

AUDITED FINANCIAL STATEMENTS AND OTHER DISCLOSURES FOR THE YEAR ENDED 31 DECEMBER 2018

I STATEMENT OF FINANCIAL POSITION	BANK		COMPANY		GROUP	
	31-Dec-17 Kshs 000 Audited	31-Dec-18 Kshs 000 Audited	31-Dec-17 Kshs 000 Audited	31-Dec-18 Kshs 000 Audited	31-Dec-17 Kshs 000 Audited	31-Dec-18 Kshs 000 Audited
A ASSETS						
1 Cash (both Local & Foreign)	8,186,847	8,147,291	-	-	11,288,063	11,062,802
2 Balances due from Central Bank of Kenya	17,802,484	30,977,080	-	-	17,802,484	39,038,130
3 Kenya Government and other securities held for dealing purposes	-	-	-	-	-	-
4 Financial Assets at fair value through profit and loss	-	-	-	-	-	-
5 Investment securities: a) Held at amortised cost:						
a. Kenya Government securities	28,884,760	27,347,610	-	-	28,884,760	30,515,506
b. Other securities	-	-	-	-	9,379,729	6,658,706
b) Fair value through OCI:						
a. Kenya Government securities	63,218,044	72,296,603	-	-	63,511,079	79,362,566
b. Other securities	2,489,208	3,369,846	53,016	34,213	8,231,770	3,532,802
6 Deposits and balances due from local banking institutions	8,030,307	7,985,156	887,927	898,979	8,030,307	23,744,032
7 Deposits and balances due from banking institutions abroad	5,074,613	4,865,897	-	-	35,304,595	8,272,635
8 Tax recoverable	174,568	-	68,639	68,639	523,785	-
9 Loans and advances to customers (net)	387,942,858	417,230,271	-	-	422,684,637	455,880,284
10 Balances due from group companies	1,150,511	3,720,491	8,568,354	7,104,652	-	-
11 Investments in associates	-	-	125	-	-	-
12 Investments in subsidiary companies	-	-	67,648,850	68,035,950	-	-
13 Investments in joint ventures	-	-	-	-	-	-
14 Investment properties	-	-	-	-	-	-
15 Property and equipment	6,194,697	7,121,150	562,147	648,966	10,454,253	11,007,625
16 Prepaid lease rentals	129,509	127,013	-	-	132,246	129,018
17 Intangible assets	3,180,796	2,861,074	-	-	3,371,113	3,003,113
18 Deferred tax asset	3,891,204	8,396,644	-	102,168	4,824,632	9,585,223
19 Retirement benefit asset	1,018,000	658,000	-	-	1,018,000	658,000
20 Other assets	18,261,905	26,618,752	20,051	-	21,227,686	31,862,149
21 TOTAL ASSETS	555,630,311	621,722,876	77,809,109	76,893,567	646,668,939	714,312,591
B LIABILITIES						
22 Balances due to Central Bank of Kenya	-	-	-	-	-	-
23 Customer deposits	440,164,316	475,395,672	-	-	499,549,179	537,459,617
24 Deposits and balances due to local banking institutions	4,120,966	7,000,660	-	-	4,120,966	9,162,792
25 Deposits and balances due to foreign banking institutions	1,112,877	4,216,955	-	-	6,917,784	-
26 Other money market deposits	-	-	-	-	-	-
27 Borrowed funds	10,579,000	18,933,205	7,755,000	-	14,895,208	22,447,432
28 Balances due to group companies	-	-	69,833	731,654	-	-
29 Tax payable	-	55,349	-	-	265,629	308,534
30 Dividends payable	-	-	-	-	-	-
31 Deferred tax liability	-	-	1,751	-	159,962	-
32 Retirement benefit liability	-	-	-	-	-	-
33 Other liabilities	10,662,237	18,332,749	1,266,666	55,013	14,794,338	20,331,073
34 TOTAL LIABILITIES	466,639,396	523,933,930	9,093,250	788,667	540,703,066	600,651,453
C SHAREHOLDERS' FUNDS						
35 Paid up/Assigned capital	53,986,100	53,986,100	3,066,057	3,066,057	3,066,057	3,066,057
36 Share premium/(discount)	-	-	21,646,777	21,646,777	21,646,777	21,646,777
37 Revaluation reserves	(22,115)	2,100,551	(23,727)	(42,530)	134,217	1,851,626
38 Retained earnings/ Accumulated losses	19,122,367	33,927,032	37,894,638	43,771,453	68,951,335	85,182,131
39 Statutory loan loss reserve	9,581,792	-	-	-	11,208,263	1,222,095
40 Other Reserves/Re-measurement of defined benefit asset/liability	384,300	44,100	-	-	(5,172,890)	(6,972,691)
41 Proposed dividends	5,938,471	7,731,163	6,132,114	7,665,143	6,132,114	7,665,143
42 Capital grants	-	-	-	-	-	-
43 TOTAL SHAREHOLDERS' FUNDS	88,990,915	97,788,946	68,715,859	76,106,900	105,965,873	113,661,138
44 Minority Interest	-	-	-	-	-	-
45 TOTAL LIABILITIES AND SHAREHOLDERS' FUNDS	555,630,311	621,722,876	77,809,109	76,893,567	646,668,939	714,312,591

