

CO-OP BANK REPORTS KSH 16.4 BILLION PROFIT IN FIRST HALF OF 2023

Co-op Bank Group is pleased to report a Profit Before Tax of **Kshs. 16.4 Billion** for the first half of 2023, representing a **7.4%** growth compared to Kshs. 15.3 Billion recorded in the first half of 2022. This represents a Profit after Tax of **Kshs. 12.1 Billion** compared to Kshs. 11.5 Billion reported in 2022.

The strong performance by the Bank is in line with the Group's strategic focus on sustainable growth, resilience, and agility.

Key Performance highlights:

1. Financial Position: The Group has registered sustained growth as follows;

- Total Assets grew to Kshs. 664.9 Billion, a 10.1% growth from Kshs 603.9 Billion in the same period last year.
- Net loans and advances grew to Kshs. 365.4 Billion, a 10.7% growth from Kshs.330.1 Billion in 2022.
- Customer deposits grew to Kshs 463.9 Billion, a 9.7% increase from Kshs. 423.0 Billion.
- External funds from development partners have increased by 43.6% to Kshs.59.4 Billion from Kshs. 41.4 Billion in 2022.
- Shareholders' funds have grown to Kshs. 108.3 Billion, an 11.9% increase from Kshs. 96.7 Billion in 2022.

2. Comprehensive Income

- Total operating income grew by 3.0% from Kshs. 34.4 Billion to Kshs. 35.4 Billion.
- Net interest income grew by 2.3% from Kshs 21.1 Billion to Kshs 21.5 Billion.
- Total non-interest income grew by 4.0% from Kshs. 13.3 Billion to Kshs. 13.8 Billion.
- Total operating expenses decreased by 0.1% from Kshs. 19.2 Billion to Kshs. 19.1 Billion.

3. Cost Management

The Group reports excellent efficiency gains from the various initiatives to record a Cost-to-Income Ratio of **46.0%** in H12023 from 59% in FY2014 when we began our Growth & Efficiency journey.

4. **Credit Management** remains a key focus area, with the Group prudentially making provisions of **Kshs. 2.9 Billion** which has enhanced the Bank's Loan Loss Reserve/Coverage levels to 71.1%.

5. A Strong Digital Footprint

- **New Core Banking System goes Live**

The Bank successfully upgraded the core banking system to the latest version of Finacle from Infosys, which was rated globally as the top core banking system in 2022 by Gartner. This upgrade is part of our ongoing digitization journey to enhance service experience and provide the most innovative and advanced banking solutions.

The new banking system delivers enormous benefits which include;

1. **Enhanced Security:** The new system features advanced security measures to protect customer data and assets more effectively.
 2. **Improved Performance:** The new system is more efficient, processing transactions and requests faster.
 3. **Increased Flexibility and agility:** The new system is designed to be more flexible, allowing us to respond to changing customer needs more effectively.
 4. **Better User Experience:** The new system features a more intuitive and user-friendly interface, making it easier for customers to access and manage their accounts.
- Through our digital channel strategy, the Bank has successfully moved 91% of all customer transactions to alternative delivery channels, a 24-hour contact centre, 546 ATMs, mobile & internet banking and over 17,000 network of Co-op kwa Jirani agents.
 - We have successfully migrated our customers to the **Omni-channel**, integrating accessibility and user experience. Our omnichannel interfaces online banking through personal computers, mobile phones and USSD availing our services to all customers through their preferred channel yet retain the same experience from wherever they are.
 - **Mco-op Cash Mobile wallet** continues to drive substantial non-funded income streams with **5 Million** customers registered and **Kshs 41.3 Billion** in loans disbursed in the first half of 2023, averaging **Kshs. 6.9 Billion** per month.

- Over 185,000 customers have taken up the MSME packages we rolled out in 2018, and 38,000 have been trained on business management skills. Year to date, we have disbursed **Kshs. 11.7 Billion** to MSMEs through our Mobile E-Credit solution. MSMEs make up **15.8%** of our total Loan Book.
- Our unique model of retail banking services avails access to cash for FOSA operations, enabling 484 FOSA outlets to support over 15 million Sacco members access banking services even in rural/remote areas.

6. Wide Branch Network

The Bank has grown the branch network to 191 (4 in South Sudan). Seven (7) Branches (Kimana, Matuu, Thika Kwame Nkrumah, Greenwood Mall - Meru, Kenol Makuyu, Hindi - Lamu and Bamburi - Mombasa) opened in 2023, whereas 5 Branches (Kabarnet, Iten, Kasarani, Kamakis and Chwele) opened last year.

