: Onerous Contracts - Cost of Fulfilling a Contract** | The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (examples would be direct labour, materials) or an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).<br><br>The directors do not expect that the adoption of the amendment will have a material impact on the financial statements of the Bank and its subsidiary. |
| **Annual Improvements to IFRS Accounting Standards 2018 - 2020 Cycle** (*Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities, IAS 41 Agriculture – Taxation in fair value* | **IFRS 1 First-time Adoption of International Financial Reporting Standards.**<br><br>The amendment provides additional relief to a subsidiary which becomes a first-time adopter later than its parent in respect of accounting for cumulative translation differences. As a result of the amendment, a subsidiary that uses the exemption in IFRS 1:D16 (a) can now also elect to measure cumulative translation differences for all foreign operations at the carrying amount that would be included in the parent's consolidated financial statements, based on the parent's date of transition to IFRS Accounting Standards, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. A similar election is available to an associate or joint venture that uses the exemption in IFRS 1:D16 (a). |

| | |
|---|---|
| *Measurements, IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities*) | The directors do not expect that the adoption of the amendment will have a material impact on the financial statements of the Bank and its subsidiary.<br><br>IFRS 9 Financial Instruments<br><br>The amendment clarifies that in applying the '10 per cent' test to assess whether to derecognise a financial liability, an entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf. |
| **Annual Improvements to IFRS Accounting Standards 2018 - 2020 Cycle** (*Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities, IAS 41 Agriculture – Taxation in fair value Measurements, IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities*) | The directors do not expect that the adoption of the amendment will have a material impact on the financial statements of the Bank and its subsidiary. |
| | IFRS 16 Leases<br><br>The amendment removes the illustration of the reimbursement of leasehold improvements. |
| | IAS 41 Agriculture<br><br>The amendment removes the requirement in IAS 41 for entities to exclude cash flows for taxation when measuring fair value. This aligns the fair value measurement in IAS 41 with the requirements of IFRS 13 Fair Value Measurement to use internally consistent cash flows and discount rates and enables preparers to determine whether to use pre-tax or post-tax cash flows and discount rates for the most appropriate fair value measurement.<br><br>The directors do not expect that the adoption of the amendment will have a material impact on the financial statements of the Bank and its subsidiary. |

***Standards issued but not yet effective***

At the date of authorisation of these financial statements, The Bank and its subsidiary 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 IFRS 10 and IAS 28 *Sale or Contribution of Assets between an investor and its Associate or Joint Venture* | 1 January 2023, with early application permitted. |
| IFRS 17: *Insurance Contracts* | 1 January 2023 |
| Amendments to IAS 1 - *Classification of liabilities as current or non-current* | 1 January 2023, with earlier application permitted |
| Amendments to IAS 1 and IFRS practice statement 2: *Disclosure of accounting policies* | 1 January 2023, with earlier application permitted |
| Amendments to IAS 8: *Definition of accounting estimates* | 1 January 2023, with earlier application permitted |
| Amendments to IAS 12: *Deferred Tax related to Assets and Liabilities arising from a Single Transaction* | 1 January 2023, with earlier application permitted |
| Amendments to IFRS 16 - Lease Liability in a Sale and Leaseback | 1 January 2024, with earlier application permitted |

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

***Early adoption of standards***

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

(c) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Bank and its subsidiary, Kenya School of Monetary Studies, as at 30 June 2023. Kenya School of Monetary Studies is a subsidiary of the Bank. The investment in subsidiary in the separate financial statements is measured at cost less impairment. The Bank has the power to govern the financial and operating policies of the school. The subsidiary was fully consolidated from the date on which control was transferred to the Bank.

The Bank uses the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Bank and its subsidiary. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair value at the acquisition date.

The excess of the aggregate of the consideration transferred and the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the Bank's share of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in profit or loss.

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

(d) Functional currency and translation of foreign currencies

*Functional and presentation currency*

Items included in the financial statements are measured using 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 functional currency.

*Transactions and balances*

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

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

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

(e) Currency Inventory

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

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

(f) Financial instruments

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

<u>Financial assets</u>

*Initial recognition and measurement*

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

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

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

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

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

*Subsequent measurement*

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

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

Financial assets at amortised cost (debt instruments)

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

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

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

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

Financial assets at fair value through OCI (debt instruments)

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

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

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

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

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

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

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

*Subsequent measurement*

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

Financial assets at fair value through profit or loss

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

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

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

*Classes of financial instruments*

| | | | | CONSOLIDATED | |
|---|---|---|---|---|---|
| Category (as defined by IFRS 9) | | Class (as determined by the Bank) | | 2023 | 2022 |
| | | | | KShs' million | KShs' million |
| Financial assets | Financial assets at amortized cost | Securities and advances to banks | | 82,469 | 71,829 |
| | | Funds held with IMF | | 73,275 | 71,639 |
| | | Net advances to staff and banks under liquidation | | 3,694 | 3,726 |
| | | Other assets (classified as financial assets) | | 573 | 357 |
| | | Due from Government | Government term loan | 17,789 | 18,899 |
| | | | IMF On-Lent to GOK | 326,865 | 192,924 |
| | | | SDR Allocation due from National Treasury | 95,721 | 40,862 |
| | | | GOK Overdraft facility | 76,457 | 58,502 |
| | | Balances due from banking institutions | Foreign currency denominated term deposits and current account balances | 421,469 | 295,836 |
| | Financial assets at Fair value through other comprehensive income | Fixed income securities | World Bank managed and internally managed fixed income portfolios | 640,530 | 636,651 |
| | | Equity | Investment securities | 12 | 10 |
| Financial liabilities | Financial liabilities at amortised cost | Deposits from banks | Cash reserve ratio and current account deposits | 211,850 | 265,926 |
| | | Due to IMF | | 477,899 | 325,145 |
| | | Other liabilities | | 6,016 | 4,192 |
| | | Deposits from Government institutions | | 361,125 | 273,684 |

| | | | | BANK | |
|---|---|---|---|---|---|
| Category (as defined by IFRS 9) | | Class (as determined by the Bank) | | 2023 | 2022 |
| | | | | KShs' million | KShs' million |
| Financial assets | Financial assets at amortized cost | Securities and advances to banks | | 82,469 | 71,829 |
| | | Funds held with IMF | | 73,275 | 71,639 |
| | | Net advances to staff and banks under liquidation | | 3,694 | 3,726 |
| | | Other assets (classified as financial assets) | | 434 | 219 |
| | | Due from Government | Government term loan | 17,789 | 18,899 |
| | | | IMF On-Lent to GOK | 326,865 | 192,924 |
| | | | SDR Allocation due from National Treasury | 95,721 | 40,862 |
| | | | GOK Overdraft facility | 76,457 | 58,502 |
| | | Balances due from banking institutions | Foreign currency denominated term deposits and current account balances | 421,469 | 295,836 |
| | Financial assets at Fair value through other comprehensive income | Fixed income securities | World Bank managed and internally managed fixed income portfolios | 640,530 | 636,651 |
| | | Equity | Investment securities | 12 | 10 |
| Financial liabilities | Financial liabilities at amortised cost | Deposits due to banks | Cash reserve ratio and current account deposits | 211,850 | 265,926 |
| | | Due to IMF | | 477,899 | 325,145 |
| | | Other liabilities | | 5,858 | 4,059 |
| | | Deposits due to Government institutions | | 361,125 | 273,684 |

*Impairment of financial assets*

Overview of Expected Credit Loss (ECL) principles

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

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

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

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

Measurement of ECL

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

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

Credit impaired financial assets

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

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

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

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

Presentation of allowance for ECL in the statement of financial position

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

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

*Derecognition*

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

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

Or

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

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

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

Write-offs

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

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

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

Financial liabilities

*Initial recognition and measurement*

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

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 bank 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.

(g) Sale and repurchase agreements

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

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

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

(h) Cash and cash equivalents

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

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

(i) Property and equipment

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

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

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

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

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

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

An item of property, plant 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, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

(j) Intangible assets

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

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

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

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

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

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

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

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

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

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

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

A SaaS arrangement is a service arrangement where the Bank has a right to access to the supplier's application software running on the supplier's cloud infrastructure during the term of the arrangement, but not control over the underlying software asset. Costs to implement a SaaS arrangement, including those incurred in configuring or customising the access to the supplier's application software, are evaluated to determine if they give rise to a separate asset that the Bank controls. Any resulting asset is recognised and accounted for in accordance with the policy for intangible assets as set out in note 2(j). Implementation costs that do not give rise to an asset are recognised in profit or loss as incurred, which may be over the period the configuration or customisation services are received to the extent that such services are distinct from the SaaS, or over the term of the SaaS arrangement to the extent the configuration or customisation services are not distinct from the SaaS. Payment made in advance of receiving the related services is recognised as prepayment.

(k) Impairment of non-financial assets

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

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

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

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

(l) Employee benefits

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

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

The defined benefit plan defines an amount of pension benefit that an employee will receive on retirement, dependent on age, years of service and compensation.

The assets of the scheme are held by the Bank in an independent trustee administered fund.

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

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

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

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

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

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

(m) Income tax

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

(n) Provisions

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

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

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

(o) Surplus funds

The *Central Bank of Kenya Act (Cap 491)* allows the Bank to retain at least 10% or any other amounts as the board, in consultation with the minister, may determine, of the net annual profit (surplus) of the bank after allowing for the expenses of operations and after provision has been made for bad and doubtful debts, depreciation in assets, contributions to staff benefit funds, and such other contingencies and accounting provisions as the Bank deems appropriate. Any surplus funds proposed for distribution to the Government of Kenya shall be held in the consolidated fund.

(p) Share capital

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

(q) Leases

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

*Bank as a lessee*

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

Right-of-use assets

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

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

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

Lease liabilities

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

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

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

Short-term leases and leases of low-value assets

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

*Bank as a lessor*

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

(r) Interest income and expense

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

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

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

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

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

(s) Fee and commission income

The Bank earns from the Government of Kenya a commission of 1.5% of amounts raised through its agency role in the issuance of Treasury bills and bonds. The annual commission income is limited to KShs 3 billion as per the agreement between the Bank and The National Treasury effective 1 July 2007. In addition, the Bank earns commissions from other debt instruments issued to meet funding requirements of State Corporations.

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

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

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

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

(u) Currency in circulation

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

(v) Loan due from the Government of Kenya

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

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

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

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

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

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

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

(x) Fair value measurement

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

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

- In the principal market for the asset or liability

Or

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

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

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

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

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

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- 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 three years. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. Valuers are normally rotated every three years.

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

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

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

(y) Order of liquidity

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

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

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

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

*Impairment allowance on financial assets*

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

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

*Post-retirement benefits*

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

*Fair value of financial assets*

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

*Property and equipment*

Land and buildings are carried at fair value; representing open market value determined periodically by internal 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 in a similar economic environment. The IBR therefore reflects what the Bank 'would have to pay'.

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

| | CONSOLIDATED AND BANK | |
|---|---|---|
| | 2023 | 2022 |
| | KShs' million | KShs' million |
| 4. INTEREST INCOME | | |
| Interest income calculated using the effective interest method | | |
| Financial assets – debt instruments at amortised cost | 20,565 | 9,665 |
| Financial assets at fair value through other comprehensive income | 8,455 | 7,104 |
| | 29,020 | 16,769 |
| | ====== | ====== |
| Interest income from debt instruments at amortised cost | | |
| Interest on term deposits | 3,443 | 3,771 |
| Interest on Government of Kenya loan | 559 | 592 |
| Interest on Government of Kenya overdraft | 5,161 | 2,064 |
| Interest on staff loans and advances | 120 | 106 |
| Interest on advances to banks | 7,710 | 2,937 |
| Other interest income | 3,572 | 195 |
| | 20,565 | 9,665 |
| | ====== | ====== |
| Interest income from debt instruments at fair value through other comprehensive income comprises: | | |
| Internally managed portfolio | 7,879 | 6,754 |
| Externally managed portfolio – (World Bank Reserve Advisory & Management Partnership)-(RAMP) | 576 | 350 |
| | 8,455 | 7,104 |
| | ====== | ====== |

| 5. INTEREST EXPENSE | CONSOLIDATED AND BANK 2023 KShs' million | 2022 KShs' million |
|---|---|---|
| Interest expense calculated using the effective interest method | | |
| Interest on monetary policy issues – investments by banks | 141 | 1,804 |
| Interest expense – IMF | 3,852 | 328 |
| | 3,993 | 2,132 |

| | 2023 KShs' million | 2022 KShs' million |
|---|---|---|
| 6. (a) FEES AND COMMISSION INCOME | 3,000 | 3,000 |

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

| (b) NET TRADING INCOME | CONSOLIDATED AND BANK 2023 KShs' million | 2022 KShs' million |
|---|---|---|
| Net gain on sale of foreign currencies | 17,038 | 11,848 |
| Net loss on disposal of financial assets carried at fair value through other comprehensive income | (4,372) | (2,106) |
| | 12,666 | 9,742 |

7. (a) OTHER INCOME

| | CONSOLIDATED 2023 KShs' million | 2022 KShs' million |
|---|---|---|
| Licence fees from commercial banks and foreign exchange bureaus | 315 | 300 |
| Penalties from commercial banks and foreign exchange bureaus | 66 | 13 |
| Rental income | 28 | 45 |
| Kenya School of Monetary Studies operating income - hospitality services. | 126 | 179 |
| Gain on disposal of property and equipment | 4 | 3 |
| KEPSS Billing revenue | 494 | 397 |
| Miscellaneous income | 44 | 36 |
| | 1,077 | 973 |

| | BANK 2023 KShs' million | 2022 KShs' million |
|---|---|---|
| Licence fees from commercial banks and foreign exchange bureaus | 315 | 300 |
| Penalties from commercial banks and foreign exchange bureaus | 66 | 13 |
| Rental income | 28 | 45 |
| Gain on disposal of property and equipment | 4 | 3 |
| KEPSS Billing revenue | 494 | 397 |
| Miscellaneous income | 44 | 36 |
| | 951 | 794 |

| 8. IMPAIRMENT ALLOWANCE ON FINANCIAL ASSETS | CONSOLIDATED AND BANK 2023 KShs' million | 2022 KShs' million |
|---|---|---|
| The table below shows the ECL charges on financial instruments: | | |
| Impairment allowance on staff loans (Note 14) | (12) | (8) |
| Impairment allowance on balances due from banking institutions (Note 11) | (20) | - |
| Impairment allowance on Funds held with IMF (Note 12(a)) | (32) | (5) |
| Impairment allowance on securities and advances to banks (Note 13) | (2,710) | (4,062) |
| Impairment allowance on debt instruments at fair value through other comprehensive income | (39) | (25) |
| | (2,813) | (4,100) |

