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PRESS RELEASE **Tuesday, November 08, 2016**

KCB Group Q3 Pre-Tax Profit Grows 18.3% to KShs. 22.9Bn

Strong loan growth in Kenya business and prudent cost management initiatives.

Strong loan growth in Kenya Business and prudent costs management initiatives helped push up KCB Group pretax profits 18.3 per cent in the third quarter of 2016.

Profit before tax for the nine months ending September 30, 2016 rose to KShs. 22.9Billion from KShs. 19.3Billion in a similar period last year, KCB Group CEO and MD Joshua Oigara said today.

Key Highlights

Total Assets: Down 6% from KShs. 607.2Billion to KShs. 570.1Billion Net Loans and Advances: Up 5% from KShs. 347.6Billion to KShs 364.5Billion Customer deposits: Down 7% from KShs. 471Billion to KShs 436.8Billion Shareholder Funds: Up 12% from KShs. 81.8Billion to KShs. 91.9Billion Liquidity Ratio: 30.7% (CBK minimum-20%). Long term debt funding: Down 29% from KShs. 22.5Billion to KShs. 15.9Billion	Profit Before Tax: Up 18.3% from KShs. 19.3Billion to KShs. 22.9Billion Net Interest Income: Up 27% from KShs. 28.3.Billion to KShs. 36.1 Billion Total Expenses: Up 7% from KShs. 22.4Billion to KShs. 24Billion Provisions for bad debts: Down 11% from KShs. 3.8Billion to KShs.3.4Billion on enhanced recoveries, upgrades and Credit Processes.

The Group recorded a 27% growth in Net Interest Income, driven by asset book growth, better yields and reduction in cost of funds.

"The performance reflects continued resilience across the seven markets that we operate in. The business benefitted largely from a diversified income structure, prudent cost management and deliberate investments in infrastructure and digital channels," said Mr. Oigara while releasing the results.

The Q3 financials showed that total expenses increased by 7%, to support business growth, investment in channels and infrastructure. Provisions for bad debts were down 11% -- to KShs.3.4Billion in September 2016. Overall Group gross nonperforming loans declined by KShs.1.9Billion on a quarter to quarter basis on the back of enhanced Credit processes and recoveries.

In the month of August 2016, the bank successfully re-implemented an upgrade of its core banking system T24 to boost operational efficiencies, facilitate technology innovation, and allow for easier interface with other platforms and increase reliability. "The new system offers increased functionality and great customer experience and is a firm base for our journey towards a service oriented architecture in line with our customer strategy," added the Group CEO.

The Group's total assets declined by 6% year on year attributed to currency devaluation in South Sudan market. Total assets without the South Sudan component increased by 10%. The pressure on the South Sudan Pound continues to grow since December 2015 when the currency was floated.

Mr Oigara said the Group's asset book is poised to grow steadily as the Bank makes bigger investments in technology systems and digital platforms to support the business while consolidating the international business. "We see the new fin-tech capabilities giving us a strong business position and stable performance in the coming years as the future of banking shifts into digital," said Mr. Oigara.

The financials indicate that net loans and advances were up 5% from KShs. 347.6Billion to KShs 364.5Billion during the period. This growth was largely driven by the Kenya business which registered an 8% growth. KCB's loan portfolio is fairly diversified across sectors, reflecting the variety of the Kenyan economy and its buoyant private sector.

The devaluation of the South Sudan pound negatively impacted Group deposits leading to a 7% decline. However, KCB Bank Kenya Customer deposits had an impressive growth of 14% as a result of customers seeking to place their money where they felt safe.

The number of users currently on mobile phone stands at 10.2Million, while the number of mobile accounts grew by 98% from 4.3Milion in Quarter 3, 2015 to 8.3Million in a similar period this year. The registered customers on mobile make up over 75% of the total customer base in the Bank. Over

KShs.17Billion has been disbursed in loans for the past 18 months. Mobile loans hit an average of 80,000 per day on daily requests in the month of September 2016 offering an efficient and trusted platform for our customers. The success of our mobile platforms has enabled the Bank to process up to 91% of our total loan transactions in the past nine months of the year.

“The uptake of non-branch channels has contributed 73% of our total Bank transactions in comparison to last year at 62% with mobile contributing the highest from 29% to 35% in line with our digital financial services strategy,” said Oigara.

Late October, global rating agency Standard & Poor’s (S&P) revised KCB Bank’s rating to ‘B+/B’ and outlook from negative to stable in line with a similar outlook for Kenya. In its latest assessment of the region’s biggest bank by asset and profitability, S&P said that the positive rating and improved outlook is supported by solid profitability metrics, a strong domestic retail and corporate franchise, strong capital buffers, a well-structured deposit-based funding model and high level of liquid assets. With a new operating environment in the Kenya’s financial sector following the enactment of a law capping interest rates, S&P believes that KCB is best placed to weather the storm citing the lender’s well established retail and corporate franchise.

The Bank maintained a strong show on all prudential ratios with core capital to total risk weighted assets at 14.7% (CBK minimum-10.5%), total capital to total risk weighted assets at 15.9% (CBK minimum-14.5%).
The high capital and liquidity ratios mean the Bank has strong headroom to fund bigger projects in the East African region and sustain a profitable business model that delivers impressive returns for shareholders.

Going forward, the Bank will focus more on technology to drive the future business. KCB plans to launch a FinTech business that will complement our business landscape for centralizing our digital platform to provide seamless services to our customers. We take cognizance of the digital monetization revolution, youth dividend, financial inclusion and the entrepreneurship space, nurturing young businesses for growth through the Fintech platform.

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About KCB Bank Group

KCB Bank Group 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 (Representative Office). Today KCB Bank Group has the largest branch network in the Region with over 250 branches, 962 ATMs and 12,000 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.*

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