

Q1 2022

# INVESTOR PRESENTATION



KCB

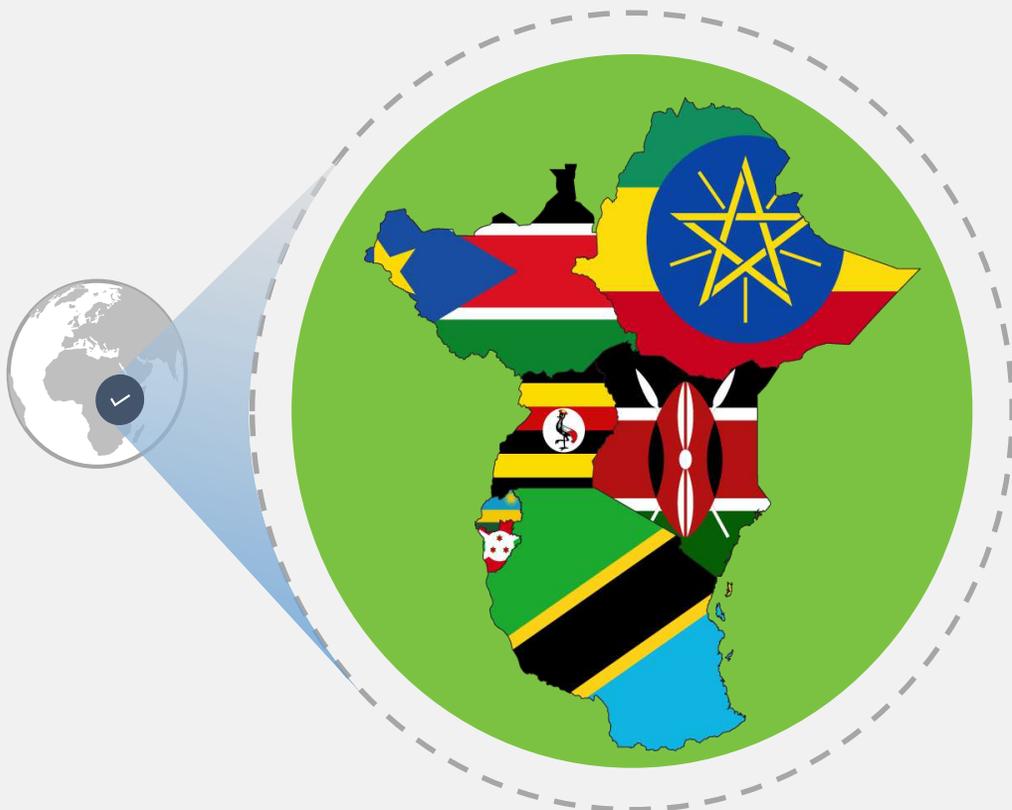
25 MAY 2022



# GROUP OVERVIEW



# LARGEST FOOTPRINT IN THE REGION



**29.6 M**

**Customers**

**8,768 Staff**



**496**

**Branches**

**1,176 ATMs**

**26,167 Agents & POS / Merchants**

## Kenya\*

Branches **299**

ATMs **523**

▲ Agents **15,570**

▲ Staff **6,760**

## Tanzania

Branches **14**

ATMs **15**

Agents **233**

Staff **296**

## South Sudan

Branches **14**

ATMs **4**

Agents **48**

Staff **150**

## Rwanda

Branches **150**

ATMs **77**

Agents **824**

Staff **1,149**

## Uganda

Branches **13**

ATMs **16**

Agents **431**

Staff **272**

## Burundi

Branches **6**

ATMs **8**

Agents **202**

Staff **140**

## Ethiopia Rep

Office

**1 Staff**

\*KCB Bank Kenya, NBK, KCB Bancassurance Intermediary, KCB Capital and KCB Foundation

# HIGH LEVEL ORGANISATION STRUCTURE



Shareholders

Accountable to shareholders

Board of Directors  
11 Directors  
9 Non-executive and 2 Executive

Delegated authority  
Accountable to the Board

Board Committees

- Audit and Risk
- Human Resources and Governance
- Nomination
- Strategy and IT
- Oversight

Group Chief Executive Officer and Managing Director

Reporting to the Board  
Executing delegated powers

Executive Committee

Group delegation of authority

Group delegation of authority

- General Management Committee
- Assets & Liabilities Management Committee
- Group Operational Risk & Compliance Committee
- Management Credit Risk Committee

## 3 Year Strategy Vision

The very best in customer experience, driving a digital future

## Our Aspirations

CES 20%  
NPS 55  
Total assets 1.5 Tr  
CIR 44.0%  
NFI 33.0%  
PBT from subsidiaries 19.7%

## Our Strategic Thrusts

Customer first, with leading value propositions

Step change in efficiency & productivity

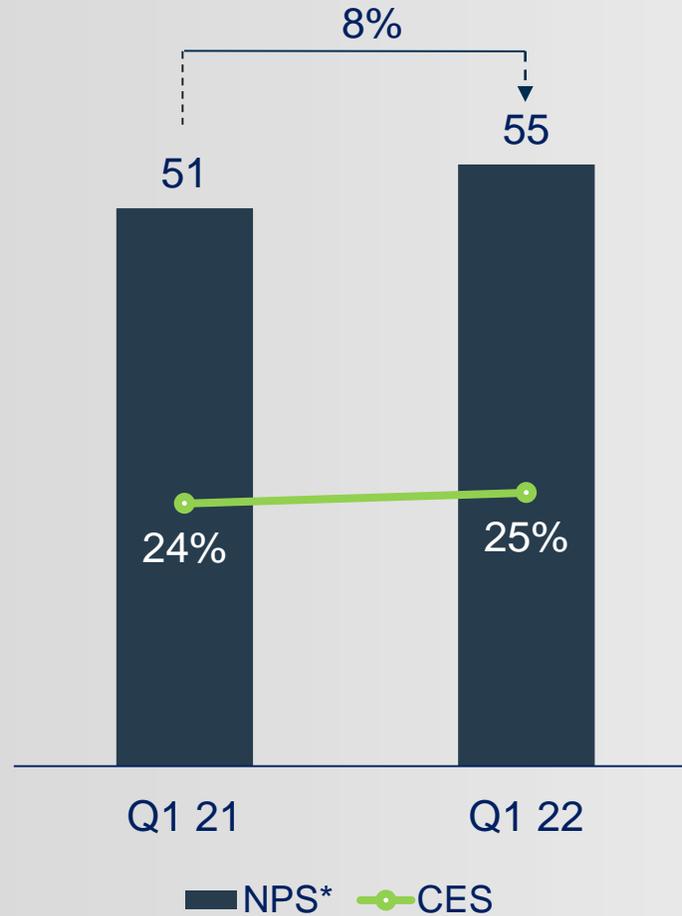
Digital leader & digital to the core

Scale to achieve regional relevance

Steady improvement in customer satisfaction driven by the reliability and convenience offered by our self serve channels.

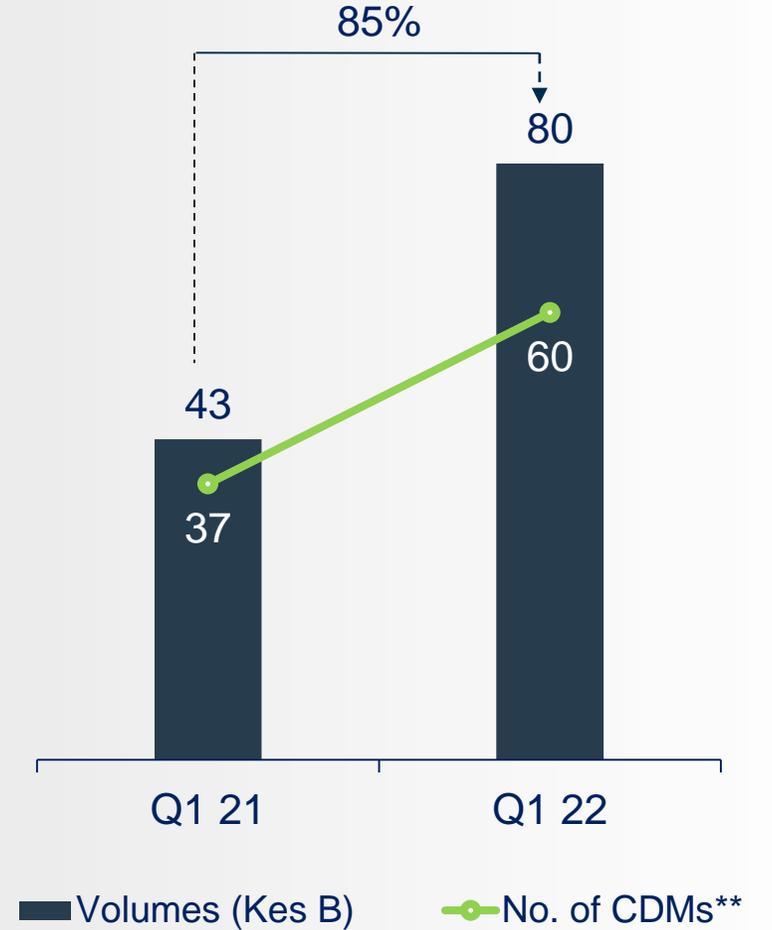
**75%**  
of value of ATM transactions are cash deposits, up from 26% in Q1 2021

Customer Satisfaction Scores



\* Industry average at 33 as at Q4 2021

ATM Deposits

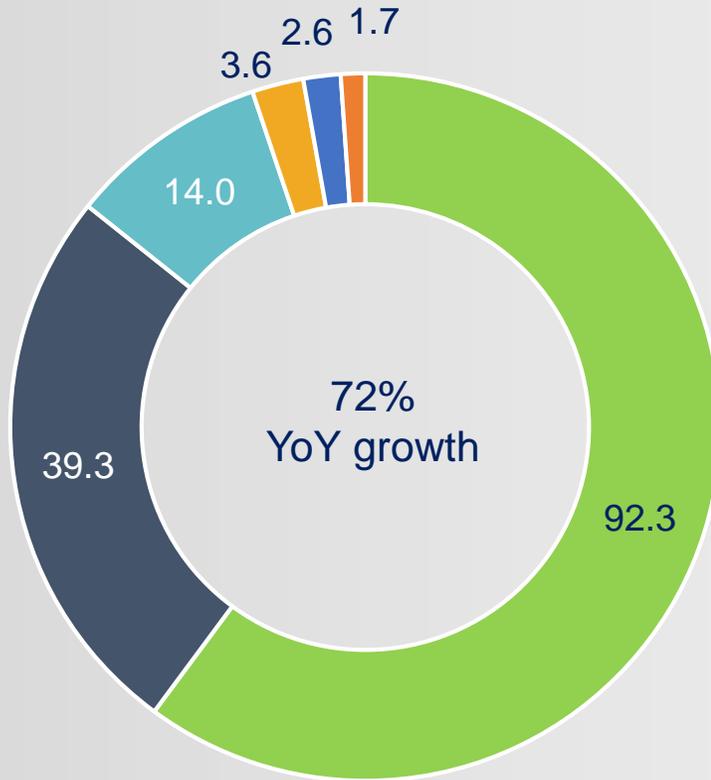


\*\*Cash deposit machines

**98%**  
of transactions by number conducted through non-branch channels

**70%**  
YoY increase in number of total transactions to 156M driven by resumption of economic activities

Number of non-branch channel transactions in Q1 2022 (Million)



	YoY growth
Mobile Lending	91%
Mobi Service	14%
Agency	2%
Merchant POS	33%
ATMs	(2%)
Internet Banking	63%