9. (a) OPERATING EXPENSES

| | CONSOLIDATED 2023 KShs' million | CONSOLIDATED 2022 KShs' million |
|---|---|---|
| Employee benefits (Note 9(b)) | 5,639 | 4,858 |
| Currency production expenses | 2,771 | 2,390 |
| Property maintenance and utility expenses | 4,251 | 3,298 |
| Depreciation of property and equipment (Note 18(b)) | 2,156 | 2,589 |
| Amortisation of intangible assets (Note 19) | 177 | 188 |
| Depreciation of right -of -use asset (Note 18(a)) | 66 | 121 |
| Interest on lease liabilities (Note 18(a)) | 7 | 6 |
| Impairment allowance on other assets (Note 17(a)) | 27 | 18 |
| Losses and write off | - | 34 |
| Auditor's remuneration | 12 | 12 |
| Transport and travelling costs | 293 | 175 |
| Office expenses | 192 | 201 |
| Communication expenses | 365 | 315 |
| Legal and professional fees | 621 | 474 |
| Grant to National Police Service | 1,493 | - |
| Other administrative expenses* | 1,882 | 1,239 |
| | 19,952 | 15,918 |

| | BANK 2023 KShs' million | BANK 2022 KShs' million |
|---|---|---|
| Employee benefits (Note 9(b)) | 5,639 | 4,858 |
| Currency production expenses | 2,771 | 2,390 |
| Property maintenance and utility expenses | 4,251 | 3,298 |
| Depreciation of property and equipment (Note 18(b)) | 2,156 | 2,589 |
| Amortisation of intangible assets (Note 19) | 177 | 188 |
| Depreciation of right -of -use asset (Note 18(a)) | 66 | 121 |
| Interest on lease liabilities (Note 18(a)) | 7 | 6 |
| Impairment allowance on other assets (Note 17(a)) | 27 | 18 |
| Losses and write off | - | 34 |
| Auditor's remuneration | 10 | 10 |
| Transport and travelling costs | 293 | 175 |
| Office expenses | 192 | 201 |
| Communication expenses | 365 | 315 |
| Legal and professional fees | 621 | 474 |
| Grant to National Police Service | 1,493 | - |
| Other administrative expenses* | 1,758 | 1,062 |
| | 19,826 | 15,739 |

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

(b) EMPLOYEE BENEFITS

| | CONSOLIDATED AND BANK 2023 KShs' million | CONSOLIDATED AND BANK 2022 KShs' million |
|---|---|---|
| Wages and salaries | 4,666 | 4,334 |
| Pension costs – Defined contribution plan | 553 | 516 |
| Pension costs – Defined benefit plan | 62 | 75 |
| Medical expenses | 468 | 445 |
| Other staff costs | 464 | 81 |
| Directors' emoluments (Note 28(ii)) | 53 | 56 |
| Net income relating to the retirement benefit asset (Note 20) | (627) | (649) |
| | 5,639 | 4,858 |

(c) FOREIGN EXCHANGE GAIN

| | | |
|---|---|---|
| Foreign exchange gain | 131,489 | 68,560 |

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

10. (a) CHANGES IN FAIR VALUE OF INVESTMENTS

| | CONSOLIDATED AND BANK 2023 KShs' million | CONSOLIDATED AND BANK 2022 KShs' million |
|---|---|---|
| Fair value changes on debt instruments at fair value through other comprehensive income: | | |
| Internally managed portfolio | (4,631) | (20,632) |
| Externally managed portfolio – RAMP | (67) | (981) |
| | (4,698) | (21,613) |

(b) RECLASSIFICATION TO THE INCOME STATEMENT

| | CONSOLIDATED AND BANK 2023 KShs' million | 2022 KShs' million |
|---|---|---|
| Net amount reclassified to the income statement on sale and maturity of debt instruments at FVOCI: | | |
| Internally managed portfolio | (6,143) | 633 |
| World Bank managed portfolio-RAMP | (469) | 11 |
| | (6,612) | 644 |

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

| 11. BALANCES DUE FROM BANKING INSTITUTIONS | CONSOLIDATED AND BANK 2023 KShs' million | 2022 KShs' million |
|---|---|---|
| Current accounts | 80,865 | 35,024 |
| Foreign currency denominated term deposits | 256,765 | 197,170 |
| Accrued interest on term deposits | 348 | 106 |
| Special project accounts | 41,859 | 24,658 |
| Domestic foreign currency cheque clearing (DFCC) | 39,433 | 38,256 |
| REPSS clearing and regional central banks | 2,230 | 633 |
| | 421,500 | 295,847 |
| Impairment allowance | (31) | (11) |
| | 421,469 | 295,836 |

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

| | 2023 KShs' million | 2022 KShs' million |
|---|---|---|
| At start of the year | 11 | 11 |
| Movement in impairment allowance (Note 8) | 20 | - |
| At 30 June | 31 | 11 |

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).

The increase in cash/current accounts balance is due to an increase in IMF advances at year end.

Special project accounts relate to amounts received by the Government of Kenya (or its ministries) for specific projects or purposes. An equal and corresponding liability is recorded and disclosed under "Deposits from banks and government" (Note 23).

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

| | CONSOLIDATED AND BANK 2023 SDR million | 2023 KShs' million | 2022 SDR million | 2022 KShs' million |
|---|---|---|---|---|
| (a) Assets | | | | |
| IMF balances (SDR asset account) | 391 | 73,312 | 458 | 71,644 |
| Allowance for impairment losses | - | (37) | - | (5) |
| | 391 | 73,275 | 458 | 71,639 |

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

| | 2023 KShs' million | 2022 KShs' million |
|---|---|---|
| At 1 July | 5 | - |
| Charges to profit or loss (note 8) | 32 | 5 |
| At 30 June | 37 | 5 |

| (b) Liabilities | 2023 SDR million | 2023 KShs' million | 2022 SDR million | 2022 KShs' million |
|---|---|---|---|---|
| International Monetary Fund Account No. 1 | 19 | 3,604 | 19 | 3,064 |
| International Monetary Fund Account No. 2 | 0.03 | 5 | - | 5 |
| International Monetary Fund – Poverty Reduction and Growth Facility (PRGF) Account | 7 | 1,347 | 43 | 6,771 |
| Rapid Credit Facility (RCF) | 543 | 101,668 | 543 | 85,176 |
| Extended Credit Facility (ECF) | 451 | 84,386 | 212 | 33,219 |
| Extended Fund Facility (EFF) | 752 | 140,811 | 475 | 74,529 |
| IMF - SDR Allocation account | 780 | 146,078 | 780 | 122,381 |
| | 2,552 | 477,899 | 2,072 | 325,145 |

The Bank received SDR 542.8 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.

Kenya's quota in IMF of SDR 542.8 million (2022: SDR 542.8 million) 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 779.8 million (2022: SDR 779.8 million) while the current SDR holdings were SDR 391million (2022: SDR 458 million).

The repayment of IMF facilities is currently bi-annual and attracts nil interest until advised by IMF. The Rapid Credit Facility will be paid within a period of five years from November 2025 to May 2030. ECF will be paid quarterly within a period of 5 years from October 2026 to June 2031. EFF will be paid quarterly within a period of six years from October 2025 to June 2031.

13. SECURITIES AND ADVANCES TO BANKS

| | CONSOLIDATED AND BANK | |
|---|---|---|
| | 2023 KShs' million | 2022 KShs' million |
| Treasury bonds discounted | 7,759 | 7,290 |
| Treasury bills discounted | 220 | 69 |
| Accrued interest bonds discounted | 470 | 233 |
| Repo treasury bills (Injection)* | 41,142 | 27,832 |
| Accrued interest repo | 126 | 74 |
| Liquidity support framework | 54,236 | 51,028 |
| Due from commercial banks | 1,262 | 5,339 |
| | 105,215 | 91,865 |
| Impairment allowance | (22,746) | (20,036) |
| | 82,469 | 71,829 |

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

| | 2023 KShs' million | 2022 KShs' million |
|---|---|---|
| At the start of the year | 20,036 | 15,974 |
| Charge to profit or loss (Note 8) | 2,710 | 4,062 |
| At 30 June | 22,746 | 20,036 |

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

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

| Year ended 30 June 2022 | Maturity period | | | |
|---|---|---|---|---|
| | 0-3 months | 4-12 months | Over 1 year | Total |
| | KShs' million | KShs' million | KShs' million | KShs' million |
| Treasury bills discounted | 36 | 33 | - | 69 |
| Treasury bonds discounted | - | 300 | 6,990 | 7,290 |
| Accrued interest bonds discounted | 182 | 51 | - | 233 |
| Repo treasury bills & bonds (injection)* | 27,832 | - | - | 27,832 |
| Accrued interest repo | 74 | - | - | 74 |
| Due from commercial banks | 5,339 | - | - | 5,339 |
| Liquidity support framework | - | 1,700 | 29,292 | 30,992 |
| | 33,463 | 2,084 | 36,282 | 71,829 |

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

14. LOANS AND ADVANCES

| | CONSOLIDATED AND BANK | |
|---|---|---|
| | 2023 | 2022 |
| | KShs' million | KShs' million |
| Due from banks under liquidation | 3,400 | 3,400 |
| Advances to employees | 3,762 | 3,782 |
| | 7,162 | 7,182 |
| Impairment allowance | (3,468) | (3,456) |
| Net advances | 3,694 | 3,726 |
| The movement in the Impairment allowance is as follows: | | |
| At 1 July | 3,456 | 3,448 |
| Movement in impairment allowance (Note 8) | 12 | 8 |
| At 30 June | 3,468 | 3,456 |

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

| | CONSOLIDATED AND BANK | |
|---|---|---|
| | 2023 | 2022 |
| | KShs' million | KShs' million |
| Fixed income securities – Internally managed portfolio | 595,503 | 598,183 |
| Fixed income securities under World Bank-RAMP | 45,027 | 38,468 |
| | 640,530 | 636,651 |

| Maturity analysis | Maturity period | | | |
|---|---|---|---|---|
| | 0-3 months | 4-12 months | Over 1 year | Total |
| Year ended 30 June 2023 | KShs' million | KShs' million | KShs' million | KShs' million |
| Fixed income securities – Internally managed Portfolio | 43,053 | 230,552 | 314,019 | 587,624 |
| Fixed income securities – Internally managed Portfolio-CNY | - | 1,969 | 5,910 | 7,879 |
| Fixed income securities under World Bank-RAMP | 2,047 | 12,484 | 30,496 | 45,027 |
| | 45,100 | 245,005 | 350,425 | 640,530 |

| Maturity analysis | Maturity period | | | |
|---|---|---|---|---|
| | 0-3 months | 4-12 months | Over 1 year | Total |
| Year ended 30 June 2022 | KShs' million | KShs' million | KShs' million | KShs' million |
| Fixed income securities – Internally managed Portfolio | 29,937 | 156,292 | 411,954 | 598,183 |
| Fixed income securities under World Bank-RAMP | 2,639 | 11,721 | 24,108 | 38,468 |
| | 32,576 | 168,013 | 436,062 | 636,651 |

Fixed income securities increased by KShs 3,879 million to KShs 640,530 million (2022: KShs 636,651 million) during the year under review.

