



PRESS RELEASE

TRANSFER OF KSH.4 BILLION FROM CBK'S GENERAL RESERVE FUND TO THE GOVERNMENT CONSOLIDATED FUND AND INCREASE IN CBK'S PAID-UP CAPITAL

The Central Bank of Kenya (CBK) announces that on September 12, 2022 it transferred to the Government Consolidated Fund Ksh.4 billion as distribution from CBK's General Reserve Fund (GRF) as at end FY2021/22. Concurrently, CBK increased its paid-up capital from Ksh.35 billion to Ksh.38 billion. The transfer (loosely known as "remitting of dividends") and the capital increase followed approvals by the CBK Board.

In the context of its discussion of the *Financial Statements 2021/2022* and having weighed the various factors as stipulated by law, the CBK Board authorized the transfer of Ksh.4 billion to the Government Consolidated Fund. In making its determination, the CBK Board also considered CBK's financial needs with the objective of ensuring CBK is well-resourced to deliver on its mandate in the increasingly uncertain economic environment. In particular, GRF resources are needed for:

- *Modernizing CBK's facilities and infrastructure in keeping with its mandate.* The completion of the identified projects will play an important role in CBK's long-term health and viability, strengthening its operations in line with its responsibilities and changes in the financial sector.
- *Strengthening CBK's financial position to make it more resilient to shocks.* Increasing the paid-up capital will cushion CBK against possible shocks or impairment from deficits, which could undermine its financial sustainability. Best practice for central banks is that the capital buffers and surplus distribution procedures should enable the central bank to pursue its functions even in times of stress while sustaining its financial independence. CBK needs to increase its paid-up capital in the period ahead towards its authorised capital of Ksh.50 billion.

The increased paid-up capital to Ksh.38 billion strengthens CBK's financial position, enabling it to pursue its functions in a more volatile environment. Specifically, CBK will be able to better absorb losses that may arise from discharge of its functions; provide confidence that it will meet its domestic obligations; and cushion against shocks that may adversely affect its balance sheet.

The transfer was in accordance with Sections 9 and 51 of the CBK Act, relating to the treatment of CBK's net annual surplus, and was executed by crediting the Ministry of Finance's Deposit Account at CBK. The increase in paid-up capital was in accordance with Section 8(3) of the CBK Act and implemented through a transfer of funds from the GRF.

CENTRAL BANK OF KENYA

September 30, 2022