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Press Release

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KCB Group's Net Profit Increases to KShs. 30.7 Billion as Total Assets Cross KShs. 2 Trillion Mark.

KCB Group PLC posted KShs. 30.7 billion in net profit for the nine months ending 30th September 2023, as its assets grew to KShs. 2.1 trillion.

Profitability increased from KShs. 30.5 billion reported in a similar period last year while the balance sheet expanded by 64.5% from KShs.1.28 trillion on the back of consolidation of DRC-based subsidiary Trust Merchant Bank (TMB) acquired in December 2022 and organic growth.

The Group remained resilient despite the current economic and market environment, riding on diversified income streams which saw revenue increase by 27.3% to KShs.117.3 billion, driven by non-funded income.

The contribution of Group businesses (excluding KCB Bank Kenya) to the overall profitability was up to 27.9% from 16.4% as investments in regional businesses continue to pay off. Profit before tax from the Group businesses stood at KShs. 11.3 billion from KShs 7.1 billion in the previous year. The contribution to total assets improved to close the period at 32.2%.

Commentary: Group CEO Paul Russo

“We have had a rather difficult nine months due to a tough operating environment that has negatively affected our customers. Our performance was borne out of diligent implementation of our strategy, which saw us close the 16% gap in PBT from Quarter 2 performance. Our focus has been on speedy and sustainable resolution of our customers’ pain points and ringfencing the business to guarantee long-term growth. It is upon this premise that we continuously innovated and delivered products with leading value propositions, in line with our resolve on opening doors of opportunities for all,” said KCB Group CEO Paul Russo.

“With a solid and well diversified balance sheet, we are on track to meet our full year ambitions going by the improved performance in the third quarter, supported by resilient business segments and subsidiaries. We have been made great strides investing in modernizing both our hardware and application infrastructure to improve capacity and systems capability,” he added.

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Directors: Dr. J. K. Kinyua (Chairman); P. R. Russo; L. K. Kiambi; C. S. – National Treasury;
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Financial Highlights

- On the income side, **non-funded income** increased by 38.7% from KShs. 30.6 to KShs. 42.4 billion on enhanced investments in digital capabilities while funded income was up 21.6% to KShs. 74.9 billion from KShs. 61.6 billion on loans and Government securities growth which more than offset the growth in interest expense from increased cost of funding.
- On prudence in **credit management**, the Bank's **loan provisions** increased by 118.1% on additional cover taken up in Kenya impacted by depreciation of Kenya Shilling on foreign currency denominated loans.
- **Total Costs** closed at KShs. 60.8 billion during the period, mainly contributed by legacy legal claims at NBK, staff restructuring expenses and TMB consolidation.
- On the balance sheet side, KCB became the first Bank in the region to surpass the two trillion shillings mark in **asset size**, with assets worth **KShs. 2.1 trillion** as at the end of September.
- **Customer Deposits** increased by 79.6% to KShs. 1.7 trillion from KShs. 922.3 billion. **Net loans and advances** crossed the one trillion-shilling mark for the first time, with the loan book closing the period at KShs. 1.05 trillion, up from KShs. 758.8 billion on TMB consolidation and organic growth in existing markets.
- On **asset quality**, the ratio of non-performing loans (NPLs) improved to 16.4%, down from 18.2%, as the Group enhanced its efforts to improve asset quality. The stock of NPLs closed the period at KShs. 187 billion.
- **Shareholders'** funds were up by 19% to KShs. 226.1 billion from the increased profits for the period.
- **KCB Group capital buffers were within regulatory limits.** All banking subsidiaries except NBK were compliant with their respective regulatory capital requirements. The Group core capital as a proportion of total risk-weighted assets stood at 14.5% against the statutory minimum of 10.5% while the Total capital to risk-weighted assets ratio was at 17.8% against a regulatory minimum of 14.5%.

Outlook

Looking ahead, KCB Group Chairman Dr. Joseph Kinyua said: "This performance demonstrates the agility and strength of the financial institution which we have built over the years. We have deliberately continued to build strong governance and risk management frameworks to cushion the business against shocks and to guarantee shareholder returns. While we continue to operate in a tough operating environment, our subsidiaries have shown great resilience."

"For an outlook, we see the business sustaining the momentum. Inflation across the region is easing as domestic food price inflation falls on the back of improved agricultural production. We are optimistic that the various governments in the region will keep up with robust fiscal and monetary interventions to support sustained economic growth," he added.

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Latest Corporate Developments

- Earlier this month, the Group unveiled its commitment to its brand purpose - **For People. For Better** as it commemorated its 127th year of existence. The commitment was made via an ongoing brand campaign dubbed **Opening Doors of Opportunity**, speaking to the very core of who we are and what we stand for – a financial institution that is passionate about improving lives, creating positive change, and giving everyone one more reason to believe.
- As part of its Sustainability and ESG journey, KCB Group announced in September that it is scaling the 2Jiajiri programme, the youth empowerment and job creation programme in Kenya and extending it to the other markets where the Bank operates in. This will see the Foundation expand the programme in Tanzania, Uganda, Burundi, and Rwanda with entry planned for South Sudan and Democratic Republic of Congo. 2Jiajiri aims to create at least 1.5 million direct and indirect jobs while helping to set up 30,000 businesses over the next five years.
- KCB Bank Kenya and Swedish International Development Cooperation Agency (SIDA) have rolled out a Kshs. 1 Billion guarantee scheme that will go towards de-risking SMEs in their efforts to access credit and support their growth ambitions. The 7-year guarantee facility will enable the bank to strengthen its commitment to financing Small and Medium-Sized Enterprises (SMEs) which continue to experience challenges, especially with access to affordable credit. The support will see refugees and asylum seekers receive up to 80% guarantee while the rest of the SMEs will be guaranteed up to a rate of 50%. Some of the target SMEs are those within the agricultural sector as well as those owned by women and youth.
- In October KCB Bank Kenya partnered with global payments technology company, Mastercard, to roll out the World Elite Exclusive Credit Card that will offer premium and private banking customers a range of market-exclusive benefits, privileges, and experiences. This collaboration marks a significant milestone for the Bank as it is another strong step in building a world-class offering for its high net-worth customers. **<Ends>**

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

About KCB Group PLC

KCB Group Plc is East Africa's largest commercial Bank and 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 the Democratic Republic of Congo. Our subsidiaries KCB Bank Kenya and Trust Merchant Bank (TMB) also have representative offices in Ethiopia and Brussels respectively. Additionally, KCB Group owns KCB Bancassurance Intermediary Limited, KCB Investment Bank, KCB Asset Management, KCB Foundation and Kencom House Limited as non-banking businesses. Today KCB has the largest branch network in the region with 598 branches, 1,318 ATMs and over 33,393 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 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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