16. UNLISTED EQUITY INVESTMENTS

| | CONSOLIDATED AND BANK | |
|---|---|---|
| | 2023 | 2022 |
| | KShs' million | KShs' million |
| Unquoted equity securities at fair value through other comprehensive income | 12 | 10 |
| | ======= | ====== |

17. (a) OTHER ASSETS

| | CONSOLIDATED | |
|---|---|---|
| | 2023 | 2022 |
| | KShs' million | KShs' million |
| Prepayments | 199 | 1,601 |
| Bonds Pending Receivables - World Bank | 932 | 1,036 |
| Deferred currency expenses | 5,937 | 5,396 |
| Sundry debtors | 956 | 5,354 |
| Items in the course of collection | 256 | 137 |
| Uncleared effects | 42 | 32 |
| | 8,322 | 13,556 |
| Impairment allowance | (325) | (4,997) |
| | 7,997 | 8,559 |
| | ====== | ====== |
| All other assets balances are recoverable within one year. | | |
| The movement in the Impairment allowance is as follows: | | |
| At start of the year | 4,997 | 4,979 |
| Financial asset derecognised | (4,699) | - |
| Increase in impairment allowance (Note 9(a)) | 27 | 18 |
| At 30 June | 325 | 4,997 |
| | ====== | ====== |

| | BANK | |
|---|---|---|
| | 2023 | 2022 |
| | KShs' million | KShs' million |
| Prepayments | 199 | 1,601 |
| Bonds Pending Receivables - World Bank | 932 | 1,036 |
| Deferred currency expenses | 5,937 | 5,396 |
| Sundry debtors | 817 | 5,216 |
| Items in the course of collection | 256 | 162 |
| Uncleared effects | 42 | 32 |
| | 8,183 | 13,443 |
| Impairment allowance | (325) | (4,997) |
| | 7,858 | 8,446 |
| | ====== | ====== |
| All other assets balances are recoverable within one year. | | |
| The movement in the Impairment allowance is as follows: | | |
| At start of the year | 4,997 | 4,979 |
| Financial asset derecognised | (4,699) | - |
| Increase in impairment allowance (Note 9(a)) | 27 | 18 |
| At 30 June | 325 | 4,997 |
| | ====== | ====== |

17. (b) GOLD HOLDINGS

| | CONSOLIDATED AND BANK | |
|---|---|---|
| | 2023 | 2022 |
| | KShs' million | KShs' million |
| Gold holdings | 150 | 120 |
| | ====== | ====== |

18. (a) RIGHT OF USE ASSETS

| | CONSOLIDATED AND BANK | | |
|---|---|---|---|
| | Leases relating to buildings | Leases relating to equipment | Total |
| Year ended 30 June 2023 | KShs' million | KShs' million | KShs' million |
| COST | | | |
| At 1 July 2022 | 275 | 204 | 479 |
| Additions | 55 | - | 55 |
| At 30 June 2023 | 330 | 204 | 534 |
| ACCCUMULATED DEPRECIATION | | | |
| At 1 July 2022 | 185 | 204 | 389 |
| Charge for the year | 66 | - | 66 |
| At 30 June 2023 | 251 | 204 | 455 |
| CARRYING AMOUNT | | | |
| At 30 June 2023 | 79 | - | 79 |
| Year ended 30 June 2022 | | | |
| COST | | | |
| At 1 July 2021 | 178 | 204 | 382 |
| Additions | 97 | - | 97 |
| At 30 June 2022 | 275 | 204 | 479 |
| ACCCUMULATED DEPRECIATION | | | |
| At 1 July 2021 | 123 | 145 | 268 |
| Charge for the year | 62 | 59 | 121 |
| At 30 June 2022 | 185 | 204 | 389 |
| CARRYING AMOUNT | | | |
| At 30 June 2022 | 90 | - | 90 |

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

| | CONSOLIDATED AND BANK | |
|---|---|---|
| | 2023 | 2022 |
| | Kshs million | KShs 'million |
| At start of the year | 90 | 55 |
| Additions | 55 | 97 |
| Accretion of interest | 7 | 6 |
| Payment of principal | (57) | (61) |
| Payment of interest | (5) | (7) |
| At 30 June | 90 | 90 |

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

| | CONSOLIDATED AND BANK | |
|---|---|---|
| | 2023 | 2022 |
| | KShs 'million | KShs 'million |
| Depreciation expense for right-of-use assets | 66 | 121 |
| Interest expense on lease liabilities | 7 | 6 |
| Expense relating to short-term leases (included in Other administrative expenses) | - | 7 |
| Total amount recognised in profit or loss | 73 | 134 |

The Bank had total cash outflows for leases of KShs 62 million (2022: KShs 68 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 10.5% (2022: 9.5%).

The bank also had non-cash additions to the right-of-use assets and lease liabilities of KShs 55 million (2022: KShs 97 million).

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

| | 2023 KShs 'million | 2022 KShs 'million |
|---|---|---|
| Maturity analysis – Contractual undiscounted cash flows | | |
| Less than one year | 65 | 47 |
| Between one and five years | 30 | 50 |
| | 95 | 97 |
| Interest expense | (5) | (7) |
| | 90 | 90 |

18 (b). PROPERTY AND EQUIPMENT

CONSOLIDATED AND BANK

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

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

CONSOLIDATED AND BANK

| Year ended 30 June 2022 | 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 2021 | 19,560 | 5,458 | 2,060 | 426 | 11,252 | 38,756 |
| Additions | - | - | 933 | - | 462 | 1,395 |
| Capitalization of work in progress | - | - | (477) | - | 477 | - |
| Disposals | - | - | - | - | (35) | (35) |
| At 30 June 2022 | 19,560 | 5,458 | 2,516 | 426 | 12,156 | 40,116 |
| DEPRECIATION | | | | | | |
| At 1 July 2021 | 58 | 14 | - | 392 | 5,187 | 5,651 |
| Charge for the year | 718 | 168 | - | 22 | 1,681 | 2,589 |
| Disposals | - | - | - | - | (34) | (34) |
| At 30 June 2022 | 776 | 182 | - | 414 | 6,834 | 8,206 |
| CARRYING AMOUNT | | | | | | |
| At 30 June 2022 | 18,784 | 5,276 | 2,516 | 12 | 5,322 | 31,910 |

19. INTANGIBLE ASSETS

| | CONSOLIDATED AND BANK | | |
|---|---|---|---|
| | Software | Work in Progress | Total |
| | KShs' million | KShs' million | KShs' million |
| Year ended 30 June 2023 | | | |
| COST | | | |
| At 1 July 2022 | 2,606 | - | 2,606 |
| Additions | 33 | 1,832 | 1,865 |
| At 30 June 2023 | 2,639 | 1,832 | 4,471 |
| ACCUMULATED AMORTISATION | | | |
| At 1 July 2022 | 2,296 | - | 2,296 |
| Charge for the year | 177 | - | 177 |
| At 30 June 2023 | 2,473 | - | 2,473 |
| NET CARRYING AMOUNT | | | |
| At 30 June 2023 | 166 | 1,832 | 1,998 |
| Year ended 30 June 2022 | | | |
| COST | | | |
| At 1 July 2022 | 2,485 | 1,407 | 3,892 |
| Additions | 121 | 658 | 779 |
| Cloud Computing costs* | - | (2,065) | (2,065) |
| At 30 June 2022 | 2,606 | - | 2,606 |
| ACCUMULATED AMORTISATION | | | |
| At 1 July 2021 | 2,108 | - | 2,108 |
| Charge for the year | 188 | - | 188 |
| At 30 June 2022 | 2,296 | - | 2,296 |
| NET CARRYING AMOUNT | 310 | - | 310 |

*Implementation costs relating to software as a service arrangement.

In 2022, the IFRS Interpretations Committee (IFRIC) issued guidelines on accounting for configuration/customisation costs in cloud computing arrangements. Following the issuance, a review of the intangible assets was carried out and adjustments made to adhere to the IFRS guidelines on cloud computing arrangements.

| 20. RETIREMENT BENEFIT ASSET | CONSOLIDATED AND BANK 2023 KShs' million | 2022 KShs' million |
|---|---|---|
| Present value of funded obligations | 17,177 | 16,620 |
| Fair value of plan assets | (29,799) | (30,430) |
| Net overfunding in funded plan | (12,622) | (13,810) |
| Limit on defined benefit asset | 7,628 | 6,729 |
| Retirement Benefit Asset | (4,994) | (7,081) |
| Movements in the net defined benefit asset recognised are as follows: | | |
| At start of the year | 7,081 | 7,639 |
| Net income recognised in profit or loss (Note 9(b)) | 627 | 649 |
| Net income recognized in other comprehensive income (OCI) | (2,770) | (1,276) |
| Employer contributions | 56 | 69 |
| At 30 June | 4,994 | 7,081 |
| Movements in the plan assets are as follows: | | |
| At start of the year | 30,430 | 32,048 |
| Interest income on plan assets | 3,837 | 3,746 |
| Employer contributions | 56 | 69 |
| Employee contributions | 28 | 33 |
| Benefits expenses paid | (1,892) | (1,702) |
| Return on plan assets excluding amount in interest income | (2,660) | (3,737) |
| Prior year adjustments | - | (27) |
| At 30 June | 29,799 | 30,430 |
| Movements in the plan benefit obligation are as follows: | | |
| At start of the year | 16,620 | 17,302 |
| Current service cost net of employees' contributions | 269 | 227 |
| Interest cost | 2,068 | 1,990 |
| Employee contributions | 28 | 34 |
| Actuarial gain due to change in financial assumptions and experience | 84 | (1,231) |
| Benefits paid | (1,892) | (1,702) |
| At 30 June | 17,177 | 16,620 |
| The principal actuarial assumptions at the reporting date were: | 2023 | 2022 |
| Discount rate (p.a.) | 14.60% | 13.00% |
| Salary increase (p.a.) | 7.00% | 7.00% |
| Future pension increases | 3.00% | 3.00% |

| Five-year summary | 2023 KShs' million | 2022 KShs' million | 2021 KShs' million | 2020 KShs' million | 2019 KShs' million |
|---|---|---|---|---|---|
| Fair value of plan assets | 29,799 | 30,430 | 32,048 | 30,270 | 30,640 |
| Present value of funded obligations | (17,177) | (16,620) | (17,302) | (17,910) | (16,423) |
| Adjustment to retirement benefit asset | (7,628) | (6,729) | (7,107) | (5,823) | (9,889) |
| Net retirement benefit asset | 4,994 | 7,081 | 7,639 | 6,537 | 4,328 |

Plan assets are distributed as follows:

| | 2023 | | 2022 | |
|---|---|---|---|---|
| | KShs'million | % | KShs' million | % |
| Quoted shares | 3,679 | 12.3% | 4,998 | 16.4% |
| Investment properties | 9,448 | 31.7% | 9,717 | 31.9% |
| Government of Kenya treasury bills and bonds | 13,823 | 46.5% | 14,128 | 46.5% |
| Commercial paper and corporate bonds | 222 | 0.7% | 239 | 0.8% |
| Offshore investments | 149 | 0.5% | 432 | 1.4% |
| Fixed and term deposits | 1,668 | 5.6% | 545 | 1.8% |
| Fixed assets | 5 | 0.0% | 1 | 0.0% |
| Private equity | 435 | 1.5% | 371 | 1.2% |
| Net current assets | 370 | 1.2% | (1) | 0.0% |
| | 29,799 | 100% | 30,430 | 100% |

Sensitivity of principal actuarial assumptions:

If the discount rate is 1% lower, the present value of funded obligations would be KShs 18,573 million (increase by KShs 1,396 million). This sensitivity analysis has been determined based on reasonably possible changes of the assumption occurring at the end of 30 June 2023, 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 8.1 years (2022: 7.0 years).

| | CONSOLIDATED AND BANK | |
|---|---|---|
| 21. (a) IMF On-Lent to GOK | 2023 | 2022 |
| | KShs' million | KShs' million |
| Rapid credit facility | 101,668 | 85,176 |
| Extended credit facility | 84,386 | 33,219 |
| Extended fund facility | 140,811 | 74,529 |
| | 326,865 | 192,924 |

The balance as at 30 June 2023 relates to IMF on-lent funds disbursed to the Government of Kenya by the International Monetary Fund (IMF) to mitigate the impact of COVID-19 pandemic. The funds amount to SDR 542.8 million under the Rapid Credit Facility (RCF) and SDR 1,203 million under the Extended Credit Facility (ECF) and the Extended Fund Facility (EFF). RCF will be paid half-yearly within a period of five years from November 2025 to May 2030. ECF will be paid quarterly within a period of 5 years from October 2026 to June 2031. EFF will be paid quarterly within a period of six years from October 2025 to June 2031.

| | CONSOLIDATED AND BANK | |
|---|---|---|
| 21. (b) DUE FROM GOVERNMENT OF KENYA | 2023 | 2022 |
| | KShs' million | KShs' million |
| Overdraft | 76,457 | 58,502 |
| Government loan | 17,789 | 18,899 |
| SDR Allocation due from National Treasury | 95,721 | 40,862 |
| | 189,967 | 118,263 |
| Movement in the government loan is as follows: | | |
| At start of the year | 18,899 | 20,009 |
| Principal repayment | (1,110) | (1,110) |
| Interest charged | 559 | 592 |
| Interest paid | (559) | (592) |
| At 30 June | 17,789 | 18,899 |

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 2023 is KShs 80,051million (2022: KShs 75,453 million) based on the gross recurrent revenue for the year ended 30 June 2021 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 10.5%.

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.

In financial year 2022/2023 the Bank transferred SDR 260.4 million being part of the IMF SDR allocation for Kenya to the National Treasury. The amount will be repaid to the Bank over a 20 year period in half yearly instalments each of SDR 6.5 million. This allocation is revalued on monthly basis and the amount recognized is the balance as at 30 June 2023 in Kenya Shilling equivalent.

| | CONSOLIDATED AND BANK | |
|---|---|---|
| 22. CURRENCY IN CIRCULATION | 2023 | 2022 |
| | KShs' million | KShs' million |
| Kenya bank notes | 305,407 | 295,209 |
| Kenya coins | 10,560 | 10,141 |
| | 315,967 | 305,350 |
| Movement in the account was as follows: | | |
| At 1 July | 305,350 | 277,129 |
| Deposits by commercial banks | (544,656) | (564,500) |
| Withdrawals by commercial banks | 555,300 | 592,675 |
| (Withdrawals)/deposits by CBK | (27) | 46 |
| At 30 June | 315,967 | 305,350 |

23. DEPOSITS DUE TO BANKS AND GOVERNMENT

| | CONSOLIDATED AND BANK | |
|---|---|---|
| | 2023 | 2022 |
| | KShs' million | KShs' million |
| Local commercial banks clearing accounts and cash reserve ratio | 172,226 | 228,075 |
| Local banks foreign exchange settlement accounts | 36,385 | 35,435 |
| External banks foreign exchange settlement accounts | 3,239 | 2,416 |
| Other public entities and project accounts | 1,245 | 39,278 |
| Government of Kenya | 359,880 | 234,406 |
| | 572,975 | 539,610 |

24. OTHER LIABILITIES

| | CONSOLIDATED | |
|---|---|---|
| | 2023 | 2022 |
| | KShs' million | KShs' million |
| Impersonal accounts* | 326 | 809 |
| Sundry creditors | 3,273 | 1,716 |
| Lease liability (Note 18(a)) | 90 | 90 |
| Refundable deposits | 317 | 248 |
| Leave accrual | 253 | 212 |
| Bond pending payables | 1,990 | 1,329 |
| Gratuity to staff members | 42 | 59 |
| | 6,291 | 4,463 |

| | BANK | |
|---|---|---|
| | 2023 | 2022 |
| | KShs' million | KShs' million |
| Impersonal accounts* | 326 | 809 |
| Sundry creditors | 3,134 | 1,583 |
| Lease liability (Note 18(a)) | 90 | 90 |
| Refundable deposits | 317 | 248 |
| Leave accrual | 253 | 212 |
| Bond pending payables | 1,990 | 1,329 |
| Gratuity to staff members | 42 | 59 |
| | 6,152 | 4,330 |

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

25. (a) SHARE CAPITAL

| | CONSOLIDATED AND BANK | |
|---|---|---|
| | 2023 | 2022 |
| | KShs' million | KShs' million |
| Authorised share capital: | | |
| At 1 July and 30 June | 50,000 | 50,000 |
| Paid up share capital: | | |
| At 1 July and 30 June | 38,000 | 35,000 |

Ownership of the entire share capital is vested in the Principal Secretary to the National Treasury. The board of directors authorised the capitalisation of KShs 3 Billion from the general reserve fund on 12 September 2022, resulting in the increase in paid up share capital from KShs 35 Billion to KShs 38 Billion.

