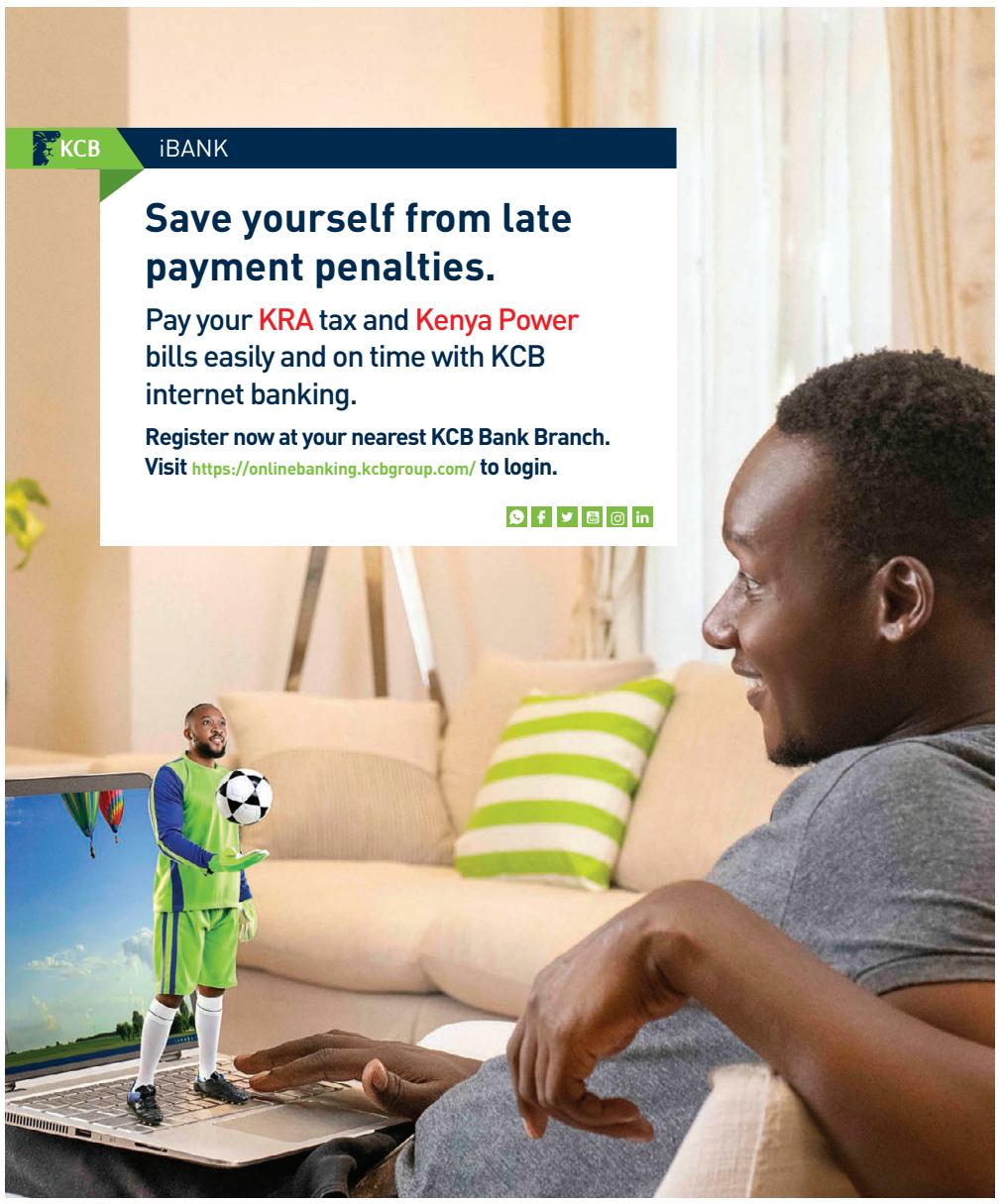
# AUDITED FINANCIAL STATEMENTS AND OTHER DISCLOSURES FOR THE YEAR ENDED 31 DECEMBER 2019

| I. STATEMENT OF FINANCIAL POSITION | BANK | | COMPANY | | GROUP | |
|---|---|---|---|---|---|---|
| | 31-Dec-19 KShs 000 Audited | 31-Dec-18 KShs 000 Audited | 31-Dec-19 KShs 000 Audited | 31-Dec-18 KShs 000 Audited | 31-Dec-19 KShs 000 Audited | 31-Dec-18 KShs 000 Audited |
| **A. ASSETS** | | | | | | |
| 1. Cash (both Local & Foreign) | 8,412,261 | 8,147,290 | - | - | 15,604,680 | 11,062,802 |
| 2. Balances due from Central Bank of Kenya | 33,809,960 | 30,977,080 | - | - | 45,156,672 | 30,977,080 |
| 3. Kenya Government and other securities held for dealing purposes | - | - | - | - | - | - |
| 4. Financial Assets at fair value through profit and loss | - | - | - | - | - | - |
| 5. a) Held at armotised cost: a. Kenya Government securities | 53,102,746 | 27,347,610 | - | - | 90,182,021 | 30,515,506 |
| b. Other securities | - | - | - | - | 8,409,396 | 6,658,706 |
| b) Fair value through OCI: a. Kenya Government securities | 63,639,829 | 72,296,603 | - | - | 63,711,225 | 79,362,566 |
| b. Other securities | 1,613,175 | 3,369,846 | 25,356 | 34,213 | 6,940,734 | 3,532,802 |
| 6. Deposits and balances due from local banking institutions | 10,276,990 | 7,985,156 | 1,177,914 | 898,979 | 11,290,453 | 7,985,156 |
| 7. Deposits and balances due from banking institutions abroad | 4,108,445 | 4,865,897 | - | - | 36,356,464 | 32,092,561 |
| 8. Tax recoverable | 458,286 | - | 27,352 | 68,639 | 551,675 | - |
| 9. Loans and advances to customers (net) | 447,154,955 | 417,230,271 | - | - | 535,370,260 | 455,880,284 |
| 10. Balances due from group companies | 4,818,740 | 3,720,491 | 6,335,793 | 7,104,102 | - | - |
| 11. Investments in associates | - | - | - | - | - | - |
| 12. Investments in subsidiary companies | - | - | 79,227,397 | 68,036,500 | - | - |
| 13. Investments in joint ventures | - | - | - | - | - | - |
| 14. Investment properties | - | - | - | - | - | - |
| 15. Property and equipment | 10,104,529 | 7,121,150 | 606,651 | 648,966 | 20,163,379 | 11,007,625 |
| 16. Prepaid lease rentals | 124,516 | 127,013 | - | - | 126,522 | 129,018 |
| 17. Intangible assets | 4,918,474 | 2,861,074 | 9,623 | - | 6,337,138 | 3,003,113 |
| 18. Deferred tax asset | 8,684,284 | 8,396,643 | 1,221 | 102,168 | 12,861,416 | 9,585,223 |
| 19. Retirement benefit asset | - | 658,000 | - | - | - | 658,000 |
| 20. Other assets | 23,074,530 | 26,618,752 | 38,354 | - | 45,510,178 | 31,862,149 |