**52%**  
of transactions by value conducted through non-branch channels.

Value of branch transactions grew 16% to Kes 1.1 Tr

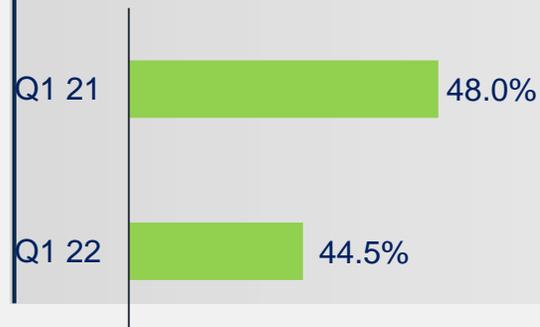
Value transacted through digital channels (Kes B)



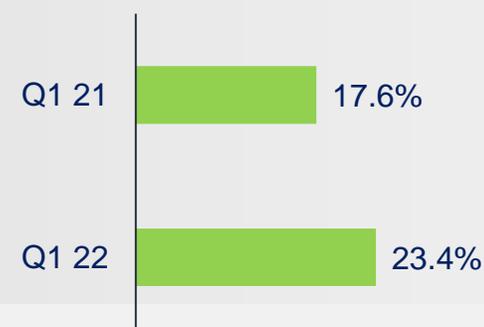
**YoY growth**

Mobi Service	(5%)
Internet banking	54%
Agency	(7%)
ATMs	(34%)
Merchants POS	45%

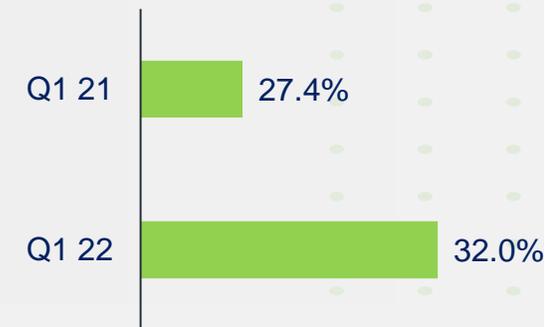
Cost to income ratio



Return on equity



Non funded income



**Kes 2.7B**  
 Total revenue from digital channels, up 65% YoY driven by mobile lending and agency.

Decline in mobi service driven by fee waivers on transfers from bank to mobile wallets

Digital channels revenue (Kes M)



	YoY growth
Mobile Lending	84%
Merchant POS	36%
Agency	76%
Internet Banking	32%
ATMs	3%
Mobi Service	(16%)

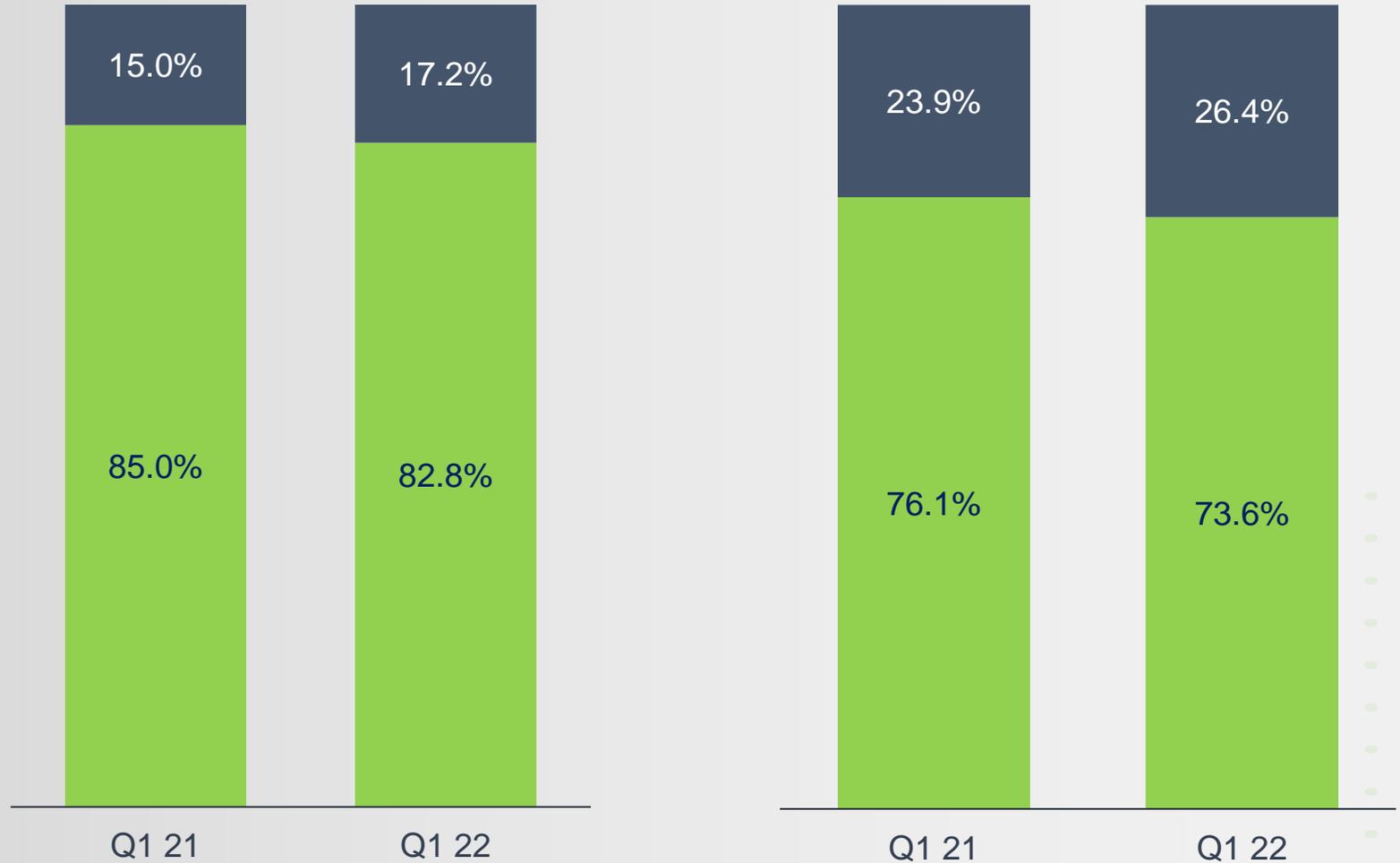


**77%**  
Growth of PBT from subsidiaries outside KCB Bank Kenya to Kes 2.4B in Q1 2022

Contribution of subsidiaries outside KCB Bank Kenya

Profit before tax

Total assets



■ KCB Bank Kenya ■ Other Subsidiaries





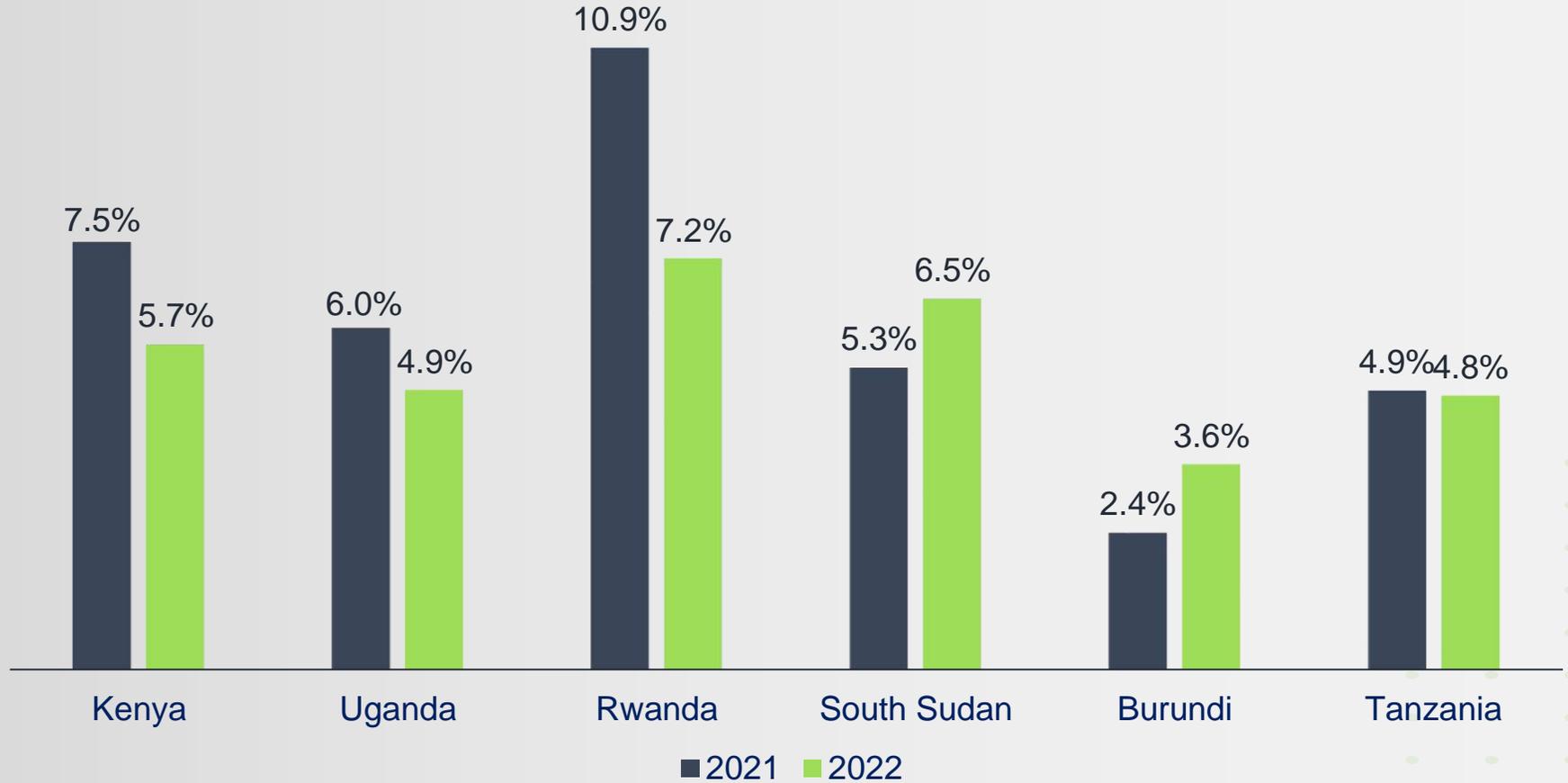
# OPERATING ENVIRONMENT HIGHLIGHTS



## 7.5%

Expansion in Kenya's GDP in 2021, compared to a contraction of 0.3% in 2020.

