

THE CO-OPERATIVE BANK OF KENYA LIMITED

The Co-operative Bank of Kenya Limited and Subsidiaries Summary Consolidated Financial Statements 31 December 2021

REPORT OF THE INDEPENDENT AUDITORS ON THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS AND SUMMARY DIRECTORS' REMUNERATION REPORT TO THE SHAREHOLDERS OF THE CO-OPERATIVE BANK OF KENYA LIMITED

Report on the Audit of the Summary Consolidated Financial Statements

Opinion

The summary consolidated financial statements of The Co-operative Bank of Kenya Limited and its subsidiaries (together, the "Group"), which comprise the summary consolidated statement of financial position as at 31 December 2021, and the summary consolidated statement of profit or loss, the summary consolidated statement of other comprehensive income, summary consolidated statement of changes in equity and summary consolidated statement of cash flows for the year then ended, are derived from the audited consolidated financial statements of the Group for the year ended 31 December 2021.

In our opinion, the accompanying summary consolidated financial statements are consistent, in all material respects, with the audited consolidated financial statements as at and for the year ended 31 December 2021, in accordance with the basis described in the notes accompanying the summary consolidated financial statements and in accordance with the Kenyan Companies Act, 2015

Summary consolidated financial statements

The summary consolidated financial statements do not contain all the disclosures required by the International Financial Reporting Standards and the Kenyan Companies Act, 2015. Reading the summary consolidated financial statements, and the auditor's report thereon, therefore, is not a substitute for reading the audited consolidated financial statements and the auditors' report thereon. The summary consolidated financial statements and the audited consolidated financial statements do not reflect the effects of events that occurred subsequent to the date of our report on the audited consolidated financial statements.

The audited consolidated financial statements and our report thereon

We expressed an unmodified audit opinion on the audited consolidated financial statements of the Group in our report dated 31 March 2022. That report also includes the communication of key audit matters. Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Group financial statements of the current period.

Directors' responsibility for the summary consolidated financial statements

The directors are responsible for the preparation of the summary consolidated financial statements in accordance with the basis described in the notes accompanying the summary consolidated financial statements and in the manner required by the Kenyan Companies Act, 2015.

Auditor's responsibility

Our responsibility is to express an opinion on whether the summary consolidated financial statements are consistent, in all material respects, with the audited consolidated financial statements based on our procedures, which were conducted in accordance with International Standards on Auditing (ISA) 810 (Revised), Engagements to Report on Summary Financial Statements.

Report on other legal requirements

The summary directors' remuneration report is derived from the directors' remuneration report for the year ended 31 December 2021. The summary directors' remuneration report does not contain all disclosures required by Kenyan Companies Act, 2015, (General) (Amendment) (No.2) Regulations 2017. Reading the summary directors' remuneration report and the auditors' report thereon, therefore, is not a substitute for reading the directors' remuneration report.

We expressed an unmodified audit opinion on the auditable part of the directors' remuneration report which was prepared in accordance with the Kenya Companies Act, 2015.

In our opinion, the summary directors' remuneration report is consistent, in all material respects, with the directors' remuneration report for the year ended 31 December 2021, in accordance with the Kenyan Companies Act, 2015.

The engagement partner responsible for the audit resulting in the independent auditors' report is CPA Michael Kimoni Practising Certificate No. 1586.


For and on behalf of Ernst & Young LLP
Certified Public Accountants
Nairobi, Kenya

27th April 2022

SUMMARY CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2021

	2021 KShs'000	2020 KShs'000
ASSETS		
Cash and balances with Central Bank of Kenya and other banks ¹	39,364,450	43,263,399
Financial investments ²	185,762,844	163,018,032
Derivative financial instruments	199,765	75,549
Loans and advances to customers	310,195,297	286,634,192
Other assets	20,535,078	18,686,728
Tax recoverable	-	666,502
Investment in associates	2,146,675	1,967,532
Intangible assets	2,534,335	2,859,013
Property and equipment	6,389,748	7,939,594
Right-of-use assets ³	3,989,746	4,362,015
Deferred tax assets	5,411,716	4,309,763
Goodwill	3,294,000	3,294,000
TOTAL ASSETS	579,823,654	537,076,319
EQUITY AND LIABILITIES		
LIABILITIES		
Deposits from banks and customers ⁴	408,517,867	378,852,343
Borrowings	42,914,622	46,026,141
Income tax payable	903,763	-
Other liabilities and provisions ⁵	26,689,799	20,018,487
Deferred tax liability	51,669	131,071
Government grants/Deferred Tax Liability	406,465	424,941
TOTAL LIABILITIES	479,484,185	445,452,983
EQUITY		
Ordinary share capital	5,867,180	5,867,180
Ordinary share premium	1,911,926	1,911,926
Retained earnings and other reserves ⁶	86,169,693	76,654,644
Proposed dividends	5,867,180	5,867,180
Total shareholders' equity	99,815,979	90,300,930
Non-controlling interest	523,490	1,322,406
TOTAL EQUITY	100,339,469	91,623,336
TOTAL EQUITY & LIABILITIES	579,823,654	537,076,319

