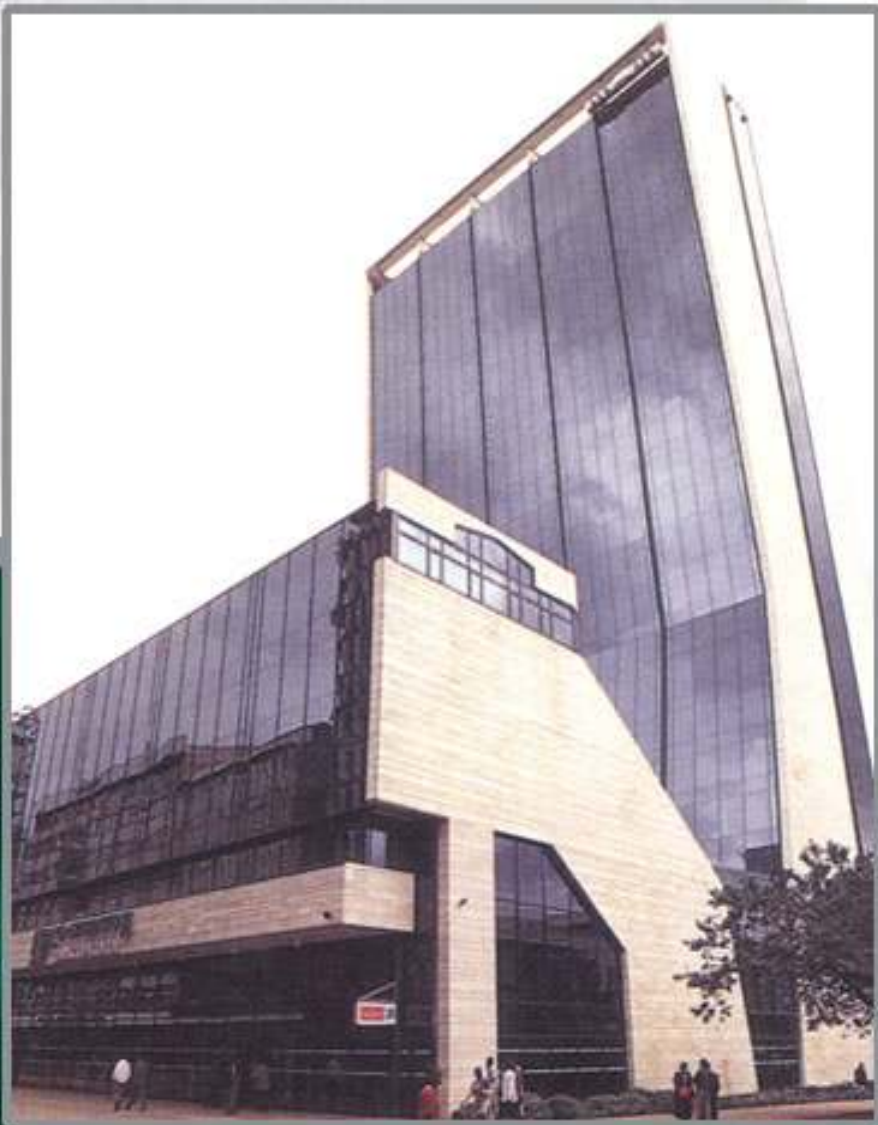


PRESENTATION OF THE 2009 FINANCIAL RESULTS



Gideon Muriuki, OGW

**GROUP MANAGING
DIRECTOR & CEO**



Profit Before Tax



Co-op Bank is pleased to report a remarkable **Profit Before Tax of Kshs.3.74 billion** for the period ended December 31, 2009 representing a commendable **11.2%** growth compared to **Kshs.3.36 billion** recorded during the same period in year 2008.