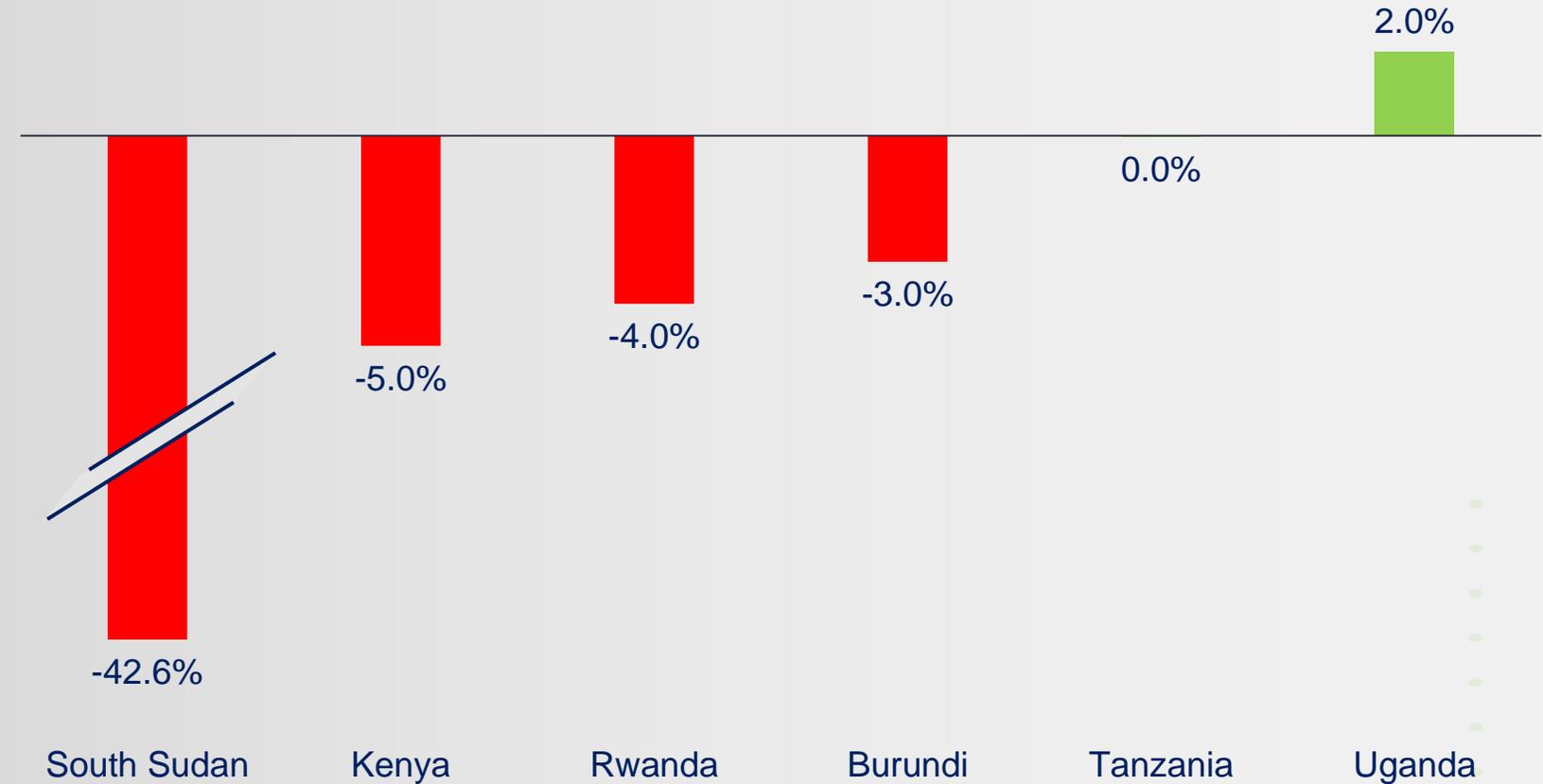
### Projected GDP Growth Rates



# REGIONAL CURRENCIES PERFORMANCE



Performance of regional currencies against USD in Q1 22 vs Q1 21



## KENYA



Diaspora remittances up 22% to USD 3.9B In the 12 months to March 2022

## UGANDA



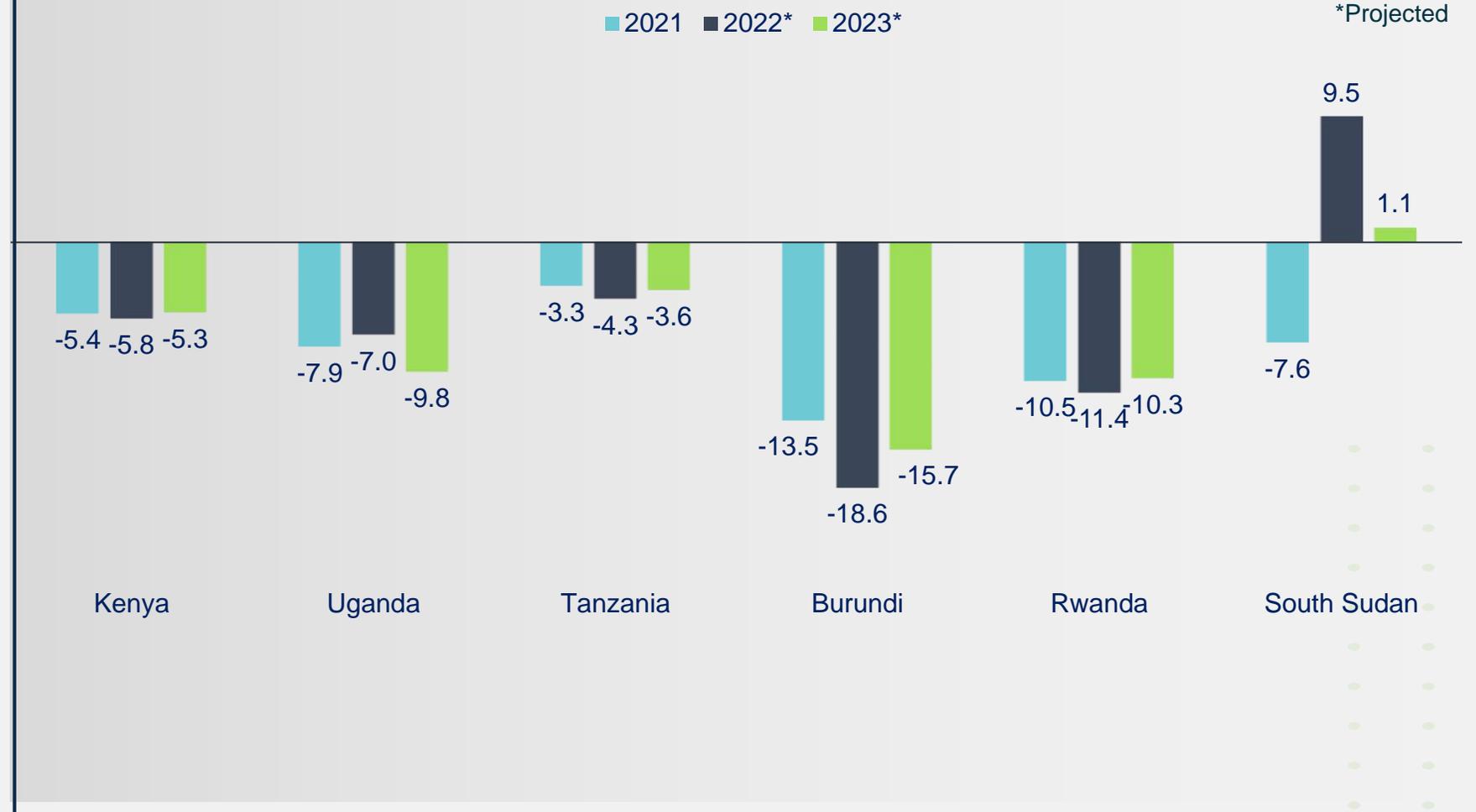
Shilling supported by lower import bill and strong FX inflows

Regional currencies impacted by the strengthening of the USD against most global currencies due to improvement in the US economy, monetary policy stance and slowing global growth

## Current account balance as a percentage of GDP

Projected widening of current account deficits across the region in 2022 driven by higher international oil prices

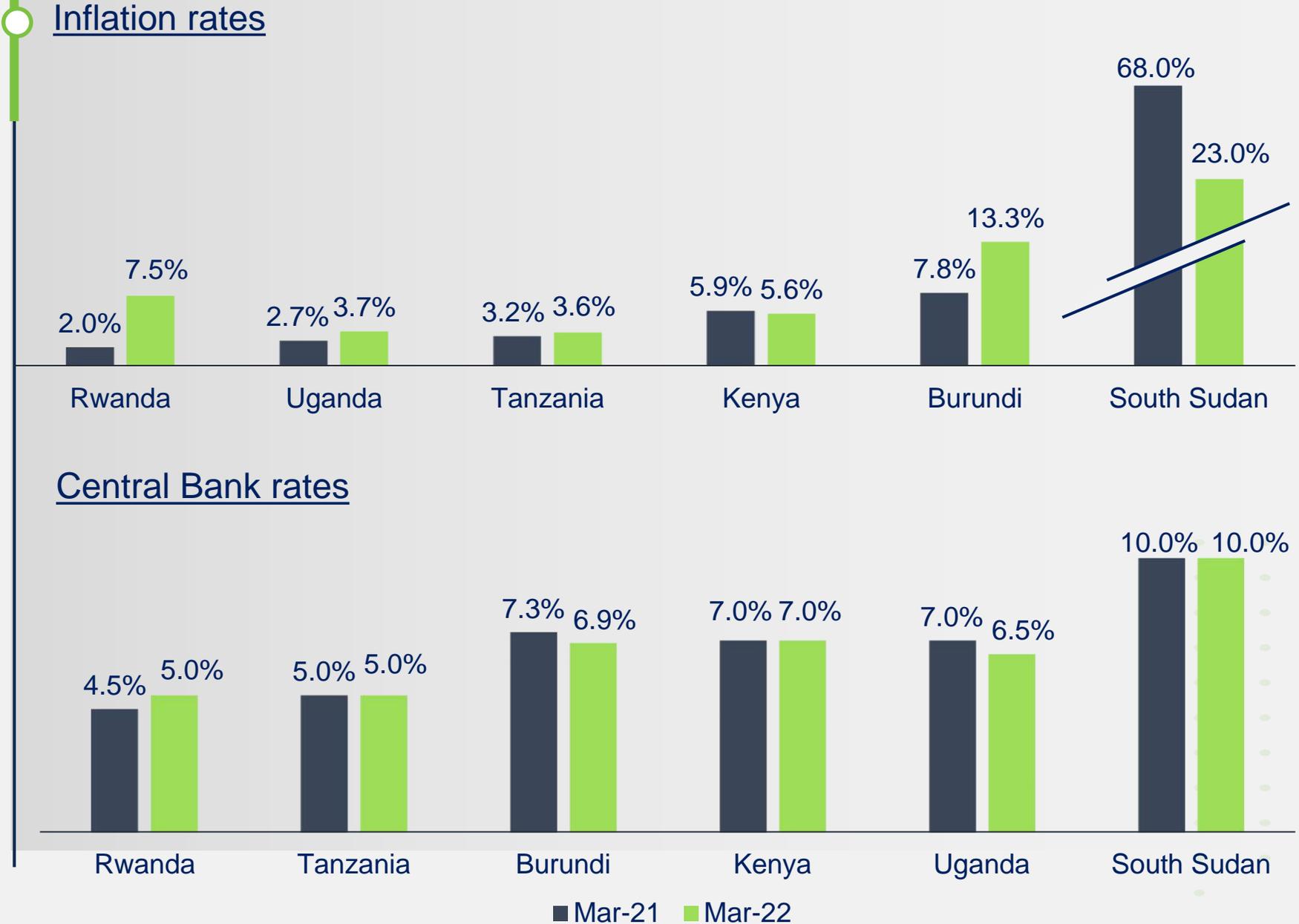
Kenya's usable foreign exchange reserves provided an import cover of 4.80 months at the end of Q1 2022



# INFLATION AND BENCHMARK RATES MOVEMENT



Monitoring of inflationary pressure in 2022 across the region as a result of rise in prices of oil and other imported goods due to disruption in global supply chains and depreciation of local currencies against the US dollar



## OUR APPROACH TO SUSTAINABILITY IS GUIDED BY THE FOLLOWING SDGs

**Responsible Consumption and Production**



**Climate Action**



**Peace and Justice Strong Institutions**



**Partnerships to achieve the Goal**



**No Poverty**



**Decent Work and Economic Growth**



**Industry, Innovation and Infrastructure**



**Reduced Inequality**



**Sustainable Cities and Communities**



KCB Group is committed to creating long term value for shared prosperity through alignment of our strategy to sustainable practices. As we deepen our presence across the region, we seek to address the environmental, social and governance (ESG) risks and effects of our operations in a manner consistent with our values.