II STATEMENT OF COMPREHENSIVE INCOME	BANK		COMPANY		GROUP	
1 INTEREST INCOME	31-Dec-17 Kshs 000 Audited	31-Dec-18 Kshs 000 Audited	31-Dec-17 Kshs 000 Audited	31-Dec-18 Kshs 000 Audited	31-Dec-17 Kshs 000 Audited	31-Dec-18 Kshs 000 Audited
1.1 Loans and advances	46,157,471	47,786,148	579,817	294,800	50,818,258	52,711,906
1.2 Government securities	10,493,819	11,053,590	-	-	12,365,068	12,983,467
1.3 Deposits and placements with banking institutions	292,871	470,035	-	22,281	489,770	585,325
1.4 Other Interest Income	-	-	-	-	-	-
1.5 Total interest income	56,944,161	59,309,773	579,817	317,081	63,673,096	66,280,698
2 INTEREST EXPENSE						
2.1 Customer deposits	11,754,008	13,772,004	-	-	13,615,312	15,464,365
2.2 Deposits and placement from banking institutions	1,074,761	1,236,287	527,240	271,954	1,673,011	1,985,797
2.3 Other interest expenses	-	-	-	-	-	-
2.4 Total interest expenses	12,828,769	15,008,291	527,240	271,954	15,288,323	17,450,162
3 NET INTEREST INCOME/(LOSS)	44,115,392	44,301,482	52,577	45,127	48,384,773	48,830,536
4 OTHER OPERATING INCOME						
4.1 Fees and commissions on loans and advances	5,199,528	5,718,319	-	-	5,595,408	7,441,206
4.2 Other fees and commissions	5,492,435	6,170,865	-	-	9,099,026	6,797,540
4.3 Foreign exchange trading income	2,928,408	2,744,601	6,205	(14,016)	4,665,498	4,374,312
4.4 Dividend Income	362	365	12,416,780	16,863,871	362	365
4.5 Other income	3,265,556	3,934,627	116,475	105,824	3,640,515	4,360,140
4.6 Total other operating income	16,886,288	18,568,777	12,539,460	16,955,679	23,000,809	22,973,563
5 TOTAL OPERATING INCOME	61,001,680	62,870,259	12,592,037	17,000,806	71,385,582	71,804,099
6 OTHER OPERATING EXPENSES						
6.1 Loan loss provision	4,978,786	3,136,286	-	-	5,914,321	2,944,367
6.2 Staff costs	16,408,400	14,351,844	45,953	91,398	19,146,769	17,007,482
6.3 Directors' emoluments	277,553	307,968	42,719	26,982	397,324	339,076
6.4 Rental charges	800,310	762,574	-	-	1,520,172	1,262,514
6.5 Depreciation charge on property and equipment	1,361,963	1,506,047	2,791	3,557	1,707,172	1,866,468
6.6 Amortisation charges	999,307	1,212,187	-	-	1,082,508	1,279,757
6.7 Other operating expenses	8,703,407	10,208,414	211,981	372,838	12,503,115	13,245,599
6.8 Total other operating expenses	33,529,726	31,485,320	303,444	495,775	42,271,381	37,945,263
7 Profit/(loss) before tax and exceptional items	27,471,955	31,384,939	12,288,593	16,506,031	29,114,201	33,858,836
8 Exceptional items	-	-	-	-	-	-
9 Profit/(loss) after exceptional items	27,471,955	31,384,939	12,288,593	16,506,031	29,114,201	33,858,836
10 Current tax	(9,562,422)	(10,595,034)	(37,423)	(361)	(10,142,554)	(11,275,951)
11 Deferred tax	1,325,767	1,620,802	(1,751)	103,919	733,483	1,412,085
12 Profit/(loss) after tax and exceptional items	19,235,300	22,410,707	12,249,419	16,609,589	19,705,130	23,994,970
13 Minority Interest	-	-	-	-	-	-
14 Profit/(loss) after tax and exceptional items and Minority Interest	19,235,300	22,410,707	12,249,419	16,609,589	19,705,130	23,994,970
15 Other Comprehensive income:						
15.1 Gains/(Losses) from translating the financial statements from foreign operations	-	-	-	-	(1,473,751)	(918,220)
15.2 Fair value changes in available-for-sale financial assets	1,589,163	3,032,380	-	(26,861)	3,912,705	2,366,710
15.3 Re-measurement of defined benefit pension fund	100,000	(486,000)	-	-	100,000	(486,000)
15.4 Share of other comprehensive income of associates	-	-	-	-	-	-
15.5 Income tax relating to components of other comprehensive income	(506,749)	(763,914)	-	8,058	(579,746)	(564,213)
Other comprehensive income for the year	1,182,414	1,782,466	-	(18,802)	1,959,208	398,277
16 net of tax	20,417,714	24,193,178	12,249,419	16,590,787	21,664,338	24,393,247
17 EARNINGS PER SHARE - DILUTED & BASIC KSHS	0.36	0.42	4.00	5.42	6.43	7.83
18 DIVIDEND PER SHARE - DECLARED KSHS	0.17	0.20	3.00	3.50	3.00	3.50

