



KCB

INVESTOR PRESENTATION

Q1 2023 Performance

Nairobi, 24 May 2023

**For People.
For Better.**

Closer. Connected. Courageous.

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Rounding differences

Please note that rounding differences may appear within the presentation.

Navigation icons



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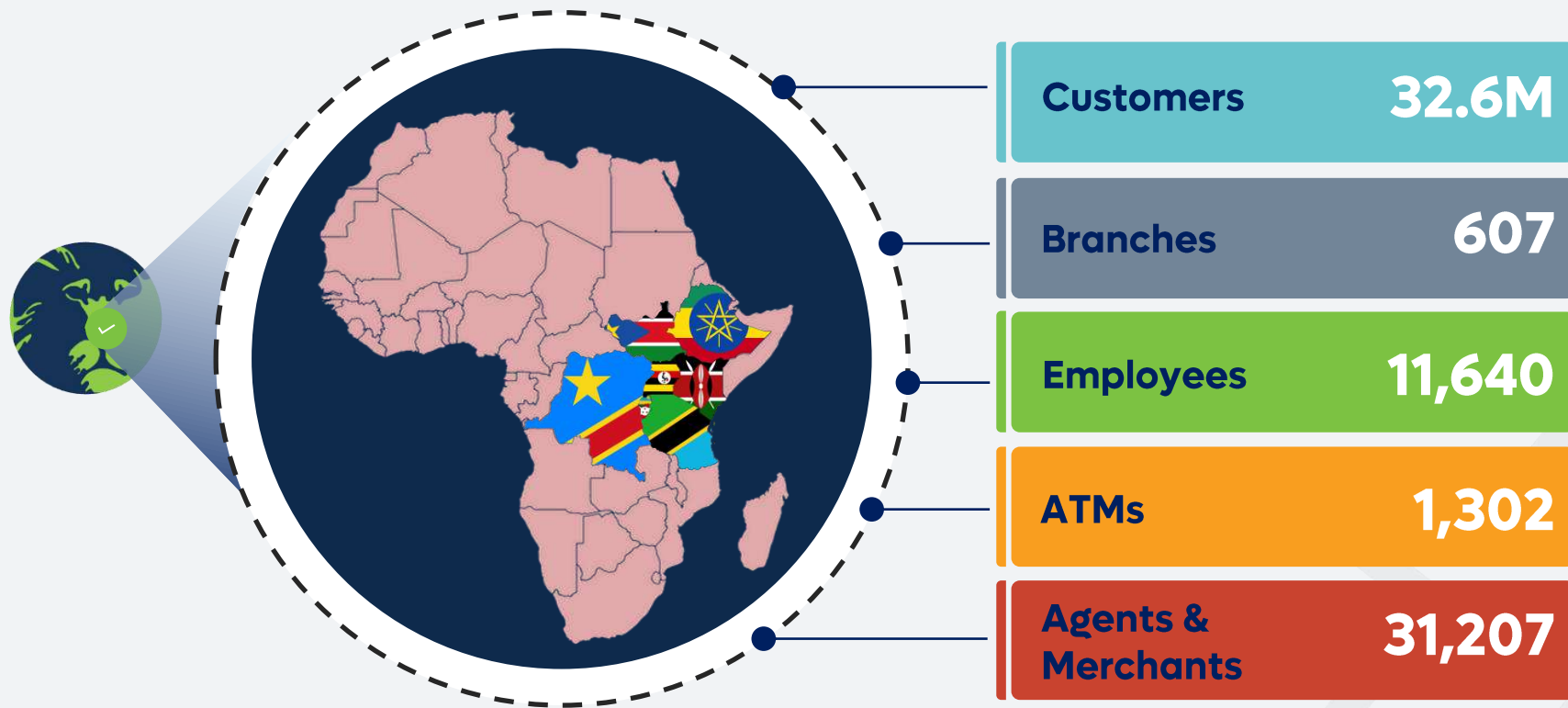
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01

Group Overview



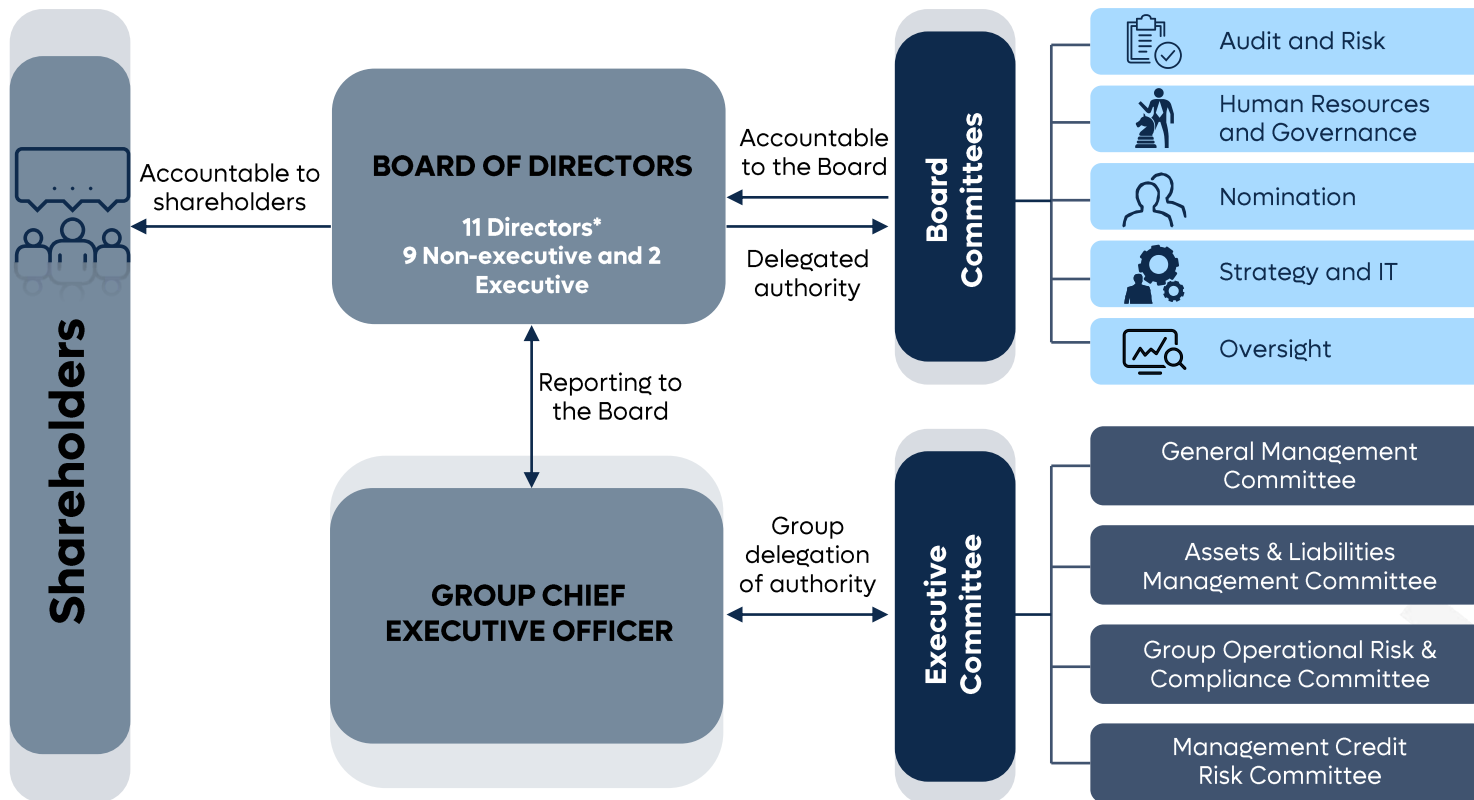
Our **wide regional footprint** enables us to promote regional commerce, facilitate economic growth, and link millions of people to possibilities on the African continent and beyond.



KCB Group has a well diversified portfolio of businesses in the region to **build the scale** required to **match the meaningful role** we seek to play in Eastern Africa.