## KEY FOCUS AREAS IN 2022



Increase the proportion of Green loans to **12.4%** in 2022, up from **8.4%** in 2021.



Advance the NetZero ambitions and Sustainable Development Goals implementation.



Train all staff on sustainability to help demystify and ensure mitigation of climate risks.

## Supporting our Communities through shared value



**Kes 11.2B** distributed to the elderly, orphans and vulnerable under the *Inua Jamii* programme in 2021



KCB Scholarship programme expanded to include university students. **49** scholarships availed in 2021.



**4,384** young persons trained under the 2Jijiri programme leading to creation of **8,436 jobs**

## Partnerships



## Embracing diversity at the workplace



**46%** of all employees and **42%** of managers are women



**27%** composition of women on the Group Board, up from 18% in 2020.



**250** women trained under the Women in Leadership Network

Decent Work and Economic Growth



No Poverty



Reduced Inequality



Partnerships to achieve the Goal





**KCB BANK KENYA**

Credit ratings at par with the sovereign rating and affirmed in October 2021

	2020	2021	2022
<b>Rating</b>	B2	B2	B2
<b>Outlook</b>	Negative	Negative	Negative

**Credit rating affirmed KCB's:**

- Solid profitability metrics
- Stable deposit-based funding structure, and;
- Strong capital buffers



## The Banker Magazine Top 1,000 Banks

### KCB ranked 685<sup>th</sup> Globally, 20<sup>th</sup> in Africa, 1<sup>st</sup> in Eastern Africa in 2021



- Best Retail Bank in Kenya by Global Finance magazine
- Most Valuable Banking Brand Kenya 2022 by Brand Finance
- Best Sustainable Bank 2022 by The International Business Magazine
- Top 100 Most Loved Brands by Women in Kenya by Ipsos



**KCB**

# **FINANCIAL PERFORMANCE**

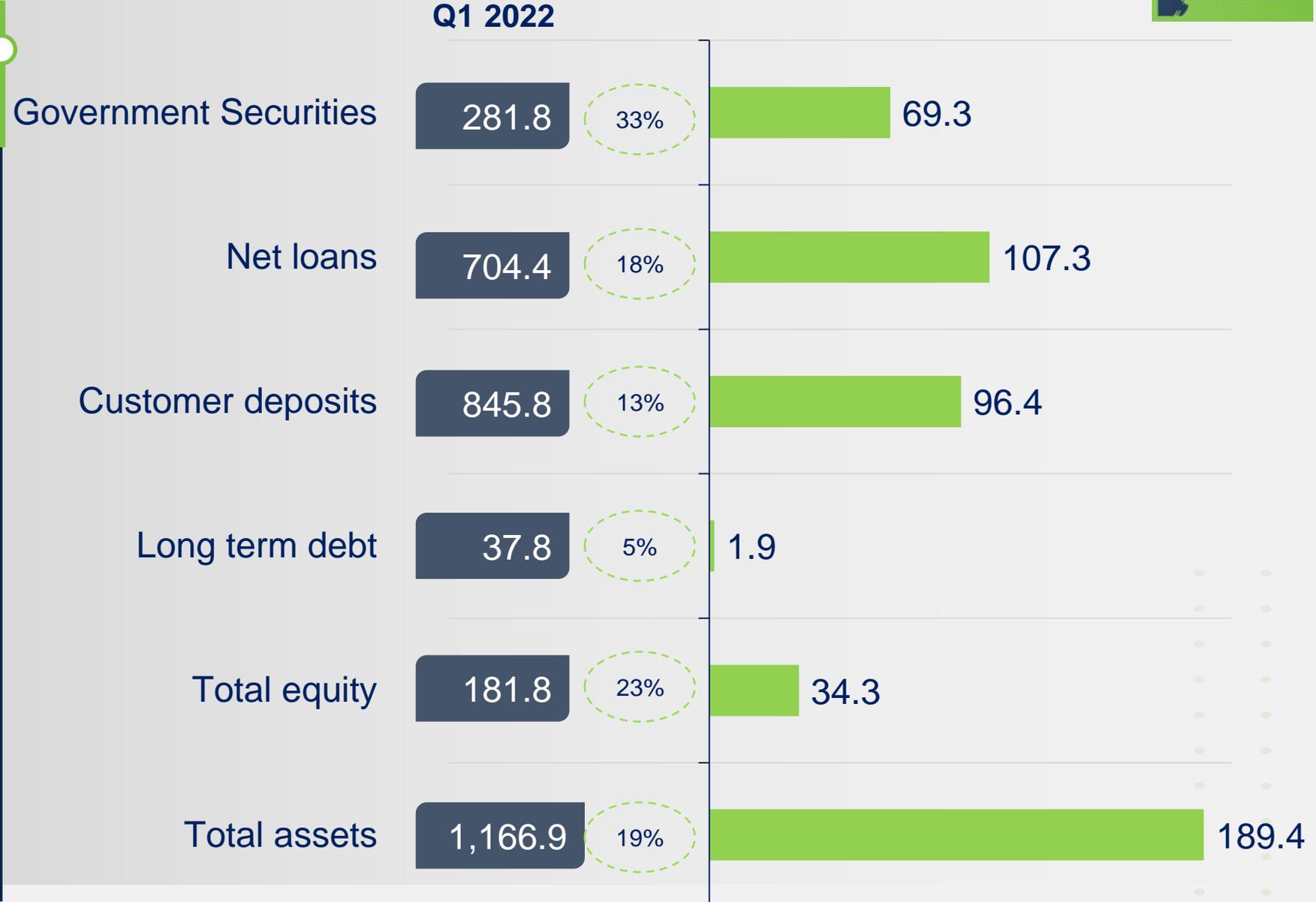


# SUBSTANTIAL BALANCE SHEET GROWTH



**↑ 19%**  
Growth in balance sheet size to Kes 1.17 trillion

**↑ 18%**  
Loan book growth driven by improved corporate and retail lending in Kenya and consolidation of BPR



Amounts in Kes B

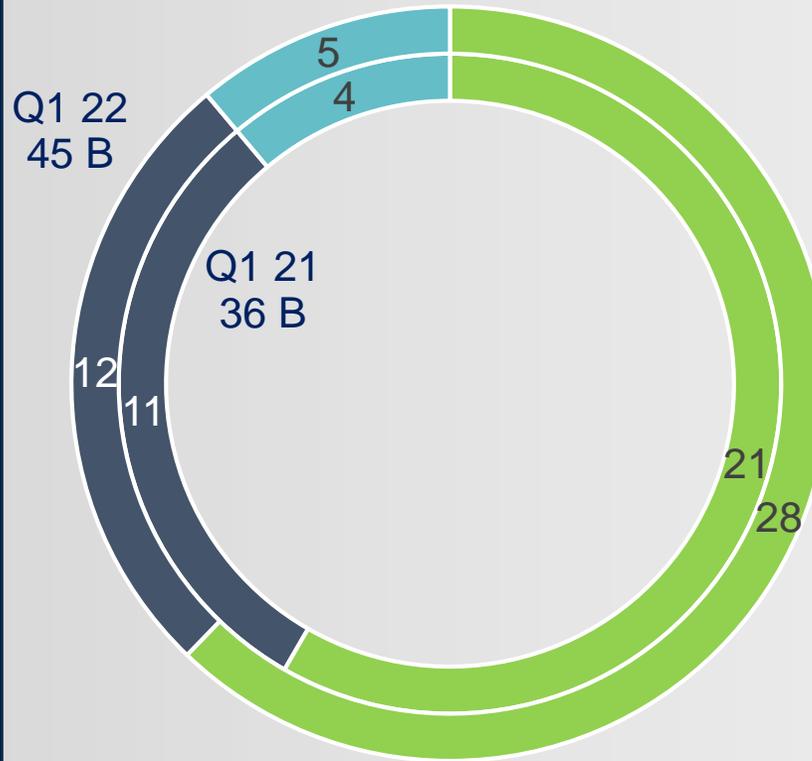
■ Growth    ○ YoY growth



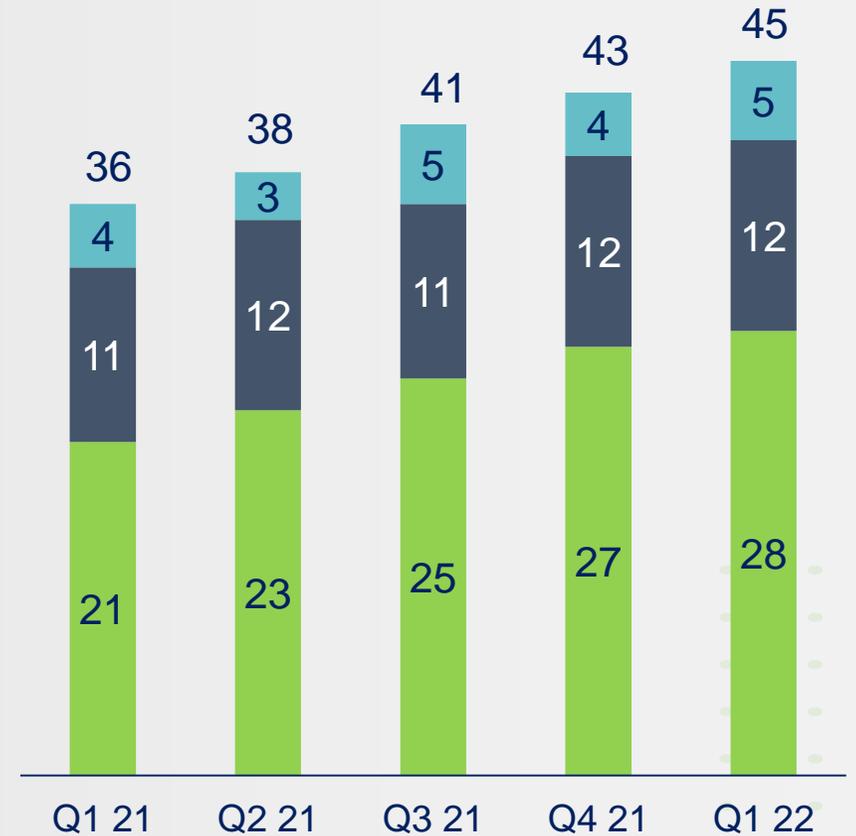
**Kes 45 B**

Value of mobile loans advanced in Q1 2022. Increase driven by limit enhancements for qualifying customers