| **21. TOTAL ASSETS** | **674,301,720** | **621,722,876** | **87,449,661** | **76,893,567** | **898,572,213** | **714,312,591** |
| **B. LIABILITIES** | | | | | | |
| 22. Balances due to Central Bank of Kenya | - | - | - | - | - | - |
| 23. Customer deposits | 528,114,597 | 475,395,672 | - | - | 686,583,179 | 537,459,617 |
| 24. Deposits and balances due to local banking institutions | 7,522,635 | 7,000,000 | - | - | 9,509,090 | 7,000,000 |
| 25. Deposits and balances due to foreign banking institutions | 1,192,971 | 4,216,955 | - | - | 10,861,504 | 13,104,797 |
| 26. Other money market deposits | - | - | - | - | - | - |
| 27. Borrowed funds | 18,463,923 | 18,933,205 | - | - | 21,485,494 | 22,447,432 |
| 28. Balances due to group companies | - | - | - | 731,654 | - | - |
| 29. Tax payable | - | 55,349 | - | - | - | 308,534 |
| 30. Dividends payable | 8,097,915 | - | - | - | 135,791 | - |
| 31. Deferred tax liability | - | - | - | - | - | - |
| 32. Retirement benefit liability | - | - | - | - | - | - |
| 33. Other liabilities | 18,302,045 | 18,332,749 | 4,368 | 55,013 | 40,256,047 | 20,331,073 |
| **34. TOTAL LIABILITIES** | **581,694,086** | **523,933,930** | **4,368** | **786,667** | **768,831,105** | **600,651,453** |
| **C. SHAREHOLDERS' FUNDS** | | | | | | |
| 35. Paid up/Assigned capital | 53,986,100 | 53,986,100 | 3,213,456 | 3,066,057 | 3,213,456 | 3,066,057 |
| 36. Share premium/(discount) | - | - | 27,690,149 | 21,646,777 | 27,690,149 | 21,646,777 |
| 37. Revaluation reserves | (858,082) | 2,100,551 | (51,387) | (42,530) | 533,547 | 1,851,626 |
| 38. Retained earnings/Accumulated losses | 36,214,366 | 33,927,032 | 48,559,435 | 43,771,453 | 93,318,092 | 85,182,131 |
| 39. Statutory loan loss reserve | 3,265,250 | - | - | - | 5,914,702 | 1,222,095 |
| 40. Other Reserves/Re-measurement of defined benefit asset/liability | - | 44,100 | - | - | (8,982,478) | (6,972,691) |
| 41. Proposed dividends | - | 7,731,163 | 8,033,640 | 7,665,143 | 8,033,640 | 7,665,143 |
| 42. Capital grants | - | - | - | - | - | - |
| **43. TOTAL SHAREHOLDERS' FUNDS** | **92,607,634** | **97,788,946** | **87,445,293** | **76,106,900** | **129,741,108** | **113,661,138** |
| 44. Minority Interest | - | - | - | - | - | - |
| **45. TOTAL LIABILITIES AND SHAREHOLDERS' FUNDS** | **674,301,720** | **621,722,876** | **87,449,661** | **76,893,567** | **898,572,213** | **714,312,591** |
| **II. STATEMENT OF COMPREHENSIVE INCOME** | | | | | | |
| **1. INTEREST INCOME** | | | | | | |
| 1.1 Loans and advances | 50,614,710 | 47,786,148 | - | 294,800 | 59,011,291 | 52,711,906 |