Dividend



Given this excellent performance the Board of Directors has proposed a dividend of **20 cents** per share up from **10 cents** per share last year, an increase of 100%



A Growing Bank



KES Billions	Dec 31, 09	Dec 31, 08	Change	
Total Assets	110.7	83.5	33%	↑
Loan Book	62.3	52.9	18%	↑
Total Deposits	91.6	65.9	39%	↑
Shareholders Funds	16.2	13.6	19%	↑
Dividend	20 Cents	10 Cents	100%	↑
Customer Base	1,200,000	700,000	71%	↑
Branch Network	79	52	52%	↑



Income Statement



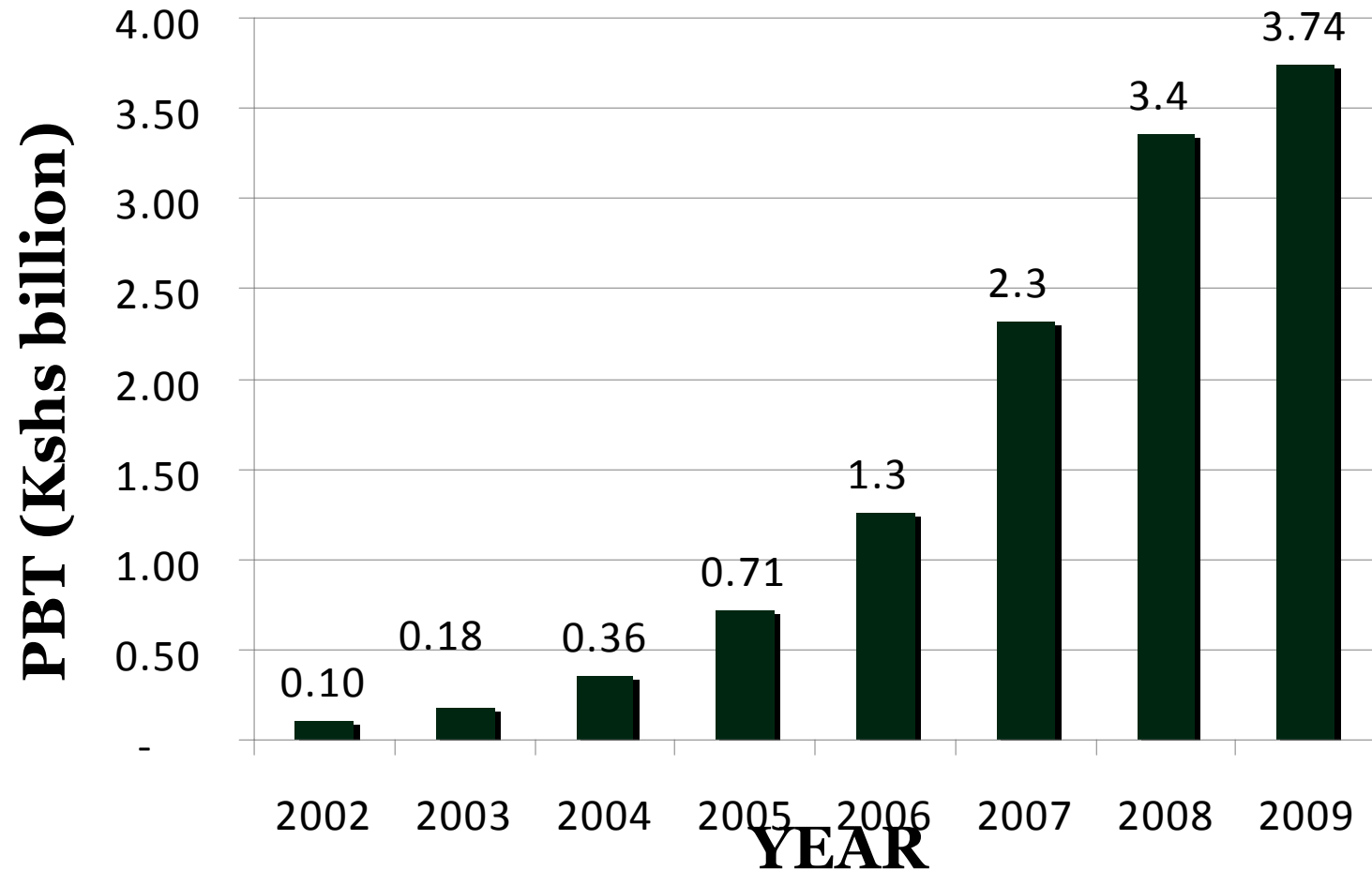
KES Billions	Dec 31, 09	Dec 31, 08	Change	
Net Interest Income	6.8	5.7	19%	↑
Fees and Commissions	4.9	4.0	23%	↑
Total Income	11.7	9.7	21%	↑
Loan Loss Provisions	.628	.403	56%	↑
Operating Expenses	7.35	5.88	25%	↑
Profit Before Tax	3.74	3.3	11%	↑