Mobile loan product split



Sustained recovery in mobile lending



■ Fuliza ■ KCB MPESA ■ Vooma loan

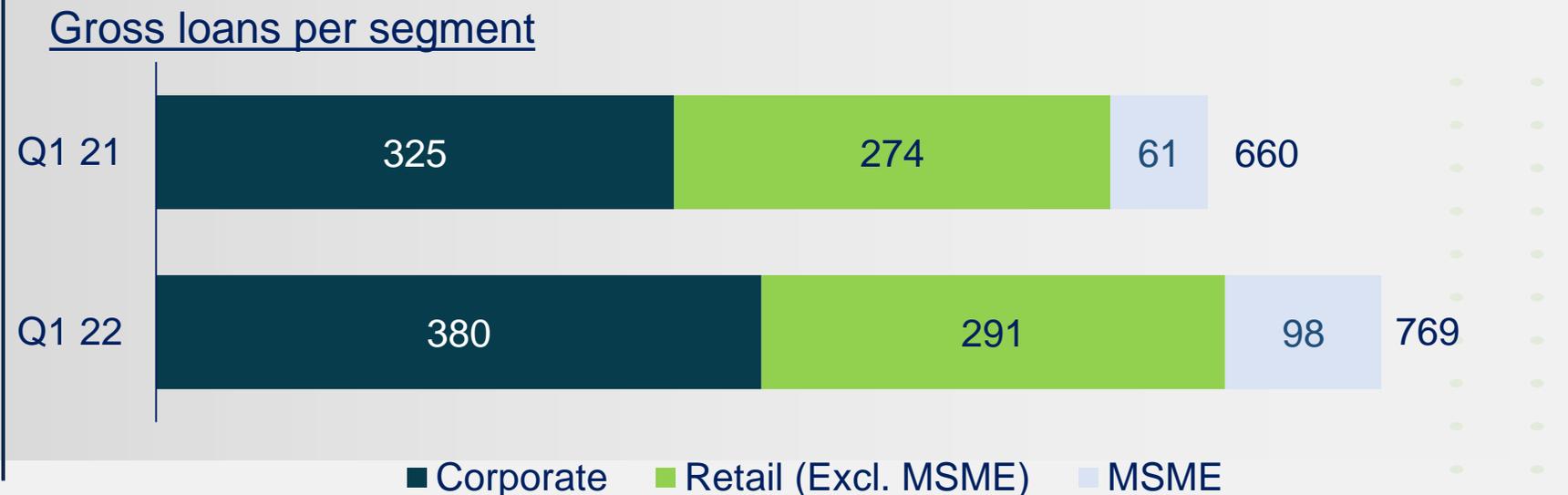
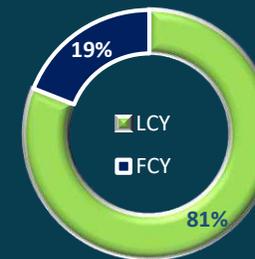
Amounts in Kes B

# DOUBLE DIGIT LOAN BOOK GROWTH



**16%**

Growth in gross loans driven by personal, trade, transport and communication and real estate sectors.

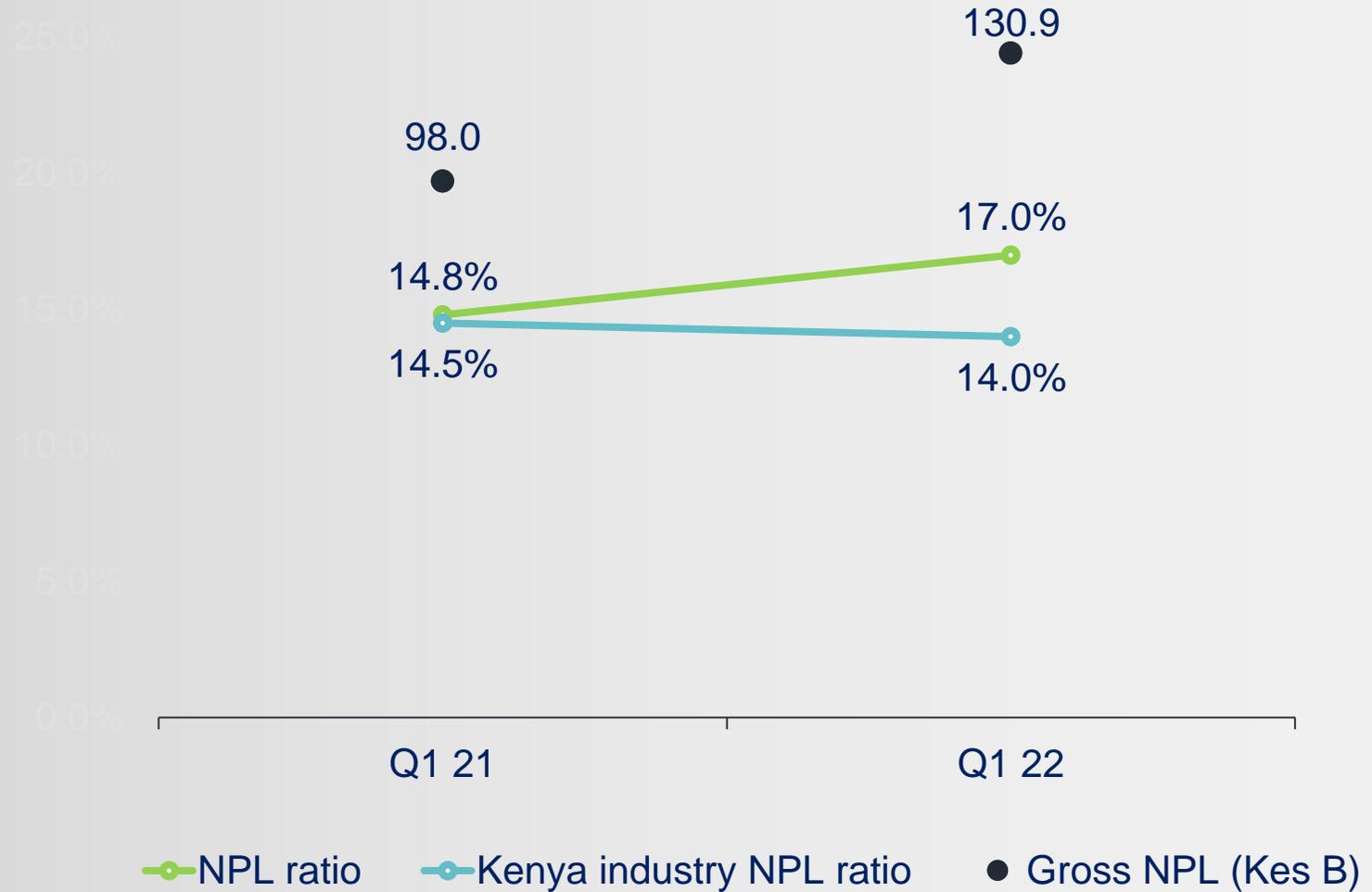


Amounts in Kes B

**17.0%**

Group NPL ratio up 50 bps in Q1 2022 driven by the manufacturing, building and construction, and hospitality sectors

NPL evolution

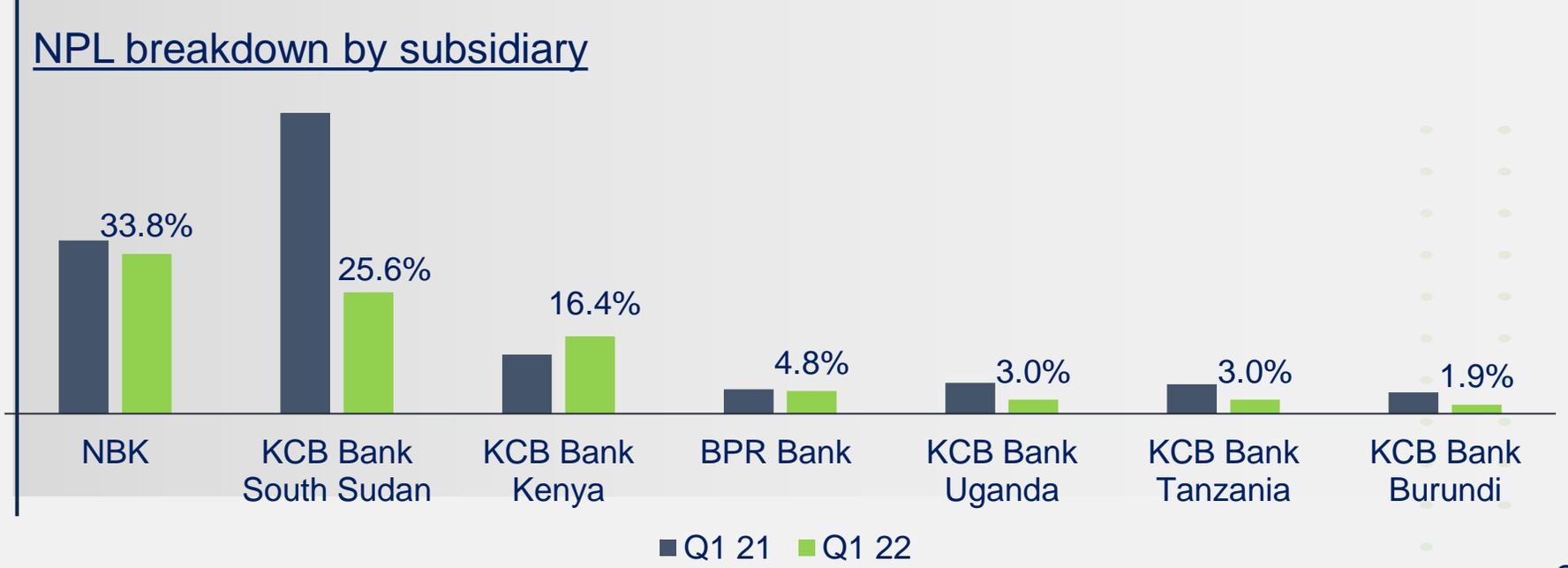
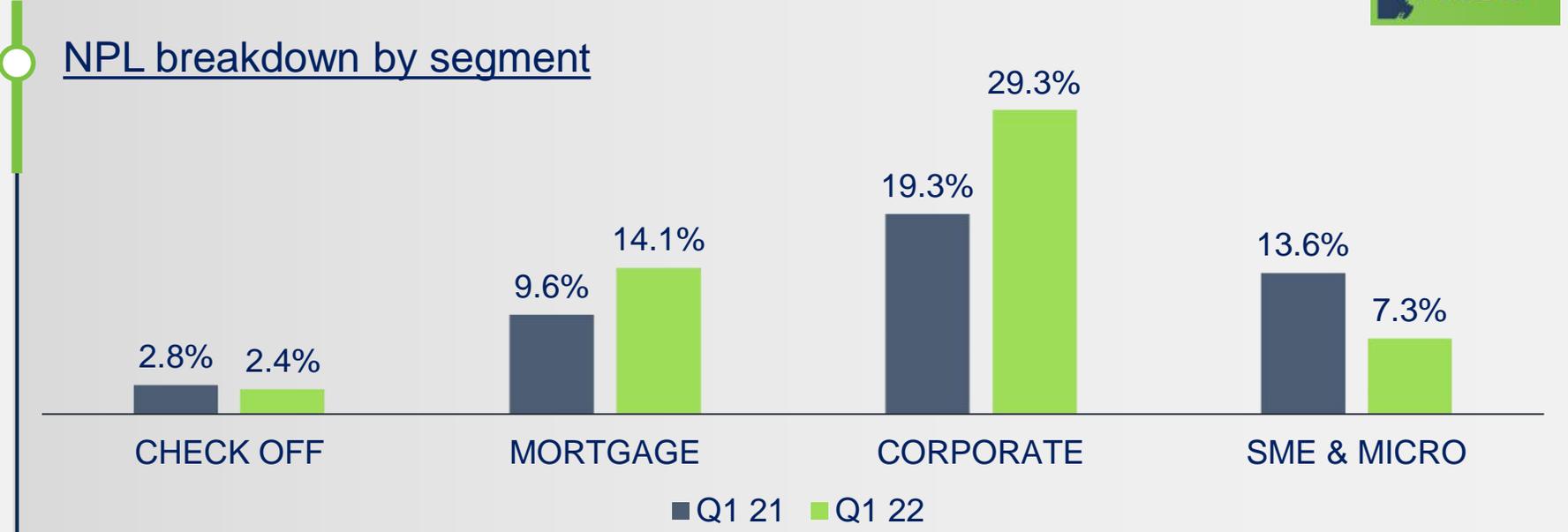


