

### Condensed directors' remuneration report

For the	9 months ended	9 months ended	Year ended
	30.09.2019	30.09.2018	31.12.2018
	Unaudited	Unaudited	Audited
	Shs' 000	Shs' 000	Shs' 000
Aggregate directors' emoluments	127,256	63,789	121,968

### Condensed consolidated statement of profit or loss

For the	9 months ended	9 months ended	Year ended
	30.09.2019	30.09.2018	31.12.2018
	Unaudited	Unaudited	Audited
	Shs' millions	Shs' millions	Shs' millions
Net interest income	32,284	29,475	41,422
Net fee and commission income	13,231	11,455	15,271
Other income	6,258	5,680	6,820
Provision for impairment losses on loans and advances	(1,282)	(824)	(2,936)
<b>Net operating income</b>	<b>50,491</b>	<b>45,786</b>	<b>60,577</b>
Operating expenses	(25,699)	(23,378)	(32,114)
<b>Profit before income tax</b>	<b>24,792</b>	<b>22,408</b>	<b>28,463</b>
Income tax expense	(7,316)	(6,580)	(8,639)
<b>Profit for the period</b>	<b>17,476</b>	<b>15,828</b>	<b>19,824</b>

### Condensed consolidated statement of other comprehensive income

For the	9 months ended	9 months ended	Year ended
	30.09.2019	30.09.2018	31.12.2018
	Unaudited	Unaudited	Audited
	Shs' millions	Shs' millions	Shs' millions
<b>Profit for the period</b>	<b>17,476</b>	<b>15,828</b>	<b>19,824</b>
<b>Other comprehensive income:</b>			
FVOCI investment securities	3,324	(193)	(634)
Exchange differences on translation of foreign operations	316	(989)	(1,035)
<b>Other comprehensive income for the period</b>	<b>3,815</b>	<b>(1,182)</b>	<b>(1,669)</b>
<b>Total comprehensive income for the period, net of tax</b>	<b>21,291</b>	<b>14,647</b>	<b>18,155</b>
<b>Earnings per share (basic and diluted) (Shs)</b>	<b>4.59</b>	<b>4.17</b>	<b>5.25</b>

### Condensed consolidated statement of financial position

As at	30 Sep 2019	30 Sep 2018	31 Dec 2018
	Unaudited	Unaudited	Audited
	Shs' millions	Shs' millions	Shs' millions
<b>Assets</b>			
Cash, deposits and balances due from financial institutions	110,015	78,437	74,619
Derivative financial asset	155	167	225
Investment securities	165,791	158,575	160,952
Due from related parties	-	-	24
Current income tax	113	65	632
Loans and advances to customers	348,926	288,381	297,227
Other assets	24,645	10,935	12,395
Property and equipment	11,304	10,781	10,276
Intangible assets (including goodwill)	9,974	10,174	10,466
Deferred income tax	6,084	2,790	6,117
Prepaid leases	98	81	451
<b>Total assets</b>	<b>677,105</b>	<b>560,386</b>	<b>573,384</b>
<b>Liabilities</b>			
Deposits from customers	478,101	402,245	422,758
Borrowed funds	66,298	56,249	45,101
Due to related parties	77	19	-
Other liabilities	22,763	10,471	10,343
Dividend payable	-	57	-
Current income tax	1,106	612	185
Deferred income tax	59	61	40
<b>Total liabilities</b>	<b>568,404</b>	<b>469,714</b>	<b>478,427</b>
<b>Equity</b>			
Share capital	1,887	1,887	1,887
Share premium	16,063	16,063	16,063
Retained earnings and other reserves	89,732	71,870	76,124
<b>Equity attributable to owners of the Company</b>	<b>107,682</b>	<b>89,820</b>	<b>94,074</b>
Non-controlling interests	1,019	852	883
<b>Total equity</b>	<b>108,701</b>	<b>90,672</b>	<b>94,957</b>
<b>Total equity and liabilities</b>	<b>677,105</b>	<b>560,386</b>	<b>573,384</b>

