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Press Release

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KCB Group Posts 69% Rise in Q1 2024 Net Profit to KShs. 16.5 Billion.

KCB Group PLC recorded a 69% growth in net profit to KShs. 16.5 billion in Q1 2024 from KShs. 9.8 billion.

The performance—a historic quarterly milestone—which was boosted by revenue growth across all the Group network also saw the balance sheet close the quarter at KShs.2.0 trillion, from KShs.1.6 trillion a similar period last year.

Total revenues increased by 31.6% to KShs.48.5 billion driven by both funded and non-funded lines. The non-funded income, at 36% of the total revenues, was supported by increased transaction volumes from customer confidence in our brand, adoption of the digital banking and alternative channels in making banking accessible at the convenience of our customers.

Commentary: Group Chief Executive Officer Paul Russo

“Despite a difficult operating environment across the region, we saw a strong revenue performance in the business as we entrenched prudent credit, liquidity, cost, and overall risk management. Consumer deposits continued to grow, a show of confidence that our clients have in the brand. Our deliberate investments in digital and payments capabilities as well as regional expansion approach continued to deliver impressive results,” said KCB Group Chief Executive Officer Paul Russo.

“We continued to leverage Group capabilities through syndication of facilities and tapping on centres of excellence to drive operational efficiency. Under our shared services model, we prioritized automation of key processes, roll out of more products on our self-serve channels and review of loan application processes continued to drive customer obsession and reduce friction. Looking ahead, we are upbeat about the prospects in all the markets we operate in. Moreso, we seek to leverage the strong relationships we have built and our strong brand to drive growth in the medium term guided by our new 2024 – 2026 strategy dubbed: **Transforming Today Together**,” he added.

Financial Highlights

- The **Group Total Assets** grew by 22.4% to KShs. 2.0 trillion, funded by an increase in customer deposits from all segments withstanding the tough operating environment.

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L. M. Njiru; A. R. M. Mohamed; Mrs. A. M. Kirenge; Ms. A. S. Pandit; Mrs. A. G. Lutukai.

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- **Customer Deposits** increased by 25.4% to KShs.1.5 trillion, largely from the Kenyan market while **Customer Loans** rose by 12.2% to KShs.1.13 trillion from additional advances to support our customers undertake their business activities.
- The contribution by **Group Businesses** (excluding KCB Bank Kenya) has continued to increase closing the quarter at 17.9% in pretax profits and 13.1% in total assets, signaling the benefits of diversification to other markets outside Kenya.
- **Cost to Income ratio** was down to 43.3% from 51.2% on the back of strong income growth coupled with stringent cost management. Total costs increased 11.3% from KShs.18.9 billion to KShs.21.0 billion largely driven by inflationary pressures that has impacted the East African market and the world in general.
- The **loan impairment** charge was up by 53.4% from downgraded facilities. Overall, the Group's **gross nonperforming book** stood at KShs.205.3 billion which saw the NPL ratio close the quarter at 18.2%. This was as a result of downgrades in Kenya and the impact of translation of the foreign currency denominated book. The Group has prioritized efforts to improve asset quality with various measures in place to reduce the ratios both in the short and long-term.
- **Shareholders'** funds were up 11% during the period to close at KShs. 238.6 billion from KShs.214.8 billion in the previous year. This is a testament to the value gap that exists between our book and market valuations signifying a good entry point at a discount for new shareholders looking for sustainable long-term value as well as an opportunity for existing shareholders to grow their investments. **Return on Equity** was up from 19.7% to 28.6%.
- In the pursuit of sustaining a **strong capital profile**, the Group core capital as a proportion of total risk-weighted assets stood at 15.7% 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%. All banking subsidiaries except NBK were compliant with their respective local regulatory capital requirements.

Outlook

“We are optimistic of the business prospects in the remaining part of the year, compared to last year. We have made tangible progress to sustain superior shareholder value by delivering strong financial performance while driving our agenda to build a future-proof business. Prudent deployment of our capital has ensured that we were able to remain resilient and deliver for our stakeholders,” said KCB Group Chairman Dr. Joseph Kinyua.

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Latest Corporate Developments

- In January, the Group launched a new three-year Group Strategy (2024-2026), dubbed "**Transforming Today Together**". At the center of this big ambition is the principle of shared value anchored on unlocking value for all our stakeholders from what matters most in innovative and socially responsible ways.
- In February, KCB Bank Kenya and MasterCard signed a 5-year collaboration framework that will see cardholders across the East African region benefit from enhanced value propositions. The payment solutions will be rolled out in Burundi, Kenya, Rwanda, South Sudan, Tanzania, and Uganda. In the deal, customers will enjoy exclusive benefits ranging from a wide spectrum of MasterCard payment solutions including premium World and World Elite cards, youth pre-paid, and corporate cards. KCB Bank Kenya has also joined forces with Visa, a global leader in digital payments, to introduce two exclusive, premium cards; the KCB Signature Card and the KCB Infinite Card.
- In March, KCB Group PLC and Access Bank PLC signed a binding offer for the proposed acquisition 100% of the issued and outstanding share capital of National Bank of Kenya Limited (NBK) by the latter. The successful completion of the transaction is subject to conditions that are customary for transactions of this nature including receipt all regulatory approvals. KCB acquired 100% of the ordinary shares of NBK in 2019.
- KCB Group continued to deepen commitment to its Sustainability and ESG priorities where we seek to supporting 14 Sustainable Development Goals anchored on corporate social investments and driving sustainable business practices. Of which, the Group is committed to positioning itself as a leading green financier and positioning 2jjajiri as its signature social impact platform.
- In Sports, KCB Bank Kenya injected KShs. 195 million into the World Rally Championship Safari Rally at the end of March. The Bank also put in KShs. 65 million towards the 2024 KCB East Africa Golf Tour, an 11-leg amateur series in Kenya and four countries in the East African region – Rwanda, Burundi, Tanzania, and Uganda.
- KCB was this month listed among Kenya's top 3 most valuable brands by Brand Finance, a UK based consultancy in its Global 500 ranking. The Bank has recently several top awards for its role in East Africa's economic transformation journey. Some of the awards include Best in Customer Excellence (runners up Tier 1) and Best Banking Group Kenya- Finance Derivatives Awards. The Bank has also received accolades for its women banking proposition dubbed FLME. **<Ends>**

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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 583 branches, 1,315 ATMs and over 1.1 million 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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