| 1.2 Government securities | 12,010,200 | 11,053,590 | - | - | 14,066,479 | 12,983,467 |
| 1.3 Deposits and placements with banking institutions | 1,124,242 | 470,035 | - | 22,281 | 1,272,851 | 585,325 |
| 1.4 Other Interest Income | - | - | - | - | - | - |
| **1.5 Total interest income** | **63,749,152** | **59,309,773** | **-** | **317,081** | **74,350,621** | **66,280,698** |
| **2. INTEREST EXPENSE** | | | | | | |
| 2.1 Customer deposits | 13,434,169 | 13,772,004 | - | - | 16,265,919 | 15,464,365 |
| 2.2 Deposits and placement from banking institutions | 1,456,515 | 1,236,287 | - | 271,954 | 1,953,699 | 1,985,797 |
| 2.3 Other interest expenses | - | - | - | - | - | - |
| **2.4 Total interest expenses** | **14,890,684** | **15,008,291** | **-** | **271,954** | **18,219,618** | **17,450,162** |
| **3. NET INTEREST INCOME/(LOSS)** | **48,858,468** | **44,301,482** | **-** | **45,127** | **56,131,003** | **48,830,536** |
| **4. OTHER OPERATING INCOME** | | | | | | |
| 4.1 Fees and commissions on loans and advances | 8,804,676 | 4,069,594 | - | - | 9,179,404 | 4,273,520 |
| 4.2 Other fees and commissions | 8,017,461 | 7,819,590 | - | - | 10,670,461 | 9,965,226 |
| 4.3 Foreign exchange trading income | 3,137,498 | 2,744,601 | (3,942) | (14,016) | 4,497,062 | 4,374,312 |
| 4.4 Dividend income | - | - | 16,551,183 | 16,863,871 | - | - |
| 4.5 Other income | 3,579,632 | 3,934,992 | 155,586 | 105,824 | 3,824,612 | 4,360,505 |
| **4.6 Total other operating income** | **23,539,267** | **18,568,777** | **16,702,827** | **16,955,679** | **28,171,539** | **22,973,563** |
| **5. TOTAL OPERATING INCOME** | **72,397,735** | **62,870,259** | **16,702,827** | **17,000,806** | **84,302,542** | **71,804,099** |
| **6. OTHER OPERATING EXPENSES** | | | | | | |
| 6.1 Loan loss provision | 8,719,671 | 3,136,286 | - | - | 8,888,942 | 2,944,367 |
| 6.2 Staff costs | 15,644,172 | 14,351,844 | 66,500 | 91,398 | 19,459,349 | 17,007,482 |
| 6.3 Directors' emoluments | 323,366 | 307,968 | 38,611 | 26,982 | 356,030 | 339,076 |
| 6.4 Rental charges | 132,753 | 762,574 | - | - | 98,083 | 1,262,514 |
| 6.5 Depreciation charge on property and equipment | 1,944,821 | 1,506,047 | 8,610 | 3,557 | 2,761,425 | 1,866,468 |
| 6.6 Amortisation charges | 1,432,055 | 1,212,187 | 506 | - | 1,625,137 | 1,279,757 |
| 6.7 Other operating expenses | 11,016,949 | 10,208,414 | 560,077 | 372,838 | 14,216,218 | 13,245,599 |
| **6.8 Total other operating expenses** | **39,213,787** | **31,485,320** | **674,304** | **494,775** | **47,405,184** | **37,945,263** |
