



Kenya Commercial Bank Limited

Head Office
P.O. Box 48400-00100, NAIROBI
Telephone: +254 20 3270156/ 2851000
Fax: +254 20 245491
Email: caffairs@kcb.co.ke
Website: <http://www.kcbbankgroup.com>

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PRESS INFORMATION

KCB IN 56% PROFIT GROWTH TO KSHS9.8 BILLION

The KCB Group has reported an impressive 56% jump in pretax profits for 2010 from KShs6.3 billion in 2009 to KShs9.8 billion.

Group Chairman, Mr. Peter Muthoka, announced the bank's 2010 full year audited results that reflected a 29% increase in total operating income to KShs29.6 billion from KShs22.9 billion the previous year. Total operating expenses were stable at KShs18.7 billion growing by 18% from KShs15.9 billion in 2009.

"The Board is very pleased to present these impressive results which confirm that our consolidation agenda is bearing fruit", said Muthoka.

He said the bank's good results were anchored on a 36% increase in net interest income from KShs14.5 billion in 2009 to KShs19.6 billion, foreign exchange earnings growth by an impressive 68% to KShs2.8 billion up from KShs1.6 billion in 2009 and fees and commissions that went up by 16% from KShs5.9 billion to KShs6.8 billion.

The KCB Group Chief Executive, Dr. Martin Oduor-Otieno, hailed the bank's performance attributing it to hard work and commitment among employees and great support from customers, shareholders, the Board and other stakeholders.

"We experienced a significant increase in both our loans and deposits volumes due to our effective business drive and growth in our customer base which now stands at approximately 1.5 million," he said.

The Chief Executive said the bank's balance sheet continued to grow with a further 29% expansion last year to KShs251.4 billion up from KShs194.8 billion in 2009.

"Total assets increased as a result of growth in loans and advances (21% to KShs148.1 billion), investments in Government securities (80% to KShs44.2 billion) and an increase in balances with other institutions (46% to KShs19.2 billion)," added Oduor-Otieno.

The bank registered an increase in total deposits of 21% to KShs197 billion from KShs163 billion in 2009 while balances with other banks went up by 66% to KShs11 billion from KShs6.7 billion the previous year.

“We achieved a good mix of short and long-term deposits from our large network keeping our cost of funds within market levels,” said Oduor-Otieno.

Muthoka said KCB shareholders would be delighted with the results, adding that the Board had recommended a final dividend payout totaling KSh3.7 billion, a 66% increase over 2009 (KSh2.2 billion). This translates to KSh1.25 per share (KSh1.00 in 2009) on the increased share capital following the successful Rights Issue during 2010.

“Shareholder funds increased by 73% from KSh22.6 billion in 2009 to KSh39.1 billion last year largely due to the proceeds of the third KCB rights issue and annual profit retention,” he added.

The Chairman said the bank was stronger than ever before with healthy capital ratios.

“Our key statutory ratios remain strong making KCB one of the most stable and solid banks in the region,” he said.

The core capital to total deposit liabilities ratio went up from 12.8% in 2009 to KSh21.6% last year (CBK minimum – 8%) while that of core capital to total risk weighted assets increased from 14.8% to 23.1% (CBK minimum - 8%). Total capital to risk weighted assets increased from 14.8% in 2009 to 23.2% 2010 (CBK minimum – 12%) while liquidity remained strong at 30.7% up from 28.1% the year before (CBK minimum – 20%).

The Chief Executive said KCB remained a big regional player with large network of 218 branches and 400 automated teller machines.

“Our consolidation agenda enabled us focus on making our branches and service delivery channels more productive and profitable increasing our market share by customer numbers to 11% besides a general improvement in the quality of our customer service,” said Oduor-Otieno.

Last year the bank successfully completed the merger of its mortgage arm, S&L, into the mainstream business availing mortgage finance to more customers across our branch network while reducing overall operational expenses.

“We continue to enjoy a bigger share of the mortgage market and are certain to enhance this due to our increased reach following the merger,” said the Chief Executive.

The bank’s new core banking system, T24, experienced increased stability and efficiency in 2010 further improving delivery of products and services to the market and providing a strong foundation for our innovation agenda.

“We are in the process of launching our internet service platform shortly to add variety to our service offering to individuals and corporates. In addition, we are also driving stronger partnerships

with telcos and other value adding service providers to enhance our offerings to our diverse stakeholders,” said Oduor-Otieno.

The Chief Executive said the ongoing transformation programme was going well adding the bank will communicate milestones as they emerge.

“We want to build a world class bank with efficient, effective and profitable operations and we believe this programme will help us deliver increased stakeholder value,” he said.

KCB is East Africa’s largest commercial bank in terms of branch network (218), assets (KSh251.3 billion) and capital base (KShs39.1 billion) with operations in Kenya, Tanzania, Southern Sudan, Uganda and Rwanda.

The bank has 400 quickserve automated teller machines with strategic partnerships for an additional 110 PesaPoint outlets and over 300 Kenswitch machines to increase reach. The bank employs over 5000 staff across the region and has an investor register of over 160,000 investors.

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For more information please contact:

Martin Oduor Otieno Tel: 020-3270210

Kepha Bosire on Tel: 020-3270156