(b) GENERAL RESERVE FUND

CONSOLIDATED

The general reserve of KShs 366,730 million (2022: KShs 226,986 million) represents accumulated realized surplus of KShs 65,495 million (2022: KShs 54,470 million) arising from normal operations of the Bank and unrealized gains of KShs 301,235 million (2022: KShs 172,516 million).

BANK

The general reserve of KShs 366,730 million (2022: KShs 227,006 million) represents accumulated realized surplus of KShs 65,495 million (2022: KShs 54,490 million) arising from normal operations of the Bank and unrealized gains of KShs 301,235 million (2022: KShs 172,516 million).

(c) FAIR VALUE RESERVE - CONSOLIDATED AND BANK

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

(d) REVALUATION RESERVE - CONSOLIDATED AND BANK

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

(e) CONSOLIDATED FUND -CONSOLIDATED AND BANK

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

Movement in the consolidated fund is as follows:

| | CONSOLIDATED AND BANK | |
|---|---|---|
| | 2023 | 2022 |
| | KShs' million | KShs' million |
| At start of the year | 4,000 | 5,500 |
| Transfer from general reserve | 5,000 | 4,000 |
| Payments out of consolidated fund | (4,000) | (5,500) |
| At 30 June | 5,000 | 4,000 |

| 26. CASH USED IN OPERATIONS | CONSOLIDATED | |
|---|---|---|
| | 2023 | 2022 |
| | KShs' million | KShs' million |
| Surplus for the year | 150,494 | 76,894 |
| Adjustments for: | | |
| Foreign exchange gains | (131,489) | (68,560) |
| Accrued Interest adjustment | 1,701 | (441) |
| Depreciation of property and equipment (Note 18(b)) | 2,156 | 2,589 |
| Amortisation of intangible assets (Note 19) | 177 | 188 |
| Amortisation of right-of-use assets (Note 18(a)) | 66 | 121 |
| Grant to National Police Service (Note 18(b)) | 1,493 | - |
| Cloud computing arrangement adjustment | - | 2,065 |
| Gain on disposal of property and equipment (Note 7) | (4) | (3) |
| Impairment allowance on financial assets | 2,813 | 4,100 |
| Net interest income | (25,027) | (14,637) |
| Interest on lease liability (Note 9(a)) | 7 | 6 |
| Provision for impairment loss on other assets (Note 9(a)) | 27 | 18 |
| Net credit relating to the retirement benefit asset (Note 20) | (627) | (649) |
| Employer contributions on defined benefit asset (Note 20) | (56) | (69) |
| Reclassification from fair value reserve (Note 10(b)) | 6,612 | (644) |
| Unrealised foreign exchange loss on due to IMF | 541 | 11 |
| Operating surplus before working capital changes | 8,884 | 989 |
| Changes in working capital: | | |
| Loans and advances | 20 | (603) |
| Other assets | 480 | (2,949) |
| Due from Government of Kenya | (71,704) | (38,146) |
| Currency in circulation | 10,617 | 28,221 |
| Deposits | 22,548 | (190,504) |
| IMF on-lent | (71,579) | (28,359) |
| Consolidated Fund (Note 25(e)) | (4,000) | (5,500) |
| Other liabilities | 1,914 | (1,942) |
| Net cash used in operations | (102,820) | (238,793) |

26. CASH USED IN OPERATIONS

| | BANK 2023 KShs' million | 2022 KShs' million |
|---|---|---|
| Surplus for the year | 150,494 | 76,894 |
| Adjustments for: | | |
| Foreign exchange gains | (131,489) | (68,560) |
| Accrued Interest adjustment | 1,701 | (441) |
| Depreciation of property and equipment (Note 18(b)) | 2,156 | 2,589 |
| Amortisation of intangible assets (Note 19) | 177 | 188 |
| Amortisation of right-of-use assets (Note 18(a)) | 66 | 121 |
| Grant to National Police Service (Note 18(b)) | 1,493 | - |
| Cloud computing arrangement adjustment | - | 2,065 |
| Gain on disposal of property and equipment (Note 7) | (4) | (3) |
| Impairment allowance on financial assets | 2,813 | 4,100 |
| Net interest income | (25,027) | (14,637) |
| Interest on lease liability (Note 9(a)) | 7 | 6 |
| Provision for impairment loss on other assets (Note 9(a)) | 27 | 18 |
| Net credit relating to the retirement benefit asset (Note 20) | (627) | (649) |
| Employer contributions on defined benefit asset (Note 20) | (56) | (69) |
| Reclassification from fair value reserve (Note 10(b)) | 6,612 | (644) |
| Unrealised foreign exchange loss on due to IMF | 541 | 11 |
| Operating surplus before working capital changes | 8,884 | 989 |
| Changes in working capital: | | |
| Loans and advances | 20 | (603) |
| Other assets | 506 | (2,922) |
| Due from Government of Kenya | (71,704) | (38,146) |
| Currency in circulation | 10,617 | 28,221 |
| Deposits | 22,548 | (190,504) |
| IMF on-lent | (71,579) | (28,359) |
| Consolidated fund (Note 25(e)) | (4,000) | (5,500) |
| Other liabilities | 1,888 | (1,969) |
| Net cash used in operations | (102,820) | (238,793) |

27 NET CASH USED IN OPERATIONS

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

| | CONSOLIDATED AND BANK 2023 KShs' million | 2022 KShs' million |
|---|---|---|
| Balances due from banking institutions (Note 11) | 421,500 | 295,836 |
| Financial assets – FVOCI (Note 15) | 45,100 | 32,576 |
| Securities discounted by banks and other advances (Note 13) | 45,513 | 33,463 |
| | 512,113 | 361,875 |
| (b) Changes in liabilities arising from financing activities | | |
| At start of the year | 325,145 | 221,174 |
| Cash flow items: | | |
| Repayments to IMF | (6,736) | (11,220) |
| Receipts during the year | 96,587 | 110,597 |
| Foreign exchange changes | 62,903 | 4,594 |
| At 30 June | 477,899 | 325,145 |

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 2023 are disclosed in Note 14. Collateral information is disclosed in Note 29. The repayment terms of the loans are between 3 years and 25 years.

| | CONSOLIDATED AND BANK | |
|---|---|---|
| | 2023 | 2022 |
| Loans to key senior staff | KShs' million | KShs' million |
| At 1 July | 45 | 26 |
| Loans advanced during the year | 33 | 38 |
| Loan repayments | (23) | (19) |
| At 30 June | 55 | 45 |
| (ii) Directors' emoluments: | | |
| Fees to non-executive directors | 17 | 19 |
| Directors' travelling expenses | 1 | 2 |
| Other remuneration to executive directors | 35 | 35 |
| | 53 | 56 |
| (iii) Remuneration to senior staff | 324 | 277 |
| (iv) Post–employment pension to senior management | 19 | 4 |
| (v) Government of Kenya - owner of the Bank | | |
| Due from Government of Kenya (Note 21(b)) | 189,967 | 118,263 |
| Government Institutions Deposits (Note 23) | 361,125 | 273,684 |
| IMF On-lent to GOK (Note 21(a)) | 326,865 | 192,924 |
| Interest earned from Government of Kenya – Loan (Note 4) | 559 | 592 |
| Interest earned from Government of Kenya - Overdraft (Note 4) | 5,161 | 2,064 |
| Fees and commission income (Note 6(a)) | 3,000 | 3,000 |
| Loan principal repayment (Note 21(b)) | 1,110 | 1,110 |

Transactions entered into with the Government include:

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

(vi) Kenya School of Monetary Studies (KSMS)

The Kenya School of Monetary Studies (the "School") is a subsidiary of the Bank. It is primarily owned and managed by CBK and its financial statements have been consolidated in these financial statements.

The permanent staff working at KSMS are employees of CBK. Fixed assets are also wholly owned by the Bank and a letter of support is issued annually to the the school as part of the commitment of the Bank to continue funding KSMS for going concern purposes.

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

| | CONSOLIDATED AND BANK | |
|---|---|---|
| | 2023 | 2022 |
| | KShs' million | KShs' million |
| CBK-KSMS related transactions and balances | | |
| Grants from CBK | 532 | 487 |
| Due (from)/to CBK | (21) | 21 |

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

The pension schemes (that is, the defined benefit and defined contribution schemes) are managed and administered by the Secretariat appointed by the sponsor. The costs of their operations are fully reimbursed to the Bank on a regular basis.

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 and equity market prices, foreign currency exchange rates and interest rates. The Bank's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on its financial performance.

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

(a) Strategy in using financial instruments

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

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

(b) Risks facing the Bank

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

- Credit risk
- Market risk
- Liquidity risk

(i) Credit risk

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

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

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

The following table sets out the carrying amounts of the financial assets that are exposed to credit risk as at 30 June 2023 and 30 June 2022:

| | CONSOLIDATED | |
|---|---|---|
| | 2023 | 2022 |
| | KShs' million | KShs' million |
| Balances due from banking institutions | 421,469 | 295,836 |
| Funds held with International Monetary Fund (IMF) | 73,275 | 71,639 |
| Securities and advances to banks | 82,469 | 71,829 |
| IMF On-Lent to GOK | 326,865 | 192,924 |
| Loans and advances | 3,694 | 3,726 |
| Debt instruments at fair value through other comprehensive income | 640,530 | 636,651 |
| Other assets – sundry debtors | 248 | 357 |
| Due from Government of Kenya | 189,967 | 118,263 |
| | 1,738,517 | 1,391,225 |

| | BANK | |
|---|---|---|
| | 2023 | 2022 |
| | KShs' million | KShs' million |
| Balances due from banking institutions | 421,469 | 295,836 |
| Funds held with International Monetary Fund (IMF) | 73,275 | 71,639 |
| Securities and advances to banks | 82,469 | 71,829 |
| IMF On-Lent to GOK | 326,865 | 192,924 |
| Loans and advances | 3,694 | 3,726 |
| Debt instruments at fair value through other comprehensive income | 640,530 | 636,651 |
| Other assets – sundry debtors | 109 | 219 |
| Due from Government of Kenya | 189,967 | 118,263 |
| | 1,738,378 | 1,391,087 |

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

Credit quality analysis

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

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

Year ended 30 June 2023

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

| | CONSOLIDATED | | | |
|---|---|---|---|---|
| | Stage 1 KShs' million | Stage 2 KShs' million | Stage 3 KShs' million | Total KShs' million |
| Funds with IMF | | | | |
| Unrated | 73,312 | - | - | 73,312 |
| Gross carrying amount | 73,312 | - | - | 73,312 |
| Impairment allowance | (37) | | | (37) |
| Net carrying amount | 73,275 | - | - | 73,275 |
| IMF On-Lent to GOK | | | | |
| Unrated | 326,865 | - | - | 326,865 |
| Securities and advances to banks | | | | |
| Unrated | 78,857 | - | 26,358 | 105,215 |
| Gross carrying amount | 78,857 | - | 26,358 | 105,215 |
| Impairment allowance | (523) | - | (22,223) | (22,746) |
| Net carrying amount | 78,334 | - | 4,135 | 82,469 |
| Loans and advances | | | | |
| Unrated | 3,575 | 5 | 3,582 | 7,162 |
| Gross carrying amount | 3,575 | 5 | 3,582 | 7,162 |
| Impairment allowance | (10) | - | (3,458) | (3,468) |
| Net carrying amount | 3,565 | 5 | 124 | 3,694 |
| Other assets | | | | |
| Unrated | 267 | - | 306 | 573 |
| Gross carrying amount | 267 | - | 306 | 573 |
| Impairment allowance | (27) | - | (298) | (325) |
| Net carrying amount | 240 | - | 8 | 248 |