We create value supported by a **clearly defined governance structure** which provides for oversight, delegation and clear lines of authority.



*One vacant NED position

Our senior management team mandated to ensure we remain **well positioned** and **responsive to regional opportunities for growth**.



Paul Russo, EBS

Group Chief Executive Officer



Lawrence Kimathi

Group Finance Director



Annastacia Kimtai

MD KCB Bank Kenya



Japheth Achola

Group Director, Human Resource



Simon Mbogo

Ag. Group Director, Technology



John Mukulu

Group Chief Risk Officer



Bonnie Okumu

Group General Counsel



Dr. Leonard Mwithiga

Group Director, Shared Services



Rosalind Gichuru

Group Director, Marketing and Communications



Charles Lang'at

Group Internal Auditor



Cosmas Kimario

Ag. Group Regional Businesses Director



We continue to enhance **financial access** through our digital channels which offer ease of use, convenience and seamless service to customers.

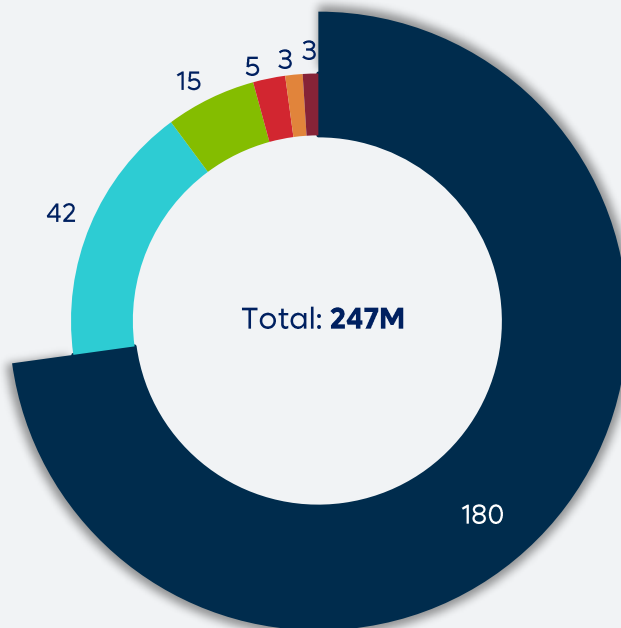
^ **99%**

of transactions by number conducted through non branch channels

^ **61%**

YoY increase in number of non-branch transactions to **247.5M**. Branch transactions increased by 5% to 2.7M

Number of non-branch channel transactions in Q1 2023 (M)



YoY Change

Mobile Lending	95%
Mobi Service*	7%
Agency	4%
Merchant POS	45%
Internet Banking	63%
ATMs	(2%)

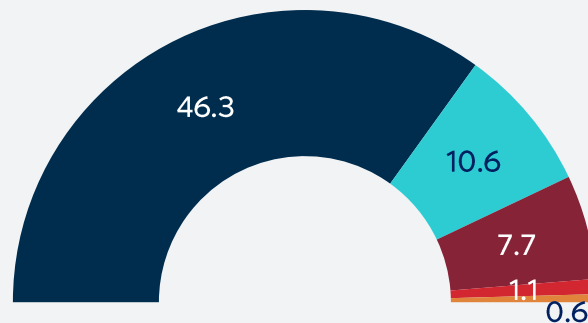
*Mobi service includes B2C, C2B, B2B, Lipa Karo and Float purchase

We drive **financial inclusion** evidenced by consistent growth in the mobile lending book to personal customers and micro enterprises.

48%

Growth in value of mobile loans disbursed driven by Fuliza and KCB Mobi loan.

Value of mobile loans disbursed in Q1 2023 (KShs B)



Total value of mobile loans

66.3

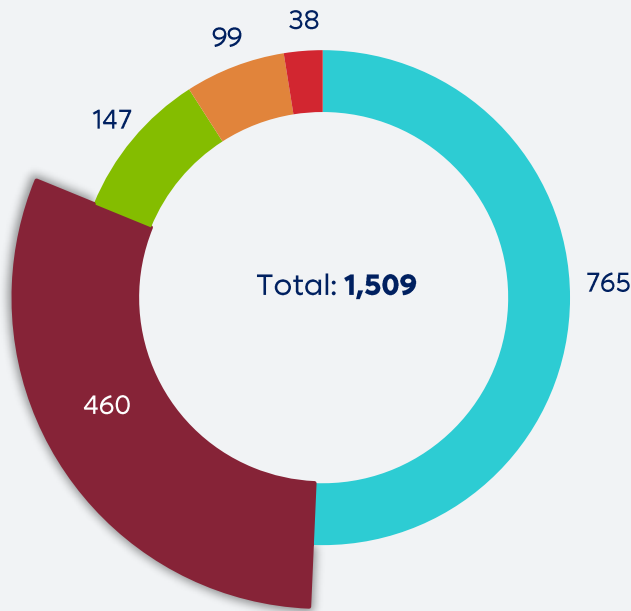
- Fuliza personal
▲ 67% YoY growth
- KCB MPESA
▼ 10% YoY decline
- KCB mobi loan
▲ 51% YoY growth
- Fuliza business
 Launched in 2023
- Retailer financing
▲ 815% YoY growth

35% growth in the **value of transactions** conducted through digital channels driven by merchant POS, internet and mobile banking.

^58%
of transactions by value conducted through non branch channels

^4%
YoY growth in value of branch transactions to KShs 1.1 trillion

Value transacted through digital channels in Q1 2023 (KShs B)