EXPLANATORY FOOTNOTES

The following amounts have been extracted from the full set of audited Group Consolidated Financial Statements for the year ended 31st December 2021 and condensed to arrive at the line items in the summary consolidated financial statements as follows:

- Includes Cash and balances with Central Banks and Deposits and balances due from banks.
- Includes Debt instruments at fair value through other comprehensive income, Equity instruments at fair value through other comprehensive income and Debt instruments at amortised cost.
- Includes Right of Use assets and Prepaid lease rentals
- Includes Deposits and balances due to banks and Customer deposits
- Includes Provisions and Other liabilities
- Includes Revaluation reserve, retained earnings, fair value reserve, Statutory reserve, and Foreign currency translation reserve.

SUMMARY CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE YEAR ENDED 31 DECEMBER 2021

	2021 KShs'000	2020 KShs'000
Net interest income	40,755,321	36,049,240
Non-interest income ¹	19,396,355	17,480,724
Share of profit of associates	305,579	(149,939)
Total income	60,457,255	53,380,025
Credit loss expense ²	(7,929,256)	(8,697,174)
Income after impairment charges	52,527,999	44,682,851
Total operating expenses ³	(29,879,136)	(30,400,991)
Profit before taxation	22,648,863	14,281,860
Income tax expense	(6,104,960)	(3,468,985)
Profit for the year	16,543,903	10,812,875

EXPLANATORY FOOTNOTES

The following amounts have been extracted from the full set of the audited Group Financial Statements for the year ended 31st December 2021 and condensed to arrive at the line items in the summary financial statements as follows:

- Includes Net fees and commission income and Total other Income
- Includes Credit loss expense on loans and advances and Credit loss expense on other financial assets
- Includes Amortisation of intangible assets, Amortisation of leasehold land, Depreciation of property and equipment, Depreciation-Right of use asset, Employee costs and Other operating expenses..

SUMMARY CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2021

	2021 KShs'000	2020 KShs'000
Profit for the year	16,543,903	10,812,875
Other comprehensive income, net of income tax		
Fair value changes on financial assets at FVOCI ⁴	(638,109)	730,072
Exchange differences on translation of a foreign operation	79,720	7,823
Revaluation surplus on building	3,214	6,170
Other comprehensive income for the year	(555,175)	744,065
Total comprehensive income for the year	15,988,728	11,556,940
Basic and diluted earnings per share (KShs)	2.85	1.98

EXPLANATORY FOOTNOTES

The following amounts have been extracted from the full set of audited Group Financial Statements for the year ended 31st December 2021 and condensed to arrive at the line items in the summary financial statements as follows:

- Includes changes in fair value of equity instruments at fair value through other comprehensive income and Fair value gain on debt instruments at fair value through other comprehensive income.

SUMMARY CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2021

	2021 KShs'000	2020 KShs'000
Net cash generated from operating activities	7,118,435	19,933,275
Net cash used in investing activities	(1,616,312)	(25,880,564)
Net cash (used in)/generated from financing activities	(10,398,945)	10,149,209
Net (decrease) / increase in cash and cash equivalents	(4,896,822)	4,201,920
Currency translation differences	(514,145)	(86,440)
Cash and cash equivalents at 1 January	27,193,100	23,077,620
Cash and cash equivalents at 31 December	21,782,133	27,193,100

SUMMARY CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2021

	Share Capital KShs'000	Share Premium KShs'000	Retained earnings and other reserves KShs'000	Proposed dividends KShs'000	Total KShs'000	Non-controlling interest KShs'000	Total equity KShs'000
As at 1 January 2020	5,867,180	1,911,926	65,245,483	5,867,180	78,891,769	1,521,708	80,413,477
Total comprehensive income	-	-	12,338,514	-	12,338,514	(781,573)	11,556,941
Dividend paid in the year	-	-	4,955,396	-	4,955,396	255,000	5,210,396
Proposed dividend	-	-	-	(5,867,180)	(5,867,180)	-	(5,867,180)
Other equity components	-	-	(5,867,180)	5,867,180	-	-	-
			(17,569)	-	(17,569)	327,271	309,702
As at 31 December 2020	5,867,180	1,911,926	76,654,644	5,867,180	90,300,930	1,322,406	91,623,336
As at 1 January 2021	5,867,180	1,911,926	76,654,644	5,867,180	90,300,930	1,322,406	91,623,336
Total comprehensive income	-	-	16,122,659	-	16,122,659	(133,931)	15,988,728
Issue of additional shares	-	-	-	-	-	139,096	139,096
Dividend paid in the year	-	-	-	(5,867,180)	(5,867,180)	-	(5,867,180)
Proposed dividend	-	-	(5,867,180)	5,867,180	-	-	-
Other equity components	-	-	(740,429)	-	(740,429)	(804,081)	(1,544,510)
As at 31 December 2021	5,867,180	1,911,926	86,169,694	5,867,180	99,815,980	523,490	100,339,470

