Kenya Commercial Bank Limited
Kencom House
P.O. Box 48400 – 00100
Nairobi, Kenya
Tel: +254 20 3270000 / 2851000 / 2852000
Mobile: +254 711 012 000 / 734 108 200
SMS: 22522
Email: contactus@kcbbankgroup.com
24h interactive website: kcbbankgroup.com

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KCB Group Records 13% First Half Pre-Tax Profit to KShs. 13.2Bn

Growth driven by rise in funded, non-funded income, international business returns and efficient cost management

KCB Group's profit before tax grew 13% in the first half ending June 2015, riding on increased earnings from new business lines and the international business.

For the six months, profit before tax jumped from KShs. 11.7 Billion posted in June 2014 to hit KShs.13.2 Billion in June 2015.

Key Highlights

Total Assets: Up 29% from KShs. 440Billion to KShs. 567 Billion Net Loans and Advances: Up 31% from KShs. 244Billion to KShs 321Billion Customer deposits: Up 26% from KShs. 352Billion to KShs 443Billion Shareholder Funds: Up 20% from KShs. 65Billion to KShs. 78Billion Liquidity Ratio: 32.2% (CBK minimum-20%). Long term debt funding: Up 71% from KShs. 13.1Billion to KShs. 22.5Billion	Profit Before Tax: Up 13% from KShs. 11.7Billion to KShs.13.2Billion Net Interest Income: Up 13.5% from KShs 17.1Billion to KShs 19.4Billion Fees and commissions: Up 21% from KShs 5.7Billion to KShs 6.8Billion

KCB Group Chairman, Mr. Ngeny Biwott, said the business shrugged off a relatively tough business environment especially in Burundi and South Sudan to post the improved earnings.

“We had a relatively tough macro-economic and political environment in most of the markets the Bank operates. In South Sudan and Burundi, we had economic shocks due to political tensions. Uganda, Kenya and Tanzania were hit by currency depreciation and high inflation while Rwanda was relatively stable” said Mr Biwott.

“We see a brighter outlook in terms of the Bank’s growth trajectory in the coming years across all the markets,” he added.

The Group saw its international business—Uganda, Rwanda, Tanzania, Burundi and South Sudan—turn in profits, contributing at least 10% of the Group’s earnings.

KCB Group CEO Mr. Joshua Oigara said the impressive growth was supported by an increase in net interest income by (13.5%), growth in gross fees and commissions (21%) attributable to new products and higher transactions volumes.

“We have consistently focused on growing new business lines and strengthening the subsidiaries to drive the business to higher profitability and guarantee its sustainability. This is bearing fruit as seen in the increased earnings” said Mr Oigara.

"As we gradually transform the business into a stronger regional player, we will continue seeking new partnerships and strengthening the existing ones. This is what is driving our profitability as a business. We have in place a model to enhance operational competencies, revenue generation and drive greater efficiencies across the markets," he said adding the KCB Mpesa proposition launched in March in partnership with mobile services provider Safaricom has for example posted impressive numbers, well beyond the targets.

Latest data on the KCB Mpesa proposition show the number of users currently stands at 2.1 million, while over KShs. 2Billion has been disbursed in loans for the past four months it has been in existence—an average of KShs. 130Million weekly.

The financials released on Thursday show that total expenses were up by 9% although the Cost to Income Ratio were at 48.6% and remained relatively low and below the industry average.

The Bank saw total assets grow by 29% due to a 31% rise in loans and advances and an increase in investments in government securities which were up 21%. Net loans and advances constitute the highest proportion of the Bank's assets at 57%. KCB's assets base now stands at KShs. 567 Billion, the biggest balance sheet in the East African banking sector.

Total liabilities increased by 30 % as a result of a sharp growth in deposits (at 26%) as customer numbers grew due to new business lines like KCB

Mpesa, KCB Insurance Agency, KCB Capital and KCB Sahl Banking, the Islamic finance arm.

Long-term debt funding increased by 71% due to additional funding from development financial institutions to attain an optimal capital structure

The Bank's target in the short-term Mr Oigara said is to enhance financial inclusion to 10 million customers, from the current close to 7 million, by the end of this year.

"We are looking at building partnerships in the telecommunication, transport and energy sectors and with governments across the region" said the CEO.

"This will also be achieved through our race to a million homes through an affordable mortgage proposition, an integrated product/service offering on bancassurance, investment banking and brokerage services, while pushing up mobile transactions and digital payments," he added.

Going forward, the CEO said, the Bank will heighten its focus on digital payments and SMEs. Last week, the Bank committed to set aside Kshs1billion in the next three years to support Enterprise Kenya, the government flagship project that is geared towards spurring innovation among the entrepreneurs.

The Bank maintained a strong show on all prudential ratios with core capital to total risk weighted at 14.6% (CBK minimum-10.5%), total capital to total risk weighted assets at 15.9% (CBK minimum-14.5%), core capital to total deposits at 17.2% (CBK minimum-8%) and liquidity ratio at 32.2% (CBK minimum-20%).

The Group's strong capital ratios which compare favourably to industry averages provides a buffer against unexpected shocks, said Mr Oigara adding the Bank now has a bigger headroom to fund projects in the East African region.

Last month, Global Credit Ratings (GCR), an African-focused rating agency affirmed the national scale ratings assigned to KCB of AA (KE) and A1+(KE) in the long term and short term respectively with a stable outlook, currently the highest rating for a Kenyan bank accorded by GCR .

KCB is planning to venture into four new markets in the next five years, with an eye on Ethiopia, Somalia, DRC and Mozambique.

KCB Group's has been on the forefront in offering innovative products and solutions that meet the dynamic demands of customers in the changing world of technology.

For further information please contact: Judith Sidi- Odhiambo on email: jsodhiambo@kcb.co.ke

About KCB 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 250 branches, 962 ATMs and 11,000 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.

KCB's Recent Accolades

- *The Johannesburg-based Global Credit Ratings, an African-focused rating agency has affirmed the national scale ratings assigned to KCB of AA (KE) and A1+(KE) in the long term and short term respectively, currently the highest rating for a Kenyan bank accorded by GCR.*
- *KCB Group featured prominently in the 2015 Banker's Top 1000 World Bank Rankings, emerging position 833rd, up 13 places from last year among Top 1000 banks globally, in rankings released last month. In the Africa rankings, KCB was 6th in Africa by Return on Capital, and 6th in Africa by Return on Assets.*
- *This week, KCB Group CEO Joshua Oigara was listed by global news corporation Financial Times among the 25 Africans to watch in the coming years. Last month, Members of the Kenya Bankers Association (KBA), the banking industry umbrella body re-elected Mr Oigara as Chairman for a second term, underpinning the banker's confidence in his stewardship.*
- *Capital Finance International has feted KCB with the Best Green Bank - Kenya 2015 : in its Green Banking Awards while Banker Africa has picked KCB for three top awards – Best Regional bank, Best Commercial Bank and Most Socially Responsible Bank.*