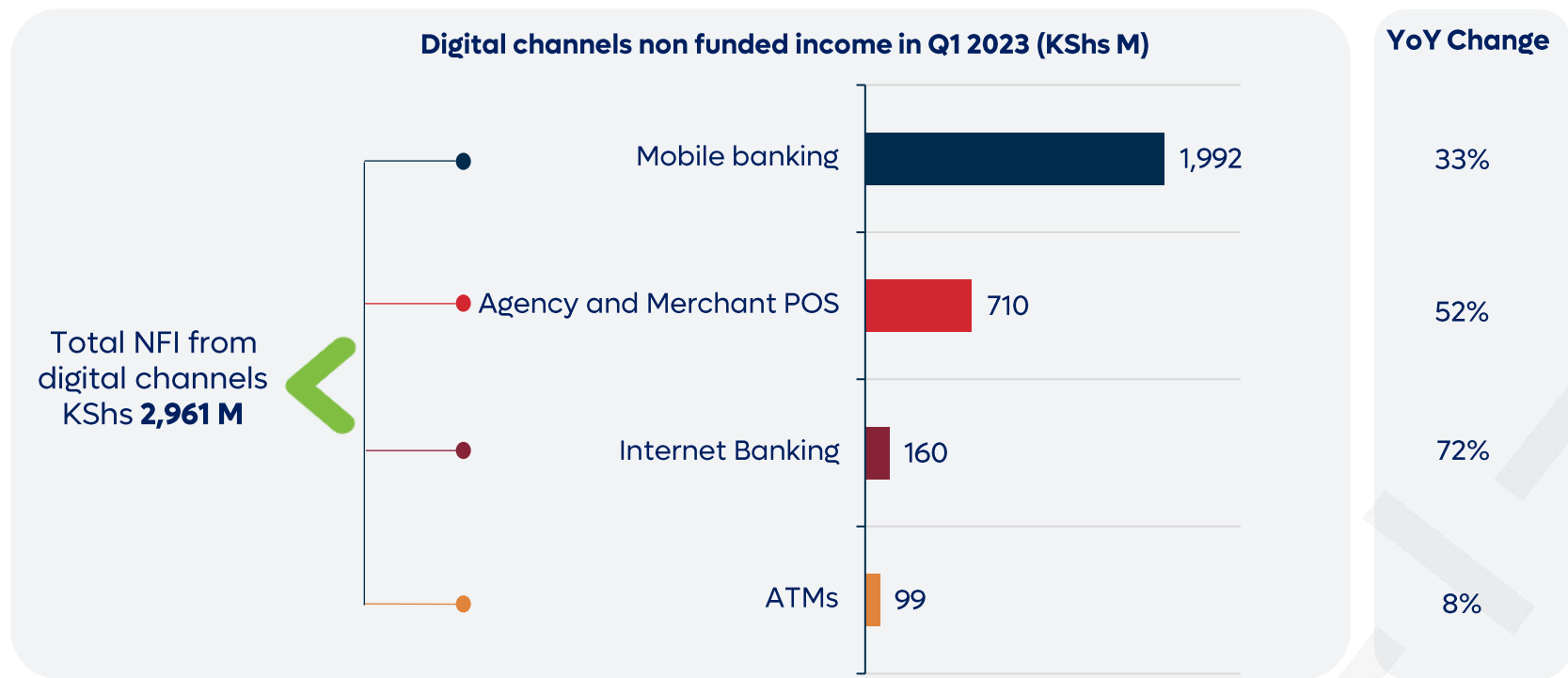


YoY Change

Mobi Service*	29%
Internet Banking	77%
Agency	5%
ATMs	(7%)
Merchant POS	88%

*Mobi service includes B2C, C2B, B2B, Lipa Karo and Float purchase

Non funded income (NFI) from **digital channels grew by 38%** supported by increased usage of internet banking, mobile banking and merchant POS terminals.



02

Operating Environment

Operating environment characterized by currency depreciation and **high-inflation, high-interest** rate environment but we remain well positioned to navigate these challenges.

Tailwinds



Strong projected GDP growth rates across the region in the medium term despite the slowing growth globally.



Receipt of risk-based pricing approvals for KCB Bank Kenya and NBK to support lending and appropriate pricing levels.



Improved confidence in the business environment and continued resurgence of business activities across the region.

Headwinds



Prolonged pressure on local currencies exchange rates to the US dollar exacerbating inflationary pressures and eroding purchasing power.



Fiscal pressures across the region portend increased costs due to rise in taxes and constrained liquidity in the market.



Effects of the disruptions occasioned by global geopolitical risks in the regional economies.

As we deepen our presence in the region, we seek to embed **best ESG practices** as we endeavor to build a future-proof **responsible business**.

Leading the transition to a low carbon future

Impactful partnerships



We have supported our banking subsidiaries to set a firm foundation for **sustainable finance** with reviews of lending and sustainability policies.

We partner with schools and local communities aiming to grow **1.2 million** trees in five years. **129,050** planted in 2023 across **12,684 schools**.

Driving efficiency in resource consumption



Carbon emissions **▼ 16%**

Resource consumption **▼ 22%**

Embracing the culture of responsible banking

KShs 149.4B screened under ESDD



By conducting an Environmental & Social Due Diligence (ESDD) assessment on ongoing and potential projects, we determine potential social and environmental impacts and ensure that negative impacts are mitigated.



FOUNDATION

Strategic Priorities.

Pillars:

Delivery Vehicles:

Sub Segments:

Strategic Thrusts:

Expected Targets:

Unemployment

2Jiajiri

- Self Employment
- Enterprise Development



- Construction, Manufacturing, Beauty & Personal Care, Domestic Care, Automotive, Creative Economy, ICT etc.
- Sustainable Agriculture (REPOSITIONED)
- Health (NEW)

Education

Scholarships



- High School
- Tertiary Education
- Pathways to Employment (Apprenticeship)



Corporate Social Investment

- Humanitarian Aid
- Targeted Philanthropy
- Venture Philanthropy

- Shared Value Outcomes

Resource Mobilization

- Fit for Purpose Delivery Vehicles
- Resource Mix
- Partnerships
- Research & Advocacy

Volunteerism

- Staff Ubuntu
- Skills Transfer
- Knowledge Exchange

Visibility

- Impact Reporting
- Targeted Communication
- Embedding KCB Purpose: For People. For Better

Operating Model

- Culture
- Planning & Execution

Beneficiaries Trained: Unemployment (199,500) and Education (38,200); Jobs Created 300,000; Enterprises Incubated 20,000





KCB

FOUNDATION

Progress in Q1 2023 in scaling up the Education program.

ActivityProgress

01

2023 Education
Scholarship Programme

- **1,050** students sponsored across the retail branch network.
- Support to Tertiary education (University & Colleges) for the 2022 KCSE candidates has commenced.

02

Focused Mentorship

- Onboarding of mentorship partners underway.
- Registration of volunteer mentors from the branches completed.
- Identification of teacher mentors is in progress.

03

Integral support for
additional encumbrances

- The programme has continued to support students with special needs to address their barriers to education.
- **Nine** students with various special needs supported in 2023.

04

KCSE Performance 2022
cohort

- KCB Foundation scholarship students' performance was impressive.
- **82%** of the candidates qualified to transition to University education.

We leverage our products, policies and programmes to deliver **social and economic** impact in the markets we operate in.

Driving financial inclusion and literacy through innovative solutions.

Launch of Merchant overdraft in Q1 2023 in partnership with Safaricom. 594,000 businesses on Lipa Na M-PESA can access up to **KShs. 400,000** interest-free for 24 hours to complete transactions in case of insufficient funds.

Automated business loans to shorten turnaround time and improve customer journey through prescoring and limit allocation.

Automated salary advance through our Vooma platform to offer a faster, flexible & robust mobile borrowing experience.

Life uncomplicated - Partnership with Sanlam for distribution of life products through our KCB and NBK Bancassurance businesses. These products entail an endowment policy, enhanced education policy and a last expense cover.

Tailormade propositions for **small businesses & women owned enterprises and support for schools** through LPG gas solutions, infrastructure financing and digital learning lessons.

Focus on affordable housing through competitive affordable housing mortgage proposition targeting lower-middle and middle-income earners.

Reorganization of subsidiaries to form **KCB Investment bank** and **KCB Asset Management** to offer distinct value propositions to the market

Core partner in the rollout of the Hustler Fund - providing funds management, risk modeling and customer data management for the Financial Inclusion Fund to ensure accountability and transparency in distribution of the funds.

We take pride in having consistently been rated and ranked among the **leading financial institutions** in the continent based on various parameters.

Among
top **3**

Most Valuable Brands
in Kenya by Brand Finance

One of only two Kenyan
Brands to receive

AAA+

Rating by Brand Finance



- **Best Bank in Kenya** in 2023 by Global Finance
- **Best SME Bank** in Kenya in 2023 by Finance Derivative
- **Best Sustainable Bank** by Finance Derivative
- **Best Sustainable Bank** in Kenya by International Business Magazine
- **Best CSR Bank** in Kenya by International Business Magazine
- **Best Commercial Bank** by International Business Magazine
- **Best Bank 2023** by Brand Finance

