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Press Release

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KCB Group Plc Profit after Tax Hits KShs.25B in Q3.

The 131% growth was mainly driven by increase in total income and decline in the provisions charge amid COVID-19 pandemic.

KCB Group Plc more than doubled its profit after tax for the nine months ending September 2021.

Net profit stood at KShs.25.2 billion from KShs.10.9 billion a year ago, a 131% jump, driven by higher income and reduced provisions as recovery from the COVID-19 pandemic accelerated in quarter three.

Commentary- Group CEO & MD Joshua Oigara

“This is the strongest quarter for us since the COVID-19 pandemic struck 20 months ago, with clear signs of economic recovery across key sectors. While we are cautiously optimistic of the prospects, especially due to the dynamic nature of the healthcare crisis, we project that the worst is behind us,” said KCB Group CEO & MD Joshua Oigara.

“Our focus was on cost management, cash preservation and driving sustainable business growth. Our resolve to support our customers to navigate the crisis has helped them pick up from the subdued business environment,” he added.

Income Growth

The Group recorded a 16% rise in total income to KShs.79.9 billion, on account of higher interest income—driven by an increase in earning assets—, higher non-interest income – driven by increased transactional volumes and FX income and lower cost of funding.

Cost Management

At KShs.34.7 billion during the period, expenses rose by 9% on account of increased staff costs partially offset by a decrease in other operating expenses as the Group rolled out cost management initiatives to ring-fence the business from the impact of the pandemic

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Directors: A. W. Kairu (Chairman); J. N. Oigara; L. K. Kiambi; C.S. – National Treasury; J. O. A Nyerere; Ms. G. M. Malombe; L. M. Njiru; Mrs. A.O. Eriksson; A. R. M. Mohamed; Dr. J.O Bagaka; Ms. A. M. Kirenge.



Key Financial Highlights

- **Balance Sheet** – Increased 15% to KShs.1.122 trillion.
- **Customer gross loans** – Increased 12% to KShs.718 billion on improved lending in Kenya, Uganda and Rwanda.
- **Customer Deposits** – Stood at KShs.859 billion, an 11% jump due to organic growth in Kenya.
- **Profit after Tax** - Up 131% from KShs.10.9 billion to KShs.25.2 billion.
- **Revenue** - Increased 16% to KShs.79.9 billion on account of increase in interest income driven by increase in earning assets, non-funded income, and lower cost of funding.
- **Non-funded income** – Increased by 10% on increased customer transactions.
- **Costs** - Up by 9% to KShs.34.7 billion.

Loan Provisions & Asset Quality

During the period, the cost of risk improved to 200 bps driven by reduced provisions in corporate and digital loans, while the ratio of non-performing loans (NPL) decreased from 15.1% to 13.7%. Provisions were 53% lower to end the period at KShs.9.3 billion from KShs.20 billion a similar period last year.

The stock of NPL rose marginally to KShs.98.1 billion, from KShs.97 billion posted the same period last year mainly from KCB Bank Kenya and partially offset by a reduction in National Bank of Kenya, KCB Bank Rwanda, and KCB Bank Tanzania stock.

Balance Sheet

Total assets increased by 15% to KShs.1.12 trillion, driven by organic growth across our businesses and acquisition of Banque Populaire du Rwanda (BPR) in Rwanda.

Customer deposits stood at KShs.859 billion, an 11% jump largely due to organic growth in Kenya while gross loans rose 12% to KShs.718 billion on account of improved lending in Kenya, Uganda, and Rwanda.

Shareholders' equity grew 20% from KShs.136 billion to KShs.163 billion on improved profit for the period.

Capital adequacy & Regulatory compliance

All key capital ratios were well above the minimum regulatory requirement, giving the Group a strong headroom for growth. Total capital stood at KShs.173.5 billion, representing a total capital to risk-weighted assets ratio of 20.6% against a regulatory minimum of 14.5%. The Group's core capital as a proportion of total risk-weighted assets closed the period at 17.3% against the Central Bank of Kenya statutory minimum of 10.5%.

