

CO-OPERATIVE BANK RECORDS KSHS 18.2 BILLION PROFIT IN 2018

The Co-operative Bank Group is delighted to report a Profit before Tax of **Kshs.18.2 Billion** for Full Year 2018 compared to **Kshs.16.4 Billion** recorded in 2017, an impressive growth of **11%** against the backdrop of a challenging operating environment in the period. Profit after Tax was **Kshs 12.7 Billion** compared to **Kshs 11.4 Billion** in the previous year.

Our operating model has equipped the business with added resilience to achieve the set strategic objectives, as reflected in the commendable performance in the period under review.

The Group continues to leverage on the benefits of the “Soaring Eagle” Transformation Agenda that has re-tooled and equipped the business with added competitive edge as reflected in the sustained growth in market share across all market segments and Counties, which has progressively deepened our celebrated Financial Inclusion model rooted in the over 15 million-member co-operative movement, that is the face of Kenya.

Key financial highlights include;-

1. Profit & Loss

- *Total interest income improved by 7% from Kshs 40.37 billion to Kshs 43.02 billion on account of; Interest income from government securities increasing by 19% from Kshs 8.21 billion to Kshs 9.79 billion and Interest income from loans & advances increasing by 3% from Kshs 31.94 billion to Kshs 32.95 billion.*
- *Total interest expense remained under tight control, falling by Kshs 300 million from Kshs 12.27 billion to Kshs 12.24 billion. This was despite a 7% growth in deposits indicating improved management of the cost of funds.*
- *Total operating income grew by 5% from Kshs 41.6 billion to Kshs 43.68 billion.*

2. Balance sheet

- *Total assets grew by Kshs 26.5 Billion (+7%) to Kshs. 413.41 Billion from Kshs 386.86 Billion recorded at the close of year 2017.*
- *Net loans and advances book declined marginally (-3%) to stand at Kshs. 245.41 billion compared to Kshs. 253.86 billion in 2017.*

- *Investment in Government securities grew by Kshs. 11.03 billion (+16%) to Kshs. 80.27 billion compared to Kshs. 69.24 billion in 2017.*
- *Customers deposits grew by 7% from Kshs. 287.37 billion to Kshs 306.12 billion*
- *Borrowed Funds from development partners grew by Kshs. 2.79 billion (+13%) to Kshs 23.95 billion compared to Kshs.21.16 billion in 2017.*
- *Shareholders' funds grew to Kshs. 69.86 billion in 2018 that enables the bank to continue to pitch for big ticket deals.*

3. Innovative Customer Delivery Platforms

- Through our multi-channel strategy, the Bank has successfully moved **91%** 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 11,000 Co-op Kwa Jirani banking agents.
- A successful Universal Banking model and the implementation of Sales Force Effectiveness has seen the Group serve over **8 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 4 Million customers registered.
- Our unique model of retail banking services through Sacco FOSAs enabled us provide wholesale financial services to over 464 FOSA outlets, and issue over 1 million Sacco-Link cards.

4. 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 South Sudanese pounds (SSP) 897.3 Million in 2018 which was 368% higher than SSP 192 Million posted in 2017. This performance however translated to a monetary loss of Kshs. 16.4 million in 2018 attributable to hyperinflation accounting occasioned by currency devaluation of the South Sudanese pound.

5. Corporate Social Investment

Co-operative 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 7,002 students since inception.

6. 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.

The Group was also recognized by Europe Middle East & Africa Finance (EMEA Finance) - African Banking Awards 2018 as the *Best Bank in Kenya* and *Best Product Launch in Africa* (MCo-op Cash v4.0 update) while International Finance recognized the bank with *Best Retail Bank in Kenya* and *Best Banking CEO, Kenya* for Dr. Gideon Muriuki.

7. Dividend

The Board of Directors has recommended for approval by the AGM the payment of a dividend of **Kshs. 1.00** per every ordinary share held subject to approval by the Capital Markets Authority. This will represent a growth of 25% compared to a dividend of Kshs 0.80 paid in 2017.

Conclusion

The Co-operative Bank Group will continue to deliver strong performance as we focus on the growing 8 million account-holder base, digital banking, 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, MBS
GROUP MANAGING DIRECTOR & CEO

21 March 2019

Editors' Notes

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 3rd largest 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 11,000 Co-op Kwa Jirani agency banking outlets supporting a growing client base now standing at over 8 million account-holders.