03

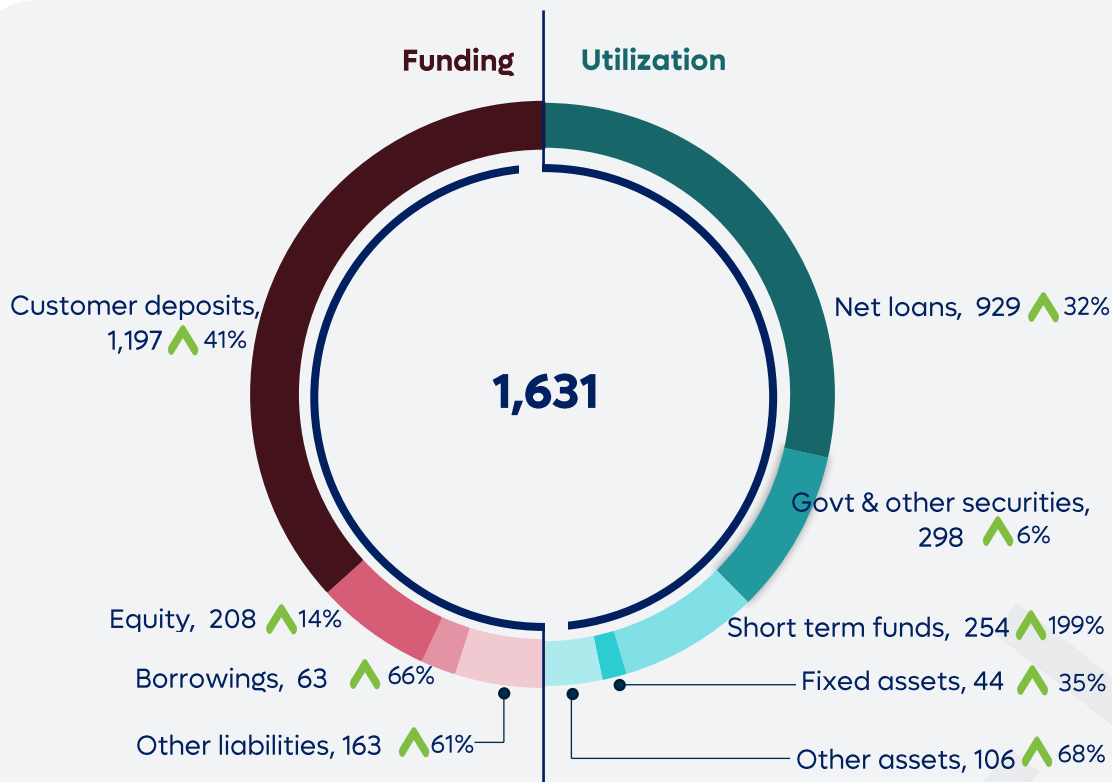
Financial Performance

40% growth in balance sheet to KShs 1.63 trillion driven by strong loan and deposits growth across all our businesses and the consolidation of TMB.

^ 32%

Increase in net loans and advances, 23% from organic growth and 9% from the consolidation of TMB.

Increase in total assets
20% from organic growth and a further 20% from the consolidation of TMB.



Amounts in KShs Billion

Significant momentum in **balance sheet growth across all subsidiaries** driven by **increased lending** on the back of continued recovery in economic activities.

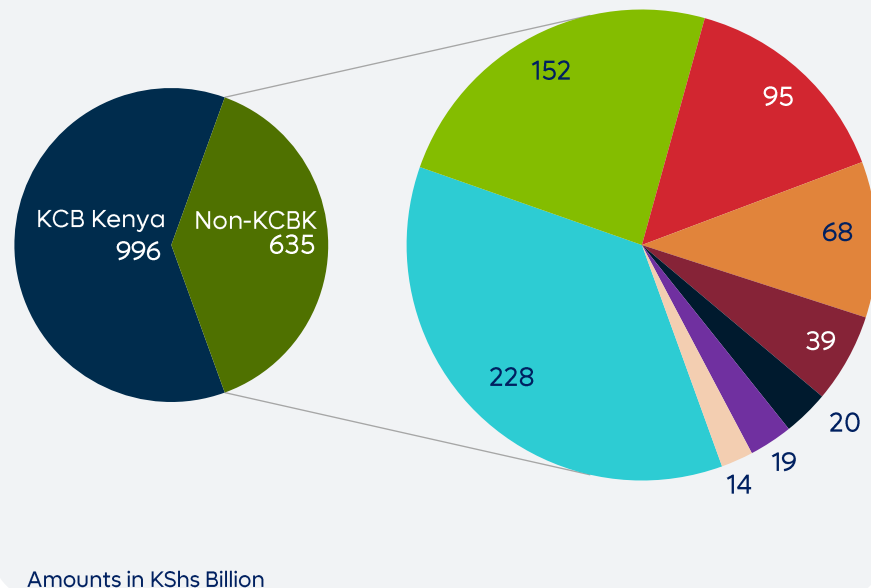
38.2%

Proportion of assets in subsidiaries outside of KCB Bank Kenya, up from 26.4% in Q1 2022

14.0%

TMB's contribution to total assets.

Assets distribution per subsidiary



YoY Change

KCB Kenya	16%
TMB	34%*
NBK	8%
BPR	26%
KCB Tanzania	67%
KCB Uganda	61%
KCB S Sudan	33%
KCB Burundi	51%
Other subsidiaries	N/A

*Annualized from a QoQ growth of 9%

Strong growth in gross loans across all segments catapulting KCB's loan book beyond a trillion-shillings, a first for our region.

^31.1%

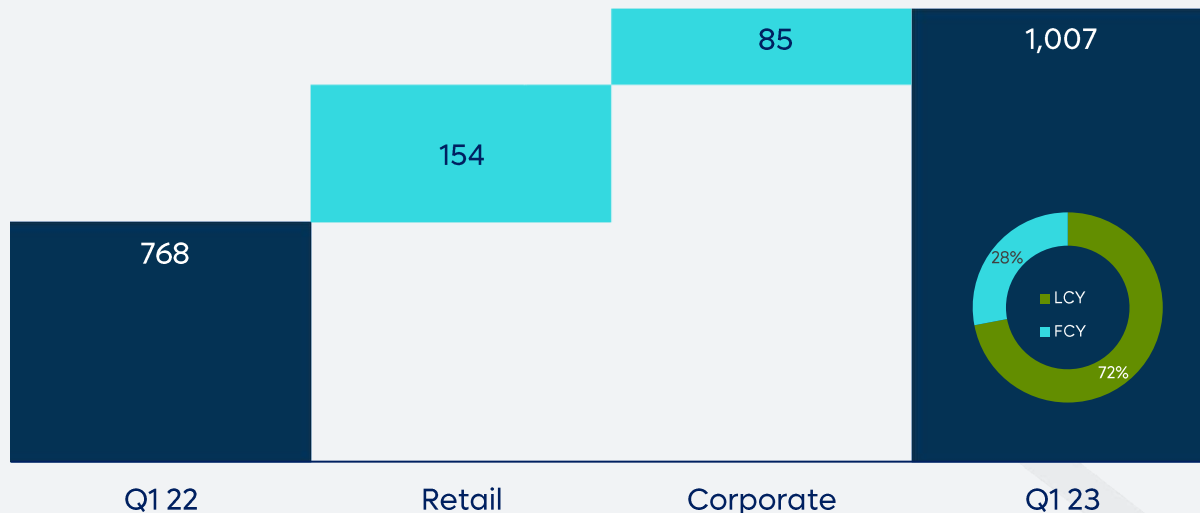
Growth in gross customer loans driven by increased lending in personal, trade, and manufacturing sectors.

Organic and inorganic growth accounted for **22%** and **9%** increase in gross loans respectively.

6.8%

TMB's contribution to net loans and advances.

Gross loans growth



Amounts in KShs Billion

Increase in NPL driven by manufacturing and transport & communication sectors in Kenya.
Corrective measures in place to be concluded within H2 2023.

Decline of **KShs 7.2 billion** in NPL stock in tourism, restaurants & hotels and building & construction sectors