### Condensed consolidated statement of changes in equity

	Attributable to owners of the parent					
	Share capital	Share premium	Retained earnings and other reserves	Total	Non-controlling interests	Total equity
	Shs' millions	Shs' millions	Shs' millions	Shs' millions	Shs' millions	Shs' millions
<b>9 months period ended 30 September 2019</b>						
At start of period	1,887	16,063	76,124	94,074	883	94,957
Profit for the 9 months period	-	-	17,340	17,340	136	17,476
Other comprehensive income	-	-	3,815	3,815	-	3,815
Final 2018 dividend declared and paid	-	-	(7,547)	(7,547)	-	(7,547)
<b>At end of period</b>	<b>1,887</b>	<b>16,063</b>	<b>89,732</b>	<b>107,682</b>	<b>1,019</b>	<b>108,701</b>
<b>9 months period ended 30 September 2018</b>						
At start of period	1,887	16,063	74,442	92,392	750	93,142
Profit for the 9 months period	-	-	15,726	15,726	102	15,828
Other comprehensive income	-	-	(1,182)	(1,182)	-	(1,182)
Final 2017 dividend declared and paid	-	-	(7,547)	(7,547)	-	(7,547)
Changes on initial application of IFRS 9, net of tax	-	-	(9,569)	(9,569)	-	(9,569)
<b>At end of period</b>	<b>1,887</b>	<b>16,063</b>	<b>71,870</b>	<b>89,820</b>	<b>852</b>	<b>90,672</b>
<b>Year ended 31 December 2018</b>						
At start of year	1,887	16,063	74,442	92,392	750	93,142
Changes on initial application of IFRS 9, net of tax	-	-	(8,809)	(8,809)	-	(8,809)
Changes on initial application of IFRS 15, net of tax	-	-	16	16	-	16
Profit for the year	-	-	19,691	19,691	133	19,824
Other comprehensive income	-	-	(1,669)	(1,669)	-	(1,669)
Final 2017 dividend declared and paid	-	-	(7,547)	(7,547)	-	(7,547)
<b>At end of year</b>	<b>1,887</b>	<b>16,063</b>	<b>76,124</b>	<b>94,074</b>	<b>883</b>	<b>94,957</b>

### Condensed consolidated statement of cash flows

For the	9 months ended	9 months ended	Year ended
	30.09.2019	30.09.2018	31.12.2018
	Unaudited	Unaudited	Audited
	Shs' millions	Shs' millions	Shs' millions
Cash generated from operations	41,705	50,499	50,499
Income taxes paid	(5,927)	(6,723)	(6,723)
<b>Net cash generated from operating activities</b>	<b>35,778</b>	<b>40,882</b>	<b>43,776</b>
Net cash used in investing activities	(5,192)	(35,515)	(38,775)
Net cash generated from/(used in) financing activities	5,871	(7,359)	(13,010)
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>36,457</b>	<b>(1,992)</b>	<b>(8,009)</b>
At start of period	60,573	68,582	68,582
<b>At end of period</b>	<b>97,030</b>	<b>66,590</b>	<b>60,573</b>

### Performance highlights

The Group's balance sheet grew by 21% to Shs 677 Billion up from Shs 560.4 Billion driven mainly by 21% growth in net loans and 40% growth in cash and cash equivalent. Investments in government securities decelerated to only grow by 5% as more funds were reallocated to lending to the real economy. The assets are funded by a growth of 19% in deposits which grew to Shs 478.1 Billion up from Shs 402.2 Billion. Shareholders' funds have grown by 20% to Shs 108.7 Billion up from Shs 90.7 Billion while long-term funding has grown by 18% to Shs 66.3 Billion reflecting a stable diversified mix of funding.