Sustainable Growth



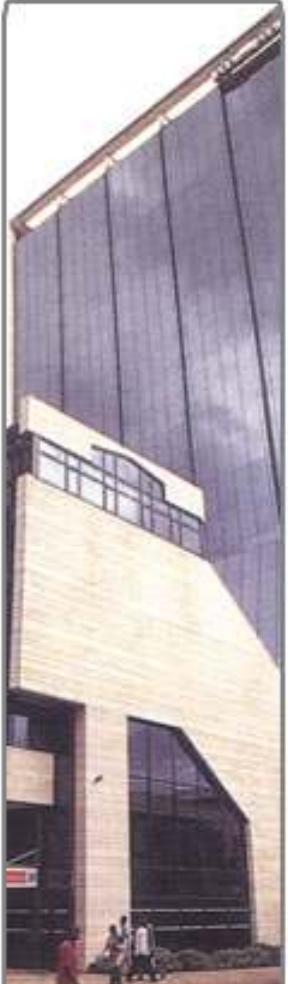
PROFIT BEFORE TAX



Sustainable Growth



- ✍ Co-op Bank remains focused on sustainable growth as its key objective of **deepening shareholder value**
- ✍ During the year the following were the key business drivers that lead to these excellent results:-





Transaction Based Income

Our fees and commissions (notably ATM, personal and business banking commissions, Forex income and letters of credit) have grown from Kshs.3.95 billion in 2008 to Kshs4.95 billion in year 2009 out of the following key initiatives:-

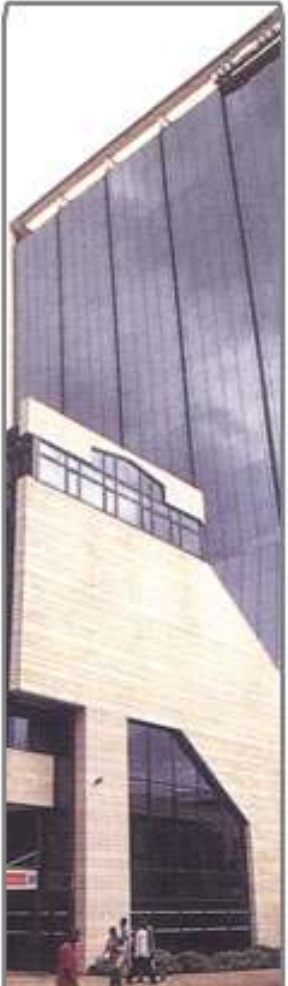


Transaction Based Income



Customer Growth

- ✍ During the year, we embarked on an aggressive customer growth campaign aimed at increasing our customer base.
- ✍ The all inclusive bank staff initiative grew our customer base from 700,000 customers to over 1.2 million customers registering a 71% growth.



Transaction Based Income



Expanded Automated Teller Machines (ATMs) network

- ✍ We continued to increase our investment in our ATM network and are now accessible in **260** service points.
- ✍ Some of our ATMs have cash deposit capabilities hence providing our customers a 24 hour banking service.



Transaction Based Income



Front Office Service Activity (FOSA) Project

- ✍ The bank has unique model of retailing banking services through Sacco's / Fosa's
- ✍ The Bank continues to provide corporate finance capacity support through our subsidiary company Co-operative Consultancy Services Limited aimed at increasing the number of Sacco FOSA's to over 400.
- ✍ This facilitates access to wholesale financial services to the over 11 million members of the Co-operative Movement e.g. Sacco link



Transaction Based Income



Sacco Link



- ✍ The Bank has invested in an ICT switch that enables members of Sacco's cash at our ATM's and goods/services at Visa branded outlets globally.
- ✍ Already over 196,000 cards have been issued and the product target being over 400,000 users this year.
- ✍ This is well supported by an increased investment in ATMs to over 260 currently.