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Interim Dividend

The Directors have approved an interim dividend of KShs.1.00 for every ordinary share of KShs.1.00 held. The dividend will be paid on or about Friday, January 14, 2022, to shareholders on the register at the close of business on Thursday, December 9, 2021.

Acquisitions Update

In line with the Group's strategy and specifically to scale our regional presence, the Group is at the tail end of acquiring a majority stake in the African Banking Corporation Tanzania Limited (BancABC Tanzania) in Tanzania.

The Group successfully completed acquisition of BPR in August 2021 and has kicked off integration activities in what will see the full consolidation of BPR and KCB Bank Rwanda into a single banking entity.

This twin acquisition will bolster the Group's market share in these two key markets and grow the contribution of international businesses to the Group.

Outlook and Group Strategy

The Group has entered the last quarter of the second year of its three-year Beyond Banking Strategy with more optimism. The strategy is anchored on delivering the very best in customer experience and driving a digital future.

"In anticipation of a stronger 2022 and a more sustained recovery, we are deepening our focus on supporting various sectors of the economy such as MSMEs as we walk with our customers to regain the lost foothold due to the COVID-19 crisis," said Mr. Oigara. "We are making strategic investments to deepen our regional play while building a sustainable business for the future that is anchored on people, planet and profits," he added.

Sustainability Agenda

During the period under review, the Group deepened its sustainability agenda which is anchored on environmental, social, economic, and financial pillars. This is in the realization that business is not just about making profits but also transforming communities where we operate in while ensuring that our operations are climate friendly. This, we do by partnering with likeminded stakeholders. In line with this, in October, the Bank introduced a Code of Ethics for all its service providers which will require them to subscribe to guidelines on sustainable operations.

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In pursuit of its green ambition and in the wake of the 2021 United Nations Climate Change Conference, also known as COP26, the Group has signed to Net Zero emissions target by 2050, joining other global institutions in the race to zero. Related to this, KCB Group has welcomed the release of the Central Bank of Kenya Guidance on Climate Risk Management. This is a step in the right direction as it leaves no room for non-action towards climate change.

Key Milestones - Global and Local accolades

Late last month, KCB Group was ranked eighth globally in the 2021 Fortune Change the World list as one of 100 companies world-wide that have made a positive social and environmental impact.

The Bank was recognized for their support to the communities since the outbreak of the Covid-19 pandemic and their service to society spearheaded by the KCB Foundation. In addition to this award, KCB Group has been given an Honorable mention for Best Bank for Women for serving fragile and conflict-affected situations at the 2021 Global SME Finance Forum Awards.

Earlier, KCB Group was recognized as the Safest Bank in Africa by Global Finance World's Safest Bank, the Most Valuable Financial Kenyan brand for the year 2021 by Brand Finance, Best Bank by the Global Finance - World's Best Bank Awards 2021, Best ESG Solution by the Middle East and Africa Innovations Awards 2021, Most Admired Sales Company in Kenya for the year 2020 by Employability Test.com and Overall Winner 2020 by FiRe awards. <Ends>

For further information, please contact Rosalind Gichuru, Group Director, Marketing, Corporate Affairs & Citizenship; email: RGichuru@kcbgroup.com

About KCB Group PLC

KCB Group Plc is East Africa's largest commercial Bank that was established in 1896 in Kenya. Over the years, the Bank has grown and spread its wings into Tanzania, South Sudan, Uganda, Rwanda, Burundi and Ethiopia (Rep). Further to the banking businesses in these markets, KCB Group owns the National Bank of Kenya, a Kenyan lender and BPR in Rwanda. Today KCB has the largest branch network in the region with 491 branches, 1,154 ATMs and over 27,369 merchants and agents offering banking services on a 24/7 basis in East Africa. Additionally, KCB Group owns KCB Bancassurance Intermediary limited, KCB Capital Limited, KCB Foundation and Kencom House Limited as non-banking businesses. This is complemented by mobile banking and internet banking services with 24 hour contact centre services for our customers to get in touch with the Bank. KCB has a vast network of correspondent relationships totalling 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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