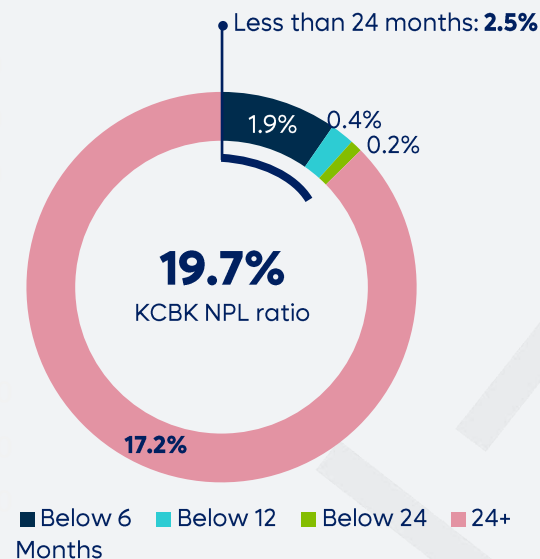
12% - 14%

Target NPL ratio by FY 2023

Non-performing loans evolution



Aging of NPLs in KCB Bank Kenya

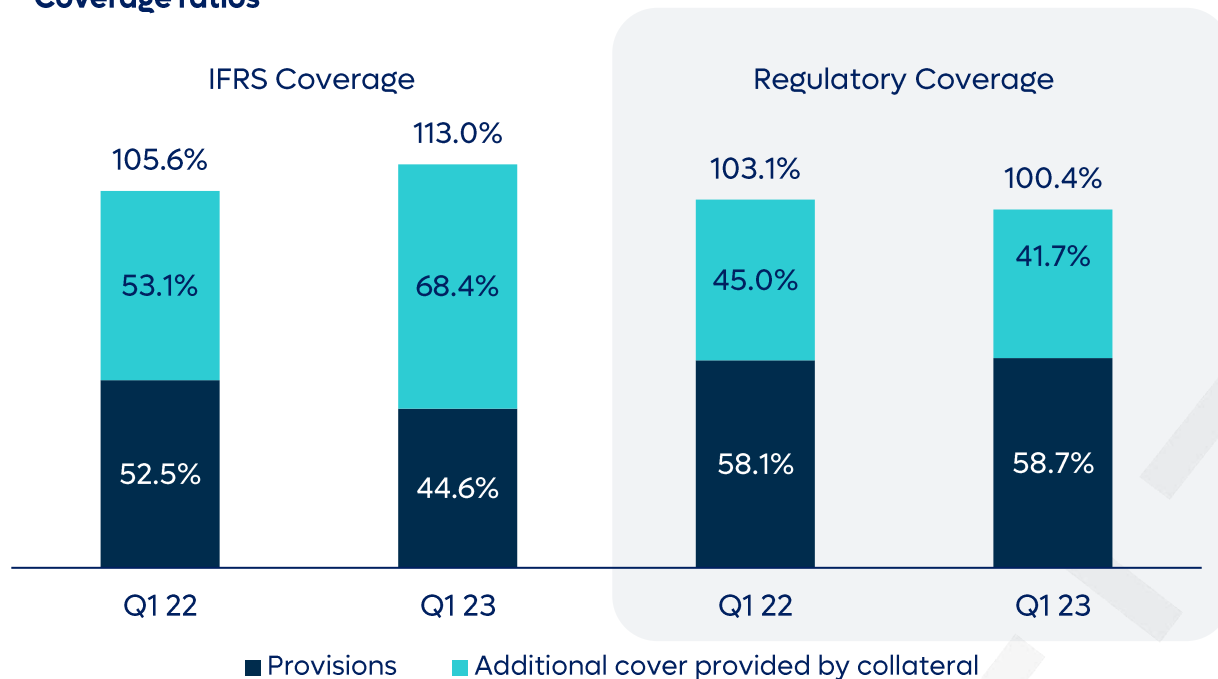


The non-performing loan book has **adequate coverage** from provisions and securities held.

98%

Increase in provisions charge in Q1 2023 to KShs 4.1 billion to build up coverage for downgraded facilities.

Coverage ratios

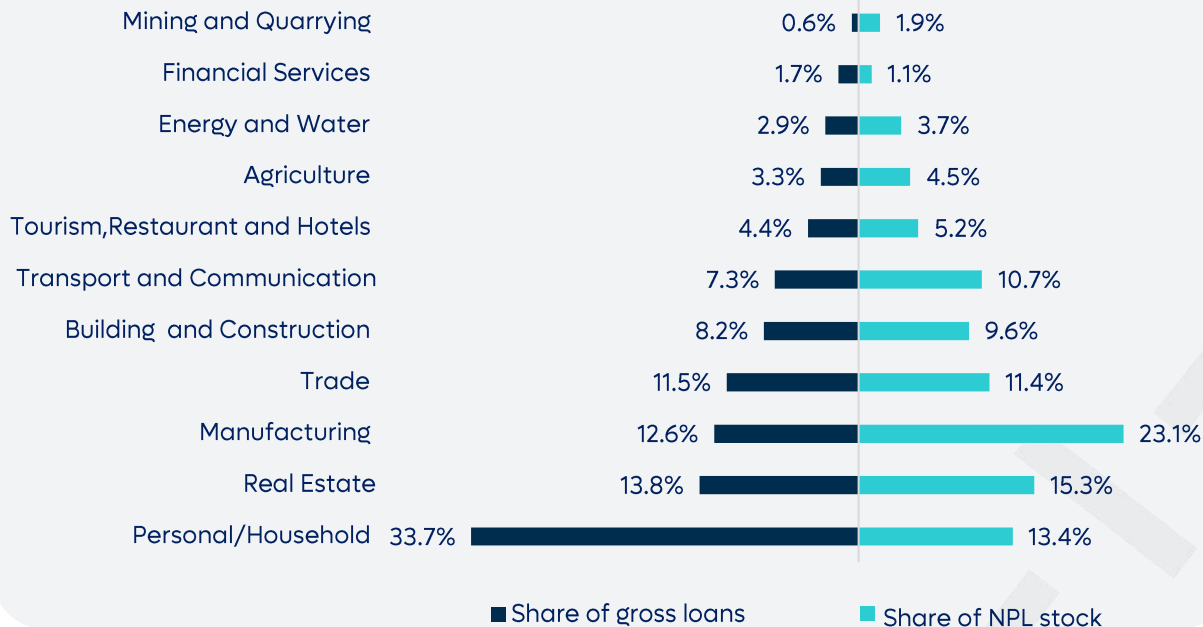


Contribution to the stock of non-performing loans concentrated within a few sectors as legacy NPLs in trade and real estate continue to decline.

33.7%

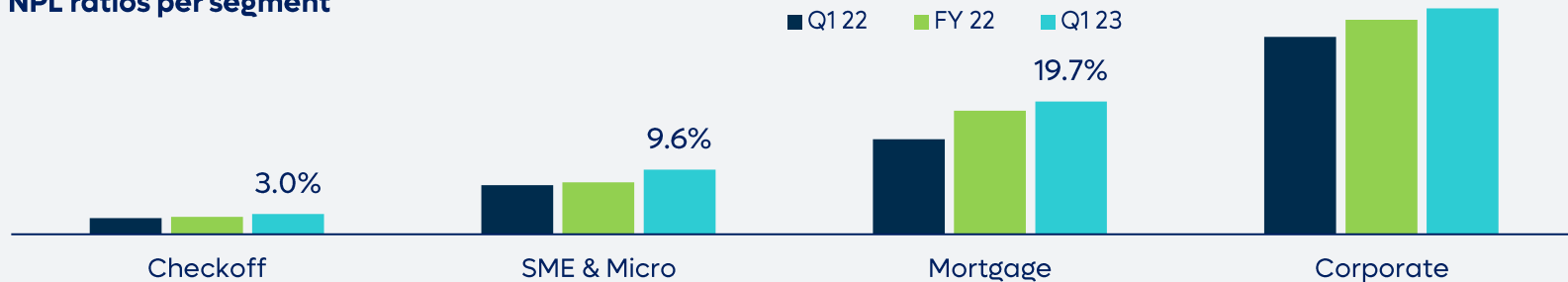
Share of gross loans in personal and household sector.

Sectoral contribution to Gross loans and NPL stock

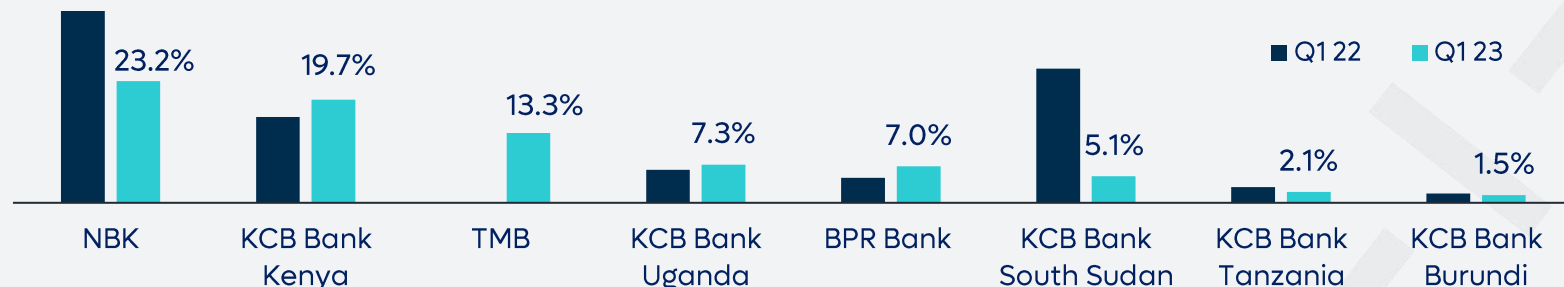


Improvements in asset quality in NBK, South Sudan and Tanzania helped to offset the deterioration registered in KCB Kenya, Uganda and BPR.