Transaction Based Income



Mobile Banking

-  We have enhanced our mobile banking service the M-Banking
-  Our customers can now access a wide range of services such as:-
 - ✓ Top ups
 - ✓ Balance enquiry
 - ✓ Utility payments among others

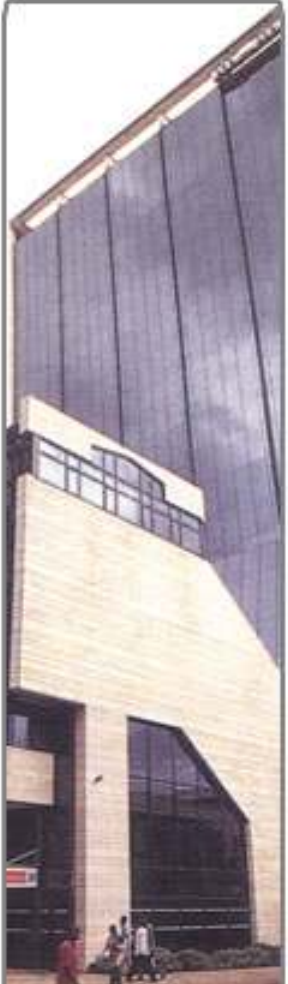




Transaction Based Income

Branch Network Expansion

- ✍ We have increased our branch network by 27 locations to reach 79 locations thus 52% growth.
- ✍ The expansions leveraging on the IPO proceeds targeted strategic locations based on their profiles and business potential from our chosen market segments.



Asset Growth



The bank continued to grow quality assets with continued investment in strong credit risk management framework. Our portfolio grew from Kshs.52.9 billion to Kshs.62.3 billion due to a well diversified loan portfolio as hereunder:-

<u>Segment</u>	<u>Percentage to overall</u>
Sacco Banking (Mainly check off based)	21%
Corporate Banking	28%
Agribusiness *	2%
Personal Banking (Mainly Check off based)	43%
SME & MCU	6%



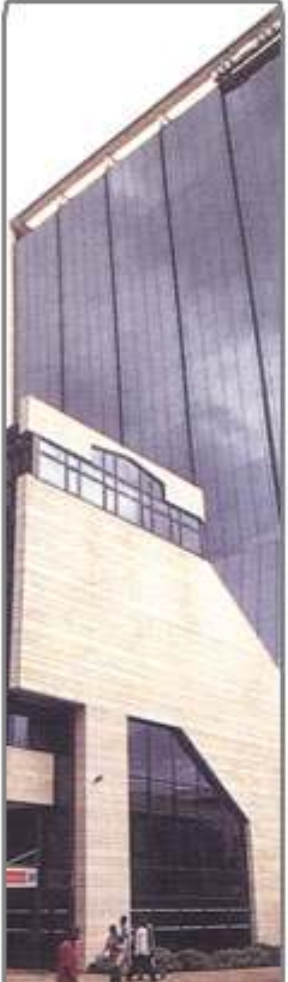
Asset Growth



- * Agri business mainly coffee sector that was substantially reduced with the Kshs5.2billion debts write off in the year 2007, and is now supported by the Stabex revolving fund grant

We continue to be a niche market provider of banking services



Over the years the bank has substantially grown capacity in each of the above functional areas e.g. our corporate team has an Letters of Credit / Guarantees portfolio of over kshs.15 billion.



Credit Risk Management



Prudent Lending

-  The provisions for bad and doubtful debts increased by 56% to Kshs.628 million from Kshs.403 million in line with harsh economic environment and growth of the book.
-  However with key hard lessons from our yester years when we incurred losses the bank has continued to enforce strict credit risk management and our overall non performing loans portfolio decreased from 15.6% in 2008 to 9.8% in 2009.



New Business



The Bank remains at the forefront in developing new frontiers and products. During the year launched a key product as here under:

Good Home Mortgage

- ✍ With the co-operatives captive market segment, this will be a **cash cow** for the bank.



New Business



Kingdom Securities Limited (KSL)

- ✍ KSL is expected to make a fair contribution to the group's performance by taking stock brokerage services to the common mwananchi.
- ✍ With now over 124 institutional agents countrywide, mainly Sacco's the business has started well and is already breaking even.



New Business



Alternative banking Channels (ABCs)

Taking cognisance of the importance of expanding our outreach, the bank has embarked on key initiatives under ABC

Point of Sale (POS) Banking



Through the use of ICT, we are broadening the concept of branchless banking through the POS where we expect to install over 3,000 POS's.



New Business



Agency Banking



Agency Banking as provided for in the Finance Act . The bank is reviewing the opportunities that have now been presented by this development.



We have experience in this model through the business partnership with the Sacco's.






