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KCB Group Plc Profit After Tax Rises 86% to KShs. 29.9B, Resumes Dividend Payout

Board Recommends KShs.1.50 Interim Dividend.

KCB Group PLC profit after tax for the first half of the year ending June rose 86% to KShs.29.9 billion, as the Group sustained focus on supporting customers and economic recovery efforts.

This was a growth from KShs.16.1 billion reported a similar period last year, depicting a resilient performance that also saw the balance sheet expand by 6% to KShs 1.98 trillion, up from KShs.1.86 trillion. As a result, KCB remained the most profitable financial institution in East Africa, and the largest by asset size.

Profitability was supported by strong revenue growth across the Group businesses on both funded and non-funded income lines.

The contribution by subsidiaries (excluding KCB Bank Kenya) has continued to increase, closing the half at 37.8% in pretax profits and 34.4% in total assets, signaling the benefits of diversification to other markets outside Kenya.

The performance has helped the Group resume dividends payout, with the Board recommending an interim dividend amounting to KShs. 4.8 Billion, the biggest interim dividend in the lender's history.

Commentary: Group Chief Executive Officer Paul Russo

"We delivered a commendable first half of the year, despite strong headwinds in the operating environment, especially in Kenya, thanks to the goodwill and confidence from our customers and commitment by our staff. We were intentional in working with our customers and stakeholders to support them in navigating the difficult environment," said KCB Group CEO Paul Russo, while releasing the results on Wednesday.

"Looking ahead, we see a stronger second half, leveraging on our ***Transforming Today Together*** strategy and the expected economic turnaround in the markets we operate in. We are confident that this strategy will give fresh impetus to our business, as we focus on cost optimization," he added.

Financial Highlights

- The **Group Total Assets** grew by 6% to **KShs. 1.98 trillion** from KShs1.86 trillion, on the back of stable **customer deposits** growth which closed the period at **KShs. 1.49 trillion.**

- **Net Loans & Advances** stood at **KShs.1.03 trillion**, a 7% jump from additional facilities to support our customers undertake their business activities.

- **Revenues** rose across both funded and non-funded income lines. Net Interest income grew by 35% supported by improved yields and increased lending to key segments. The non-funded income grew by 21%, driven by digital banking and FX trading income as well as enhanced contribution from Trust Merchant Bank (TMB), our DRC-based subsidiary.

- **Provisions** increased by 20%, impacted by non-performing loan downgrades cushioned by the impact of the appreciation of the Kenya Shilling relative to the foreign denominated facilities.

- Overall, the Group's **gross non-performing book** stood at KShs.212 billion, which saw the NPL ratio close the quarter at 18.5%. This was as a result of downgrades in Kenya and the impact of translation of the foreign currency denominated book. To mitigate the effect of increased NPLs, provisions increased by 20% and an enhanced regulatory coverage ratio of 104.3%. The Group has prioritized efforts to improve asset quality with various measures in place to reduce the NPL ratio both in the short and long-term.

- **Costs** were contained at 9.6% increase due to growth in business volumes, staff costs and inflationary pressures, to close the period at KShs.44.3 billion. **Cost to Income ratio** was down to 46.8% from 55.3% on the back of strong income growth coupled with stringent cost management initiatives.

- **Return on Equity** improved to 25.5%, up from 15.9%, while **Shareholders' funds** grew by 14% during the period to close at KShs. 248.2 billion up from KShs.217.9 billion. This signals a 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.

- The Group sustained **strong capital cushions**, with Group core capital as a proportion of total risk-weighted assets stood at 17.8% against the statutory minimum of 10.5% while the Total capital to risk-weighted assets ratio was at 20.3% against a regulatory minimum of 14.5%. All banking subsidiaries except NBK were compliant with their respective local regulatory capital requirements.

Commentary: Group Chairman Joseph Kinyua

"KCB Group demonstrated remarkable strength and adaptability amid global and local challenges, by delivering good asset growth and improved capital adequacy ratios," said KCB Group Chairman Dr. Joseph Kinyua. "This performance has enabled the Board to recommend an interim dividend of KShs. 1.50 per share," he added.

Latest Corporate Developments

- KCB Group continued to deepen its commitment to its Sustainability and ESG priorities where we seek to support 14 Sustainable Development Goals anchored on corporate social investments and driving sustainable business practices. On Tuesday, the Group launched its 2023 Sustainability and ESG Report that details the progress made and targets ahead. The Group is committed to remaining a leading green financier and positioning '***2jiajiri'***, our social impact platform.
- 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 of all regulatory approvals. KCB acquired 100% of NBK in 2019.
- KCB continued to top in global, regional and local accolades, cementing its market leadership position. KCB was recently listed among Kenya's top 3 most valuable brands by Brand Finance, a UK based consultancy in its Global 500 ranking. The Bank has also received 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 in banking proposition dubbed '***FLME'***. KCB Group CEO, Paul Russo was last month named ***African Business Leader of the Year Award 2024*** by the African Leadership Magazine, in recognition of his transformative influence on East Africa's financial services sector where KCB has emerged as an enabler of economic progress in the region. **<Ends>**

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

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 566 branches, 1,306 ATMs and over 1.2 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.