NPL ratios per segment



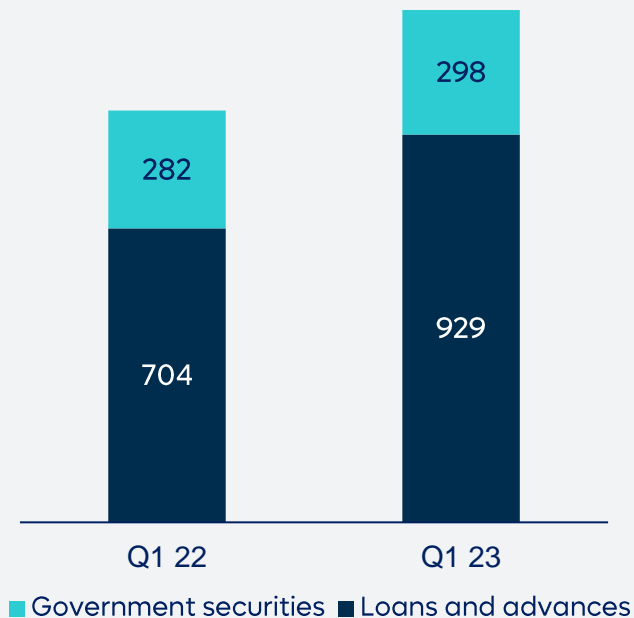
NPL ratios per subsidiary



Decline in net interest margin due to **increased cost of funds** as a result of the high-interest-rate environment. Rollout of risk-based pricing to support appropriate funding/lending spread.

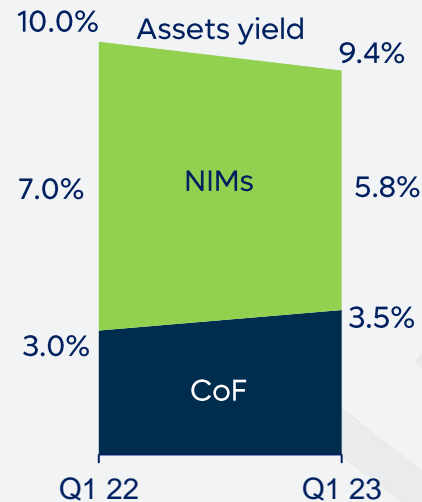
Improved yields on loans and government securities offset by decline in yields in the money markets.

Loans and government securities



Amounts in KShs Billion

Yields vs cost of funds



Customer deposits increased to **KShs 1.2 trillion**, driven by organic growth in demand and term deposits in the existing businesses and the acquisition of TMB.

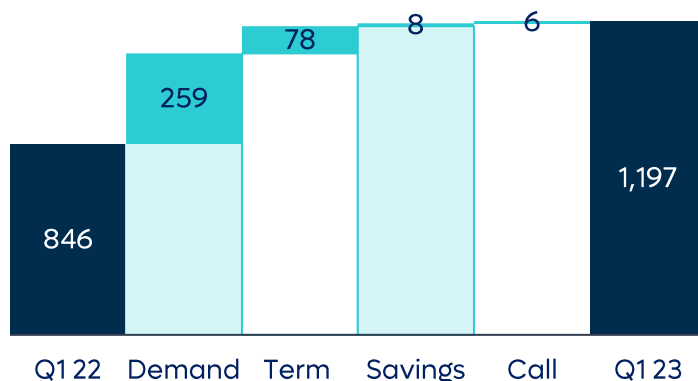
41.5%

Increase in customer deposits, 18% from organic growth and 23% from the consolidation of TMB.

16.6%

Contribution to total customer deposits from TMB

Growth in customer deposits (KShs B)

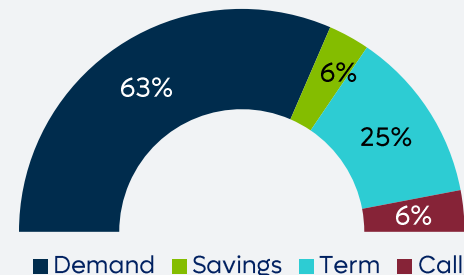


Deposits mix

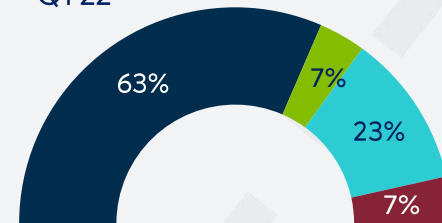


Deposits by type

Q1 23



Q1 22

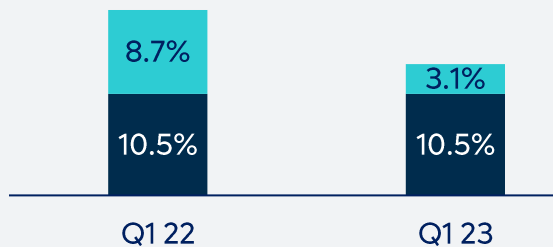


All subsidiaries are compliant with **core and total capital** requirements and are adequately capitalized to drive growth of risk weighted assets.

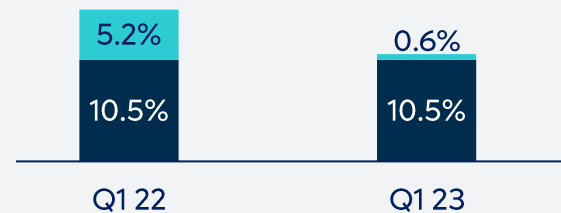
Buffers in KCB Bank Kenya improved by 20 basis points in Q1 2023. On track to achieve a minimum buffer of 200 basis points by FY 2023.