SUMMARY OF DIRECTORS' REMUNERATION REPORT

During the year, the Group paid KShs 197.85 million (2020: KShs 245.72 million) as directors' emolument.

SUMMARY OF KEY AUDIT MATTERS

The summary key audit matters raised by the Auditors were on:

- Expected Credit Losses (ECL) on loans and advances to customers
- Reporting in hyperinflationary economies by Co-operative Bank of South Sudan
- Impairment of the Goodwill amount recognised in the books on acquisition of Kingdom Bank Limited (formerly Jamii Bora Bank Limited)

These summary consolidated financial statements and summary directors' remuneration report are extracted from the audited consolidated financial statements and directors' remuneration report for the year ended 31 December 2021 and have been prepared in accordance with the criteria applied by the Bank's Directors which is based on the practice in the banking industry. The criteria entails presenting account balances or subtotals as extracted from the audited consolidated financial statements or condensing some of the line items in the audited consolidated financial statements as indicated in the captions used in the summary financial statements and the explanatory footnotes.

A full copy of the Group Financial Statements including explanatory notes is available at our registered office at Co-operative House and online at www.co-opbank.co.ke.

They were approved by the Board of directors on 16th March 2022 and signed on its behalf by:

J. K. Murugu, OGW - Chairman
M. Malonza MBS, HSC - Vice Chairman
Dr. G. Muriuki, CBS, MBS - Group Managing Director & CEO
S. M. Kibugi - Company Secretary

 **CO-OPERATIVE BANK**
We are you

Co-operative Bank of Kenya Limited is Regulated by Central Bank of Kenya



NOTICE IS HEREBY GIVEN that the Fourteenth Annual General Meeting of THE CO-OPERATIVE BANK OF KENYA LIMITED will be held via electronic communication on Friday, 27th May, 2022 at 11.00 a.m. for the transaction of the following business:

ORDINARY BUSINESS

1. To read the notice convening the meeting and determine if a quorum is present.
2. To receive and consider, and, if approved adopt the Audited Consolidated Financial Statements of the Company for the financial year ended 31st December 2021 together with the Directors' and Auditors' report thereon.
3. To approve and declare a first and final dividend of Kshs. 1.00 per share in respect of the year ended 31st December, 2021, to be paid to the shareholders on the register as at the close of business on 30th May, 2022.
4. Election of Directors.
 - i) Mr. Macloud Malonza, Mr. Richard Kimanthi and Mr. Benedict Simiyu being directors appointed under Article 104A of the Company's Articles under which the Majority and strategic shareholder of the Company, Co-op Holdings Co-operative Society Limited, nominates to the Board of the Company seven (7) directors, are retiring by rotation and being eligible offer themselves for re-election in accordance with Article 100 of the Company's Articles of Association. Co-op Holdings Co-operative Society Limited has already nominated them for re-election.
 - ii) In accordance with the provisions of Section 769 of the Companies Act, 2015, the following directors being members of the Board Audit Committee be elected to continue to serve as members of the said Committee: -
 - i) Mrs. Weda Welton.
 - ii) Mr. Patrick K. Githendu.
 - iii) Mr. Lawrence Karissa.
 - iv) Mr. Benedict Simiyu
 - v) Mr. Mwambia Wanyambura.
5. To approve the remuneration of the Directors for the year ended 31st December, 2021 and to authorize the Board to fix the remuneration of Directors.
6. To re-appoint Ernst and Young, Auditors of the Company, having expressed their willingness to continue in office and to authorize the directors to fix their remuneration.
7. Transact any other business, which may be properly transacted at an Annual General Meeting.