# DISTRIBUTION OF THE NON-PERFORMING BOOK



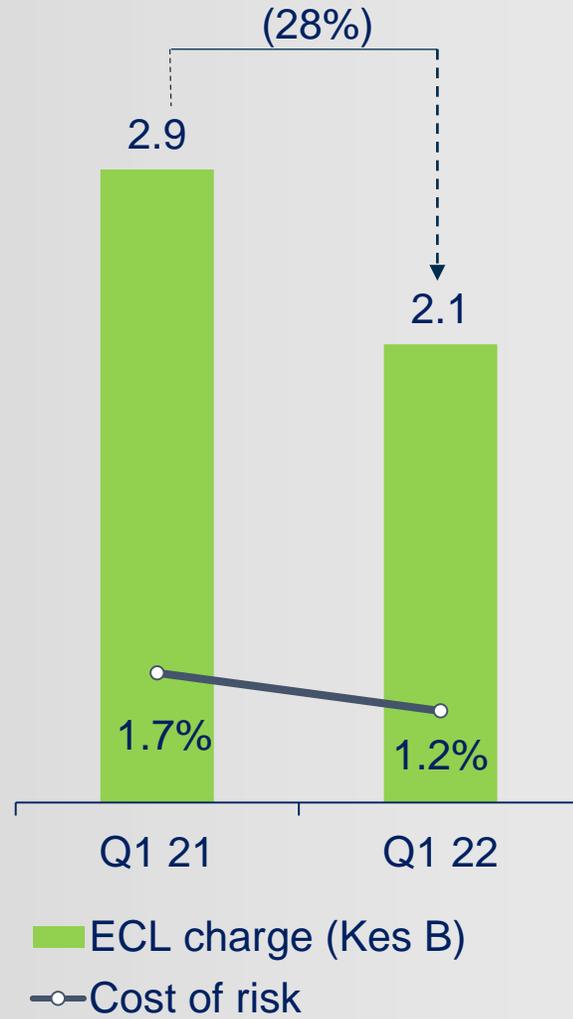
**16.4%**  
KCB Bank Kenya NPL ratio in March 2022 up from 15.9% in December 2021

**14.0%**  
Kenya industry NPL ratio in February 2022 up from 13.1% in December 2021

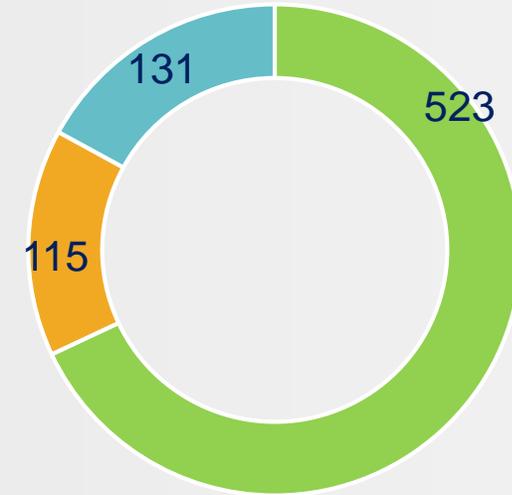


Cost of risk improvement driven by reduced provisions in corporate and digital loans

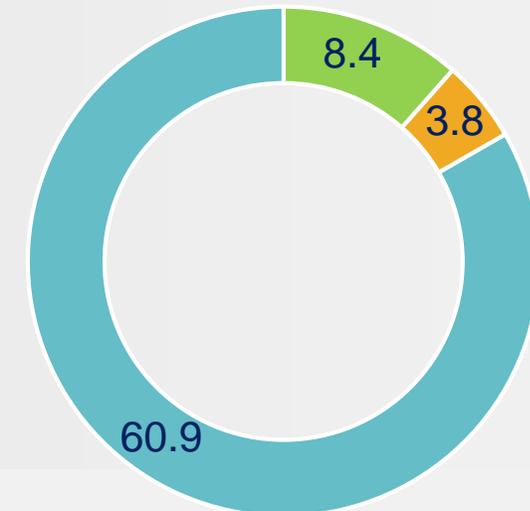
### Cost of risk vs ECL charge



### Gross loans staging



### IFRS provisions staging



- Stage 1
- Stage 2
- Stage 3

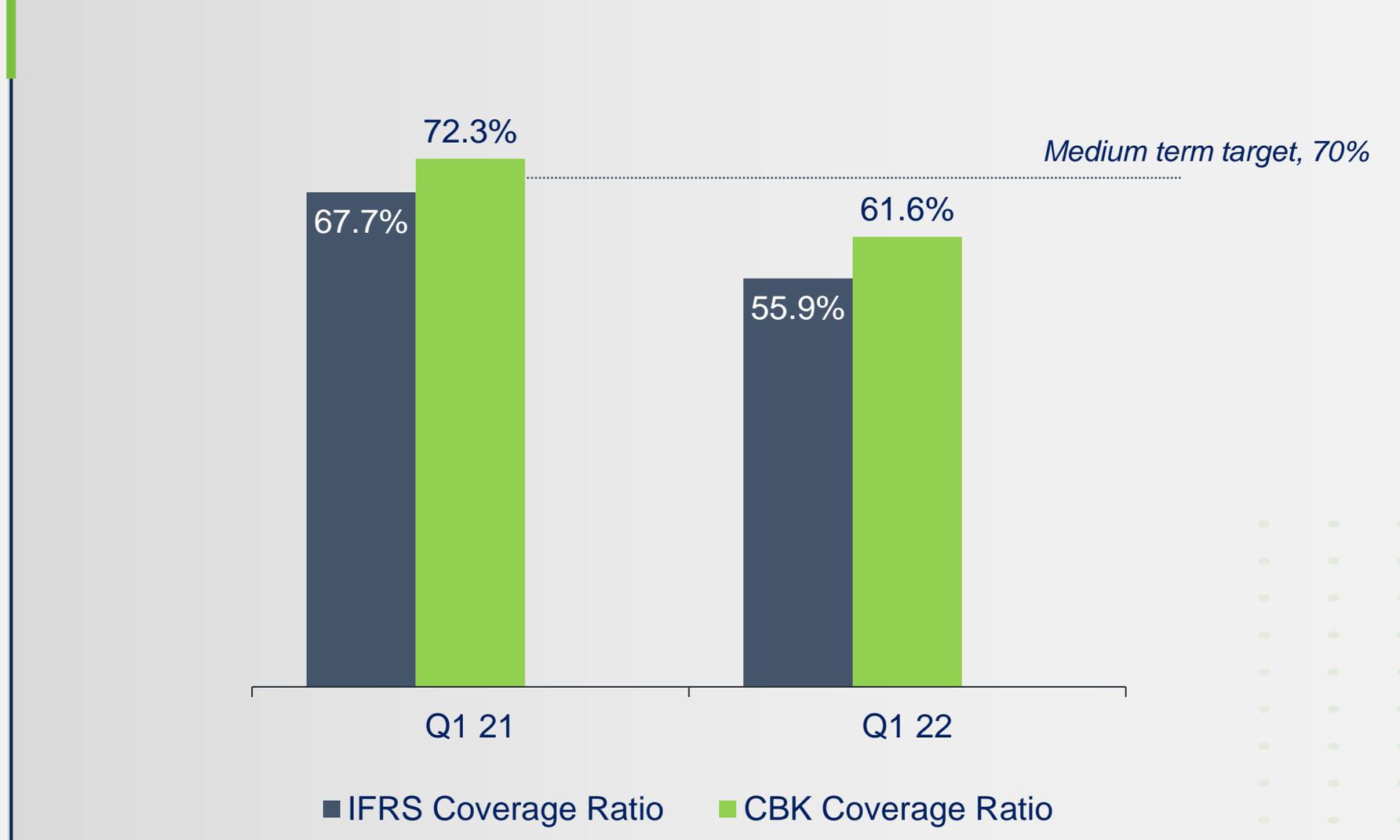
Amounts in Kes B

# COVERAGE RATIO EVOLUTION



**61.6%**  
Regulatory coverage ratio impacted by growth in the non-performing book

Coverage ratios



# DIVERSIFIED DEPOSIT PORTFOLIO



**13%**  
 Growth in customer deposits due to organic growth of Kes 66B and M&A of Kes 30B

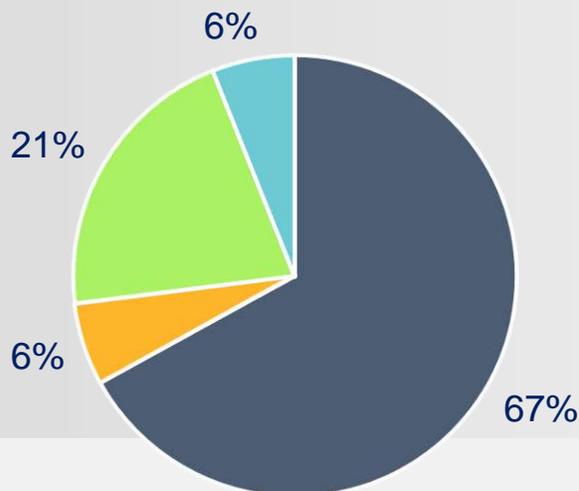
Deposit growth (Kes B)



