

CO-OPERATIVE BANK RECORDS KSHS 10.4 BILLION PROFIT IN Q2 2019

The Co-operative Bank Group is delighted to report a Profit before Tax of **Kshs. 10.4 Billion** for the second quarter of 2019 compared to **Kshs. 9.98 Billion** recorded in the second quarter of 2018, a strong growth of 5% against the backdrop of a challenging economic environment in the period. Profit after tax was **Kshs 7.5 Billion** compared to **Kshs 7.1 Billion** in the previous year.

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.

The Group has continued with a strategy for continued deepening and dominance in our domain market segment while reviewing opportunities to grow alternative revenues from other services like Bancassurance, and Leasing business being done through Co-op Bank Fleet Africa Leasing Ltd, a strategic joint venture with Super Group of South Africa.

Key financial highlights include;-

1. Profit & Loss

- *Total operating income grew by 5% from Kshs 21.8 billion to Kshs 23 billion.*
- *Total non-interest income increased by 25% from Kshs 7 billion to Kshs 8.8 billion.*
- *Interest income from government securities increased by 22% from Kshs 4.5 billion to Kshs 5.5 billion.*
- *Total operating expenses remained controlled, growing by 5% from Kshs 11.97 billion to Kshs 12.6 billion as a result of prudent cost management strategy and enhanced efficiency.*

Balance sheet

- *Total assets grew by Kshs 31.2 Billion (+8%) to Kshs. 430 Billion compared to Kshs 398.4 Billion in the same period last year.*
- *Net loans and advances book grew by 3% from Kshs.252.1 to Kshs. 257.6 billion.*
- *Investment in Government securities grew by Kshs. 14.8 billion (+18.4%) to Kshs. 95 billion compared to Kshs. 80.2 billion in first half of 2018.*
- *Customer deposits grew by 8.3% from Kshs. 300 billion to Kshs 325 billion*
- *Borrowed funds from development partners grew by Kshs. 3 billion (+16%) to Kshs 21.5 billion from Kshs.18.4 billion in the previous year.*
- *Shareholders' funds grew from Kshs. 68 billion to Kshs. 71 billion.*
- *The bank closed the quarter on a sound capital base, with adjusted total capital against total risk-weighted assets standing at 16.7%, which is 2.7% above the statutory minimum of 14.5%.*

2. Innovative Customer Delivery Platforms

- Through our multi-channel strategy, the Bank has successfully moved **88%** of all customer transactions to alternative delivery channels that include mobile banking, an expanded 24-hour contact centre, 585 ATMs, internet and over 12,956 Co-op Kwa Jirani banking agents.
- A successful Universal Banking model and the implementation of Sales Force Effectiveness has seen the Group serve **8.2 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 over 4.6 Million customers registered and loans worth over Kshs 14.4 billion disbursed as at the close of Q2 2019.
- Over **46,700** customers have taken up the rolled out MSME packages that we launched in 2018 and 1600 have been trained on business management and planning. We have earmarked Kshs 15.2 billion for MSME lending and to date we have disbursed Kshs 3.4 billion under the program. These include 80,249 mobile unsecured business e-loans and 1,162 supply-chain loans disbursed in first half 2019 alone.
- 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.

3. Subsidiaries

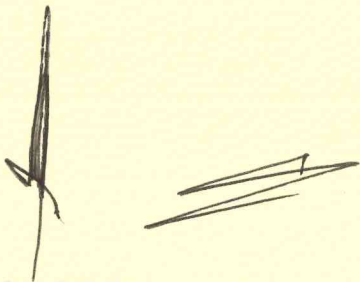
- Co-operative Bank of South Sudan that is a unique Joint Venture (JV) partnership with Government of South Sudan (Co-op Bank 51% and GOSS 49%) made a Profit before tax of Kshs 93 Million in Q2 2019 which was 19% drop compared to Kshs 115 Million posted in 2018.
- Co-op Consultancy & Insurance Agency contributed **Kshs 353.3 million** as at 30th June 2019.
- Co-op Trust Investment Services has aggressively grown the funds under management to almost **Ksh 100 billion**.

4. 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 **7,032** students since the inception of the program.

Conclusion

The Co-operative Bank Group will continue to deliver good performance as we focus on the growing the 8.2 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**

22nd August 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 24.80 per cent stake in CIC Insurance Group. The Bank's footprint across Kenya and the region includes; 152 branches in Kenya, 4 in South Sudan, 585 ATMs and over 12,956 Co-op Kwa Jirani agency banking outlets supporting a growing client base now standing at 8.2 million account-holders.