| **7. Profit/(loss) before tax and exceptional items** | **33,183,948** | **31,384,939** | **16,028,523** | **16,506,031** | **36,897,358** | **33,858,836** |
| 8. Exceptional items | - | - | - | - | - | - |
| **9. Profit/(loss) after exceptional items** | **33,183,948** | **31,384,939** | **16,028,523** | **16,506,031** | **36,897,358** | **33,858,836** |
| 10. Current tax | (11,589,773) | (10,595,034) | (41,286) | (361) | (11,708,148) | (11,275,951) |
| 11. Deferred tax | 1,111,726 | 1,620,802 | (100,948) | 103,919 | (24,042) | 1,412,085 |
| **12. Profit/(loss) after tax and exceptional items** | **22,705,901** | **22,410,707** | **15,886,289** | **16,609,589** | **25,165,168** | **23,994,970** |
| 13. Minority Interest | - | - | - | - | - | - |
| **14. Profit/(loss) after tax and exceptional items and Minority Interest** | **22,705,901** | **22,410,707** | **15,886,289** | **16,609,589** | **25,165,168** | **23,994,970** |
| **15. Other Comprehensive income:** | | | | | | |
| 15.1 Gains/(Losses) from translating the financial statements of foreign operations | - | - | - | - | (337,000) | (1,303,220) |
| 15.2 Fair value changes in available-for-sale financial assets | (3,612,287) | 3,032,380 | (12,653) | (26,861) | (3,746,701) | 2,410,677 |
| 15.3 Re-measurement of defined benefit pension fund | (719,000) | (486,000) | - | - | (719,000) | (486,000) |
| 15.4 Share of other comprehensive income of associates | - | - | - | - | - | - |
| 15.5 Income tax relating to components of other comprehensive income | 869,353 | (763,914) | 3,796 | 8,059 | 909,550 | (577,403) |
| **16. Other comprehensive income for the year net of tax** | **(3,461,934)** | **1,782,466** | **(8,857)** | **(18,802)** | **(3,893,151)** | **44,054** |
| **17. Total comprehensive income for the year** | **19,243,967** | **24,193,173** | **15,877,432** | **16,590,787** | **21,272,017** | **24,039,024** |
| **18. EARNINGS PER SHARE- DILUTED & BASIC KSHS** | **0.40** | **0.42** | **5.12** | **5.42** | **8.11** | **7.83** |
| **19. DIVIDEND PER SHARE - DECLARED KSHS** | **0.30** | **0.20** | **3.50** | **3.50** | **3.50** | **3.50** |

| III. OTHER DISCLOSURES | BANK | | COMPANY | | GROUP | |
|---|---|---|---|---|---|---|
| | 31-Dec-19 KShs 000 Audited | 31-Dec-18 KShs 000 Audited | 31-Dec-19 KShs 000 Audited | 31-Dec-18 KShs 000 Audited | 31-Dec-19 KShs 000 Audited | 31-Dec-18 KShs 000 Audited |
| **1. NON-PERFORMING LOANS AND ADVANCES** | | | | | | |
