

## CO-OP BANK Q32016 PROFIT RISES +25% TO KSH15.2 BILLION RIDING ON TRANSFORMATION

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The Co-operative Bank Group is delighted to report a Profit before Tax of **Kshs. 15.2 billion** for Q3 2016 compared to **Kshs. 12.2 Billion** recorded in Q3 2015, a strong **+25.2%** growth.

Profit after tax for the Group was **Kshs 10.5 Billion** compared to **Kshs 8.6 Billion** in the previous year, representing a **+22.3%** growth rate.

The sustained good performance is attributable to the realisation of gains arising from the bold Transformation Project that the bank has been implementing since 2014 with a critical focus on improvement in operating efficiencies, sales force effectiveness and innovative customer delivery platforms.

The following are the key innovations;

- **Branch Transformation and channel migration**, with over **85%** of customer transactions migrated to alternative channels leading to impressive channel optimization.
- **Enhanced frontline productivity**, with **63%** of our staff moved to front-office sales roles, which has reduced the average queue-time for customers at Teller and Service Desk to an impressive 9 minutes from 27 minutes last year.
- **Sales Force Effectiveness** which has seen us maximize on the Bank's value-chain to increase market-share by generating new opportunities from the strong 6.1 million account-holders. We are focusing on Driving Volumes, Non-funded income growth, quality Loan Book growth and conversion of leads into sales.
- **Digitization and Automation** which has seen us drive operational excellence resulting in key initiatives such as the new Mcoop Cash mobile Application, Business to Business Integrations and Instant Card Issuing.
- **Enhanced credit management systems, processes and tools** to ensure a quality loan book
- **Enhanced Data Analytics** which is playing a key role in driving sales by supporting lead generation, proactive credit management and optimum frontline accountability

Operational efficiencies resulting from the Transformation project have seen our Cost-to-Income Ratio improve from a high of 53.2% in Dec 2015 to 47.1% in September 2016.

### **Q3 2016 Business Performance**

The Bank has substantially grown the Balance Sheet with Total Assets at over Kshs.354 Billion (+6.4% growth) supported by a growing customer base now standing at 6.1 million account-holders.

Key financial highlights:-

#### **1. Profit & Loss**

- *Total interest income grew by 24.6% from Kshs 26 billion to Kshs 32.3 billion supported by a 10% growth on earning assets.*
- *Total interest expense grew by 15.8% from Kshs 8.6 billion to Kshs 9.9 billion mostly attributable to increased cost of funding.*
- *Total operating income grew by 21.2% to Kshs 32.3 billion from Kshs 26.6 billion.*
- *Total Non-Interest income grew by 6.8% from Kshs 9.2 billion to Kshs 9.9 billion compared to the same period last year. This countered the 17.6% rise in Total other operating expenses which increased to Kshs 17.2 billion in 2016 from Kshs 14.6 billion in 2015*

#### **2. Balance sheet**

- *Total assets grew by Kshs 21.2 billion (+6.4%) to Kshs. 354 billion compared to Kshs 332.9 Billion in the same period last year.*
- *Net loans and advances book grew by Kshs 14.7 Billion (+6.9%) to Kshs. 227.1 billion compared to Kshs. 212.4 Billion in the same period last year.*
- *Deposits grew by Kshs. 3.1 billion to Kshs. 260.6 billion from Kshs. 257.5 billion last year.*
- *Shareholders' funds grew from Kshs. 49.5 billion to Kshs. 59.2 billion, an impressive growth of 19.5%, supported by a steady retention of earnings and improved earning over the years.*

#### **3. Innovative Customer Delivery Platforms**

- *Successful Universal Banking model and the implementation of Sales Force Effectiveness has seen the Group serve 6.1 million Account-holders across all sectors supported by our multichannel strategy that includes 145 Branches, 8,765 Co-op Kwa Jirani Banking Agents and over 570 ATMs.*

- The versatile Mco-op Cash Mobile Wallet has continued to play a pivotal role in the growth of non-funded income with over 3.03 Million customers.
- Through our multi-channel strategy the Bank has successfully moved 87% of the customer transactions to alternative delivery channels particularly mobile banking, ATMs, internet and Co-op Kwa Jirani banking Agency outlets.
- Our unique model of retail banking services through Sacco FOSAs enabled us provide wholesale financial services to over 555 FOSA outlets. The bank has currently issued over **989,344** 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%) successfully contributes to the Group's bottom line having made a profit of Kshs.45.12 million in Q3 2016.

The Bank's regional expansion strategy will involve similar Joint Venture models in other countries notably Rwanda, Uganda, Tanzania and Ethiopia in the next 5 years.

#### **5. 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 4,257 students since the inception of the program in 2007.

#### **6. Accolades**

The Group was recognised with two awards at the Banker Africa Awards 2016, as Most Socially Responsible Bank and Best Retail Bank in Kenya. Further, the Group was a big winner at the inaugural Kenya Bankers Association Sustainable Finance Catalyst Awards 2016 where we were recognized as 1st in both Commercial and MSME Case Studies and 2nd in the Category of Best Practice of Sustainable Finance, emerging the 2nd Best Overall in Sustainable Financing.

## 7. Conclusion

The Co-operative Bank Group will on the back of the strong 6.1 Million Account-holder base, multichannel access, the basket of innovative financial solutions, and efficient delivery of services continue to reach full potential.

Operational Efficiencies backed by the ongoing Transformation agenda and Balance Sheet growth have seen our Cost to Income Ratio improve from a high of 53.2% in Dec 2015 to 47.1% in September 2016

The Group's performance is testament to the great benefits of the 'soaring eagle' Transformation agenda and we are confident that the future will bring even better performance.

**DR. GIDEON MURIUKI - MBS**

**GROUP MANAGING DIRECTOR & CEO**

17<sup>TH</sup> AUGUST 2016

### **Editor's 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 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 26% of CIC Insurance Group. The Bank's footprint across Kenya and the region includes; 141 branches in Kenya, 4 in South Sudan, 570 ATM service points and over 8,765 Co-op Kwa Jirani banking agency outlets supporting a growing client base now standing at 6.1 million account-holders.