

## CO-OPERATIVE BANK RECORDS KSHS 9.98 BILLION PROFIT IN HALF YEAR 2018

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The Co-operative Bank Group is pleased to report a Profit before Tax of **Kshs.9.98 billion** for the first half of 2018 compared to **Kshs.9.3 Billion** recorded in a similar period in 2017, an impressive growth of **+7.6%** against the backdrop of a challenging economic environment in the period. Profit after tax was **Kshs 7.1 Billion** compared to **Kshs 6.6 Billion** in the previous year, a **+7.6%** rise.

This is a commendable performance in an operating environment that is gradually recovering from the significant headwinds that business had to contend with in the aftermath of the 2017 Elections.

The good performance represents the tangible benefits arising from the bold “Soaring Eagle” Transformation Project that the bank has been implementing since 2014 with a clear focus on improvement in operating efficiencies, salesforce effectiveness and innovative customer delivery platforms.

Key financial highlights include;-

### 1. Profit & Loss

- *Total interest income improved by 7.9% from Kshs 19.25 billion to Kshs 20.8 billion on account of; Interest income from government securities increasing by 17.45% from Kshs 3.87 billion to Kshs 4.55 billion and Interest income from loans & advances increasing by 5.7% from Kshs 15.26 billion to Kshs 16.13 billion.*
- *Total interest expense increased marginally by 2.2% from Kshs 5.84 billion to Kshs 5.97 billion on account of a 4.5% growth of deposits.*
- *Total operating income grew by 6.3% from Kshs 20.5 billion to Kshs 21.8 billion.*

### 2. Balance sheet

- *Total assets grew by Kshs 15.1 billion (+3.9%) to Kshs. 398.4 billion compared to Kshs 383.3 Billion in the same period last year.*
- *Net loans and advances book remained relatively stable at Kshs. 251.1 billion compared to Kshs. 252.6 billion in the same period last year.*
- *Investment in Government securities grew by Kshs.9.7 billion (+13.7%) to Kshs. 80.2 billion compared to Kshs. 70.5 billion in 2017.*

- Total deposits grew by 4.5% from Kshs. 287.2 billion to Kshs 300.2 billion
- Borrowed funds from development partners dropped by Kshs. 5.9 billion (-24.3%) to Kshs 18.4 billion compared to Kshs.24.3 billion in the same period the previous year. This was as a result of an instalment payment to the debt provider.
- Shareholders' funds grew from Kshs. 64.5 billion to Kshs. 68 billion, an impressive growth of 5.5%, supported by a steady growth in retained earnings.
- The bank closed the quarter on a solid capital base, with adjusted total capital against total risk-weighted assets standing at 16.9%, which is 2.4% above the statutory minimum of 14.5%.

### 3. Innovative Customer Delivery Platforms

- Through our multi-channel strategy, the Bank has successfully moved **87%** of all customer transactions to alternative delivery channels that include self-service kiosks in 155 branches, an expanded 24-hour contact centre, mobile banking, 580 ATMs, internet and over 10,000 Co-op Kwa Jirani banking agents.
- A successful Universal Banking model and the implementation of Sales Force Effectiveness has seen the Group serve 7.4 million Account-holders across all sectors.
- Key focus on digital banking, with the all-telco **Mco-op Cash** Mobile Wallet continuing to play a pivotal role in the growth of non-funded income with over 3.8 Million customers registered.
- Our unique model of retailing banking services through Sacco FOSAs enabled us provide wholesale financial services to over 560 FOSA outlets, and issue over 1 million Sacco-Link cards.

### 4. Shareholding in Kenya Mortgage Refinance Company

- Whereas the Ministry of Finance/National Treasury has kicked-off the initiative of the Kenya Mortgage Refinance Company (KMRC) to source for long-term financing to fund the provision of affordable housing to the majority of Kenyans as envisaged in the Big Four Agenda item of the Government, the Bank and the Co-operative Movement/Saccos (that predominantly own the Bank) expect to be key partners with the Government and will play a critical role on this key social/economic agenda.

- In this regard, the Board of Directors of the Co-operative Bank has approved a key Kshs 200 million capital injection in the share capital of the Kenya Mortgage Refinance Company (KMRC) support this most worthy objective become a reality.

## 5. Regional Expansion

Co-operative Bank of South Sudan that is a unique Joint Venture (JV) partnership with Government of South Sudan (Co-op Bank 51% and GOSS 49%) made a Profit before tax of Kshs 114.6 Million in half-year 2018 compared to a marginal loss of Kshs 60,000 in the first half of 2017.

## 6. Corporate Social Responsibility Programs

Co-op Bank Foundation has provided Scholarships for gifted but needy students from all regions of Kenya. The sponsorship includes; fully-paid secondary education, full fees for University education, Internships and career openings for beneficiaries. The foundation is fully funded by the bank and has so far supported 6,331 students since the inception of the program in 2007.

## 7. Accolades

The Group was recognised by Banker Africa, East Africa Awards 2018 with three key awards, namely the Best Retail Bank in Kenya, The Best SME Bank in Kenya and the Best Investment Institution in Kenya. This is a re-affirmation of the bank's unique position as a bank that positively influences the lives of the majority of Kenyan citizens.

## Conclusion

The Co-operative Bank Group notes with relief that the operating environment is on a gradual recovery path from the very significant challenges seen in 2017. The Group will continue to leverage on the growing 7.4 million account-holder base, digital banking focus, the basket of innovative financial solutions, efficient delivery of services and multichannel access to retain market position and deliver business growth and profitability in the days ahead.

**DR. GIDEON MURIUKI - CBS**

**GROUP MANAGING DIRECTOR & CEO**

16<sup>TH</sup> AUGUST 2018

## Editors' Notes

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The Co-operative Bank Group ('Co-op Bank') is incorporated in Kenya under the Company's Act and is licensed to carry out the business of banking under the Banking Act. The Bank was listed in year 2008 wherein it is now the largest Co-operative Bank in Africa.

The Group is the 3<sup>rd</sup> largest bank by Assets in the region and runs 4 subsidiaries namely; Kingdom Securities Ltd, Co-optrust Investment Services Limited, Co-operative Consultancy Services (K) Limited and Co-operative Bank of South Sudan; The Bank also owns a 26 per cent stake in CIC Insurance Group. The Bank's footprint across Kenya and the region includes; 151 branches in Kenya, 4 in South Sudan, 580 ATMs and over 10,000 Co-op Kwa Jirani banking agency outlets supporting a growing client base now standing at 7.4 million account-holders.