Year ended 30 June 2022

| | CONSOLIDATED | | | |
|---|---|---|---|---|
| | Stage 1 KShs' million | Stage 2 KShs' million | Stage 3 KShs' million | Total KShs' million |
| Balance due from banking institutions | | | | |
| Rated AAA | 7 | - | - | 7 |
| Rated AA- to AA+ | 126,415 | - | - | 126,415 |
| Rated A- to A+ | 109,798 | - | - | 109,798 |
| Rated BBB – BB | 3,664 | - | - | 3,664 |
| Unrated | 55,963 | - | - | 55,963 |
| Gross carrying amount | 295,847 | - | - | 295,847 |
| Impairment allowance | (11) | - | - | (11) |
| Net carrying amount | 295,836 | - | - | 295,836 |
| Debt instruments at fair value through OCI | | | | |
| Rated AAA | 629,172 | - | - | 629,172 |
| Rated AA- to AA+ | 6,558 | - | - | 6,558 |
| Rated A- to A+ | 921 | | | 921 |
| Carrying amount | 636,651 | - | - | 636,651 |
| Due from Government of Kenya | | | | |
| Unrated | 118,263 | - | - | 118,263 |

| | CONSOLIDATED | | | |
|---|---|---|---|---|
| | Stage 1 KShs' million | Stage 2 KShs' million | Stage 3 KShs' million | Total KShs' million |
| Funds with IMF | | | | |
| Unrated | 71,644 | - | - | 71,644 |
| Gross carrying amount | 71,644 | - | - | 71,644 |
| Impairment allowance | (5) | | | (5) |
| Net carrying amount | 71,639 | - | - | 71,639 |
| IMF On-Lent to GOK | | | | |
| Unrated | 192,924 | - | - | 192,924 |
| Securities and advances to banks | | | | |
| Unrated | 65,176 | 7,307 | 19,382 | 91,865 |
| Gross carrying amount | 65,176 | 7,307 | 19,382 | 91,865 |
| Impairment allowance | (500) | (200) | (19,336) | (20,036) |
| Net carrying amount | 64,676 | 7,107 | 46 | 71,829 |
| Loans and advances | | | | |
| Unrated | 3,650 | - | 3,532 | 7,182 |
| Gross carrying amount | 3,650 | - | 3,532 | 7,182 |
| Impairment allowance | (12) | - | (3,444) | (3,456) |
| Net carrying amount | 3,638 | - | 88 | 3,726 |
| Other assets | | | | |
| Unrated | 349 | - | 5,005 | 5,354 |
| Gross carrying amount | 349 | - | 5,005 | 5,354 |
| Impairment allowance | - | - | (4,997) | (4,997) |
| Net carrying amount | 349 | - | 8 | 357 |

| Year ended 30 June 2023 | | BANK | | |
|---|---|---|---|---|
| | Stage 1 KShs' million | Stage 2 KShs' million | Stage 3 KShs' million | Total KShs' million |
| Balance due from banking institutions | | | | |
| Rated AAA | 94 | - | - | 94 |
| Rated AA- to AA+ | 164,530 | - | - | 164,530 |
| Rated A- to A+ | 78,728 | - | - | 78,728 |
| Rated BBB – BB | 117,841 | - | - | 117,841 |
| Unrated | 60,307 | - | - | 60,307 |
| Gross carrying amount | 421,500 | - | - | 421,500 |
| Impairment allowance | (31) | - | - | (31) |
| Net carrying amount | 421,469 | - | - | 421,469 |
| Debt instruments at fair value through OCI | | | | |
| Rated AAA | 93,624 | | | 93,624 |
| Rated AA- to AA+ | 538,187 | - | - | 538,187 |
| Rated A- to A+ | 8,719 | - | - | 8,719 |
| Carrying amount | 640,530 | - | - | 640,530 |
| Due from Government of Kenya | | | | |
| Unrated | 189,967 | - | - | 189,967 |
| Funds with IMF | | | | |
| Unrated | 73,312 | - | - | 73,312 |
| Gross carrying amount | 73,312 | - | - | 73,312 |
| Impairment allowance | (37) | | | (37) |
| Net carrying amount | 73,275 | - | - | 73,275 |
| IMF On-Lent to GOK | | | | |
| Unrated | 326,865 | - | - | 326,865 |
| Securities and advances to banks | | | | |
| Unrated | 78,857 | - | 26,358 | 105,215 |
| Gross carrying amount | 78,857 | - | 26,358 | 105,215 |
| Impairment allowance | (523) | - | (22,223) | (22,746) |
| Net carrying amount | 78,334 | - | 4,135 | 82,469 |
| Loans and advances | | | | |
| Unrated | 3,575 | 5 | 3,582 | 7,162 |
| Gross carrying amount | 3,575 | 5 | 3,582 | 7,162 |
| Impairment allowance | (10) | - | (3,458) | (3,468) |
| Net carrying amount | 3,565 | 5 | 124 | 3,694 |
| Other assets | | | | |
| Unrated | 128 | - | 306 | 434 |
| Gross carrying amount | 128 | - | 306 | 434 |
| Impairment allowance | (27) | - | (298) | (325) |
| Net carrying amount | 101 | - | 8 | 109 |

| Year ended 30 June 2022 | BANK | | | |
|---|---|---|---|---|
| | Stage 1 KShs' million | Stage 2 KShs' million | Stage 3 KShs' million | Total KShs' million |
| Balance due from banking institutions | | | | |
| Rated AAA | 7 | - | - | 7 |
| Rated AA- to AA+ | 126,415 | - | - | 126,415 |
| Rated A- to A+ | 109,798 | - | - | 109,798 |
| Rated BBB – BB | 3,664 | - | - | 3,664 |
| Unrated | 55,963 | - | - | 55,963 |
| Gross carrying amount | 295,847 | - | - | 295,847 |
| Impairment allowance | (11) | - | - | (11) |
| Net carrying amount | 295,836 | - | - | 295,836 |
| Debt instruments at fair value through OCI | | | | |
| Rated AAA | 629,172 | - | - | 629,172 |
| Rated AA- to AA+ | 6,558 | - | - | 6,558 |
| Rated A- to A+ | 921 | - | - | 921 |
| Carrying amount | 636,651 | - | - | 636,651 |
| Due from Government of Kenya | | | | |
| Unrated | 118,263 | - | - | 118,263 |
| Funds with IMF | | | | |
| Unrated | 71,644 | - | - | 71,644 |
| Gross carrying amount | 71,644 | - | - | 71,644 |
| Impairment allowance | (5) | - | - | (5) |
| Net carrying amount | 71,639 | - | - | 71,639 |
| IMF On-Lent to GOK | | | | |
| Unrated | 192,924 | - | - | 192,924 |
| Securities and advances to banks | | | | |
| Unrated | 65,176 | 7,307 | 19,382 | 91,865 |
| Gross carrying amount | 65,176 | 7,307 | 19,382 | 91,865 |
| Impairment allowance | (500) | (200) | (19,336) | (20,036) |
| Net carrying amount | 64,676 | 7,107 | 46 | 71,829 |
| Loans and advances | | | | |
| Unrated | 3,650 | - | 3,532 | 7,182 |
| Gross carrying amount | 3,650 | - | 3,532 | 7,182 |
| Impairment allowance | (12) | - | (3,444) | (3,456) |
| Net carrying amount | 3,638 | - | 88 | 3,726 |
| Other assets | | | | |
| Unrated | 211 | - | 5,005 | 5,216 |
| Gross carrying amount | 211 | - | 5,005 | 5,216 |
| Impairment allowance | - | - | (4,997) | (4,997) |
| Net carrying amount | 211 | - | 8 | 219 |

Collateral and other credit enhancements

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

| | Notes | Percentage of exposure that is subject to collateral requirements | | |
|---|---|---|---|---|
| | | 30 June 2023 | 30 June 2022 | Principal type of collateral held |
| Advances to banks – Reverse repurchase arrangements and due from commercial banks | 13 | 100 | 100 | Kenya Government debt securities |
| Loans and advances – Loans to staff | 14 | 100 | 100 | Land and buildings, government securities, motor vehicles |

At 30 June 2023, the Bank held advances to banks of KShs 41,142 million (2022: KShs 33,171 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 40,964 million (2022: KShs 33,921 million). These have been determined based on market price quotations at the reporting date.

Inputs, assumptions and techniques used for estimating expected credit loss

*Significant increase in credit risk*

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

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

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

*Credit risk grades/ratings*

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

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

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

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

*PD estimation process*

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

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

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

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

*Determining whether credit risk has increased significantly*

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

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

A backstop is applied, and the financial instrument considered to have experience a significant increase in credit risk if the counterparty is more than 30 days past due.
Days past due are determined by counting the number of days since the earliest elapsed due date in respect of which full payment has not been received. Due dates are determined without considering any grace period that might be available to the counterparty.

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

*Definition of default*

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

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

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

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

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

*Incorporation of forward-looking information*

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

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

*Measurement of ECL*

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

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

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

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

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

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

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

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

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

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

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

| | CONSOLIDATED AND BANK | | | |
|---|---|---|---|---|
| | Exposure | Exposure | External benchmarks used | |
| | 2023 | 2022 | | |
| | KShs' million | KShs' million | PD | LGD |
| Balances due from banking institutions | 421,469 | 295,836 | Bloomberg PD rating model | Basel II recovery studies |
| Debt instruments at fair value through other comprehensive income | 640,530 | 636,651 | Bloomberg PD rating model | Basel II recovery studies |
| Funds held with IMF | 73,275 | 71,639 | Bloomberg PD rating model | Basel II recovery studies |

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

Year ended 30 June 2023

| | CONSOLIDATED | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Stage 1 Gross carrying amount | ECL | Stage 2 Gross carrying amount | ECL | Stage3 Gross carrying amount | ECL | Total Gross carrying amount | ECL |
| | KShs' million | KShs' million | KShs' million | KShs' million | KShs' million | KShs' million | KShs' million | KShs' million |
| Debt instruments at fair value through other comprehensive income | | | | | | | | |
| At 1 July 2022 | 636,651 | 184 | - | - | - | - | 636,651 | 184 |
| New assets originated or purchased | 177,301 | 71 | - | - | - | - | 177,301 | 71 |
| Asset derecognized or repaid | (293,307) | (78) | - | - | - | - | (293,307) | (78) |
| Accrued interest | 14,014 | - | - | - | - | - | 14,014 | - |
| Realised gains | 2,059 | - | - | - | - | - | 2,059 | - |
| Foreign exchange adjustments | 108,329 | 37 | - | - | - | - | 108,329 | 37 |
| Changes in risk parameters | - | 9 | - | - | - | - | - | 9 |
| Fair value changes | (4,517) | - | - | - | - | - | (4,517) | - |
| At 30 June 2023 | 640,530 | 223 | - | - | - | - | 640,530 | 223 |
| Balances due from banking institutions | | | | | | | | |
| At 1 July 2022 | 295,847 | 11 | - | - | - | - | 295,847 | 11 |
| Net movement during the year | 125,653 | 20 | - | - | - | - | 125,653 | 20 |
| At 30 June 2023 | 421,500 | 31 | - | - | - | - | 421,500 | 31 |
| Securities and advances to banks | | | | | | | | |
| At 1 July 2022 | 65,176 | 500 | 7,307 | 200 | 19,382 | 19,336 | 91,865 | 20,036 |
| New assets originated or purchased | 2,265,394 | 23 | - | - | - | 2,687 | 2,265,394 | 2,710 |
| Asset derecognized or repaid | (2,235,096) | - | - | - | (331) | - | (2,235,427) | - |
| Accrued interest | (16,617) | - | - | - | - | - | (16,617) | - |
| Transfer to stages | - | - | (7,307) | (200) | 7,307 | 200 | - | - |
| Change in risk parameters | - | - | - | - | - | - | - | - |
| At 30 June 2023 | 78,857 | 523 | - | - | 26,358 | 22,223 | 105,215 | 22,746 |
| Funds held with IMF | | | | | | | | |
| At 1 July 2022 | 71,644 | 5 | - | - | - | - | 71,644 | 5 |
| Net movement during the year | 1,668 | 32 | - | - | - | - | 1,668 | 32 |
| At 30 June 2023 | 73,312 | 37 | - | - | - | - | 73,312 | 37 |

CONSOLIDATED

| | Stage 1 Gross carrying amount | ECL | Stage 2 Gross carrying amount | ECL | Stage3 Gross carrying amount | ECL | Total Gross carrying amount | ECL |
|---|---|---|---|---|---|---|---|---|
| | KShs' million | KShs' million | KShs' million | KShs' million | KShs' million | KShs' million | KShs' million | KShs' million |
| Other assets | | | | | | | | |
| At 1 July 2022 | 349 | - | - | - | 5,005 | 4,997 | 5,354 | 4,997 |
| New assets originated or purchased | 673 | 27 | - | - | - | - | 673 | 27 |
| Asset derecognized or repaid | (755) | - | - | - | (4,699) | (4,699) | (5,454) | (4,699) |
| Transfer to stage 3 | - | - | - | - | - | - | - | - |
| At 30 June 2023 | 267 | 27 | - | - | 306 | 298 | 573 | 325 |
| Loans and advances | | | | | | | | |
| At 1 July 2022 | 3,650 | 12 | - | - | 3,532 | 3,444 | 7,182 | 3,456 |
| New assets originated or purchased | 797 | 2 | - | - | - | - | 797 | 2 |
| Asset derecognized or repaid | (792) | (2) | - | - | (25) | (12) | (817) | (14) |
| Transfer to stages | (80) | - | 5 | - | 75 | 26 | - | 26 |
| Changes in risk parameters | - | (2) | - | - | - | - | - | (2) |
| At 30 June 2023 | 3,575 | 10 | 5 | - | 3,582 | 3,458 | 7,162 | 3,468 |