Core Capital Adequacy Ratios

KCB Group

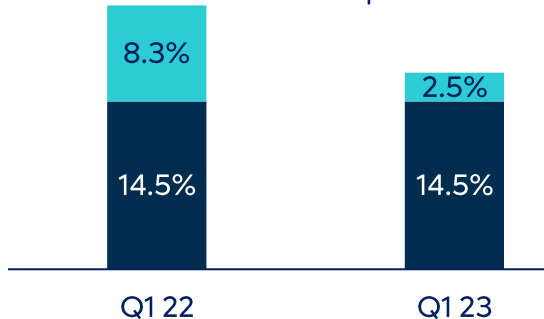


KCB Bank Kenya

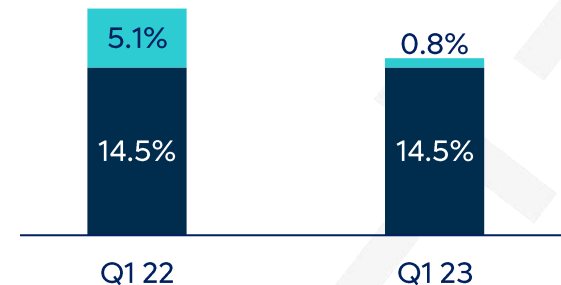


Total Capital Adequacy Ratios

KCB Group



KCB Bank Kenya



■ Minimum statutory ratio

■ Headroom

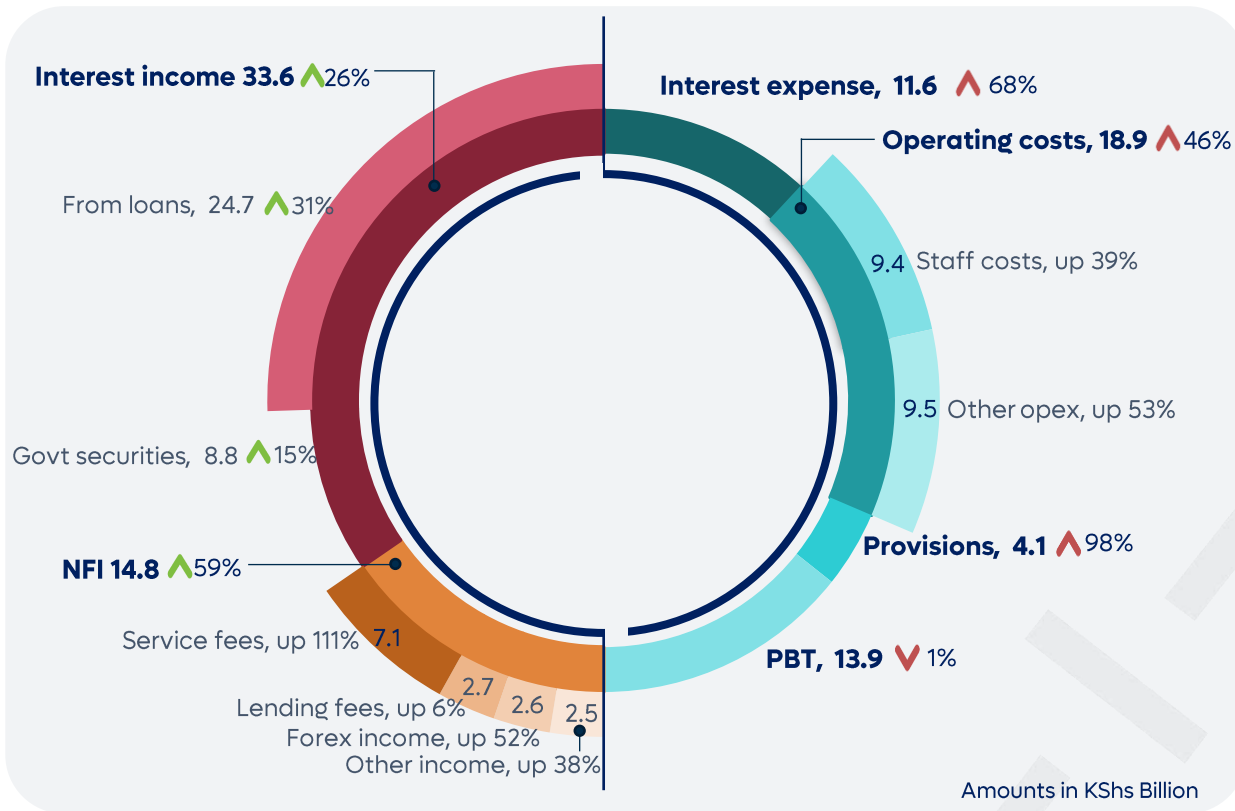
The Group **delivered strong first quarter performance** for the second year in a row with PBT of KShs. 14 billion supported by increased revenues which offset rise in costs and provisions.

▲ 27%

Increase in revenue driven by interest income, service fees, forex income and consolidation of TMB.

▲ 46%

Increase in expenses driven by investments in technology, amortization of intangibles, provisions and consolidation of TMB.



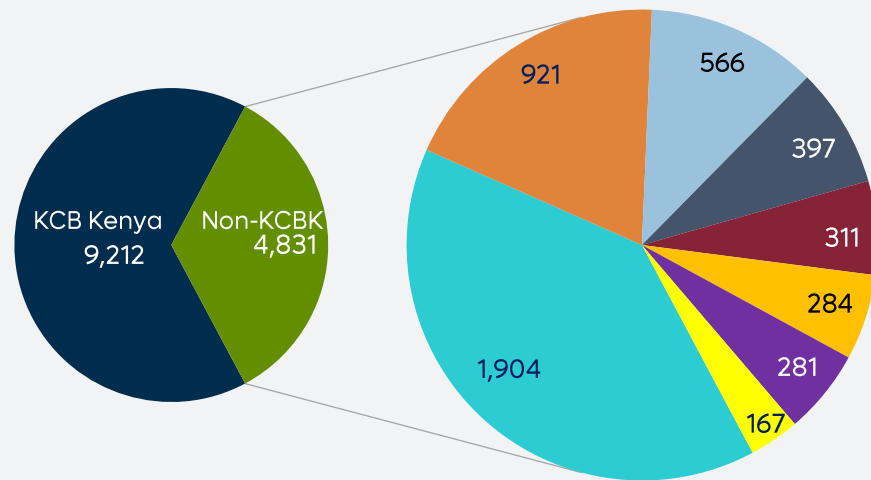
101% increase in PBT from subsidiaries outside of KCB Bank Kenya driven by Uganda, Burundi, South Sudan & Tanzania businesses and the consolidation of TMB.

^35.0%

PBT contribution from subsidiaries outside of KCB Bank Kenya in Q1 23, up from 17.2% in Q1 22.

Decline in PBT in the Kenya banking businesses driven by elevated cost of funds and loan loss provisions.

PBT contribution per subsidiary



Amounts in KShs million

YoY Change

KCB Kenya	(22%)
TMB	N/A
BPR	20%
KCB Tanzania	65%
KCB S Sudan	76%
KCB Uganda	149%
KCB BIL*	19%
KCB Burundi	82%
NBK	(70%)

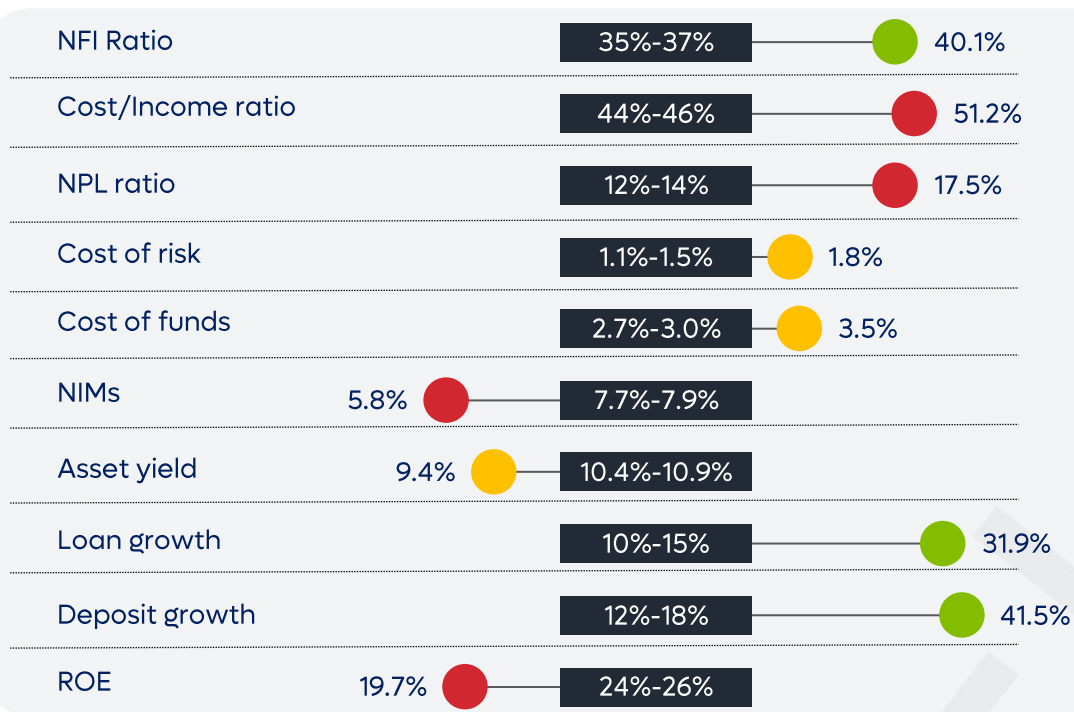
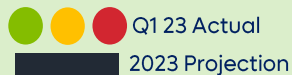
Numbers include the holding company balances which are consolidated as part of the overall Group position

*KCB Bancassurance Intermediary Limited

Mixed performance against our key parameters in Q1 2023 with strong growth in loans, deposits and non funded income offset by rising operating and borrowing costs.

