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Press Release

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KCB Group Plc Grows FY 2018 Net Profit 22% to Kshs. 24.0Bn.

Stable Revenue across Funded and Non Funded Streams and Cost Management Drives Profitability to New Highs.

Sustained revenue growth and prudent cost management helped raise KCB Group PLC full year 2018 net profit by 22% to a record KShs. 24.0 billion.

In the results announced on Wednesday, the Group profit after tax for the 12 months ending December 2018 rose from KShs.19.7 billion reported a year earlier.

This was on the back of solid operating income of KShs. 71.8 billion—largely from interest income, fees and commissions— and lower costs which reduced 1% to KShs. 34.7 billion during the period, said the KCB Group Chief Executive Officer and Managing Director, Mr. Joshua Oigara.

“Our focus on customers, as well as our diversified business model and strong risk discipline helped us to produce another solid year of financial performance in 2018, even as we navigated the pressures of interest rates cap in Kenya and economic volatility in some of our subsidiaries,” said Mr Oigara.

“The Group’s performance is a reflection and outcome of our growth strategy, maximizing on our strengths, agility into emerging opportunities and the inherent potential to drive value creation for the shareholders and the communities in the markets we operate in,” he said.

The KCB Group Board has proposed a final dividend of KShs. 2.50 per share to be presented to shareholders in the Annual General Meeting. If approved, this will bring the total dividend to KShs. 3.50 per share, an increase of 16.7% over prior year dividend per share.

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.

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Key Highlights

	Matrix	FY 2017	FY 2018	YoY Change
Profitability	Net Profit	Kshs.19.7B	Kshs.24.0B	22%
	NFI to Total Income	32.2%	32.0%	-
	Return on Average Equity	19.5%	21.9%	+240bps
	Return on Average Assets	3.2%	3.5%	+30bps
Operational Efficiency	Operating Expenses	KShs.35B	Kshs.34.7B	3%
	Cost to Income Ratio (without provisions)	51.0%	to 48.3%	-270bps
Balance Sheet Position	Total Assets	Kshs.646.7B	KShs.714.3B	10%
	NPL Coverage (IFRS 9)	42.6%	68.6%	+2600bps
	Total capital to risk-weighted assets (CBK min 14.5%)	16.6%	19.5%	+290bps
	Core capital to total risk weighted assets (CBK min 10.5%)	15.4%	18.1%	+270bps
	Shareholders' equity	KShs. 106.0B	Kshs.113.7B	7%

During the year, the Group deepened its focus on driving innovation, developing new digital solutions and tapping data and advanced analytics to meet the fast changing consumer expectations and simplify the customer journey. This digital transformation— which is meant to boost non-funded income— saw the Bank deploy a fintech platform that will host our mobile/fintech products and services. In September 2018, KCB migrated KCB M-PESA to the new platform, effectively guaranteeing more stability, reliability and enhanced transaction speeds, culminating to an improved customer experience.

“We see this platform as an enabler in supporting transactional banking and credit access in a seamless manner as we strategically position the Bank to partner and collaborate with global payments providers and telecommunications firms to tap into the digital banking,” said Mr Oigara.

Total loans disbursed on mobile were up 84% to KShs 54.4 billion propelled by this installed capacity of our digital banking platform, effectively tripling monthly loan disbursements.

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On the balance sheet position, the Group maintained its market leadership status as the biggest financial institution in East Africa. Assets surged 10% to KShs. 714.3 billion, driven by net loans and advances, which were up 8% to Kshs.455.9 billion.

Looking at the funding side, deposits hit Kshs537.5 billion while long term funding stood at Kshs.22.4 billion from the previous period's Kshs.14.9 billion.

According to the financials, KCB Group strengthened its capital base—within both internal and regulatory limits— which is 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 18.1% against the Central Bank of Kenya statutory minimum of 10.5%. Total capital to risk-weighted assets stood at 19.5% against a regulatory minimum of 14.5%.

Going into 2019, the Group is expecting to continue on the growth trajectory as it takes up a greater role in driving East Africa's growth agenda through credit extension in the personal/household sector, agriculture, healthcare, manufacturing and housing.

“Looking ahead, we expect our performance in 2019 to be driven by renewed investor confidence and rebound in the East Africa economy. The Banking sector is expected to grow in tandem with the broader market and therefore, we are optimistic we will maintain our growth this year.

“Our focus as a Group goes beyond financial returns. The Bank has given due attention to the social and environmental pillars of development. The Bank will continue lending responsibly, reducing our carbon foot print, mainstream the Sustainable Development Goals (SDGs) and playing a leading role as one of the regional anchors of the UNEP's Finance Initiative Principles on Responsible Banking,” said the Group CEO and MD.

(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 (Rep). Today KCB Group Plc has the largest branch network in the Region of 258 branches, 962 ATMs and over 16,600 merchants and 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.

For further information, please contact Judith Sidi Odhiambo-Group Head of Corporate & Regulatory Affairs; email: jsodhiambo@kcbgroup.com

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