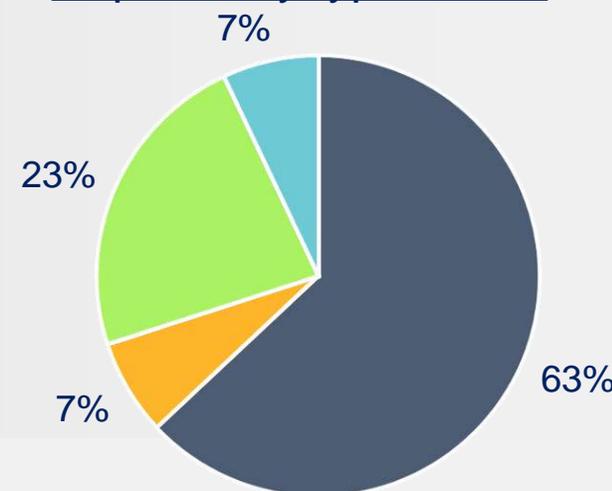
Deposit mix



Deposits by type Q1 21



Deposits by type Q1 22



Currency Mix



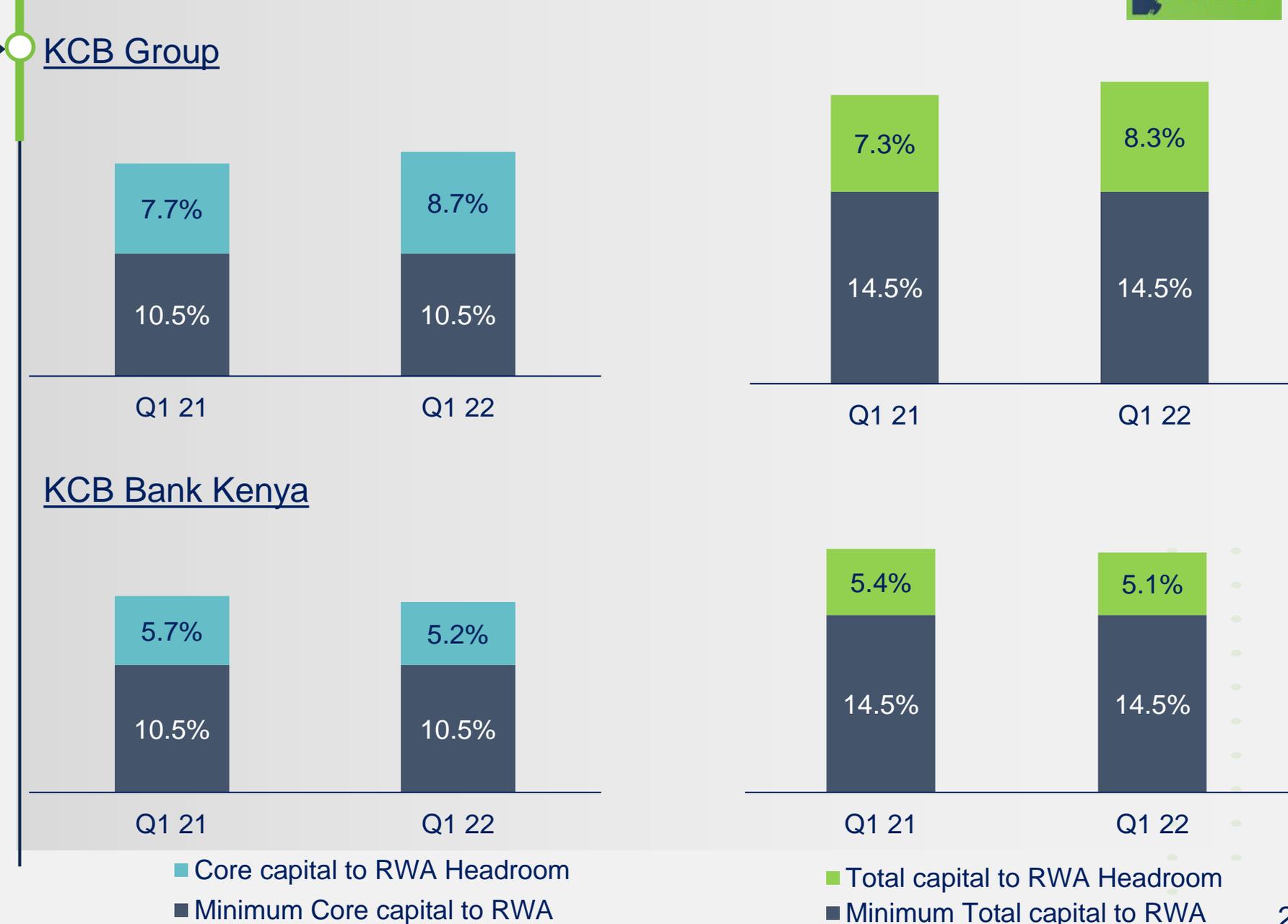
Demand Savings Term Call

# SIGNIFICANT CAPITAL HEADROOM



All Group subsidiaries excluding KCB Uganda above minimum core capital ratios.

NBK below total capital requirement by 80bps, improved by 100bps in Q1. Loan recoveries and retained earnings to bridge shortfall in 2022.



# STRONG GROWTH IN GROUP PROFITABILITY



**54%**

Growth in PBT driven by increased income from loans and investments in government securities, foreign exchange and a decline in the provisions charge

Q1 22

Interest from customer loans	18.8	19%	3.0
Interest from govt securities	7.7	28%	1.7
Interest expense	6.9	31%	1.6
Lending fees	2.6	73%	1.1
Service fees	3.3	35%	0.8
Forex income	1.7	46%	0.5
Provisions	2.1	(0.8)	(27%)
Operating expenses	12.9	17%	1.9
Profit before tax	14.0	54%	4.9

Amounts in Kes B

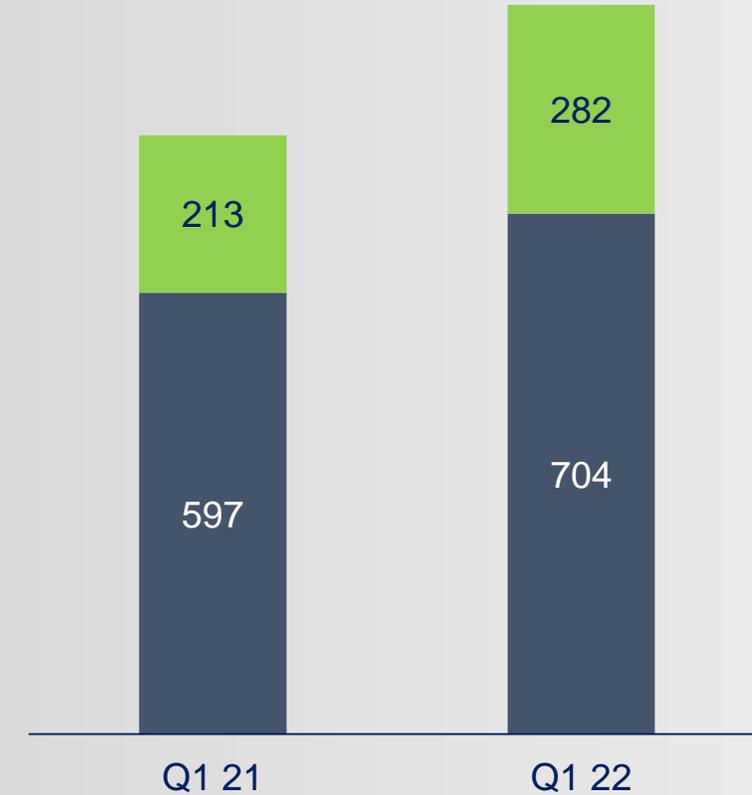
■ ■ Q1 22 vs Q1 21   
       YoY movement

# STEADY GROWTH IN INTEREST EARNING ASSETS



Net interest income up 18% to Kes 19.7 B driven by increase in earning assets and interest write-backs on restructured facilities.

### Loans and Govt. securities (Kes B)



■ Government securities ■ Loans and advances

### Yields vs Cost of funds



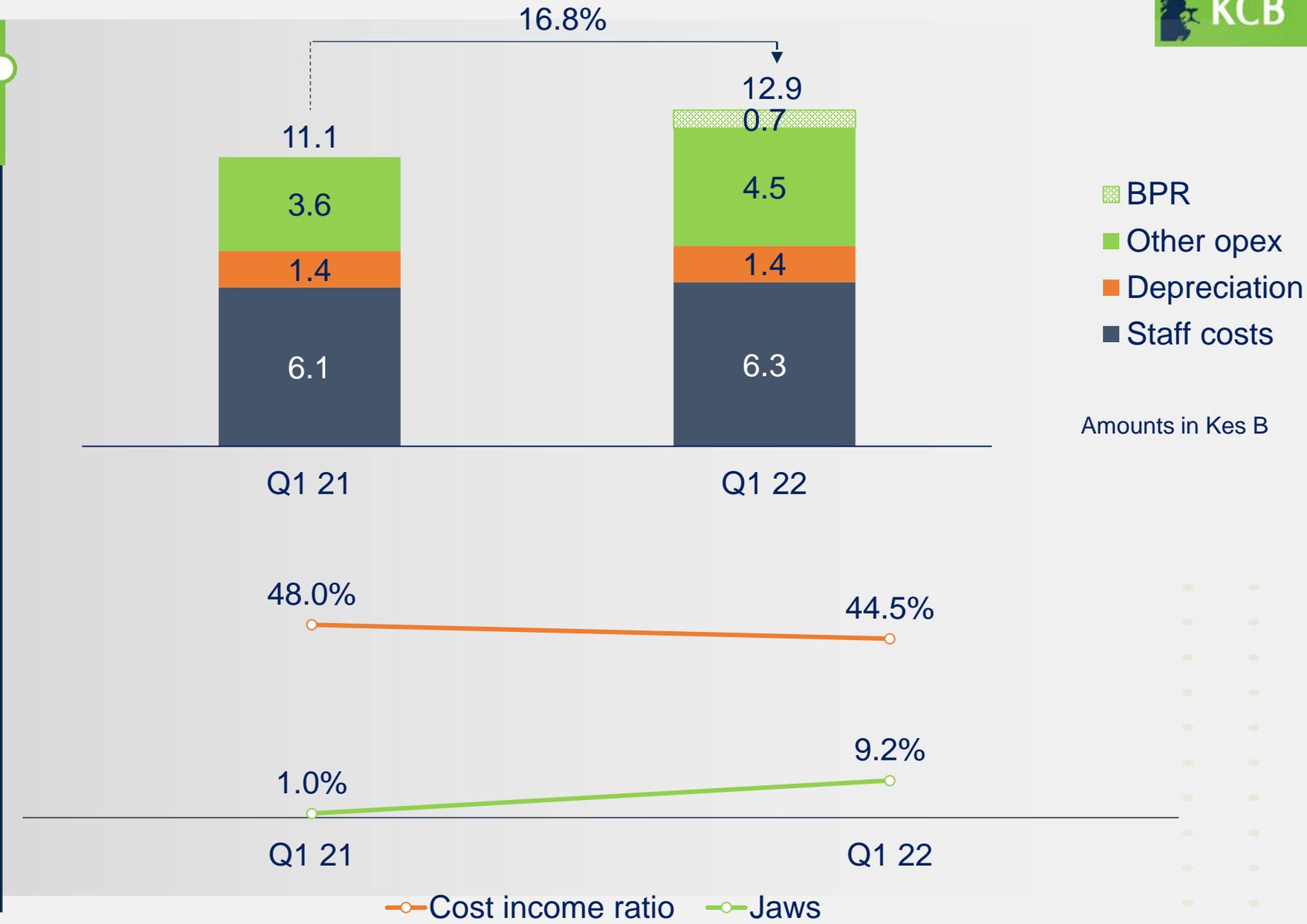
● Yield on Loans ● Yield on govt securities ● CoF