Year ended 30 June 2022

CONSOLIDATED

| | Stage 1 Gross carrying amount | ECL | Stage 2 Gross carrying amount | ECL | Stage3 Gross carrying amount | ECL | Total Gross carrying amount | ECL |
|---|---|---|---|---|---|---|---|---|
| | KShs' million | KShs' million | KShs' million | KShs' million | KShs' million | KShs' million | KShs' million | KShs' million |
| Debt instruments at fair value through other comprehensive income | | | | | | | | |
| At 1 July 2021 | 664,991 | 159 | - | - | - | - | 664,991 | 159 |
| New assets originated or purchased | 378,480 | 93 | - | - | - | - | 378,480 | 93 |
| Asset derecognized or repaid | (441,862) | (76) | - | - | - | - | (441,862) | (76) |
| Accrued interest | (441) | - | - | - | - | - | (441) | - |
| Realised gains | (2,734) | - | - | - | - | - | (2,734) | - |
| Foreign exchange adjustments | 59,845 | - | - | - | - | - | 59,845 | - |
| Changes in risk parameters | - | 8 | - | - | - | - | - | 8 |
| Fair value changes | (21,628) | - | - | - | - | - | (21,628) | - |
| At 30 June 2022 | 636,651 | 184 | - | - | - | - | 636,651 | 184 |
| Balances due from banking institutions | | | | | | | | |
| At 1 July 2021 | 430,979 | 11 | - | - | - | | 430,979 | 11 |
| Net movement during the year | (135,132) | - | - | - | - | - | (135,132) | - |
| At 30 June 2022 | 295,847 | 11 | - | - | - | - | 295,847 | 11 |
| Securities and advances to banks | | | | | | | | |
| At 1 July 2021 | 75,514 | 15,974 | - | - | - | - | 75,514 | 15,974 |
| New assets originated or purchased | 821,476 | - | - | - | - | - | 821,476 | - |
| Asset derecognized or repaid | (805,132) | - | - | - | - | - | (805,132) | - |
| Accrued interest | 7 | - | - | - | - | - | 7 | - |
| Transfer to stages | (26,689) | (15,074) | 7,307 | 200 | 19,382 | 14,874 | - | - |
| Change in risk parameters | - | (400) | - | - | - | 4,462 | - | 4,062 |
| At 30 June 2022 | 65,176 | 500 | 7,307 | 200 | 19,382 | 19,336 | 91,865 | 20,036 |
| Funds held with IMF | | | | | | | | |
| At 1 July 2021 | 2,201 | - | - | - | - | - | 2,201 | - |
| Net movement during the year | 69,443 | (5) | - | - | - | - | 69,443 | (5) |
| At 30 June 2022 | 71,644 | (5) | - | - | - | - | 71,644 | (5) |

| | CONSOLIDATED | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Stage 1 Gross carrying amount KShs' million | ECL KShs' million | Stage 2 Gross carrying amount KShs' million | ECL KShs' million | Stage 3 Gross carrying amount KShs' million | ECL KShs' million | Total Gross carrying amount KShs' million | ECL KShs' million |
| Other assets | | | | | | | | |
| At 1 July 2021 | 341 | - | - | - | 4,987 | 4,979 | 5,328 | 4,979 |
| New assets originated or purchased | 211 | - | - | | - | - | 211 | - |
| Asset derecognized or repaid | (185) | - | - | - | - | - | (185) | - |
| Transfer to Stage 3 | (18) | - | - | - | 18 | 18 | - | 18 |
| At 30 June 2022 | 349 | - | - | - | 5,005 | 4,997 | 5,354 | 4,997 |
| Loans and advances | | | | | | | | |
| At 1 July 2021 | 3,052 | 9 | 6 | - | 3,521 | 3,439 | 6,579 | 3,448 |
| New assets originated or purchased | 1,572 | 5 | - | - | - | - | 1,572 | 5 |
| Asset derecognized or repaid | (929) | (3) | - | - | (40) | (12) | (969) | (15) |
| Transfer to Stages | (45) | - | (6) | - | 51 | 17 | - | 17 |
| Changes in risk parameters | - | 1 | - | - | - | - | - | 1 |
| At 30 June 2022 | 3,650 | 12 | - | - | 3,532 | 3,444 | 7,182 | 3,456 |

Year ended 30 June 2023

| | BANK | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Stage 1 Gross carrying amount KShs' million | ECL KShs' million | Stage 2 Gross carrying amount KShs' million | ECL KShs' million | Stage3 Gross carrying amount KShs' million | ECL KShs' million | Total Gross carrying amount KShs' million | ECL KShs' million |
| Debt instruments at fair value through other comprehensive income | | | | | | | | |
| At 1 July 2022 | 636,651 | 184 | - | - | - | - | 636,651 | 184 |
| New assets originated or purchased | 177,301 | 71 | - | - | - | - | 177,301 | 71 |
| Asset derecognized or repaid | (293,307) | (78) | - | - | - | - | (293,307) | (78) |
| Accrued interest | 14,014 | - | - | - | - | - | 14,014 | - |
| Realised gains | 2,059 | - | - | - | - | - | 2,059 | - |
| Foreign exchange adjustments | 108,329 | 37 | - | - | - | - | 108,329 | 37 |
| Changes in risk parameters | - | 9 | - | - | - | - | - | 9 |
| Fair value changes | (4,517) | - | - | - | - | - | (4,517) | - |
| At 30 June 2023 | 640,530 | 223 | - | - | - | - | - 640,530 | 223 |
| Balances due from banking institutions | | | | | | | | |
| At 1 July 2022 | 295,847 | 11 | - | - | - | - | 295,847 | 11 |
| Net movement during the year | 125,653 | 20 | - | - | - | - | 125,653 | 20 |
| At 30 June 2023 | 421,500 | 31 | - | - | - | - | 421,500 | 31 |
| Securities and advances to banks | | | | | | | | |
| At 1 July 2022 | 65,176 | 500 | 7,307 | 200 | 19,382 | 19,336 | 91,865 | 20,036 |
| New assets originated or purchased | 2,265,394 | 23 | - | - | - | 2,687 | 2,265,394 | 2,710 |
| Asset derecognized or repaid | (2,235,096) | - | - | - | (331) | - | (2,235,427) | - |
| Accrued interest | (16,617) | - | - | - | - | - | (16,617) | - |
| Transfer to Stages | - | - | (7,307) | (200) | 7,307 | 200 | - | - |
| Change in risk parameters | - | - | - | - | - | - | - | - |
| At 30 June 2023 | 78,857 | 523 | - | - | 26,358 | 22,223 | 105,215 | 22,746 |
| Funds held with IMF | | | | | | | | |
| At 1 July 2022 | 71,644 | 5 | - | - | - | - | 71,644 | 5 |
| Net movement during the year | 1,668 | 32 | - | - | - | - | 1,668 | 32 |
| At 30 June 2023 | 73,312 | 37 | - | - | - | - | 73,312 | 37 |

BANK

| | Stage 1 Gross carrying amount | ECL | Stage 2 Gross carrying amount | ECL | Stage3 Gross carrying amount | ECL | Total Gross carrying amount | ECL |
|---|---|---|---|---|---|---|---|---|
| Other assets | KShs' million | KShs' million | KShs' million | KShs' million | KShs' million | KShs' million | KShs' million | KShs' million |
| At 1 July 2022 | 211 | - | - | - | 5,005 | 4,997 | 5,216 | 4,997 |
| New assets originated or purchased | 673 | 27 | - | - | - | - | 673 | 27 |
| Asset derecognized or repaid | (756) | - | - | - | (4,699) | (4,699) | (5,455) | (4,699) |
| Transfer to Stage 3 | - | - | - | - | - | - | - | - |
| At 30 June 2023 | 128 | 27 | - | - | 306 | 298 | 434 | 325 |
| Loans and advances | | | | | | | | |
| At 1 July 2022 | 3,650 | 12 | - | - | 3,532 | 3,444 | 7,182 | 3,456 |
| New assets originated or purchased | 797 | 2 | - | - | - | - | 797 | 2 |
| Asset derecognized or repaid | (792) | (2) | - | - | (25) | (12) | (817) | (14) |
| Transfer to Stages | (80) | - | 5 | - | 75 | 26 | - | 26 |
| Changes in risk parameters | - | (2) | - | - | - | - | - | (2) |
| At 30 June 2023 | 3,575 | 10 | 5 | - | 3,582 | 3,458 | 7,162 | 3,468 |

Year ended 30 June 2022

BANK

| | Stage 1 Gross carrying amount KShs' million | ECL KShs' million | Stage 2 Gross carrying amount KShs' million | ECL KShs' million | Stage3 Gross carrying amount KShs' million | ECL KShs' million | Total Gross carrying amount KShs' million | ECL KShs' million |
|---|---|---|---|---|---|---|---|---|
| Debt instruments at fair value through other comprehensive income | | | | | | | | |
| At 1 July 2021 | 664,991 | 159 | - | - | - | - | 664,991 | 159 |
| New assets originated or purchased | 378,480 | 93 | - | - | - | - | 378,480 | 93 |
| Asset derecognized or repaid | (441,862) | (76) | - | - | - | - | (441,862) | (76) |
| Accrued interest | (441) | - | - | - | - | - | (441) | - |
| Realised gains | (2,734) | - | - | - | - | - | (2,734) | - |
| Foreign exchange adjustments | 59,845 | - | - | - | - | - | 59,845 | - |
| Changes in risk parameters | - | 8 | - | - | - | - | - | 8 |
| Fair value changes | (21,628) | - | - | - | - | - | (21,628) | - |
| At 30 June 2022 | 636,651 | 184 | - | - | - | - | 636,651 | 184 |
| Balances due from banking institutions | | | | | | | | |
| At 1 July 2021 | 430,979 | 11 | - | - | - | | 430,979 | 11 |
| Net movement during the year | (135,132) | - | - | - | - | - | (135,132) | - |
| At 30 June 2022 | 295,847 | 11 | - | - | - | - | 295,847 | 11 |
| Securities and advances to banks | | | | | | | | |
| At 1 July 2021 | 75,514 | 15,974 | - | - | - | - | 75,514 | 15,974 |
| New assets originated or purchased | 821,476 | - | - | - | - | - | 821,476 | - |
| Asset derecognized or repaid | (805,132) | - | - | - | - | - | (805,132) | - |
| Accrued interest | 7 | - | - | - | - | - | 7 | - |
| Transfer to Stages | (26,689) | (15,074) | 7,307 | 200 | 19,382 | 14,874 | - | - |
| Change in risk parameters | - | (400) | - | - | - | 4,462 | - | 4,062 |
| At 30 June 2022 | 65,176 | 500 | 7,307 | 200 | 19,382 | 19,336 | 91,865 | 20,036 |
| Funds held with IMF | | | | | | | | |
| At 1 July 2021 | 2,201 | - | - | - | - | - | 2,201 | - |
| Net movement during the year | 69,443 | (5) | - | - | - | - | 69,443 | (5) |
| At 30 June 2022 | 71,644 | (5) | - | - | - | - | 71,644 | ( 5) |

| | BANK | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | Stage 1 Gross carrying amount KShs' million | ECL KShs' million | Stage 2 Gross carrying amount KShs' million | ECL KShs' million | Stage3 Gross carrying amount KShs' million | ECL KShs' million | Total Gross carrying amount KShs' million |
| Other assets | | | | | | | | |
| At 1 July 2021 | 341 | - | - | - | 4,987 | 4,979 | 5,328 | 4,979 |
| New assets originated or purchased | 72 | - | - | - | - | - | 72 | - |
| Asset derecognized or repaid | (184) | - | - | - | - | - | (184) | - |
| Transfer to Stage 3 | (18) | - | - | - | 18 | 18 | - | 18 |
| At 30 June 2022 | 211 | - | - | - | 5,005 | 4,997 | 5,216 | 4,997 |
| Loans and advances | | | | | | | | |
| At 1 July 2021 | 3,052 | 9 | 6 | - | 3,521 | 3,439 | 6,579 | 3,448 |
| New assets originated or purchased | 1,572 | 5 | - | - | - | - | 1,572 | 5 |
| Asset derecognized or repaid | (929) | (3) | - | - | (40) | (12) | (969) | (15) |
| Transfer to Stages | (45) | - | (6) | - | 51 | 17 | - | 17 |
| Changes in risk parameters | - | 1 | - | - | - | - | - | 1 |
| At 30 June 2022 | 3,650 | 12 | - | - | 3,532 | 3,444 | 7,182 | 3,456 |

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 2023 | CONSOLIDATED | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | United States of America KShs' million | Germany KShs' million | United Kingdom KShs' million | Singapore KShs' million | Canada KShs' million | Kenya KShs' million | Others KShs' million | Total KShs' million |
| Balances due from banking institutions | 80,615 | 83,230 | 30,664 | 53,935 | 859 | 159,247 | 12,950 | 421,500 |
| Funds held with IMF | 73,312 | - | - | - | - | - | - | 73,312 |
| IMF On-Lent to GOK | - | - | - | - | - | 326,865 | - | 326,865 |
| Securities and advances to banks | - | - | - | - | - | 105,215 | - | 105,215 |
| Loans and advances | - | - | - | - | - | 7,162 | - | 7,162 |
| Debt instruments at fair value through OCI | 568,529 | 29,845 | - | - | 4,659 | - | 37,497 | 640,530 |
| Other assets - Sundry debtors | - | - | - | - | - | 573 | - | 573 |
| Due from Government of Kenya | - | - | - | - | - | 189,967 | - | 189,967 |
| Total financial assets | 722,456 | 113,075 | 30,664 | 53,935 | 5,518 | 789,029 | 50,447 | 1,765,124 |

| Year ended 30 June 2022 | CONSOLIDATED | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | United States of America KShs' million | Germany KShs' million | United Kingdom KShs' million | Singapore KShs' million | Canada KShs' million | Kenya KShs' million | Others KShs' million | Total KShs' million |
| Balances due from banking institutions | 59,598 | 59,866 | 25,987 | 38,064 | 271 | 101,776 | 10,285 | 295,847 |
| Funds held with IMF | 71,644 | - | - | - | - | - | - | 71,644 |
| IMF On-Lent to GOK | - | - | - | - | - | 192,924 | - | 192,924 |
| Securities and advances to banks | - | - | - | - | - | 91,865 | - | 91,865 |
| Loans and advances | - | - | - | - | - | 7,182 | - | 7,182 |
| Debt instruments at fair value through OCI | 548,563 | 27,926 | - | - | 4,585 | - | 55,577 | 636,651 |
| Other assets - Sundry debtors | - | - | - | - | - | 5,354 | - | 5,354 |
| Due from Government of Kenya | - | - | - | - | - | 118,263 | - | 118,263 |
| Total financial assets | 679,805 | 87,792 | 25,987 | 38,064 | 4,856 | 517,364 | 65,862 | 1,419,730 |

