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November 11, 2014

Press Release

KCB Group posts 17% Rise in Pre-Tax Profit to KShs. 17.7 Billion

Profitability was driven by impressive growth in all business lines and enhanced business efficiencies.

Key Performance Highlights:

Profit Before Tax: Up 17% from Kshs. 15.2 Billion to Kshs17.7 Billion	**Total Assets:** Up 17% from KShs. 385.2 Billion to KShs. 451.6 Billion
Net Interest Income: Up 6 % from KShs. 24.3 Billion to KShs 25.8 Billion	**Net Loans and Advances:** Up 17 % from KShs. 225.7 Billion to KShs 264.3 Billion
Foreign exchange income: Up 20% from KShs. 2.7 Billion to KShs. 3.2 Billion	**Customer deposits:** Up 16 % from KShs. 301 Billion to KShs 350 Billion
Fees and commissions: Up 20% from KShs. 7.6 Billion to KShs. 9 Billion	**Shareholder Funds:** Up 21% from KShs. 58.6 Billion to KShs. 70.9 Billion
	Total Capital Ratio: At 20.% compared with Regulatory Minimum of 14.5%
	Long term debt funding: Up 55% from KShs. 8.5 Billion to KShs. 13.2 Billion

KCB Bank Group pre-tax profit for the nine months ending September 30, 2014 increased by 17% to KShs. 17.7 Billion.

KCB Group Chief Executive Joshua Oigara attributed the growth in PBT to growth in advances, improved non-funded income and enhanced business efficiencies through the use of alternative channels and increased recoveries of previous non-performing loans.

Total operating income rose 17%, faster than costs, to reach KShs. 42.8 Billion from KShs. 36.6 Billion, riding on a sharp growth in fees and commissions which were up 20 % from KShs. 7.6 Billion to KShs. 9.1 Billion. Income from foreign exchange trading rose 20% from KShs. 2.7 Billion to KShs 3.2 Billion. Operating expenses rose by 6 % to reach KShs. 20.6 Billion.

Going forward, KCB will continue to leverage on advancements in technology to drive financial inclusion and improve customer experience within the East African region. The Group has recently rolled out M-Benki and Biashar@Smart (together with Safaricom), which are based on mobile phone.

“This is one in many other partnerships between two major Kenyan brands meant to bring new solutions and enhance economic empowerment in the region’s populace and beyond,” said Mr Oigara.

The Group extended loans totaling KShs. 264.3 Billion during the period, up 17% from last year’s KShs. 225.7 Billion, furthering KCB’s agenda at transforming East Africa, by enabling customers to invest in farming, business set up and education. “Access to finance remains a key challenge for many enterprises in the region across sectors. By increasing access to financing for these businesses, we help unlock their growth” said Mr Oigara.

Despite setbacks in South Sudan due to the political crisis in the country for the better part of the year, overall the International Business reported improved performance, with the Bank projecting better times ahead riding on continued investments. As a sign of confidence in the South Sudan market, the Bank on November 5, 2014 opened two additional branches in the country at Munuki and Konyo Konyo respectively in Juba City.

The Bank continues to remain strong on all prudential ratios with core capital to total risk weighted at 16% (Revised CBK minimum-10.5%), total capital to total risk weighted assets at 20% (Revised CBK minimum-14.5%), core capital to total risk deposits at 19% (Revised CBK minimum-10.5%) and liquidity ratio at 32.8% (CBK minimum-20%). During the period, the Bank's purse of excess capital stood at KShs. 27.5 Billion over minimum requirements to fund its growth.

The international business contributed 8% to the Group profits. The Group expects this contribution to continue growing with planned investments in alternative channels like mobile banking and agency services in the other markets where KCB has presence.

The KCB's Kenyan business was boosted by new ventures—KCB Capital and KCB Bancassurance, which the Group sees as a key driver of growth in the coming years. The Bancassurance pretax profit grew to KShs. 145.5 Million while premiums hit KShs.1.22 Billion.

The Group continues to seek partnerships with county governments in Kenya with an eye at improving their efficiency by offering solutions towards boosting operations and revenue collection. "We have and we will continue to develop special schemes for county staff especially check off schemes as well as the service provision vehicles such as asset finance, LPO financing, Bancassurance etc. We equally have developed an automated revenue collection system to help in managing county revenue collection" said Mr Oigara.

"As a bank, we believe that businesses are no longer about making money but also transforming lives at corporate, government and individual realms," he said.

Additional Information

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 and Burundi completing the East African circuit in the year 2012. Today KCB Bank Group has the largest branch network in the Region of 240 branches, 962 ATMs and 9,238 agents offering banking services on a 24/7 basis in East Africa.

This is complemented by mobile banking and internet banking services with a 24 hour 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.

Macroeconomic Environment

The growth in profitability has largely benefited from a relatively stable macroeconomic environment across the region, a fete expected to continue support further expansion. For the Kenyan Economy, GDP growth was mainly supported by robust expansion in; construction (18.9%); manufacturing (9.1%); financial & insurance (8.3%); information and communication (6.4%); and wholesale and retail trade (6.8%). This outweighed a decrease in tourism.

In Uganda the prevailing low inflation is likely to push the Central Bank to ease its stance to lower borrowing costs, potentially weakening the local currency.

Rwanda expects to enact new investment rules at the start of 2015 that could offer incentives such as seven-year tax holidays for bigger investors and sharply lower corporate taxes – a strategy to wean Rwanda's economy off foreign aid and bolster receding growth. In South Sudan however, USD scarcity and the expensive black market rate (USD being sold at 4.95 while central bank sells at 3.1) makes it difficult for traders to import goods. Inflation increased to 2.6% in July. The TZS weakened and settled at an average of TZS1680 as the rising demand for the dollar continues to pressurize the local currency despite some inflows from agriculture and institutions.

About KCB Insurance Agency

KCB Insurance Agency was established in 2010 as a fully-fledged subsidiary of Kenya Commercial Bank to enable the Group consolidate its position as a financial services supermarket. The Agency which operates as an Insurance Agent offers insurance advisory services, risk management advisory and claims processing commenced aggressive roll out of Insurance Services across

Kenyan branches early 2014. KCB Insurance has formed partnerships with several Insurance Companies to offer a wide range of Insurance products including property and liability, motor, medical, agriculture, life through the bank's branch network.

KCB Third Sustainability Report

On November 4th, 2014 KCB Group launched its third Sustainability Report and announced plans to grow its investments on 10 Sustainability initiatives that are geared as transforming the bank into a formidable regional financial institution within the next five years. The initiatives which will be implemented in three phases are premised on a candid reflection of the banks current challenges and opportunities, with a long term view towards guaranteeing the sustainability of the bank together with its external ecosystem.

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