7. Subsidiaries

- Co-op Consultancy & Bancassurance Intermediary Ltd posted a Profit Before Tax of **Kshs 591.3 Million** in Q22023, riding on strong penetration of Bancassurance business.
- 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 205.1 Million in Q22023. This performance however translated to a monetary loss of Kshs 36.5 Million attributable to hyperinflation accounting occasioned by currency devaluation of the South Sudanese pound.
- Co-op Trust Investment Services Ltd contributed **Kshs. 106.8 Million** in Profit Before Tax in Q22023, an impressive 25% growth. The Subsidiary has Funds Under Management of **Kshs. 197.3 Billion**.
- Kingdom Bank Limited (A niche MSME Bank) has contributed a Profit before Tax of **Kshs. 521.9 Million** in Q22023, a remarkable growth of 29% from Kshs. 405.9 Million reported last year.

8. External funds from Development Partners

The Bank signed a **KShs. 12.6 Billion** long-term credit agreement with global institutional investors led by the German fund, Deutsche Investitions - und Entwicklungsgesellschaft (DEG). The fund will strengthen the bank's capital base and support appropriate lending to MSMEs for future growth. The facility was drawn in April 2023.

9. Environmental Social and Governance (ESG)

The Bank continues to implement a best-in-class ESG policy framework supported by an ESG implementation roadmap, groupwide ESG champions and ESG Governance.

Our portfolio of loans above USD 1 Million comprises Kshs. 37.4 Billion that is Green (33.2%) and Social (66.8%) affirming our commitment to sustainable banking.

Additionally, the Bank has published its first TCFD (Task Force on Climate-related Financial Disclosures) report with the Central Bank of Kenya and is getting ready to report as per ISSB (International Sustainability Standards Board) inaugural sustainability standards—IFRS S1 and IFRS S2 effective 01 January 2024.

Co-op Bank Foundation, the Group's social investment vehicle, continues to provide Scholarships to 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 supported 10,264 students since inception of the program.

Co-op Bank Capacity-building & Technical Assistance Fund

The Bank established a Kshs. 100 Million Fund to support agricultural co-operatives with capacity-building and digitization. The Bank has carried out capacity-building at 30 Co-operatives in the coffee, dairy, potatoes, poultry, cotton, and cereals subsectors, expected to impact over **50,000.00 individual farmers**.

Co-op Bank to provide the Direct Settlement System to the Coffee Exchange

Following a competitive selection process, the Bank has been appointed to provide the clearing and settlement platform for coffee trade by the Nairobi Coffee Exchange (NCE). The Direct Settlement System (DSS), developed internally by the bank's ICT and Innovations team, is a mission-critical infrastructure for the delivering of the much-desired transparency in the trading and settlement of trades at NCE for the benefit of all players in the coffee value chain notably farmers.

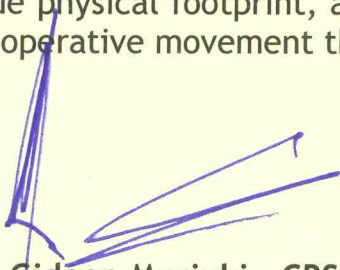
10. Accolades

The Bank's Director Finance and Strategy Caroline Karimi was recognized at the Angaza Awards 2023 for her role in steering and shaping the financial services sector through her leadership. Angaza Awards were established in 2020 to recognize Africa Leading Women in Banking and Finance.

The Bank's Head of Agriculture Co-operatives Business Esther Kariuki was named the **African Banker of the Year 2023** for driving innovative agricultural lending models and practices that not only made small-holder farmers bankable but also made them attain competitive credit records superior to comparable borrowers in other sectors.

Conclusion

The Co-operative Bank Group continues to pursue strategic initiatives that focus on resilience and growth in the various economic sectors. This is anchored on a successful universal banking model supported by an innovative digital presence, a wide physical footprint, and the unique synergies in the over 15-million-member co-operative movement that is the largest in Africa.



Dr. Gideon Muriuki - CBS, MBS
Group Managing Director & CEO

17th August 2023

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 one of the largest financial institutions in the region and has 5 subsidiaries namely, Kingdom Securities Ltd, Co-optrust Investment Services Limited, Co-op Consultancy & Bancassurance Intermediary Ltd, Kingdom Bank Limited and Co-operative Bank of South Sudan; The Bank also owns a 24.8 per cent stake in CIC Insurance Group and 25% of Co-op Bank Fleet Africa Leasing Limited. The Bank's footprint across Kenya and the region includes: 187 branches in Kenya, 4 in South Sudan, 546 ATMs and over 17,000 Co-op Kwa Jirani agency banking outlets supporting our growing client base.