Dated at Nairobi this 28th day of April, 2022

By Order of the Board

SAMUEL M. KIBUGI
COMPANY SECRETARY

Note

1. The Co-operative Bank of Kenya Limited has convened and will conduct its Fourteenth Annual General Meeting via virtual/electronic means in line with The Companies Act, 2015.
2. Shareholders wishing to participate in the meeting should register for the AGM by doing the following:
 - a) dialing *483*809# for all Kenyan telephone networks and following the various registration prompts; or
 - b) Send an email request to be registered to co-opbankagm@image.co.ke
 - c) Shareholders with email addresses will receive a registration link via email through which they can use to register

In order to complete the registration process, shareholders will need to have their ID/Passport Numbers which were used to purchase their shares and/or their CDSC Account Number at hand. For assistance shareholders should dial the following helpline number: (+254) 709 170 037/ 709 170 000 from 9:00 a.m. to 5:00 p.m. from Monday to Friday. Any shareholder outside Kenya should dial the helpline number to be assisted to register.
3. Registration for the AGM opens on 28th day of April, 2022 at 9:00 am and will close on 25th day of May, 2022 at 11.00a.m.
4. In accordance with Section 283 (2) (c) of the Companies Act, the following documents may be viewed on the Company's website www.co-opbank.co.ke (i) a copy of this Notice and the proxy form; and (ii) the Company's audited financial statements for the year ended 31st December, 2021.

The reports may also be accessed upon request by dialing the USSD code above and selecting the Reports option. The reports and agenda can also be accessed on the livestream link.
5. Shareholders wishing to raise any questions or clarifications regarding the AGM may do so by:
 - a) sending their written questions by email to agm2022questions@co-opbank.co.ke;
 - b) shareholders who will have registered to participate in the meeting shall be able to ask questions via sms by dialing the USSD code above and selecting the option (Ask Question) on the prompts;
 - c) to the extent possible, physically delivering their written questions with a return physical address or email address to Image Registrars Limited, 5th Floor Absa Towers (formerly Barclays Plaza), Loita Street, Nairobi, or;
 - d) sending their written questions with a return physical address or email address by registered post to the Company's address at P. O. Box 48231 - 00100 Nairobi.

Shareholders must provide their full details (full names, ID/Passport Number/CDSC Account Number) when submitting their questions and clarifications.

All questions and clarification must reach the Company on or before 25th May, 2022 at 11:00 am.

Following receipt of the questions and clarifications, the directors of the Company shall provide written responses to the questions received to the return physical address or email address provided by the Shareholder no later than 12 hours before the start of the general meeting. A full list of all questions received and the answers thereto will be published on the Company's website not later than 12 hours before the start of the general meeting.

6. In accordance with Section 298(1) of the Companies Act, shareholders entitled to attend and vote at the AGM are entitled to appoint a proxy to vote on their behalf. A proxy need not be a member of the Company but if not the Chairman of the AGM, the appointed proxy will need access to a mobile telephone. A proxy form is available on the Company's website via this link: <http://www.co-opbank.co.ke>. Physical copies of the proxy form are also available at the following address: Image Registrars Limited offices, 5th Floor Absa Towers (formerly Barclays Plaza), Loita Street and at all the branches of the Company. A proxy must be signed by the appointer or his attorney duly authorized in writing. If the appointer is a body corporate, the instrument appointing the proxy shall be under the hand of an officer or duly authorized attorney of such body corporate. A completed form of proxy should be emailed to info@image.co.ke or delivered to Image Registrars Limited, 5th Floor Absa Towers (formerly Barclays Plaza), Loita Street, P.O. Box 9287 – 00100 GPO, Nairobi, so as to be received not later than 25th May, 2022 at 11.00 a.m. Any person appointed as a proxy should submit his/her mobile telephone number to the Company no later than 25th May, 2022 at 11.00 a.m. Any proxy registration that is rejected will be communicated to the shareholder concerned no later than 25th May, 2022 at 2.00pm to allow time to address any issues.
7. The AGM will be streamed live via a link which shall be provided to all shareholders who will have registered to participate in the general meeting. Duly registered shareholders and proxies will receive a short message service (SMS/USSD) prompt on their registered mobile numbers, 24 hours prior to the AGM acting as a reminder of the AGM. A second SMS/USSD prompt shall be sent one hour ahead of the AGM, reminding duly registered shareholders and proxies that the AGM will begin in an hours' time and providing a link to the live stream.
8. Duly registered shareholders and proxies may follow the proceedings of the AGM using the live stream platform and may access the agenda. Duly registered shareholders and proxies may vote (when prompted by the chairman) via the USSD prompts.
9. A poll shall be conducted for all the resolutions put forward in the notice.
10. Results of the AGM shall be published on the Company's website within 24 hours following conclusion of the Annual General Meetings.

Shareholders are encouraged to continuously monitor the Company's website, www.co-opbank.co.ke for updates relating to the AGM.