| a) Gross non-performing loans and advances | 34,786,250 | 30,011,847 | | | 63,396,118 | 32,691,822 |
| b) Less Interest in Suspense | 4,050,790 | 3,791,303 | | | 8,984,349 | 4,119,045 |
| **c) Total Non-Performing Loans and Advances (a-b)** | **30,735,460** | **26,220,544** | | | **54,411,769** | **28,572,777** |
| d) Less Loan Loss Provision | 17,052,633 | 13,339,097 | | | 28,716,020 | 14,380,593 |
| **e) Net Non-Performing Loans and Advances(c-d)** | **13,682,827** | **12,881,447** | | | **25,695,749** | **14,192,184** |
| f) Discounted Value of Securities | 11,604,247 | 11,432,696 | | | 26,065,820 | 15,943,763 |
| **g) Net NPLs Exposure (e-f)** | **2,078,580** | **1,448,751** | | | **(370,071)** | **(1,751,579)** |
| **2. INSIDER LOANS AND ADVANCES** | | | | | | |
| a) Directors, Shareholders and Associates | 1,385,533 | 2,706,409 | | | 1,410,254 | 2,730,448 |
| b) Employees | 12,614,514 | 11,394,584 | | | 19,392,521 | 12,453,075 |
| **c) Total Insider Loans and Advances and other facilities** | **14,000,047** | **14,100,993** | | | **20,802,775** | **15,183,523** |
| **3. OFF-BALANCE SHEET ITEMS** | | | | | | |
| a) Letters of credit, guarantees and acceptances | 76,191,558 | 71,147,007 | | | 91,779,400 | 76,632,216 |
| b) Forwards, swaps and options | 14,472,705 | 17,745,126 | | | 15,444,637 | 20,440,843 |
| c) Other contingent liabilities | - | - | | | - | - |
| **d) Total Contingent Liabilities** | **90,664,263** | **88,892,133** | | | **107,224,037** | **97,073,059** |
| **4. CAPITAL STRENGTH** | | | | | | |
| **a) Core capital** | **90,200,466** | **87,957,222** | | | **124,221,697** | **109,939,064** |
| b) Minimum Statutory Capital | 1,000,000 | 1,000,000 | | | 6,470,636 | 6,520,129 |
| c) Excess (a-b) | 89,200,466 | 86,957,222 | | | 117,751,061 | 103,418,935 |
| **d) Supplementary Capital** | **10,866,500** | **7,638,750** | | | **13,515,952** | **8,860,845** |
| **e) Total Capital (a+d)** | **101,066,966** | **95,595,972** | | | **137,737,649** | **118,799,910** |
| f) Total risk weighted assets | 577,236,270 | 537,572,619 | | | 723,921,493 | 607,822,826 |
| **g) Core Capital/Total Deposits Liabilities** | **17.1%** | **18.5%** | | | **18.1%** | **20.5%** |
| h) Minimum statutory Ratio | 8.0% | 8.0% | | | 8.0% | 8.0% |
| i) Excess | 9.1% | 10.5% | | | 10.1% | 12.5% |
| **j) Core Capital/Total Risk Weighted Assets** | **15.6%** | **16.4%** | | | **17.2%** | **18.1%** |
| k) Minimum Statutory Ratio | 10.5% | 10.5% | | | 10.5% | 10.5% |
| l) Excess (j-k) | 5.1% | 5.9% | | | 6.7% | 7.6% |
