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Press Release

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KCB Group Plc Posts KShs.19.6B in Half Year Profit after Tax

Business delivers improved performance with contribution from the regional subsidiaries

KCB Group PLC reported net earnings of KShs.19.6 billion for the six months ending June 30, 2022, a 28.4% rise from last year.

The growth from KShs.15.3 billion was driven by improvement in both the funded and non-funded income streams. Additionally, the international subsidiaries increased their overall contribution to the Group's performance.

Total operating income increased by 16.8% mainly driven by a 29.9% growth in Non-Funded Income. Group businesses increased their profit contribution to 16.8% driven by new business growth and the impact of BPR Bank.

GCEO Commentary

"We delivered solid results, supported by our diversified business model as we sharpened our focus on customer obsession and execution to better support our customers in a rather difficult operating environment. Despite some uncertainties and headwinds, we saw sustained signs of recovery across the region, allowing us to deliver stronger shareholder value," said KCB Group CEO Paul Russo.

Key Highlights

Parameter	Performance
Profit after Tax	<i>Increased by 28.4% from KShs. 15.3 billion to KShs. 19.6 billion</i>
Revenue	Up 16.8% to KShs. 59.8 billion from KShs 51.2 billion
Costs	Up 20.3% to KShs. 27.3 billion from KShs. 22.7 billion.
Total Assets	Stood at KShs. 1.21 trillion, up 18.4%
Net Loans & Advances	Surged 20.2% to KShs. 730.3 billion from organic growth and strategic acquisitions.
Customer Deposits	Increased to KShs.908.6 billion, a 15.6% rise.

Financial Performance

Interest income grew by 15.7% to KShs 54.5 billion mainly driven by a 31.5% growth in income from government securities. This was partially offset by a 30.3% increase in

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interest expense as cost of funding marginally increased during the period. Net interest income increased by 11.5% to KShs 40.6 billion.

The 29.9% jump in non-funded income was driven by lending fees, services fees – on account of increased activity especially in trade finance and foreign exchange income.

Key to this outcome was the contribution from our digital channels which maintained 98% level of transactions by number performed outside the branches. Mobile lending values were up 23% to KShs 91 billion while total values transacted on the mobile were up 22% to 1.28 trillion. The values transacted on internet banking and merchant/POS terminals were up 102% and 50% respectively.

This performance boosted the Group NFI ratio to 32.1% compared to 28.9% achieved in the previous year.

Provisions decreased 34.4% largely due to a drop in corporate and digital lending impairment charge. Appropriate IFRS 9 staging in prior years had already recognized associated impairment.

Operating costs went up by 20.3% on consolidation of BPR Bank in Rwanda, increased spend on customer acquisition initiatives, investment in technology and higher staff costs. This increase drove up the Group cost to income ratio to 45.7%. The Group is confident that once these transition related activities are concluded, the cost to income ratio will reduce to below 44%.

Looking at the balance sheet, total assets stood at KShs.1.21 trillion for the period, up 18.4% on additional lending, deposits growth and the consolidation of BPR subsidiary. Customer loans increased by 20.2% to KShs 730 billion from new disbursements across the Group while customer deposits grew to KShs.909 billion, up by 15.6% from the previous year.

Shareholders' funds grew by 17.1% to KShs. 179.1 billion on improved profitability for the period.

The Group capital buffers remained well above the regulatory requirement with core capital as a proportion of total risk weighted assets standing at 17.7% against the statutory minimum of 10.5%. Total capital to risk-weighted assets ratio was at 21.6% against a regulatory minimum of 14.5%.



Key Developments

During the second quarter, KCB Group Board appointed Paul Russo as the Group CEO. The successful transition is critical in charting the next phase for KCB Group.

The Group deepened its focus on scaling regional play by signing a definitive agreement with shareholders of TMB to acquire a majority stake in the Democratic Republic of Congo (DRC)-based lender. The transaction is expected to close in the fourth quarter of 2022, subject to regulatory, shareholders and other approvals. This will see KCB acquire 85% of the shares in TMB with an option to acquire the balance in due course.

KCB Group continues to champion sustainable business practices to drive positive environmental, social and governance impact in the regions we operate. During the quarter, the bank completed and submitted to the regulator the Climate risk roadmap following the issuance of the CBK guidelines on climate risk disclosures. Additionally, KCB grew the proportion of its green portfolio to 11.68% of the total loan book.

Outlook

"Looking ahead, we remain confident of a stronger second half and an economic turnaround across the region. We remain focused on delivering on business growth while at the same time continuously building a socially responsible and sustainable business," said KCB Group Chairman Andrew Wambari Kairu.

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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. The Group is headquartered in Kenya, with the country serving as the lead market with two banking subsidiaries namely KCB Bank Kenya and National Bank of Kenya. Over the years, the Bank has grown and spread its wings into Tanzania, South Sudan, Uganda, Rwanda, Burundi and Ethiopia (Rep). Today KCB has the largest branch network in the region with 495 branches, 1,172 ATMs and over 27,102 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 center services for our customers to get in touch with the Bank. KCB has a vast 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.

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