Year ended 30 June 2023

BANK

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

Year ended 30 June 2022

BANK

| | United States of America KShs' million | Germany KShs' million | United Kingdom KShs' million | Singapore KShs' million | Canada KShs' million | Kenya KShs' million | Others KShs' million | Total KShs' million |
|---|---|---|---|---|---|---|---|---|
| Balances due from banking institutions | 59,598 | 59,866 | 25,987 | 38,064 | 271 | 101,776 | 10,285 | 295,847 |
| Funds held with IMF | 71,644 | - | - | - | - | - | - | 71,644 |
| IMF On-Lent to GOK | - | - | - | - | - | 192,924 | - | 192,924 |
| Securities and advances to banks | - | - | - | - | - | 91,865 | - | 91,865 |
| Loans and advances | - | - | - | - | - | 7,182 | - | 7,182 |
| Debt instruments at fair value through OCI | 548,563 | 27,926 | - | - | 4,585 | - | 55,577 | 636,651 |
| Other assets - Sundry debtors | - | - | - | - | - | 5,216 | - | 5,216 |
| Due from Government of Kenya | - | - | - | - | - | 118,263 | - | 118,263 |
| Total financial assets | 679,805 | 87,792 | 25,987 | 38,064 | 4,856 | 517,226 | 65,862 | 1,419,592 |

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

Year ended 30 June 2023

CONSOLIDATED

| | Balances due from financial institutions KShs' million | Securities and advances KShs' million | Funds held with IMF KShs' million | IMF-On Lent to GoK KShs' million | Loans and advances KShs' million | Fixed income securities KShs' million | Due from GOK KShs' million | Other assets KShs' million | Total KShs' million |
|---|---|---|---|---|---|---|---|---|---|
| Central Banks | 28,392 | - | - | - | - | - | - | - | 28,392 |
| Foreign Governments | - | - | - | - | - | 560,123 | - | - | 560,123 |
| Supranational Institutions | 61,593 | - | 73,312 | - | - | 50,667 | - | - | 185,572 |
| Commercial Banks | 331,515 | 96,767 | - | - | 3,400 | - | - | - | 431,682 |
| Foreign Agencies | - | - | - | - | - | 29,081 | - | - | 29,081 |
| Government of Kenya | - | 8,448 | - | 326,865 | - | - | 189,967 | - | 525,280 |
| Others | - | - | - | - | 3,762 | 659 | - | 573 | 4,994 |
| | 421,500 | 105,215 | 73,312 | 326,865 | 7,162 | 640,530 | 189,967 | 573 | 1,765,124 |

Year ended 30 June 2022

CONSOLIDATED

| | Balances due from financial institutions KShs' million | Securities and advances KShs' million | Funds held with IMF KShs' million | IMF-On Lent to GoK KShs' million | Loans and advances KShs' million | Fixed income securities KShs' million | Due from GOK KShs' million | Other assets KShs' million | Total KShs' million |
|---|---|---|---|---|---|---|---|---|---|
| Central Banks | 31,600 | - | | - | - | - | - | - | 31,600 |
| Foreign Governments | - | - | | - | - | 533,408 | - | - | 533,408 |
| Supranational Institutions | 55,890 | - | 71,644 | - | - | 67,852 | - | - | 195,386 |
| Commercial Banks | 208,357 | 84,273 | - | - | 3,400 | - | - | - | 296,030 |
| Foreign Agencies | - | - | - | - | - | 35,391 | - | - | 35,391 |
| Government of Kenya | - | 7,592 | - | 192,924 | - | - | 118,263 | - | 318,779 |
| Others | - | - | - | - | 3,782 | - | - | 5,354 | 9,136 |
| | 295,847 | 91,865 | 71,644 | 192,924 | 7,182 | 636,651 | 118,263 | 5,354 | 1,419,730 |

Year ended 30 June 2023 — BANK

| | Balances due from financial institutions KShs' million | Securities and advances KShs' million | Funds held with IMF KShs' million | IMF-On Lent to GoK KShs' million | Loans and advances KShs' million | Fixed income securities KShs' million | Due from GOK KShs' million | Other assets KShs' million | Total KShs' million |
|---|---|---|---|---|---|---|---|---|---|
| Central Banks | 28,392 | - | - | - | - | - | - | - | 28,392 |
| Foreign Governments | - | - | - | - | - | 560,123 | - | - | 560,123 |
| Supranational Institutions | 61,593 | - | 73,312 | - | - | 50,667 | - | - | 185,572 |
| Commercial Banks | 331,515 | 96,767 | - | - | 3,400 | - | - | - | 431,682 |
| Foreign Agencies | - | - | - | - | - | 29,081 | - | - | 29,081 |
| Government of Kenya | - | 8,448 | - | 326,865 | - | - | 189,967 | - | 525,280 |
| Others | - | - | - | - | 3,762 | 659 | - | 434 | 4,855 |
| | 421,500 | 105,215 | 73,312 | 326,865 | 7,162 | 640,530 | 189,967 | 434 | 1,764,985 |

Year ended 30 June 2022 — BANK

| | Balances due from financial institutions KShs' million | Securities and advances KShs' million | Funds held with IMF KShs' million | Due from GOK KShs' million | Loans and advances KShs' million | Fixed income securities KShs' million | IMF On lent to GOK KShs' million | Other assets KShs' million | Total KShs' million |
|---|---|---|---|---|---|---|---|---|---|
| Central Banks | 31,600 | - | - | - | - | - | - | - | 31,600 |
| Foreign Governments | - | - | - | - | - | 533,408 | - | - | 533,408 |
| Supranational Institutions | 55,890 | - | 71,644 | - | - | 67,852 | - | - | 195,386 |
| Commercial Banks | 208,357 | 84,273 | - | - | 3,400 | - | - | - | 296,030 |
| Foreign Agencies | - | - | - | - | - | 35,391 | - | - | 35,391 |
| Government of Kenya | - | 7,592 | - | 118,263 | - | - | 192,924 | - | 318,779 |
| Others | - | - | - | - | 3,782 | - | - | 5,216 | 8,998 |
| | 295,847 | 91,865 | 71,644 | 118,263 | 7,182 | 636,651 | 192,924 | 5,216 | 1,419,592 |

(ii) Market risk

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

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

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

*Interest rate risk*

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

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

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

| At 30 June 2023 | CONSOLIDATED | | | | | |
|---|---|---|---|---|---|---|
| | 1 – 3 months | 4-12 months | 1 - 5 years | Over 5 years | Non-interest bearing | Total |
| | KShs' million | KShs' million | KShs' million | KShs' million | KShs' million | KShs' million |
| Assets | | | | | | |
| Balances due from banking institutions | 421,500 | - | - | - | - | 421,500 |
| Securities and advances to banks | 98,879 | 809 | 4,703 | 824 | - | 105,215 |
| Debt instruments at FVOCI | 45,100 | 245,005 | 350,425 | - | - | 640,530 |
| Funds held with International Monetary Fund (IMF) | - | - | - | - | 73,312 | 73,312 |
| Loans and advances | 165 | 476 | 1,676 | 1,445 | 3,400 | 7,162 |
| Other assets | - | - | - | - | 573 | 573 |
| IMF On-lent to GOK | - | - | - | - | 326,865 | 326,865 |
| Due from Government of Kenya | 76,457 | 1,110 | 4,440 | 12,239 | 95,721 | 189,967 |
| Total financial assets | 642,101 | 247,400 | 361,244 | 14,508 | 499,871 | 1,765,124 |
| Liabilities | | | | | | |
| Deposits due to banks and government | - | - | - | - | 572,975 | 572,975 |
| Other liabilities | - | - | - | - | 6,016 | 6,016 |
| Due to International Monetary Fund (IMF) | - | - | - | - | 477,899 | 477,899 |
| Total financial liabilities | - | - | - | - | 1,056,890 | 1,056,890 |
| Interest sensitivity gap | 642,101 | 247,400 | 361,244 | 14,508 | (557,019) | 708,234 |

As at 30 June 2023, increase of 10 basis points would have resulted in a decrease/increase in profit and equity of KShs 562 million (2022: KShs 551 million).

| At 30 June 2022 | CONSOLIDATED | | | | | |
|---|---|---|---|---|---|---|
| | 1 – 3 months | 4-12 months | 1 - 5 years | Over 5 years | Non-interest bearing | Total |
| | KShs' million | KShs' million | KShs' million | KShs' million | KShs' million | KShs' million |
| Assets | | | | | | |
| Balances due from banking institutions | 295,847 | - | - | - | - | 295,847 |
| Securities and advances to banks | 33,463 | 2,085 | 24,714 | 31,603 | - | 91,865 |
| Debt instruments at FVOCI | 32,576 | 168,013 | 436,062 | - | - | 636,651 |
| Funds held with International Monetary Fund (IMF) | - | - | - | - | 71,644 | 71,644 |
| Loans and advances | 168 | 471 | 1,719 | 1,424 | 3,400 | 7,182 |
| Other assets | - | - | - | - | 5,354 | 5,354 |
| IMF On-lent to GOK | - | - | - | - | 192,924 | 192,924 |
| Due from Government of Kenya | 58,502 | 1,110 | 4,440 | 54,211 | - | 118,263 |
| Total financial assets | 420,556 | 171,679 | 466,935 | 87,238 | 273,322 | 1,419,730 |
| Liabilities | | | | | | |
| Deposits due to banks and government | 14,520 | - | - | - | 525,090 | 539,610 |
| Other liabilities | - | - | - | - | 4,192 | 4,192 |
| Due to International Monetary Fund (IMF) | - | - | - | - | 325,145 | 325,145 |
| Total financial liabilities | 14,520 | - | - | - | 854,427 | 868,947 |
| Interest sensitivity gap | 406,036 | 171,679 | 466,935 | 87,238 | (581,105) | 550,783 |

As at 30 June 2022, increase of 10 basis points would have resulted in a decrease/increase in profit and equity of KShs 551 million (2021: KShs 470 million).

BANK

| At 30 June 2023 | 1 – 3 months KShs' million | 4-12 months KShs' million | 1 - 5 years KShs' million | Over 5 years KShs' million | Non-interest bearing KShs' million | Total KShs' million |
|---|---|---|---|---|---|---|
| Assets | | | | | | |
| Balances due from banking institutions | 421,500 | - | - | - | - | 421,500 |
| Securities and advances to banks | 98,879 | 809 | 4,703 | 824 | - | 105,215 |
| Debt instruments at FVOCI | 45,100 | 245,005 | 350,425 | - | - | 640,530 |
| Funds held with International Monetary Fund (IMF) | - | - | - | - | 73,312 | 73,312 |
| Loans and advances | 165 | 476 | 1,676 | 1,445 | 3,400 | 7,162 |
| Other assets | - | - | - | - | 434 | 434 |
| IMF On-lent to GOK | - | - | - | - | 326,865 | 326,865 |
| Due from Government of Kenya | 76,457 | 1,110 | 4,440 | 12,239 | 95,721 | 189,967 |
| Total financial assets | 642,101 | 247,400 | 361,244 | 14,508 | 499,732 | 1,764,985 |
| Liabilities | | | | | | |
| Deposits due to banks and government | - | - | - | - | 572,975 | 572,975 |
| Other liabilities | - | - | - | - | 5,858 | 5,858 |
| Due to International Monetary Fund (IMF) | - | - | - | - | 477,899 | 477,899 |
| Total financial liabilities | - | - | - | - | 1,056,732 | 1,056,732 |
| Interest sensitivity gap | 642,101 | 247,400 | 361,244 | 14,508 | (557,000) | 708,253 |

As at 30 June 2023, increase of 10 basis points would have resulted in a decrease/increase in profit and equity of KShs 562 million (2022: KShs 551 million).

BANK

| At 30 June 2022 | 1 – 3 months KShs' million | 4-12 months KShs' million | 1 - 5 years KShs' million | Over 5 years KShs' million | Non-interest bearing KShs' million | Total KShs' million |
|---|---|---|---|---|---|---|
| Assets | | | | | | |
| Balances due from banking institutions | 295,847 | - | - | - | - | 295,847 |
| Securities and advances to banks | 33,463 | 2,085 | 24,714 | 31,603 | - | 91,865 |
| Debt instruments at FVOCI | 32,576 | 168,013 | 436,062 | - | - | 636,651 |
| Funds held with International Monetary Fund (IMF) | - | - | - | - | 71,644 | 71,644 |
| Loans and advances | 168 | 471 | 1,719 | 1,424 | 3,400 | 7,182 |
| Other assets | - | - | - | - | 5,216 | 5,216 |
| IMF On-lent to GOK | - | - | - | - | 192,924 | 192,924 |
| Due from Government of Kenya | 58,502 | 1,110 | 4,440 | 54,211 | - | 118,263 |
| Total financial assets | 420,556 | 171,679 | 466,935 | 87,238 | 273,184 | 1,419,592 |
| Liabilities | | | | | | |
| Deposits due to banks and government | 14,520 | - | - | - | 525,090 | 539,610 |
| Other liabilities | - | - | - | - | 4,059 | 4,059 |
| Due to International Monetary Fund (IMF) | - | - | - | - | 325,145 | 325,145 |
| Total financial liabilities | 14,520 | - | - | - | 854,294 | 868,814 |
| Interest sensitivity gap | 406,036 | 171,679 | 466,935 | 87,238 | (581,110) | 550,778 |

As at 30 June 2022, increase of 10 basis points would have resulted in a decrease/increase in profit and equity of KShs 551 million (2021: KShs 470 million).

