KCB directors raise own pay by Sh100m

BY JAMES WAITHAKA

KCB Group directors raised their compensation by more than half last year, the lender's financial statements show, even as staff costs stabilised at a near-four per cent growth.

Directors' emoluments rose to Sh296.96 million in 2014, a 50.4 per cent increase or Sh99.56 million higher than the Sh197.40 million shared between them in the previous year.

KCB Group's staff costs grew by 3.9 per cent in 2014, at Sh14 billion compared to Sh13.47 billion in 2013.

The banking group has 11 board members, including chief executive Joshua Oigara, and National Treasury Cabinet secretary Henry Rotich. Others are board chair Ngeny Biwott, company secretary Joseph Kania, ex-military chief Joseph Kibwana, Charity Muya-Ngaruiya, Adil Khawaja, Catherine Kola, Georgina Malombe, Tom Ipomai and John Nyerere.

The growth in directors' remuneration vindicates a leaked memo late 2013, which revealed that directors had resolved to raise their pay effective August 2013. While non-executive directors must be compensated, there is always a debate on how much.

Directors usually receive a monthly fee and allowances for meetings [sitting and chairing], lunch, phone bills and entertainment. Each sits in committees and boards of the lender's subsidiaries.

KCB did not respond to queries from the Star on what necessitated the Sh100 million increase in the 12 months, or the context for the review.

The lender posted a 17.5 per cent growth in net profit to Sh16.85 billion from Sh14.34 billion in 2013, helped by faster growth in non-funded income. It retained the dividend pay at Sh2 per share.

Its assets grew by Sh99.49 billion as cash holdings – in local and foreign currencies – doubled, while deposits in foreign banks and Central Bank expanded by double digits, as did investment securities and its loan book.

Photo/ENOS TECHE

REASONS: KCB Group chief executive Joshua Oigara responds to a query from a journalist after releasing 2014 financial statements on February 26.

"This is our fastest asset growth in three years," Oigara said when releasing the results.

However, while the group's loan book grew by 24.6 per cent to Sh283.73 billion, its earnings from fees and commissions on loans and advances decreased by 0.9 per cent to Sh4.64 billion compared to Sh4.68 billion in 2013.

KCB did not explain whether it did slash the fees it charges on arranging loans in the period.

A stronger shilling against regional currencies helped the lender earn Sh904.41 million in the year from foreign operations, a rebound from a Sh736.11 million loss in 2013.

The bank's sterling performance came at a cost to its capital adequacy ratios, all of which declined in the period albeit still higher than statutory requirements.

While KCB increased its tier I and II capital by Sh6.90 billion and Sh3.12 billion respectively – a 13.6 per cent and 30.3 per cent growth respectively – to further boost financial strength, its liquidity ratio declined by two percentage points to 31.3 per cent compared to 33.3 per cent in 2013. This is against a statutory requirement of 20 per cent.

The core capital to total risk weighted assets ratio declined to 17.1 per cent from 18.7 per cent, versus requirements of 10.5 per cent. Core capital to total deposit liabilities ratio fell to 20.9 per cent compared to 21.5 per cent in 2013 – against a 10.5 per cent requirement. The total capital to total risk weighted assets ratio stood at 21 per cent from 22.5 per cent, against Central Bank requirements of 14.5 per cent.

Kenic sets aside Sh10m for 'dot ke' domain

BY MERCY GAKII

THE Kenya Network Information Centre has set aside Sh10 million in seed money to finance campaigns aimed at raising awareness and boosting uptake of the 'dot ke' domain.

Abdalla Omari, Kenic general manager, said that the non-profit organisation plans to increase online presence for local businesses this year.

The main target market are the small and medium-sized enterprises, with academic institutions and online payment merchants also in focus.

Omari said other registrars are also expected to market their efforts in order to register domain users.

The recommended retail price for a domain has been slashed to Sh1,000, down from as high as Sh8,000 a few years back.

In Kenya, there are 120 domain registrars and over 500 re-sellers. Re-sellers are mostly college students pursuing ICT.

Kenic on Tuesday awarded 10 domain registrars for customer excellence and retention in 2014. They included Lexsynergy Limited, Safaricom, Peak and Dale, Get Online Hosts, Kenya Website Experts, Domains Kenya, Afri Register, Deep Africa, Kenyaweb Hostmaster and Sasahost.

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INNOVATION WILL CATAPULT THE ECONOMY THROUGH 'ENTERPRISE KENYA'

ON Monday and Tuesday last week, I attended the ICT Authority's inaugural ICT and Innovation conference at the Kenyatta International Convention Centre.

The KICC is actually an evocative and retro centre and it is good to see it once again playing its proper role. The President's presence also bestowed the required gravitas on the occasion.

What we do know is that Kenya is an outlier in ICT in Africa. McKinsey ranks Kenya's Internet GDP at three times the sub-Saharan Africa average and top of class in SSA with Senegal.

Kenya took a big and bold bet on the broadband economy and McKinsey's IGDP score confirms that the bet was well made. The runaway success of M-Pesa — even Bill Gates is tweeting about it — and its extension and integration into a new and still fluid payments configuration is strong testament that innovation pays and creates opportunity.

Of course, innovation can be disruptive. As Joseph Schumpeter once described it: "The opening up of new markets, foreign or domestic, and the organisational development from the craft shop to such concerns as US Steel illustrate the same process of industrial mutation — if I may use that biological term — that incessantly revolutionises the economic structure from within, incessantly destroying the old one, incessantly creating a new one. This process of creative destruction is the essential fact about capitalism".

Shareholders of Nation Media, for example, who took the share price to a 24-month low on Friday, are beginning to fret that the #DigitalMigration campaign might prove a Schumpeter moment.

It is also worth remembering that this ICT revolution is a recent phenomenon. Just under 10 years ago, I remember spending $7,000 (Sh638,120 at the current exchange rate) to build a 170-foot tower in order to get a very intermittent 32 kilobytes Internet connection, for which I was paying over $500 (Sh45,580) a month for the privilege.

I was marvelling to myself last week that now I can listen to Mario Draghi's press conference on a live stream and run another 10 programmes simultaneously on my computer. That's a very big gap right there that has been closed.

Touching on Draghi, the euro fell like a stone on Friday and my January call for parity in euro-dollar looks likely, and very soon.

The man from McKinsey explained that our IGDP component is predominantly private sector. If you look at the most successful ICT economies, you will note that the government also play a role as a precipitator. Think Israel, think the US.

Part of closing the gap, will require the government to take its operations into the 21st century and this will create an outsized demand-pull for the sector. 'Think Kenya Buy Kenya' was a call to the government to play that role of a precipitator.

There is plenty of innovation out there and the young Kenyans proved this at the KICC during the conference.

The point is, all the ingredients are here. And now we are looking for the magic recipe that will take our IGDP from above three per cent to near 10 per cent. We need the GoK to play an even bigger role. Enterprise Kenya [modelled on Enterprise Ireland] is a giant step in the right direction. The capital markets [GEMS in particular] have optimised the platform. We are at a tipping point. Let's tip over.

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This column represents Satchu's personal opinions.