# OPERATING COSTS OUTLAY



**9.9%**  
 YoY cost growth  
 (adjusted for acquisitions)

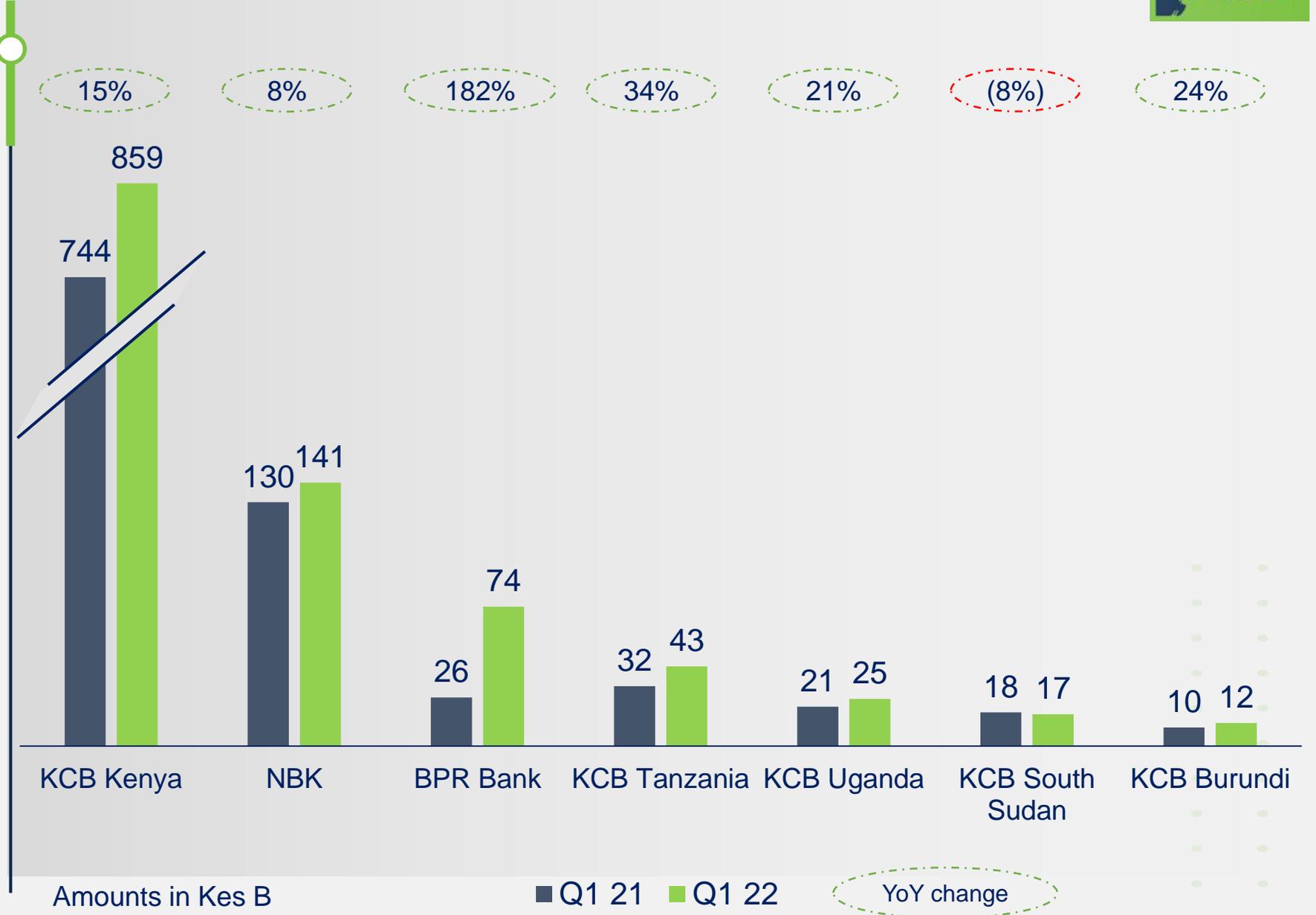
Growth in operating expenditure driven by consolidation of BPR and increase in marketing, advertising and outsources services in KCB Kenya



# ASSET CONTRIBUTION PER SUBSIDIARY



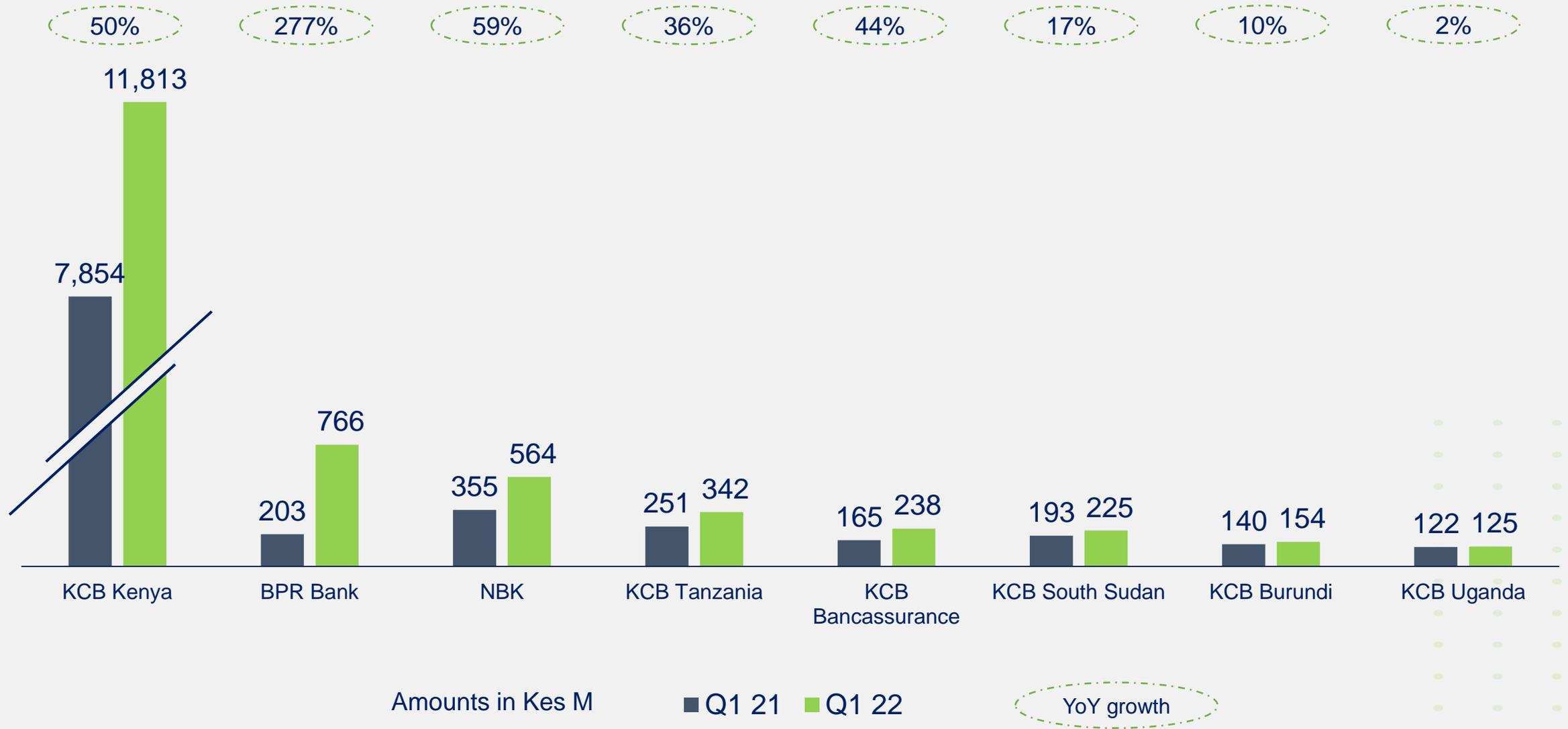
**26.4%**  
 Proportion of total assets in subsidiaries outside of KCB Bank Kenya.



# PROFITABILITY GROWTH AND DISTRIBUTION PER SUBSIDIARY



**17.2%** PBT contribution from subsidiaries outside of KCB Bank Kenya



# OVERVIEW OF KEY FINANCIAL RATIOS



Q1 2022

KCB GROUP				KCB KENYA	KCB GROUP
Q1 21	H1 21	FY 21			
17.6%	20.7%	22.4%	Return on Average Equity	26.4%	23.4%
48.0%	44.3%	44.0%	Cost to Income	37.8%	44.5%
14.8%	14.3%	16.5%	Gross NPL to Gross Loans	16.4%	17.0%
65.2%	70.1%	60.0%	NPL Coverage	55.2%	61.6%
24.4%	22.9%	21.3%	Debt to Equity	25.5%	20.8%
27.4%	28.6%	28.5%	Non-Funded Income to Total Income	31.3%	32.0%
23.8%	28.7%	25.3%	Mobile NFI to Total Fees and Commissions	41.2%	30.4%
2.6%	2.6%	2.8%	Cost of Funds	2.7%	3.0%
7.1%	7.9%	7.6%	Net Interest Margin	7.6%	7.0%
1.7%	2.2%	2.0%	Cost of Risk	1.2%	1.2%
79.7%	85.3%	80.7%	Net Loans to Deposits Ratio	87.3%	83.3%
21.7%	19.1%	24.2%	Government Securities to Total Assets	22.8%	24.1%
7.8%	8.4%	13.5%	Growth of Net Loans and Advances	11.1%	18.0%
1.2%	3.7%	9.1%	Growth of Customer Deposits	10.9%	12.9%

# MEASURING UP AGAINST OUR 2022 OUTLOOK



On track towards meeting the 2022 targets with significant improvement noted in NFI ratio, cost of risk and loans and deposits growth.

Increase in cost of funds due to Kes depreciation, Libor increase and rise in term deposits rates.



●
●
●
 Q1 22 Actual  
■
 2022 Outlook

# SUMMARY STATEMENT OF FINANCIAL POSITION



Kes Billion	KCB Group			KCB Bank Kenya		
	Q1 21	Q1 22	Y-O-Y Change	Q1 21	Q1 22	Y-O-Y Change
Cash and balances with central bank	47.3	44.5	(6%)	35.5	31.0	(13%)
Balances with other institutions	38.3	40.7	6%	7.8	10.1	28%
Investments in Government & other securities	212.5	281.8	33%	141.1	195.9	39%
Net loans and advances	597.1	704.4	18%	496.2	551.2	11%
Fixed assets	24.8	32.4	30%	15.4	20.0	30%
Other assets	57.4	63.2	10%	48.4	50.4	4%
<b>Total assets</b>	<b>977.5</b>	<b>1,166.9</b>	<b>19%</b>	<b>744.5</b>	<b>858.5</b>	<b>15%</b>
Customer deposits	749.4	845.8	13%	569.3	631.1	11%
Balances due to other banks	17.2	60.3	250%	4.7	26.3	464%
Long-term debt	36.0	37.8	5%	33.9	33.3	(2%)
Other liabilities	27.4	39.5	44%	29.7	42.0	41%
<b>Total liabilities</b>	<b>830.0</b>	<b>983.2</b>	<b>18%</b>	<b>637.6</b>	<b>732.7</b>	<b>15%</b>
Shareholders' equity	147.5	181.8	23%	106.9	125.8	18%
<b>Total liabilities and equity</b>	<b>977.5</b>	<b>1,166.9</b>	<b>19%</b>	<b>744.5</b>	<b>858.5</b>	<b>15%</b>

# SUMMARY STATEMENT OF COMPREHENSIVE INCOME



Kes Billion	KCB Group			KCB Bank Kenya		
	Q1 21	Q1 22	Y-O-Y Change	Q1 21	Q1 22	Y-O-Y Change
Interest income	22.0	26.6	21%	17.0	19.6	15%
Interest expense	(5.2)	(6.9)	31%	(3.7)	(4.7)	25%
<b>Net interest income</b>	<b>16.7</b>	<b>19.7</b>	<b>18%</b>	<b>13.3</b>	<b>14.9</b>	<b>12%</b>
Foreign exchange income	1.2	1.7	46%	0.7	1.2	64%
Net fees and commissions	4.0	5.9	49%	2.9	4.4	49%
Other income	1.2	1.6	41%	0.8	1.2	58%
<b>Non-funded income</b>	<b>6.3</b>	<b>9.3</b>	<b>47%</b>	<b>4.4</b>	<b>6.8</b>	<b>53%</b>
<b>Total Income</b>	<b>23.0</b>	<b>29.0</b>	<b>26%</b>	<b>17.8</b>	<b>21.7</b>	<b>22%</b>
Total operating expenses	(11.1)	(12.9)	17%	(7.4)	(8.2)	11%
Loan impairment	(2.9)	(2.1)	(27%)	(2.5)	(1.7)	(32%)
<b>Profit before tax</b>	<b>9.1</b>	<b>14.0</b>	<b>54%</b>	<b>7.9</b>	<b>11.8</b>	<b>50%</b>
Tax expense	(2.7)	(4.2)	52%	(2.3)	(3.5)	53%
<b>Profit after tax</b>	<b>6.4</b>	<b>9.9</b>	<b>55%</b>	<b>5.5</b>	<b>8.3</b>	<b>49%</b>

THANK  
YOU



**KCB Investor Relations**

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