

CO-OP BANK RECORDS KSHS 9.6 BILLION PROFIT IN QUARTER 2 2020

The Co-operative Bank Group is delighted to report a Profit before Tax of **Kshs.9.6 Billion** for the second quarter of 2020 compared to **Kshs.10.44 Billion** recorded in the second quarter of 2019. Profit after tax was **Kshs 7.2 Billion** compared to **Kshs 7.5 Billion** in the previous year, a 3.6 per cent reduction.

The Group has prudentially taken a higher loan loss provision of **Kshs 1.87 Billion** for the six months compared to **Kshs 1.18 Billion** last year, a 57.89% increase in appreciation of the tougher environment.

This strong performance is an affirmation of the resilience of the business in view of the most challenging operating environment occasioned by the Covid-19 pandemic that has brought about unprecedented economic and social disruption globally.

We are actively engaging our customers to support them through this period by re-aligning the servicing of facilities, funding and transactional needs as the situation unfolds. In total, **Kshs. 39.2 Billion** in loans have been restructured to support customers on the Covid-19 pandemic.

The Group continues to implement proactive enterprise risk management initiatives to ensure uninterrupted business operations in the following ways;

1. Fortification of our digital channels to support uninterrupted access to banking services by customers; over 90% of our services are now on alternative banking channels.
2. Enhancement of digitization of internal bank processes and engagement platforms, to build contactless capabilities for both customers and staff.
3. Adoption of a work-from-home model for the safety and wellness of bank teams, and ensuring safe spaces for staff who continue to serve in physical touchpoints.
4. Robust engagement with regulators to ensure full compliance and support.

Key financial highlights include; -

1. Profit & Loss

- Total operating income grew by 5% from Kshs 23 Billion to Kshs 24.2 Billion.
- Total non-interest income retreated 5% from Kshs 8.8 Billion to Kshs 8.3 Billion.
- Net interest income grew by 12% from Kshs 14.3 Billion to Kshs 15.9 Billion.
- Total operating expenses grew by 16% from Kshs 12.6 Billion to Kshs. 14.6 Billion on account of higher loan loss provisions.

2. Balance sheet

- Total assets grew by Kshs 84.3 Billion (+20%) to Kshs. 513.9 Billion compared to Kshs 429.6 Billion in the same period last year.
- Net loans and advances book grew by Kshs 14.6 Billion (+6%) from Kshs.257.6 Billion to Kshs. 272.2 Billion.
- Investment in Government securities grew by Kshs.27.4 Billion (+29%) to Kshs. 122.4 Billion compared to Kshs. 95 Billion in 2019.
- Customer deposits grew by 19% from Kshs. 323.6 Billion to Kshs 384.6 Billion.
- Borrowed funds from development partners grew by Kshs. 4.2 Billion (+19%) to Kshs 25.6 Billion from Kshs.21.5 Billion in 2019.
- Shareholders' funds grew to Kshs. 80.1Billion (+13%) from Kshs. 71 Billion in 2019 enabling us to continue pitching for big ticket deals.

3. Innovative Customer Delivery Platforms

- Through our multi-channel strategy, the Bank has successfully moved over 90% of all customer transactions to alternative delivery channels, an expanded 24-hour contact centre, mobile banking, 584 ATMs, internet banking and over 17,800 Co-op Kwa Jirani banking agents.
- A successful Universal Banking model and the implementation of Sales Force Effectiveness has seen the Group serve over 8.8 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 5 Million customers registered and loans worth over Kshs 27.4 Billion disbursed in the first half of 2020.

- Over 92,644 customers have taken up the MSME packages that we rolled out in 2018, and 6950 have been trained on business management and planning. We have earmarked Kshs 15.2 Billion for MSME lending, with **Kshs. 13.2 Billion** disbursed to date through our E-Credit solution.
- Our unique model of retail banking services through Sacco FOSAs enabled us provide wholesale financial services to over 479 FOSA outlets, and issue over 1.38 million Sacco-Link cards.

4. 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 102.6 Million** in quarter 2 of 2020.
- Co-op Consultancy & Insurance Agency posted a Profit before tax of **Kshs 387.8 Million** as at 30 June 2020.
- Co-op Trust Investment Services contributed **Kshs. 47.1 Million** in a Profit before tax in quarter 2 of 2020, with Funds Under Management standing at **Kshs. 120.3 Billion** compared to Kshs. 93.2 Billion as at 30 June 2019.

5. Kshs. 39Bn Loans Restructured to Support Customers on Covid-19 Pandemic

With the Covid 19 crisis, the Bank has proactively engaged all the customers and reviewed the following;

- Customers requiring an interest moratorium period,
- Customers requiring a better structure/longer repayment period, and
- Customers requiring additional funding to manage the crisis.

In total, a portfolio of over **Kshs. 39.2 Billion** has been re-aligned to offer our customers this much-needed support.

6. Proposed acquisition of 90% Shares of Jamii Bora Bank Limited

Co-op Bank is pleased to note that the shareholders of Jamii Bora Bank, have pursuant to an Extra Ordinary General Meeting held on 1st July 2020 unanimously approved Co-op Bank's offer to acquire 90% of the bank. This will be through the subscription of 224,153,154 new class of Ordinary Shares that would enable Co-op Bank to inject Kshs.1 Billion and appoint a Board to run the business. The Central Bank of Kenya has vide Gazette Notice No. 5475 dated August 5, 2020 approved the acquisition effective August 21, 2020.

Jamii Bora Bank is a fully-fledged Commercial Bank, licensed and regulated by the Central Bank of Kenya, with over 444,000 customers in 17 branches.


The acquisition offers Co-op Bank the opportunity to cross-sell and deepen product offering to the enhanced customer base and create a niche bank to offer specialized credit offerings that include MSME Banking, Microfinance, Youth & Women Banking, Asset Finance and Leasing.

7. Corporate Social investment

- Co-operative Bank Foundation has provided 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 so far supported **7,685 students** since the inception of the program.
- The bank gave a cash donation of **Kshs. 100 Million** to the Covid 19 Emergency Respond Fund.
- Being cognizant of the huge role that we play in supporting communities especially during this period, we continue to operate in an economically, socially and environmentally-responsible manner.

Conclusion

The Co-operative Bank Group has put in place a proactive mitigation strategy anchored on a strong enterprise risk management framework, to enable uninterrupted access to banking services. We shall, riding on the unique synergies in the over 15 million-member co-operative movement that is the largest in Africa, continue to pursue strategic initiatives that focus on resilience and growth in the 'New Normal' as the Nation focuses on flattening the curve and as vibrancy returns to the Economy.



DR. GIDEON MURIUKI - CBS, MBS
GROUP MANAGING DIRECTOR & CEO

13th August 2020