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Press Release

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KCB Group Plc Q3 Net Profit Surges 20% to Kshs. 18.04Bn.

Growth Driven by Better Earnings across Revenue Streams and effective Cost Management.

KCB Group Plc reported a net profit of KShs.18.04 billion for the nine months to September 30, 2018, representing a 20% growth over same period last year.

The improved performance was primarily driven by robust cost management and growth in net interest income.

Total operating income was up by 2% to close at KShs.54.2 billion with an improved show from non-interest income which accounted for 33 % of the Group's income. Non-branch transactions have continued to grow and now stand at 87% of total volumes, compared to 13% handled at the branches. Agency banking transactions grew by 74%, Mobile banking was up by 34%, with ATM and Point Of Sale transactions increasing by 36% and 16% respectively. KCB Group has been investing in technology to simplify customer journey and enrich our customer's experience.

The Group saw total operating expenses decline by KShs.2.1 billion driven by lower staff costs and loan loss provisioning.

“Our focus on technology driven growth continues to deliver both client satisfaction and efficiencies while keeping costs under control and diversifying the income streams,” said the KCB Group CEO and MD Joshua Oigara.

According to the financials released on Wednesday, the Group's balance sheet improved by 6% to KShs.684.2 billion from KShs. 643.8 billion in 2017. Deposits grew by a similar margin to KShs.526.8 billion from KShs. 496.3 billion, an indication of the value customers attach to the Bank, supporting the healthy liquidity position of 33.7%.

Net loans and advances were up 4% to KShs.435.3 billion from KShs.419.5 billion while long term funding stood at KShs.20.7 billion from the previous period's KShs.14.4 billion.

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KCB Group Plc

Directors: A.W. Kairu (Chairman); J.N. Oigara; L.K. Kiambi; H.K. Rotich; N. Biwott; A.A. Khawaja; T.D. Ipomai; J.O.A Nyerere; Ms. G.M. Malombe; L. M. Njiru.



In the first quarter, KCB obtained a US\$100 million Line of Credit (LOC) from the African Development Bank (AfDB) to be used for on-lending to corporate businesses and Small and Medium Enterprises (SMEs).

The asset quality improved for the second straight quarter with NPL ratio closing at 7.5% and post IFRS 9 implementation coverage ratio increasing from 41.5% to 80.8%.

For the nine months, KCB maintained a steady capital base—within both internal and regulatory limits—central to business growth in the coming years. The Group’s core capital as a proportion of its total risk weighted assets closed the period at 16.3% against the Central Bank of Kenya statutory minimum of 10.5%. Total capital to risk-weighted assets stood at 17.8% against a regulatory target of 14.5%.

In September, S&P Global Ratings, the rating agency affirmed KCB Bank Kenya’s ratings of B+/B in the long and short-term while assigning a stable outlook for the Bank. The ratings, said the agency, are supported by the KCB’s resilient earnings amid regulatory changes and challenging economic conditions. During the second quarter of 2018, Fitch Ratings Agency assigned KCB Group Plc and KCB Bank Kenya Limited long-term issuer ratings of B+ with stable outlooks, both in line with the Sovereign rating. These ratings mirror those assigned by Moody’s to KCB Bank Kenya.

Business Outlook

“Despite a challenging business environment across all our markets, we are on track to deliver on our 2018 targets. This fourth quarter of the year has begun with vibrancy in most of the economies we operate which will form a good bedrock to a strong 2018 close and also tee up a good start to 2019,” said Mr. Oigara.



Financial Brief

	Matrix	Q3 2017	Q3 2018	YoY Change
Profitability	Net Profit	KShs.15.08B	KShs.18.04B	20%
	Total Income	KShs.53.2B	KShs.54.2B	2%
	NFI to Total Income	32.9%	33.3%	0.4%
	Return on Average Equity	20.1%	22.8%	2.7%
	Return on Average Assets	3.2%	3.6%	0.4%
Operational Efficiency	Operating Expenses	KShs.30.7B	KShs.28.6B	(6.8%)
	Cost to Income Ratio (without provisions)	51.9%	48.1%	3.8%
Balance Sheet Position	Total Assets	KShs.643.8B	KShs.684.2B	6%
	NPL Coverage (IFRS 9)	41.5%	80.8%	39.3%
	Total capital to risk-weighted assets (CBK min 14.5%)	18.7%	17.8%	(5%)
	Core capital to total risk weighted assets (CBK min 10.5%)	17.4%	16.3%	(6.3%)
	Shareholders' equity	KShs. 103.2B	KShs.105.5B	2.2%

(Ends)

About KCB Group Plc

KCB Group Plc is East Africa's largest commercial Bank that was established in 1896 in Kenya. Over the years, the Bank has grown and spread its wings into Tanzania, South Sudan, Uganda, Rwanda, Burundi and Ethiopia. Today KCB Group Plc has the largest branch network in the Region of over 260 branches, 962 ATMs and over 16,678 agents offering banking services on a 24/7 basis in East Africa. This is complemented by mobile banking and internet banking services with a 24hour contact center services for our customers to get in touch with the Bank. The Bank has a wide network of correspondent relationships totaling over 200 banks across the globe and our customers are assured of a seamless facilitation of their international trade requirements wherever they are. In the first half of the year, KCB Group received several local and international accolades, cementing its market leadership position. The lender was awarded for being innovative and adopting sustainable finance in its daily operations. These awards include: African Banker Awards, Best Regional Bank in East Africa, four Sustainable Finance Catalyst Awards. Other awards won were the Banker Africa Awards, Best Retail Bank in East Africa Award and East African Business Council (EABC) Business Excellence Awards second runner up in Green Economy and Best East African Company.

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