Proposed Dividend
The Directors have resolved to recommend a final dividend of Shs.2.50 per ordinary share of the company having paid an interim dividend of Shs. 1.00 per ordinary share of the company on 30 November, 2018. Subject to the shareholders' approval, the final dividend will be payable to the members of the company on the register at the close of business on Monday, 29 April, 2019. If approved, the full dividend per ordinary share for the year ended 31 December, 2018 will be Shs.3.50.

Message from the Directors
The above Statement of Financial Position and Statement of Comprehensive Income are extracts from the Group's, Bank's and company's financial statements which have been audited by KPMG Kenya and received an unqualified opinion. The complete set of audited financial statements, statutory and qualitative disclosures can be accessed on the institutions website www.kcbgroup.com. They may also be accessed on the institutions head office located at Kencom House, Moi Avenue, Nairobi.
The financial statements were approved by the Board of Directors on Tuesday, 5 March, 2019, and were signed on its behalf by:
Andrew W. Kairu – Group Chairman | **Joshua Oigara** – Group Chief Executive Officer and Managing Director | **Lawrence Njiru** – Director | **Joseph Kania** – Group Company Secretary
Regulated by Central Bank of Kenya.

III OTHER DISCLOSURES	BANK		COMPANY		GROUP	
	31-Dec-17 KShs 000	31-Dec-18 KShs 000	31-Dec-17 KShs 000	31-Dec-18 KShs 000	31-Dec-17 KShs 000	31-Dec-18 KShs 000
1 NON-PERFORMING LOANS AND ADVANCES						
a) Gross Non-performing loans and advances	34,181,590	30,011,847	-	-	37,496,454	32,691,822
b) Less Interest in Suspense	4,775,864	3,791,303	-	-	5,125,304	4,119,045
c) Total Non-Performing Loans and Advances (a-b)	29,405,725	26,220,544	-	-	32,371,150	28,572,777
d) Less Loan Loss Provision	18,947,410	13,339,097	-	-	20,350,677	14,380,593
e) Net Non-Performing Loans and Advances (c-d)	10,458,316	12,881,447	-	-	12,020,472	14,192,184
f) Discounted Value of Securities	9,717,172	11,432,696	-	-	12,645,119	15,943,763
g) Net NPLs Exposure (e-f)	741,144	1,448,751	-	-	(624,647)	(1,751,579)
2 INSIDER LOANS AND ADVANCES						
a) Directors, Shareholders and Associates	2,476,014	2,706,409	-	-	2,512,857	2,730,448
b) Employees	11,348,411	11,394,584	-	-	12,231,711	12,453,076
c) Total Insider Loans and Advances and other facilities	13,824,425	14,100,993	-	-	14,744,567	15,183,523
3 OFF-BALANCE SHEET ITEMS						
a) Letters of credit, guarantees, acceptances	60,424,701	71,147,007	-	-	64,846,078	76,632,216
b) Forwards, swaps and options	13,215,932	17,745,126	-	-	15,004,860	20,440,843
c) Other contingent liabilities	-	-	-	-	-	-
d) Total Contingent Liabilities	73,640,633	88,892,133	-	-	79,850,938	97,073,059
4 CAPITAL STRENGTH						
a) Core capital	71,969,993	87,957,222	-	-	85,245,565	109,939,064
b) Minimum Statutory Capital	1,000,000	1,000,000	-	-	6,691,313	6,520,129
c) Excess (a-b)	70,969,993	86,957,222	-	-	78,554,252	103,418,9