*Foreign exchange risk*

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

The table below summarises the Bank's exposure to foreign currency exchange rate risk as at 30 June 2023. Included in the table are the Bank's financial instruments categorised by currency:

| | CONSOLIDATED AND BANK | | | | | |
|---|---|---|---|---|---|---|
| At 30 June 2023 | USD KShs' million | GBP KShs' million | EUR KShs' million | SDR KShs' million | Others KShs' million | Total KShs' million |
| Assets | | | | | | |
| Balances due from banking institutions | 228,053 | 25,952 | 73,393 | - | 94,102 | 421,500 |
| Debt instruments at FVOCI | 632,650 | - | - | - | 7,880 | 640,530 |
| Funds held with International Monetary Fund (IMF) | - | - | - | 73,312 | - | 73,312 |
| Total financial assets | 860,703 | 25,952 | 73,393 | 73,312 | 101,982 | 1,135,342 |
| Liabilities | | | | | | |
| Due to International Monetary Fund (IMF) | - | - | - | 477,899 | - | 477,899 |
| Deposits due to banks and government | 27,060 | 2,479 | 42,602 | - | 924 | 73,065 |
| Total financial liabilities | 27,060 | 2,479 | 42,602 | 477,899 | 924 | 550,964 |
| Net position | 833,643 | 23,473 | 30,791 | (404,587) | 101,058 | 584,378 |

| | CONSOLIDATED AND BANK | | | | | |
|---|---|---|---|---|---|---|
| At 30 June 2022 | USD KShs' million | GBP KShs' million | EUR KShs' million | SDR KShs' million | Others KShs' million | Total KShs' million |
| Assets | | | | | | |
| Balances due from banking institutions | 122,741 | 26,230 | 20,228 | - | 126,648 | 295,847 |
| Debt instruments at FVOCI | 636,651 | - | - | - | - | 636,651 |
| Funds held with International Monetary Fund (IMF) | - | - | - | 71,644 | - | 71,644 |
| Total financial assets | 759,392 | 26,230 | 20,228 | 71,644 | 126,648 | 1,004,142 |
| Liabilities | | | | | | |
| Due to International Monetary Fund (IMF) | - | - | - | 325,145 | - | 325,145 |
| Deposits due to banks and government | 68,638 | 5,285 | 3,056 | - | 150 | 77,129 |
| Total financial liabilities | 68,638 | 5,285 | 3,056 | 325,145 | 150 | 402,274 |
| Net position | 690,754 | 20,945 | 17,172 | (253,501) | 126,498 | 601,868 |

As at 30 June 2023, 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 41,682 million (2022: KShs 39,535 million)
- British Pound KShs 1,174 million (2022: KShs 1,047 million)
- Euro KShs 1,537 million (2022: KShs 859 million)
- SDR KShs 20,231 million (2022: KShs 12,675 million).

(iii) Liquidity risk

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

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

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

CONSOLIDATED

| | On demand KShs' million | 0 – 3 months KShs' million | 4-12 months KShs' million | 1 - 5 years KShs' million | Over 5 years KShs' million | Total KShs' million |
|---|---|---|---|---|---|---|
| At 30 June 2023 | | | | | | |
| Deposits due to banks and government | 572,975 | - | - | - | - | 572,975 |
| Due to International Monetary Fund (IMF) | - | - | 1,347 | 80,420 | 396,132 | 477,899 |
| Lease liability | - | 27 | 36 | 27 | - | 90 |
| Other liabilities | - | - | 6,016 | - | - | 6,016 |
| Total financial liabilities at 30 June 2023 | 572,975 | 27 | 7,399 | 80,447 | 396,132 | 1,056,980 |
| At 30 June 2022 | | | | | | |
| Deposits due to banks and government | 525,090 | 14,520 | - | - | - | 539,610 |
| Due to International Monetary Fund (IMF) | - | - | 5,643 | 64,145 | 255,357 | 325,145 |
| Lease liability | - | 18 | 25 | 47 | - | 90 |
| Other liabilities | - | - | 4,192 | - | - | 4,192 |
| Total financial liabilities At 30 June 2022 | 525,090 | 14,538 | 9,860 | 64,192 | 255,357 | 869,037 |

BANK

| | On demand KShs' million | 0 – 3 months KShs' million | 4-12 months KShs' million | 1 - 5 years KShs' million | Over 5 years KShs' million | Total KShs' million |
|---|---|---|---|---|---|---|
| At 30 June 2023 | | | | | | |
| Deposits due to banks and government | 572,975 | - | - | - | - | 572,975 |
| Due to International Monetary Fund (IMF) | - | - | 1,347 | 80,420 | 396,132 | 477,899 |
| Lease liability | - | 27 | 36 | 27 | - | 90 |
| Other liabilities | - | - | 5,858 | - | - | 5,858 |
| Total financial liabilities | 572,975 | 27 | 7,241 | 80,447 | 396,132 | 1,056,822 |
| At 30 June 2022 | | | | | | |
| Deposits due to banks and government | 525,090 | 14,520 | - | - | - | 539,610 |
| Due to International Monetary Fund (IMF) | - | - | 5,643 | 64,145 | 255,357 | 325,145 |
| Lease liability | - | 18 | 25 | 47 | - | 90 |
| Other liabilities | - | - | 4,059 | - | - | 4,059 |
| Total financial liabilities | 525,090 | 14,538 | 9,727 | 64,192 | 255,357 | 868,904 |

30. FAIR VALUE OF ASSETS AND LIABILITIES

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

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

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

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

| | CONSOLIDATED AND BANK | | | |
|---|---|---|---|---|
| | 2023 | | 2022 | |
| | Carrying Amount KShs' million | Fair value KShs' million | Carrying amount KShs' million | Fair value KShs' million |
| Financial assets | | | | |
| Securities and advances to banks (rediscounted treasury bonds) | 7,759 | 7,692 | 7,290 | 7,430 |
| Loans and advances | 3,694 | 3,569 | 3,726 | 3,552 |
| Due from Government of Kenya | 189,967 | 132,780 | 118,263 | 114,078 |
| | ======= | ======= | ======= | ======= |
| Financial liabilities | | | | |
| Due to International Monetary Fund | 477,899 | 165,765 | 325,145 | 123,208 |
| | ======= | ======= | ======= | ======= |

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.

| | CONSOLIDATED AND BANK | | |
|---|---|---|---|
| | Level 1 | Level 2 | Level 3 |
| Year ended 30 June 2023 | KShs' million | KShs' million | KShs' million |
| Assets measured at fair value: | | | |
| Land and buildings | - | - | 23,174 |
| Debt instruments at fair value through other comprehensive income | 640,530 | - | - |
| Equity instruments at fair value through other comprehensive income | - | - | 12 |
| Gold holdings | 150 | - | - |
| | ======= | ======= | ======= |
| Assets for which fair values are disclosed: | | | |
| Securities and advances to banks (rediscounted treasury bonds) | 7,692 | - | - |
| Loans and advances | - | 3,569 | - |
| Due from Government of Kenya | - | 132,780 | - |
| | ======= | ======= | ======= |
| Liabilities for which fair values are disclosed: | | | |
| Due to International Monetary Fund | - | 165,765 | - |
| | ======= | ======= | ======= |

| Year ended 30 June 2022 | CONSOLIDATED AND BANK Level 1 KShs' million | Level 2 KShs' million | Level 3 KShs' million |
|---|---|---|---|
| Assets measured at fair value: | | | |
| Land and buildings | - | - | 24,060 |
| Debt instruments at fair value through other comprehensive income | 636,651 | - | - |
| Equity instruments at fair value through other comprehensive income | - | - | 10 |
| Gold holdings | 120 | - | - |
| | ======= | ======= | ======= |
| Assets for which fair values are disclosed: | | | |
| Securities and advances to banks (rediscounted treasury bonds) | 7,430 | - | - |
| Loans and advances | - | 3,552 | - |
| Due from Government of Kenya | - | 114,078 | - |
| | ======= | ======= | ======= |
| Liabilities for which fair values are disclosed: | | | |
| Due to International Monetary Fund | - | 123,208 | - |
| | ======= | ======= | ======= |

There were no transfers between levels 1, 2 and 3 in the year.
The Bank's land and buildings were revalued in June 2021.

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

| LEVEL 2 | Valuation technique | CONSOLIDATED AND BANK Significant observable inputs | Range (weighted average) Interest rate |
|---|---|---|---|
| Loans and advances | DCF | Interest rate | 13% |
| Due from Government of Kenya | DCF | Interest rate | 10.5% |
| Due to IMF | DCF | Interest rate | 3.9% |
| LEVEL 3 | | | |
| Land and buildings | Market/Income /cost approach | Incomparable sales of properties due to the uniqueness of CBK properties. | - |
| Equity instruments at fair value through other comprehensive income | DCF | Incomparable market data. | |

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

| | CONSOLIDATED AND BANK 1 July 2022 KShs' million | Additions KShs' million | Change in Fair value KShs' million | Depreciation charge to profit or loss KShs' million | 30 June 2023 KShs' million |
|---|---|---|---|---|---|
| Freehold land and buildings | 18,784 | - | - | (718) | 18,066 |
| Leasehold land and buildings | 5,276 | - | - | (168) | 5,108 |
| | 24,060 | - | - | (886) | 23,174 |
| | ====== | ====== | ====== | ====== | ====== |

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

31. CONTINGENT LIABILITIES AND COMMITMENTS

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

At 30 June 2023, the Bank had capital commitments of KShs 8,338 million (2022: KShs 7,310 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 30 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 28 million (2022: KShs 45 million).

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

| | 2023 | 2022 |
|---|---|---|
| | KShs 'million | KShs 'million |
| Within one year | 45 | 35 |
| After one year but not more than five years | - | 11 |
| More than five years | - | 45 |
| | 45 | 91 |

32. MATURITY ANALYSIS OF ASSETS AND LIABILITIES

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

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

| | CONSOLIDATED | | |
|---|---|---|---|
| Year ended 30 June 2022 | Within 12 months KShs' million | After 12 months KShs' million | Total KShs' million |
| ASSETS | | | |
| Balances due from banking institutions | 295,836 | - | 295,836 |
| Funds held with International Monetary Fund (IMF) | 71,639 | - | 71,639 |
| Securities and advances to banks | 35,548 | 36,281 | 71,829 |
| Loans and advances | 639 | 3,087 | 3,726 |
| Debt instruments at fair value through other comprehensive income | 200,589 | 436,062 | 636,651 |
| Equity instruments at fair value through other comprehensive income | - | 10 | 10 |
| Other assets | 8,559 | - | 8,559 |
| Gold holdings | - | 120 | 120 |
| Right-of-use assets – leases | - | 90 | 90 |
| Property and equipment | - | 31,910 | 31,910 |
| Intangible assets | - | 310 | 310 |
| Retirement benefit asset | - | 7,081 | 7,081 |
| IMF Funds On – Lent to GOK | - | 192,924 | 192,924 |
| Due from Government of Kenya | 59,612 | 58,651 | 118,263 |
| TOTAL ASSETS | 672,422 | 766,526 | 1,438,948 |
| LIABILITIES | | | |
| Currency in circulation | - | 305,350 | 305,350 |
| Deposits due to banks and government | 539,610 | - | 539,610 |
| Due to IMF | 10,264 | 314,881 | 325,145 |
| Other liabilities | 4,417 | 46 | 4,463 |
| TOTAL LIABILITIES | 554,291 | 620,277 | 1,174,568 |
| NET ASSETS | 118,131 | 146,249 | 264,380 |

| | BANK | | |
|---|---|---|---|
| Year ended 30 June 2023 | Within 12 months KShs' million | After 12 months KShs' million | Total KShs' million |
| ASSETS | | | |
| Balances due from banking institutions | 421,469 | - | 421,469 |
| Funds held with International Monetary Fund (IMF) | 73,275 | - | 73,275 |
| Securities and advances to banks | 49,005 | 33,464 | 82,469 |
| Loans and advances | 641 | 3,053 | 3,694 |
| Debt instruments at fair value through other comprehensive income | 290,105 | 350,425 | 640,530 |
| Equity instruments at fair value through other comprehensive income | - | 12 | 12 |
| Other assets | 7,858 | - | 7,858 |
| Gold holdings | - | 150 | 150 |
| Right-of-use assets – leases | - | 79 | 79 |
| Property and equipment | - | 29,710 | 29,710 |
| Intangible assets | - | 1,998 | 1,998 |
| Retirement benefit asset | - | 4,994 | 4,994 |
| IMF Funds On – Lent to GOK | - | 326,865 | 326,865 |
| Due from Government of Kenya | 77,567 | 112,400 | 189,967 |
| TOTAL ASSETS | 919,920 | 863,150 | 1,783,070 |

| | BANK | | |
|---|---|---|---|
| | Within 12 months KShs' million | After 12 months KShs' million | Total KShs' million |
| LIABILITIES | | | |
| Currency in circulation | - | 315,967 | 315,967 |
| Deposits due to banks and government | 572,975 | - | 572,975 |
| Due to IMF | 1,347 | 476,552 | 477,899 |
| Other liabilities | 6,152 | - | 6,152 |
| TOTAL LIABILITIES | 580,474 | 792,519 | 1,372,993 |
| NET ASSETS | 339,446 | 70,631 | 410,077 |

| | BANK | | |
|---|---|---|---|
| Year ended 30 June 2022 | Within 12 months KShs' million | After 12 months KShs' million | Total KShs' million |
| ASSETS | | | |
| Balances due from banking institutions | 295,836 | - | 295,836 |
| Funds held with International Monetary Fund (IMF) | 71,639 | - | 71,639 |
| Securities and advances to banks | 35,548 | 36,281 | 71,829 |
| Loans and advances | 639 | 3,087 | 3,726 |
| Debt instruments at fair value through other comprehensive income | 200,589 | 436,062 | 636,651 |
| Equity instruments at fair value through other comprehensive income | - | 10 | 10 |
| Other assets | 8,446 | - | 8,446 |
| Gold holdings | - | 120 | 120 |
| Right-of-use asset – leases | - | 90 | 90 |
| Property and equipment | - | 31,910 | 31,910 |
| Intangible assets | - | 310 | 310 |
| Retirement benefit asset | - | 7,081 | 7,081 |
| IMF Funds On – Lent to GOK | - | 192,924 | 192,924 |
| Due from Government of Kenya | 59,612 | 58,651 | 118,263 |
| TOTAL ASSETS | 672,309 | 766,526 | 1,438,835 |
| LIABILITIES | | | |
| Currency in circulation | - | 305,350 | 305,350 |
| Deposits due to banks and government | 539,610 | - | 539,610 |
| Due to IMF | 10,264 | 314,881 | 325,145 |
| Other liabilities | 4,284 | 46 | 4,330 |
| TOTAL LIABILITIES | 554,158 | 620,277 | 1,174,435 |
| NET ASSETS | 118,151 | 146,249 | 264,400 |

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