



KCB Group Plc
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@kcbaroup.com

Press Release

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KCB Group Plc Posts KShs.34.2B in Full Year 2021 Profit after Tax.

Growth in total income and reduction in loan loss provision charge pushed performance by 74% in steady post COVID-19 recovery

KCB Group Plc recorded a historic 74% rise in profit after tax for the full year ending December 2021, riding on economic recovery across markets.

Net profit grew to KShs.34.2 billion compared to KShs.19.6 billion a year earlier, on the back of increased income, cost management and lower credit provisions which saw the Group post higher returns to shareholders.

Commentary- Group CEO & MD Joshua Oigara

“We made significant progress in achieving our 2021 strategic targets which delivered a strong financial performance that was in line with gradual economic recovery across all markets. The third and fourth quarters were the turning point with a pick-up in lending activity even as the COVID-19 pandemic continued to impact on economic activity”

“During the period, we deliberately focused on supporting customers to weather the healthcare storm. We expect good business momentum this year with a projected economic recovery across markets”.

Income

Revenues increased by 13.5% to KShs.108.6 billion on account of a rise in net interest income which was up 15.0% to KShs.77.7 billion. Non funded income grew by 9.9% to KShs.30.9 billion on increased customer transactions, FX income and income from accelerated loan growth.

Costs

Costs went up by 11.9% to KShs.47.8 billion from KShs.42.8 billion on account of an increase in staff and organisational costs, consolidation of Banque Populaire du Rwanda (BPR) and inflationary adjustments across the group. Other operating

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expenses increased marginally by 2.8% to close at Kshs 22.9B from Kshs 22.3B last year with improved cost management across the Group.

Key Financial Highlights

- **Profit after Tax** - Up 74% to KShs.34.2 billion compared to KShs.19.6 billion.
- **Revenue** - Increased 13.5% to KShs.108.6 billion on account of increase in interest income driven by increase in earning assets, non-funded income, and lower cost of funding.
- **Costs** - Up by 11.9% to KShs.47.8 billion.
- **Total Assets** – Increased 15.4% to KShs.1.139 trillion.
- **Customer Loans** – Increased by 13.5% to KShs.675.5 billion through organic and strategic acquisitions.
- **Customer Deposits** — increased 9.1% to KShs.837.1 billion due to organic growth mainly in the Kenyan market.

Loan Provisions & Asset Quality

The ratio of non-performing loans (NPL) increased from 14.7% to 16.5%, signaling the longer-term effects of COVID-19 impact. Several key sectors, largely construction, hospitality, and manufacturing continued to come under pressure with slow recovery. Provisions for the period reduced by 52% to close at KShs.13.0 billion from KShs.27.2 billion a similar period last year. The decrease is largely due to lower corporate and digital lending impairment charge after the deliberate action on covid related provisions absorbed in the previous year.

Balance Sheet Growth

The Group further grew its balance sheet with total assets rising by 15.4% to KShs.1.139 trillion, driven by organic growth across our businesses and acquisition of BPR.

Customer deposits went up by 9.1% through acquisitions and additional customers in corporate and retail franchises across the Group.

The net loan book clocked KShs.675.5 billion on increased lending to key segments such as Micro Small and Medium Enterprises (MSMES), consumer and corporate.

Shareholders' funds grew 20.6% from KShs.142.4billion to KShs.171.7 billion on improved profitability for the period.

Capital adequacy & Regulatory Compliance

The Group maintained healthy buffers on its capital ratios over the minimum regulatory requirement, giving the Group a strong headroom for growth. Core capital as a

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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 ratio was at 21.7% against a regulatory minimum of 14.5%.

The Board of Directors has recommended a final dividend of KShs 2.00 per share. This follows an interim dividend of KShs. 1.00 paid out in January this year. The final dividend will be payable to the members of the company on the share register at the close of the business on Monday 25 April 2022. If approved, the full dividend per share for the year ended 31 December 2021 will be KShs. 3.00 for each ordinary share.

Acquisitions Update

The Group successfully completed the acquisition of BPR on July 31, 2021 and has kicked off integration activities that will see the amalgamation of BPR and KCB Bank Rwanda into a single banking business.

“The benefits of our regional expansion continue to positively contribute to the KCB’s performance. In 2021, the profit before-tax contribution from Group businesses went up to 13.7%, putting us on track towards our 20% target this year. KCB will continue exploring and pursuing attractive regional expansion opportunities to enhance our regional participation, accelerate growth, and maintain sustainable long-term performance,” said KCB Group Chairman Andrew Wambari Kairu. “Our future has additional opportunities to exploit, details of which will be communicated as they develop” he added.

Outlook and Group Strategy

The Group continued to pursue growth initiatives within its Beyond Banking Strategy (2020-2023) which is anchored on delivering the very best in customer experience and driving a digital future. KCB is optimistic of better prospects this year on the back of a projected economic recovery in East Africa.

“We are optimistic about the East African economy's inherent medium and long-term potential despite the looming effects of the geopolitical crisis in Europe, lurking threats of COVID-19 and other local developments, including the upcoming General Elections in Kenya,” said Mr Kairu. “The priority is to identify suitable investment prospects and consumption drivers to accelerate the pace of recovery and growth. As the growth gains momentum, it will lead to many more opportunities for all sectors of the economy and in turn, inclusive growth” he added.

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Winning with Micro Small and Medium Enterprises (MSMEs)

In line with the Bank's Beyond Banking Strategy, the Bank is focusing on putting its customers first with leading value propositions. To support this approach, in December, the Bank revamped its MSME proposition across the markets with a Thematic Campaign dubbed 'Partner Kwa Ground' to demonstrate the support KCB extends to MSMEs and position us as a Bank that supports the segment across all sectors. Overall lending to MSME grew by 23% from KShs 60 billion to KShs 74 billion. Last year, KCB partnered with various Counties in Kenya in lending to MSMEs under a Credit Guarantee to cushion them from effects of COVID 19.

Key Milestones - Global and Local accolades, Sustainability Agenda

KCB Group received a series of global accolades, cementing its market leadership position. KCB Bank, Kenya's largest bank by Tier 1 capital, was in December named the Bank of the Year by the Banker Magazine on the back of its efficiency and cost reduction drive, as well as the continued success of its digital business. KCB was also feted as the Best Sustainable Bank in Kenya by the International Business Magazine for its efforts in driving and ensuring the adoption of sustainable and green financing initiatives. KCB has been at the forefront in championing the adoption of sustainable financial business models, specifically in areas such as responsible lending and green finance. This keen focus on adopting sustainable business models has seen KCB Bank being recognized as the "Most Valuable Banking Brand Kenya 2022" by Brand Finance.

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For further information, please contact Rosalind Gichuru, Group Director, Marketing, Corporate Affairs & Citizenship; email: RGichuru@kcbgroup.com

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). Further to the banking businesses in these markets, KCB Group owns the National Bank of Kenya, a Kenyan lender and BPR in Rwanda. Today KCB has the largest branch network in the region with 492 branches, 1,178 ATMs and over 25,496 merchants and agents offering banking services on a 24/7 basis in East Africa. Additionally, KCB Group owns KCB Bancassurance Intermediary limited, KCB Capital Limited, KCB Foundation and Kencom House Limited as non-banking businesses. This is complemented by mobile banking and internet banking services with 24 hour contact centre services for our customers to get in touch with the Bank. KCB has a vast network of correspondent relationships totalling over 200 banks across the globe, and our customers are assured of a seamless facilitation of their international trade requirements wherever they are.

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