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# KCB Group Plc Posts KShs.6.4B in Q1 2021 Net Earnings.

*2% profit rise driven by lower costs and increase in the net interest income.*

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KCB Group Plc. shook off the effects of the ongoing COVID-19 pandemic to post a net profit of KShs.6.4 billion in the first quarter of 2021 ending March.

The 2% increase in profitability from KShs.6.3billion a year earlier was on the back of cost saving initiatives and increase in net interest income.

## Commentary- Group CEO & MD Joshua Oigara.

"The economic environment marginally improved in the quarter although the uncertainties from the pandemic remain a big risk to the outlook. Focus was on conserving cash, supporting customers navigate the crisis and implementing our strategic focus areas which are anchored on digital banking and excellence in customer experience," said Mr. Oigara.

"Revenues have remained flat with the costs declining marginally. Overall performance was largely impacted by lower non-interest income due to subdued digital lending on reduced disbursements and lower customer transactions" added Mr. Oigara.

## Key Financial Highlights.

| Performance Matrix | Q1 2020 | Q1 2021 |
|---|---|---|
| Profitability | KShs.6.3 | KShs.6.4 |
| Total Assets | KShs. 947B | KShs. 978B |
| Customer Deposits | KShs.740B | KShs.749B |
| Net Loans | KShs.553.9B | KShs.597.1B |
| Cost of Funds | 2.7% | 2.6% |
| % of NPLs | 11.1% | 14.8% |

## Income Growth

Net interest income grew by 11% to close the quarter at KShs.16.7 billion driven by a rise in interest earning assets and effective management of cost of funding during the period. This growth was offset by a 20% decline in non-funded income due to slowdown in the digital lending and service fees waivers in Kenya to cushion customers from the pandemic. As a result, total income stood at KShs. 23 billion.

Cost Management, Loan Provisions & Asset Quality

The Group continued to enforce cost management initiatives, ring-fencing the business from the impact of the healthcare crisis. Operating costs remained flat from the previous year, closing at KShs. 11.1 billion.

The cost of risk went down slightly although loan provision remained at KShs. 2.86 billion in the quarter due to an increase in loan balances. The stock of Non-performing loans (NPLs) rose to KShs.98 billion up from KShs. 66.2 billion in 2020 while NPL ratio rose to 14.8% from 11.1% last year mainly on the back of COVID-19 related downgrades.

Balance Sheet Growth

The balance sheet stood at KShs.977.5 billion in the quarter, up from KShs.947.1 billion the previous year.

Customer loans were up 7.8% to KShs.597.1 billion on account of additional lending during the period while customer deposits increased marginally by 1.2% to KShs.749 billion.

Shareholders' equity grew 8.8% from KShs. 135.5 billion to KShs. 147.5 billion on improved profit for the period.

Capital and Dividend Proposal

The Group's capital headroom remained strong with its ratios well above the minimum regulatory requirement. The total capital for the Group stood at KShs 172.6 billion, representing a total capital to risk-weighted assets ratio of 21.8% against a regulatory minimum of 14.5%. The Group's core capital as a proportion of total risk weighted assets closed the period at 18.2% against the Central Bank of Kenya statutory minimum of 10.5%. The Group injected US$30 million in additional debt capital to NBK in April 2021 to enhance the subsidiary's capital buffers.

KCB Group will hold its 50th Annual General Meeting (AGM) on 27 May 2021 where the Group Board shall seek shareholder approval for the first and final dividend of KShs 1.00 per share which if approved, shall be paid on or before 26 June 2021, net of withholding tax to the shareholders that were on the register of Members at the close of business on 26 April 2021.

<u>Outlook</u>

“Quarter two of the year started with a month-long lockdown in Kenya, a reminder that the pandemic is not over yet. We however expect to see a recovery in the last two months of the quarter with an increased in uptake on our mobile platform – VOOMA and a strong balance sheet growth,” said Mr. Oigara.

The Group is pursuing new opportunities to strengthen its international businesses, having initiated the planned acquisition of Banque Populaire du Rwanda PLC (BPR) and the African Banking Corporation Tanzania Limited (BancABC Tanzania). The AGM will contain, as part of the agenda, the request to the shareholders for the acquisition of up to 100% of the issued share capital of BPR and BancABC. This transaction—which, upon approval, will be completed this year— will bolster our market share in these two key countries and grow the contribution of international businesses to the Group.

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

**<u>About KCB Group PLC</u>**

*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 National Bank of Kenya, a Kenyan lender. Today KCB Group Plc has the largest branch network in the region with 355 branches, 1,104 ATMs and over 23,460 merchants and agents offering banking services on a 24/7 basis in East Africa. Additionally, KCB Group owns KCB Insurance Agency, KCB Capital Limited, KCB Foundation and Kencom House Limited as non-banking businesses. 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.*