ROE and Cost to income ratios impacted by negative jaws.

NIMs impacted by rising costs of borrowings and decline in asset yield.



04

Appendices

Overview of key financial ratios

KCB GROUP				Q1 2023	
Q1 22	H1 22	FY 22		KCB Kenya	KCB Group
23.4%	23.0%	23.0%	Return on average equity	21.2%	19.7%
44.5%	45.7%	45.7%	Cost to income	43.9%	51.2%
17.0%	21.5%	17.3%	Gross NPL to gross loans	19.7%	17.5%
61.6%	54.6%	60.7%	NPL regulatory coverage	61.4%	58.7%
20.8%	22.5%	31.8%	Debt to equity	46.6%	30.1%
32.0%	32.1%	33.3%	Non funded income (NFI) to total income	38.1%	40.1%
30.4%	21.8%	25.2%	Mobile NFI to total fees and commissions	36.6%	20.3%
3.0%	3.0%	3.1%	Cost of funds	4.0%	3.5%
7.0%	7.0%	7.0%	Net interest margin	6.4%	5.8%
1.2%	1.2%	1.7%	Cost of risk	2.1%	1.8%
83.3%	80.4%	76.2%	Net loans to deposits ratio	89.9%	77.6%
24.1%	23.5%	19.1%	Government and other securities to total assets	20.7%	18.3%
18.0%	20.3%	27.8%	Growth of net loans and advances	18.8%	31.9%
12.9%	15.6%	35.6%	Growth of customer deposits	15.4%	41.5%

Summary statement of financial position as at 31 March 2023

KShs Billion	KCB Group			KCB Bank Kenya		
	Q1 22	Q1 23	Y-O-Y Change	Q1 22	Q1 23	Y-O-Y Change
Cash and balances with central bank	44.5	65.0	46%	31.0	35.6	15%
Balances with other institutions	40.7	189.5	365%	10.1	9.5	(6%)
Investments in Govt & other securities	281.8	297.7	6%	195.9	205.8	5%
Net loans and advances	704.4	928.8	32%	551.2	654.7	19%
Fixed assets	32.4	43.6	35%	20.0	23.5	17%
Other assets	63.2	106.0	68%	50.4	66.5	32%
Total assets	1,166.9	1,630.6	40%	858.5	995.5	16%
Customer deposits	845.8	1,196.6	41%	631.1	728.5	15%
Balances due to other banks	45.3	61.0	35%	18.3	23.0	26%
Long-term debt	37.8	62.6	66%	33.3	58.1	74%
Other liabilities	54.2	95.5	76%	49.9	61.2	23%
Total liabilities	983.2	1,415.8	44%	732.7	870.9	19%
Shareholders' equity	181.8	208.1	14%	125.8	124.6	(1%)
Total liabilities and equity	1,166.9	1,630.6	40%	858.5	995.5	16%

Summary statement of Profit or Loss for the year ended 31 March 2023

KShs Billion	KCB Group			KCB Bank Kenya		
	Q1 22	Q1 23	Y-O-Y Change	Q1 22	Q1 23	Y-O-Y Change
Interest income	26.6	33.6	26%	19.6	21.9	12%
Interest expense	(6.9)	(11.6)	68%	(4.7)	(8.0)	72%
Net interest income	19.7	22.1	12%	14.9	13.8	(7%)
Foreign exchange income	1.7	2.6	52%	1.2	1.9	62%
Net fees and commissions	5.9	9.8	65%	4.4	5.4	25%
Other income	1.6	2.3	44%	1.2	1.1	(7%)
Non-funded income	9.3	14.8	59%	6.8	8.5	25%
Total Income	29.0	36.9	27%	21.7	22.4	3%
Total operating expenses	(12.9)	(18.9)	46%	(8.2)	(9.8)	20%
Loan impairment	(2.1)	(4.1)	98%	(1.7)	(3.3)	95%
Profit before tax	14.0	13.9	(1%)	11.8	9.2	(22%)
Tax expense	(4.2)	(4.1)	(2%)	(3.5)	(2.8)	(22%)
Profit after tax	9.9	9.8	(1%)	8.3	6.4	(22%)

Key operating data

	Q1 2022	H1 2022	FY 2022	Q1 2023
KCB Footprint				
Branches	496	494	603	607
Number of Customers (Million)	29.6	30.1	32.4	32.6
ATMs ¹	1,176	1,168	1,270	1,302
Agency outlets ²	17,308	18,156	21,480	23,739
POS/Merchant outlets ²	7,857	6,405	7,354	7,468
Total number of employees	8,768	8,877	11,098	11,640
KCB Share Information				
Earnings Per Share (KShs)	12.27	12.15	12.71	12.14
Dividend Per Share (KShs) ³	-	-	2.00	-
Number of issued shares (Million)	3,213	3,213	3,213	3,213
Number of shareholders	193,275	193,190	193,615	193,612
Period-end share price (KShs)	44.05	38.65	38.10	35.50
Market capitalization (KShs Billion)	141.5	124.2	122.4	114.1
FX Rates				
KShs/US\$ exchange rate (period-end)	114.95	117.83	123.37	132.33

Notes

1 Includes 533 partner ATMs which KCB customers have access to at no extra charges

2 Active agents and merchants

3 Interim and proposed final dividend for 2022 amounting to KShs 2.00 per share

KCB regional footprint and key macros as at 31 March 2023

		Kenya ¹	Tanzania	South Sudan	Rwanda	Uganda	Burundi	DR Congo
KCB Footprint								
Branches		298	16	14	154	13	6	106
ATMs		552	17	14	76	15	8	87
Agency outlets		18,916	418	48	711	390	170	3,086
POS/Merchant outlets		5,791	599	30	113	330	56	549
Total number of employees		7,780	310	158	1,191	273	145	1,782
Operating environment								
GDP growth	2021	7.6%	4.9%	5.3%	10.9%	5.8%	3.1%	6.2%
	2022	4.8%	4.7%	6.5%	8.2%	6.3%	2.1%	6.6%
	2023 projection	5.3%	5.2%	5.6%	6.2%	5.7%	3.3%	6.3%
Inflation rates	Q1 2022	5.3%	3.8%	(11.2%)	3.7%	3.2%	12.8%	4.4%
	Q1 2023	9.1%	4.8%	9.7%	30.8%	9.5%	29.7%	15.4%
Movement in currency/USD in Q1 2023		(7.2%)	(0.1%)	(27.4%)	(3.1%)	(1.7%)	(0.8%)	(1.1%)
Central Bank rates	Q1 2022	7.0%	5.0%	12.0%	5.0%	6.5%	6.0%	8.5%
	Q1 2023	9.5%	5.0%	20.0%	7.0%	10.0%	7.0%	7.5%
Current account balance/GDP	2021	(5.4%)	(3.3%)	(2.7%)	(10.9%)	(8.3%)	(13.4%)	(0.9%)
	2022	(4.9%)	(4.4%)	8.6%	(12.6%)	(8.0%)	(14.9%)	0%
	2023 projection	(5.4%)	(3.9%)	2.1%	(11.7%)	(10.2%)	(14.1%)	0%

Notes

¹ Kenya footprint are consolidated data for KCB Bank Kenya and NBK.

Company information



Registered office

KCB Group Plc
Kencom House
Moi Avenue
P. O. Box 48400 – 00100
Nairobi, Kenya

Contact information

KCB Investor Relations
investorrelations@kcbgroup.com
www.kcbgroup.com



Stock listing

Primary

Nairobi Securities Exchange

Cross listing

Dar-es-Salaam Stock Exchange
Uganda Securities Exchange
Rwanda Stock Exchange



Auditors

PricewaterhouseCoopers LLP
PwC Tower
Waiyaki Way / Chiromo Road
P. O. Box 43963 – 00100
Nairobi, Kenya

Share registrars

Image Registrars Limited
5th Floor, Absa Towers
Loita Street
P. O. Box 9287 – 00100
Nairobi, Kenya
kcbshares@image.co.ke



KCB

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