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Press Release **May 24, 2023**

KCB Group Records KShs. 9.75 Billion Q1 Net Profit as Total Assets Rise by 39.8% to Close at KShs. 1.63 Trillion

KCB Group PLC posted KShs.9.8 billion in profit after tax for the first quarter 2023, supported by increased revenues.

The Group recorded a strong balance sheet growth; with total assets hitting KShs.1.63 trillion, rising on strong customer confidence, as focus shifted to supporting customers to navigate the hard economic environment while ring-fencing the business for prospects and growth.

Revenue increased by 26.9% to KShs. 36.9 billion mainly driven by the non-funded income from customer transactions across the Group network and consolidation of Trust Merchant Bank (TMB); the Group's newest subsidiary in the Democratic Republic of Congo. This demonstrated the range and diversified income streams across the Group's businesses, adequate to cover the elevated operating and funding costs.

The contribution of Group businesses (excluding KCB Bank Kenya) to the overall profitability was up to 35 % from 17.2% as investments in regional businesses continued to pay off. The contribution to total assets improved to close the period at 38.2%.

Commentary: Group CEO Paul Russo

"Our focus was on delivering value and support to customers to help them navigate the tough economic environment, while driving revenue growth for the Bank. The first quarter performance highlights the resilience of the business across the corporate and retail franchises. The regional businesses performed well, giving credence to the regional expansion strategy," said KCB Group CEO Paul Russo.

"During the period, we continued to embed customer obsession across the Group to position it as the key pillar through which we deliver our strategy. We continuously pursued innovations and delivered products with leading value propositions. We are deliberate on driving stronger growth, on the back of delivering value to customers, growing the existing businesses, opening new frontiers and a tight cost management regime," he added.

Q1 23 Performance Highlights

- **NFI grew by 59.2% to KShs.14.8 billion** from service fee income stream that is anchored on enhanced digital capabilities. This has resulted in customers conducting 99% of all transactions with ease and secured digital channels.

- **The contribution from TMB is off to an impressive start**, making it the second largest subsidiary in the Group. TMB contributed KShs. 1.9 billion in profit before tax in the quarter and 14% to the Group's total assets.
- **Costs increased by 46.1%** from consolidation of TMB and expenditure to support additional revenues generated.
- **Provisions rose by 99%,** driven by increased credit risk and the impact of forex devaluation in Kenya, a prudent step on the backdrop of a challenging operating environment which has greatly impacted asset quality.
- **On asset quality, the ratio of non-performing loans (NPL) stood at 17.5%,** largely driven by downgrades from the KCB Kenya business. The Group is focused on recovery efforts and proactive management of the lending portfolio management to improve the asset quality.
- **Total assets rose 40% to KShs.1.63 trillion, making KCB the largest Bank in Eastern Africa,** riding on higher loans and investment in government securities which were funded by growth in customer deposits and additional borrowings.
- **Customer loans were up by 32% to KShs.928.8 billion**, from increased lending across the Group while **customer deposits rose by 41.5% to KShs. 1.20 trillion**, mainly from TMB and additional deposits from the existing businesses.
- **Shareholders' funds grew by 17% to KShs.214.8 billion** from the increase in accumulated profits for the year to date.
- **Capital buffers were well above regulatory limits**, with core capital as a proportion of total risk weighted assets standing at 13.6% against the statutory minimum of 10.5%. Total capital to risk-weighted assets ratio was at 17.0% against a regulatory minimum of 14.5%. All banking subsidiaries were compliant with their respective regulatory capital requirements.

Outlook

"While the Group's growth in the past has been majorly driven by Kenya, its future hinges on becoming a significant regional player. We therefore continued to bolster our capacity to match the meaningful role that we seek to play and become an undisputed leader in the region," said KCB Group Chairman Andrew Kairu. "We are optimistic about improved performance in the remaining quarters of the year despite the tough environment that has impacted on customers and the economy as a whole." he added.

Key Corporate Developments

- During the period, the Group completed the reorganization of its subsidiaries; KCB Capital Limited and NBK's National Trustee and Investment Services Limited (NTISL). KCB Capital has been rebranded to KCB Investment Bank and will focus on offering wealth management, advisory services, brokerage services and the distribution of collective investment schemes with a focus on money market funds. NTISL is now KCB Asset Management, and its core objects include provision of fund management services, corporate trustee, pension management services and development of collective investment schemes & unit trusts. This reorganization will help harness their synergies to create an investment products powerhouse and diversification across the Group.

- The Group continued to enhance its customer value propositions. Last month, KCB Bank Kenya and National Bank of Kenya signed a distribution deal with Sanlam Life Insurance to deepen the uptake of life insurance products in the country. Through KCB Bancassurance Intermediary Limited (KBIL) and National Bank Bancassurance Intermediary Limited (NBIL)—their respective bancassurance franchises—customers will be able to access a full range of financial and investment products within the banks' combined 300 branches. This will see KBIL and NBIL distribute life insurance products, underwritten by Sanlam. The partners have also rolled out an endowment product.
- The Group deepened support to the micro, small and medium sized enterprises (MSME) which power the bulk of the businesses across the region. To avail more lending to this key segment, the Bank revised terms for key products for working capital as well as asset-based finance. The Bank also enhanced digitization and automation of the lending process including deployment of prescoring models to shorten the swim-lane in credit processing.
- The Group has unveiled a new brand purpose, **For People, For Better**. Through this purpose, we seek to position the brand as the region's undisputed financial services leader which puts people and their diverse needs first, to make life better for the millions of customers we serve. To achieve this, we will be guided by the values of being **closer, connected, and courageous**.
- The continued embedding of sustainability in KCB strategy has enabled the Bank to support transition to clean energy for millions of customers as well as rejig internal practices to ensure that the business operates sustainably. Last year, the Bank screened facilities worth KShs 270.4 billion for environmental and social due diligence (ESDD) and so far in 2023, have screened facilities worth KShs 149.4 billion.
- On social impact, the Group continues to spearhead and mobilize support for various citizen-driven engagements across the region. The high school scholarship program also continued with its scale up reaching 1,326 high student beneficiaries this year and 217 tertiary scholars from disadvantaged backgrounds.

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For further information, please contact Judith Sidi Odhiambo, Head of Corporate & Regulatory 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. 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, Democratic Republic of Congo. Our subsidiaries KCB Bank Kenya and 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 606 branches, 1,300 ATMs and over 31,000 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.