New Business



Coffee Marketing

Kenya Co-operative Coffee Exporters Limited (KCCE)



-  The bank has been part of the initiative to set up a coffee marketing society by the small holder coffee growers with the aim of tapping into the over Kshs. 12 billion coffee industry.
-  Co-op bank is the financier of the arrangement and has also seconded the key senior management staff of the company. The arrangement is expected to give incredible value to the coffee farmers in Kenya
-  The Bank will instantly benefit from interest income, foreign exchange and other commissions income



Cost Rationalisation



Despite a 52% growth in branch network from 52 to 79 branches, the staff base of the bank increased by only 50 additional staff as we optimised over 300 positions

-  The Kshs.3.74 billion excellent performance is before the contribution by the new branches that are expected to contribute to the bottom line in 2010.
-  The bank continues to lease premises as opposed to outright ownership as it is cost and tax efficient.



Resources



The bank has heavily invested in resources to drive performance.

Human resources



- ✍ Perhaps the key competitive edge for co-operative bank group is continued investment in our people.

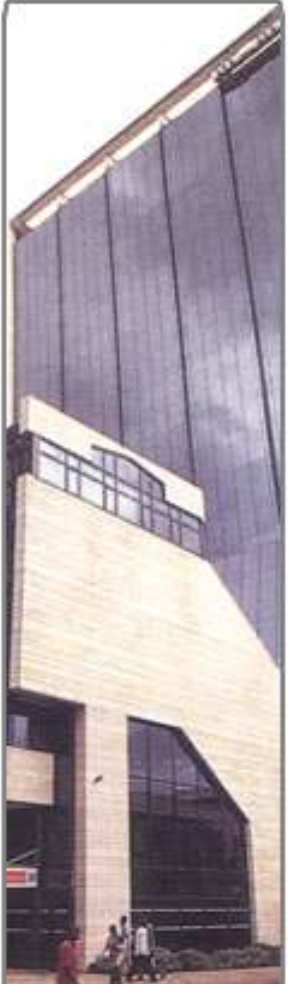


Resources



Review of the Banks core banking software

-  The bank has been on a Bank Master/ Branch Power core banking system from Misys that has given us key competitive edge over the last 10 years and enables us to hold around 7 million customers.
-  As promised during our Initial Public Offer (IPO), the bank has embarked on a review of its core banking software aimed at positioning the bank for future growth and bids from ICT providers are currently at technical evaluation stage.



Regional Expansion



The Co-operative Bank of Southern Sudan is now being registered significantly as a joint venture with the Government of Southern Sudan as hereunder:

- 70% owned by Co-operative Bank of Kenya;
- and 30% by Government of South Sudan on behalf of South Sudan's Co-operative movement.

Currently negotiating a strategic partnership with Co-operative movements in Uganda and Tanzania on similar initiatives.



Conclusion



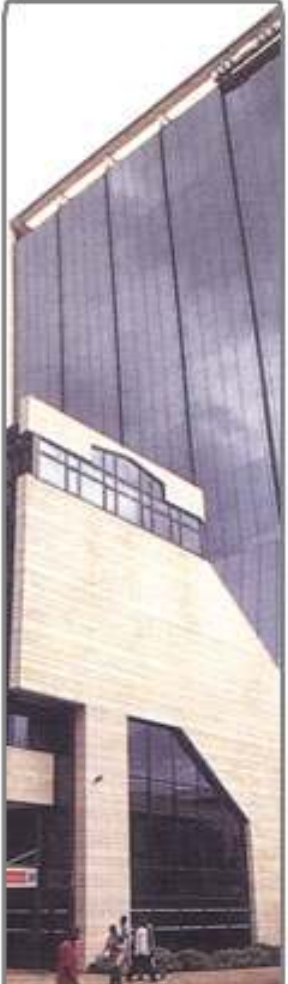
- ✍ Co-op Bank has had an incredible turnaround and has demonstrated sustainable growth over the years perhaps supporting our early inclusion in the NSE 20 share index shortly after our IPO.
- ✍ Given the various initiatives in place and the key investments in people we target to even better our performance in year 2010



Conclusion



- ✍ Our Share price at Kshs10 represents a P/E ratio of **only 11.76** an incredible offer for a **growth stock**



Appreciation



We sincerely thank you and all our stakeholders for the continued support over the years that has seen the success of the **Kingdom Bank.**

We have heavily invested in the Kenyan People and are confident of brighter days ahead.





**Thank you and may
God richly bless you all.**