| **m) Total Capital/Total Risk Weighted Assets** | **17.5%** | **17.8%** | | | **19.0%** | **19.5%** |
| n) Minimum Statutory Ratio | 14.5% | 14.5% | | | 14.5% | 14.5% |
| o) Excess (m-n) | 3.0% | 3.3% | | | 4.5% | 5.0% |
| **p) Adjusted Core Capital/Total Deposit Liabilities*** | **17.7%** | **19.5%** | | | **18.6%** | **21.3%** |
| **q) Adjusted Core Capital/Total Risk Weighted Assets*** | **16.2%** | **17.2%** | | | **17.6%** | **18.8%** |
| **r) Adjusted Total Capital/Total Risk Weighted Assets*** | **18.1%** | **18.6%** | | | **19.5%** | **20.3%** |
| **5. LIQUIDITY** | | | | | | |
| **a) Liquidity Ratio** | **30.8%** | **29.4%** | | | **37.1%** | **33.3%** |
| b) Minimum Statutory Ratio | 20.0% | 20.0% | | | 20.0% | 20.0% |
| **c) Excess (a-b)** | **10.8%** | **9.4%** | | | **17.1%** | **13.3%** |

*The adjusted capital ratios include the expected credit loss provisions added back to capital in line with the CBK guidance note issued in April 2018 on implementation of IFRS9.



**Proposed Dividend**

The Directors of KCB Group Plc. (the "Group") have recommended a final dividend of Kenya Shillings two and fifty cents (KShs. 2.50) having paid an interim dividend of Kenya Shillings one (KShs. 1.00) for each ordinary share of Kenya Shillings one (KShs. 1.00) on the issued and paid up share capital of the company subject to shareholder approval. The final dividend will be payable to the members of the company on the share register at the close of business on Monday, 27 April 2020. If approved, the full dividend per share for the year ended 31 December, 2019 will be Kenya Shillings three and fifty cents (KShs. 3.50) for each ordinary share of Kenya Shillings one (KShs. 1.00).

**Message from the Directors**

The above Statement of Financial Position and Statement of Comprehensive Income are extracts from the Group's, Bank's and Company's financial statements which have been audited by KPMG Kenya and received an unqualified opinion. The complete set of audited financial statements, statutory and qualitative disclosures can be accessed on the institutions website www.kcbgroup.com. They may also be accessed from the institutions Head Office located at Kencom House, Moi Avenue, Nairobi.

The financial statements were approved by the Board of Directors on Wednesday 11 March, 2020 and were signed on its behalf by:

**Andrew W. Kairu** – Group Chairman | **Joshua Oigara** – Group Chief Executive Officer and Managing Director | **Lawrence Njiru** – Director | **Joseph Kania** – Group Company Secretary

Regulated by Central Bank of Kenya.