The Group's net interest income grew by 10% to Shs 32.29 Billion from Shs 29.47 Billion. Non funded income grew by 14% to Shs 22.54 Billion up from Shs 19.83 Billion to lift total income by 11% to Shs 54.83 Billion up from Shs 49.3 Billion. The faster growth in total income above net interest income reflects success of the strategic pursuit of the Group to grow quality income through non funded income growth.

Merchant banking business grew by 27% to reach a transaction volume of Shs 88.4 Billion up from Shs 69.6 Billion while merchant commission grew by 19% to reach Shs 1.74 billion up from Shs 1.46 Billion. The volume of diaspora remittances grew by 28% to reach Shs 101.9 Billion up from Shs 79.8 Billion. Forex trading income and commission grew by 20% to Shs 2.84 Billion up from Shs 2.37 Billion with 23% of the traded forex generated by diaspora remittances.

The Group's cost to income ratio improved to 51.3% from 51.5% driven by a faster improvement in the cost to income ratio of the main subsidiary Kenya to 45.9% from 47%. The improvement in cost income ratio is underpinned by efficiency and cost optimization driven by innovation and digitization. Digitization has helped transform banking from a place you go to something you do. 97% of all transactions now happen outside the branch while 93% of all the Group loan transactions are via the mobile channels.

Relentless pursuit of innovations has resulted in the Group delivering products and services substantially on 3rd party variable cost channels and infrastructure as opposed to fixed cost channels. 77% of the Group transactions are now on mobile, 12% on agency network, 3% through merchants and only 4% and 3% happen on ATMs and branches respectively. Majority of the customers are now enabled on self-service mobile and internet compressing geography and time enabling 24-hour banking services.

The Group's strategy is anchored on an agile balance sheet aligned to the real economy and characterized by a high-quality asset portfolio. The Group has achieved a stable diversified funding strategy with customer deposits, shareholders' funds and long-term debts contributing 71%, 16% and 10% of the funding respectively. These funds have been deployed 52%, 24% and 16% on loans, government securities and cash and cash equivalents respectively allowing the Group to quickly respond to opportunities arising from changes in monetary and economic policies. The agile balance sheet reflects a liquidity of 59.1% in Kenya and 54.2% at the Group.

The Group's focus on quality and diversification of its asset portfolio has resulted in a loan portfolio that is distributed 73% and 27% in local and foreign currency respectively by borrowers 60%, 23%, 14% and 3% in MSME, consumer, large enterprises, and agriculture respectively. NPLs are at 8.3%, 430 basis points lower than the sector NPL ratio of 12.6%. NPL coverage on IFRS 9 stands at 78% in Kenya and 74% at the Group level. To fortify the asset quality, the Group increased its cost of risk to 0.77% up from 0.62% resulting in increase of loan loss provision by 42% to Shs 1.88 Billion up from Shs 1.32 Billion.

The scaling of the business through geographical expansion continues to register impressive results, with the regional subsidiaries growing their assets by 26% to reach a contribution of 27% of the Group's asset base. Two of the subsidiaries, Rwanda and Uganda registered a return on average equity (RoAE) of 23.9% and 21.2% respectively, covering their cost of capital, whereas DRC continued its impressive growth in RoAE to 17.7% up from 15.9%. This enabled the Group to register a RoAE of 22.9% and a return on average assets (RoAA) of 3.7%.

### Dividends

The Board of Directors does not recommend the payment of dividend for the third quarter of the year 2019.

### Explanatory notes

The accounting policies used in preparing these financial statements are consistent with those used for the Group's 31 December 2018 annual financial statements. The above financial statements are extracts from the records of the Group. They were approved for issue by the Board of Directors on 31st October 2019 and signed on its behalf by:

Dr. James Mwangi  
Group Managing Director & CEO

Prof. Isaac Macharia  
Director



Euromoney 2019  
Africa's Best Digital Bank



Africa's SME Bank of the Year, 2018 & 2019



- Most Innovative Bank- Winner
- Client Case Study- Financing the Informal Sector- Winner
- Client Case Study- Commercial- Winner