



Kenya Commercial Bank Limited

Head Office  
P.O. Box 48400-00100, NAIROBI  
Telephone: +254 20 3270203/3270156  
Fax: +254 20 245491  
Email: [caffairs@kcb.co.ke](mailto:caffairs@kcb.co.ke)  
Website: <http://www.kcb.co.ke>

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## **PRESS INFORMATION**

### **KCB NINE-MONTHS PROFIT UP 40% TO KSH. 9.1 BILLION**

The KCB Group maintained its profitability momentum for 2011 with a 40% growth in profit before tax as at September 30, 2011.

Profit before tax increased from KSh6.5 billion over the same period in 2010 to KSh9.1 billion in 2011.

Group Chairman Peter W. Muthoka, released the bank's trading results for the nine months.

“Over the past six months, we have witnessed the economy going through turbulent times owing to a series of price shocks on fuel and food that has seen the 12-month overall inflation hit 17.32% by September, 2011. Despite all this, the bank has been able to register impressive results, driven by our Transformation Initiatives and growth in our respective business segments,” said the Chairman.

Commenting on the results, the KCB Group Chief Executive, Dr. Martin Oduor-Otieno said the bank's drive for efficiency, innovation and growth in customer numbers and transaction volumes has enabled it remain competitive and build a stronger foundation for the success of the business.

"Our customer base now stands at 1.8million for both retail and corporate segments. This has provided us the opportunity to provide increased credit and mortgage facilities and other products and services to our diverse customer base in the retail, small and medium enterprises as well as the micro-segment, and thereby grow our profitability," said the Group Chief Executive.

Net Interest Income increased by 14% to KSh. 16.6 billion due to growth in our loans and advances although margins contracted due to higher wholesale deposit interest rates.

The bank's fees and commissions moved up 48% from KSh4.7 billion for the same period last year to KSh6.9 billion reflecting increased transaction volumes. Foreign exchange income increased marginally by 1% from KSh2.2 billion in 2010 to Kshs2.25 billion over the same period.

Total operating income, therefore, went up by 20% from KSh21.8 billion in 2010 to KSh26.2 billion this year against a 19% growth in total operating expenses on the back of one-off costs for the transformation programme.

All the regional subsidiaries in Tanzania, Uganda, Rwanda and South Sudan returned profits. "We are extremely delighted with the performance of our subsidiaries, which for the first time have all registered profits over the past nine months. We are confident that these businesses can now grow and

contribute effectively to our Group profitability on a sustainable basis,” said the Group Chief Executive.

The bank’s balance sheet grew by 32% from KSh244 billion in September 2010 to KSh322 billion in September 2011.

“We continue to have a large and well capitalized balance sheet capable of supporting lending needs for both corporate and retail segments across the region,” said the Chief Executive.

The bank’s deposits grew by 31% from KSh193 billion to stand at KSh252 billion while net loans and advances grew by 41% to KSh194 billion. This significant growth underscores KCB’s focus on supporting economic development through providing increased credit facilities to the productive sectors of the economy over the last years. It also provides a basis for sustained revenue growth in this coming year.

“We continue to use our vast IT infrastructure to increase reach and utilization of our service delivery channels. KCB Agent banking services and partnership programmes with other service providers has yielded increased transaction revenues that have contributed positively to our profitability,” said Oduor-Otieno.

Investment in government securities reduced by 24% from KSh51 billion in 2010 to KSh39 billion, with the resultant funds being deployed to increased lending activities.

Shareholder funds increased from KSh36.8 billion to KSh41 billion due to growth in profitability, offset by Dividends paid during the period.

There was improved effort to recover bad debts reflecting an improved debt portfolio management with provisions for bad debts declining by 13% from KSh1.6 billion to KSh1.4 billion and recoveries increasing by over 100% from KSh102 million to KSh734 million.

The KCB Group Chairman said the Transformation Programme has translated into improvement in some key business segments such as retail, mortgage finance, lending and deposit mobilization.

“Therefore our Q3 profit of KSh9.1billion is commendable given the challenging economic environment over the past nine months,” he added.

The bank maintained strong prudential ratios with core capital to total deposit liabilities at 16.2% (CBK minimum at 8.0%), core capital to total risk weighted assets at 16.3% (CBK minimum at 8%), total capital to total weighted assets at 16.3% (CBK minimal 12.0%) and liquidity at 28.7% (CBK minimum 20.0%).

The bank rolled out its internet banking product two months ago as part of service and product innovation. This is complemented by KCB Connect, mobile banking services that now offer payment services for credit cards through the Mpesa proposition. These product rollouts will enhance efficiency and create an excellent customer service experience across KCB’s regional network.

In conclusion, the Chief Executive thanked Customers, Shareholders and employees for this excellent performance.

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“On the basis of the strong performance for the 9 months, prospects for the full year remain positive,” said the Group Chief Executive.

KCB is the region’s largest bank by branch network (222 outlets), asset base (KSh322 billion) and capital base (KSh41 billion). It has operations in Kenya, Uganda, Tanzania, Rwanda and South Sudan and a regional network of ATMs of 403 units while partnership with PesaPoint and Kenswitch provides access to 519 ATMs to our customers.

For more information, please contact:

**Dr. Martin Oduor-Otieno**      **020-3270210**

**David K. Malakwen**      **020-3270218**

