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Press Release

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KCB Group Plc Half Year 2019 Net Profit Hits KShs.12.7 Bn.

Growth in the loan book, Increased Mobile channel Activity and Sustained Cost saving initiatives Drive Performance in a Tough Business Environment.

KCB Group PLC has posted a 5% growth in after tax profit to KShs. 12.7 billion for the first half of 2019 ending June.

The improvement in earnings from KShs12.1 billion reported same period last year is attributable to growth in loan book and increased mobile channel activity.

Prudent cost management further supported the performance in a relatively tough business environment, said KCB Group CEO and MD Joshua Oigara while releasing the results on Thursday.

Key Highlights

	Matrix	Q2 2018	Q2 2019	YoY Change
Profitability	Net Profit	KShs.12.1B	KShs.12.7B	5.0%
	Total Operating Income	KShs.35.6B	KShs.38.6B	8%
Operational Efficiency	Total Operating Expenses (excl provisions and monetary loss)	KShs. 17.1B	KShs.17.6B	2.6%
	Cost to Income Ratio (excl. provisions)	47.0%	45.7%	-130bps
	Cost of Funds	3.0%	2.8%	-20bps
Balance Sheet Position	Total Assets	KShs.667.7B	KShs.746.5B	12%
	Gross NPL to Gross Loans	8.4%	7.8%	-60bps
	Total capital to risk-weighted assets (CBK min 14.5%)	17.2%	19.4%	+220bps
	Core capital to total risk weighted assets (CBK min 10.5%)	15.7%	18.0%	+230bps
	Shareholders' equity	KShs. 98.9B	KShs.117.5B	19%

Channel transactions done outside the branch increased to 96% of total transactions, up from 87% in 2018 driven by mobile channel.

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“We had a strong second quarter and witnessed continued growth across our businesses segments. The investment in technology generated positive return and further helped drive efficiency and deepen access to affordable financial services in all markets,” said the Group CEO and MD.

Financial Performance

Net interest income increased by 5% to KShs. 25.4 billion, attributable to a 14% expansion of the loan book and a marginal 2% increase in the interest expense.

Fees and commissions increased by 31% to KShs. 8.9 billion as revenues from digital channels in particular KCB M-PESA grew significantly powered by the new platform launched late last year. The value of loans disbursed via the service during the period of review increased from KShs. 14.9 billion in H1 2018 to KShs. 66.7 billion in H1 2019.

Total operating income was up 8% to KShs. 38.6 billion from KShs.35.6 billion on the back of strong non-funded income which grew 15% to KShs.13.1 billion.

Operating expenses increase of 2.6% was well below inflation to close at KShs.17.6 billion. Loan loss provision on the other hand saw a significant increase to KShs. 3 billion from KShs. 0.8 billion reported same period in 2018. “This big increase in loan provision is mostly due to impact of day 1 adjustments done during implementation of IFRS 9 last year,” said KCB Group CFO Lawrence Kimathi. “Our cost management initiatives continue to bear fruits and is now becoming embedded in the culture,” he added.

Balance Sheet

The Group’s balance sheet increased by 12% to KShs. 746.5 billion, with deposits up 7% to KShs. 563.2 billion supported by continued strong growth in personal and transaction accounts and underpinning the Bank’s focus on providing superior customer service.

The loan book surged 14% to KShs. 478.7 billion, reflecting the strong lending pipeline primarily driven by the retail and corporate banking customer segment.

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The ratio of non-performing loans to total loans declined to 7.8% from 8.4%, well below the industry average of 12.7%.

KCB Group maintained a strong capital base well within both internal and regulatory limits. The core capital as a proportion of total risk weighted assets closed the period at 18.0% against the Central Bank of Kenya statutory minimum of 10.5%. Total capital to risk-weighted assets stood at 19.4% against a regulatory minimum of 14.5%.

International Subsidiaries

The macroeconomic indicators in most of the countries we operate in are showing improvement. This has contributed to our international bank subsidiaries continued good perform, with all but one of the businesses delivering high double-digit earnings growth. This growth has been driven by balance sheet momentum with loans and advances registering a 23% growth.

Outlook

“Looking forward, we expect to build momentum in the second half of the year in line with increased economic activity across sectors, which should deliver topline growth and assist cushion asset quality,” said KCB Group Chairman Andrew Kairu.

On key strategic business initiatives for the second half of the year, KCB plans to finalize the transfer of part of the assets and liabilities of Imperial Bank In Receivership Limited as well as complete the takeover bid for National Bank of Kenya by the end of the current quarter.

Following the results, the Board of Directors approved a payment of an interim dividend of KShs: 1.00 per share. Shareholders will be paid the dividend in November 2019.

(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, 979 ATMs and over 18,800 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 named Africa's Best Bank for SMEs and Kenya's Best Bank for the Euromoney 2019 Awards. Other accolades include Best Bank in Kenya by Global Finance, World's Best Banks, Best Bank in East Africa by the International Business Magazine Awards 2019 among others.

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