



CO-OP BANK REPORTS KSHS 20.7 BILLION PROFIT IN 2019

Co-operative Bank Group reports a Profit before Tax of **Kshs.20.7 Billion** for Full Year 2019 compared to **Kshs.18.2 Billion** recorded in 2018, a strong growth of **14%** in the year. Profit after Tax was **Kshs 14.3 Billion** compared to **Kshs 12.7 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 of ‘increased dominance’ in the Domain Market Segment (Kenya) leveraging on our successful penetration of the Retail and Consumer Banking, Micro, Medium and Small Enterprises, Corporate Banking and the Co-operative Movement; while reviewing opportunities to grow alternative income streams from other services like Bancassurance and non-funded income streams.

Key financial highlights include; -

1. Profit & Loss

- *Total operating income grew by 10.9% from Kshs 43.68 billion to Kshs 48.46 billion.*
- *Growth in Operating Income attributed to an increase in Total interest income from Kshs 43.02 billion to Kshs 43.64 billion on account of; Interest income from government securities increasing by 16% from Kshs 9.79 billion to Kshs 11.35 billion. Interest income from loans & advances decreased slightly by 3.5% from Kshs 32.95 billion to Kshs 31.78 billion.*
- *Interest expense remained under tight control, increasing marginally by Kshs 96 million from Kshs 12.24 billion to Kshs 12.34 billion. This was despite an 8.6% growth in deposits indicating improved management of the cost of funds.*

2. Balance sheet

- Total assets grew by Kshs 43.6 Billion (+10.5%) to Kshs. 457 Billion from Kshs 413.4 Billion recorded at the close of year 2018.
- Net loans and advances book grew by 21.31 billion (8.7%) to stand at Kshs. 266.71 billion compared to Kshs. 245.41 billion in 2018.
- Investment in Government securities grew by Kshs.37.53 billion (+46.8%) to Kshs. 117.80 billion compared to Kshs. 80.27 billion in 2018.
- Customers deposits grew by 8.7% from Kshs. 306.12 billion to Kshs 332.82 billion
- Borrowed Funds from development partners grew by Kshs. 2.47 billion (+10.3%) to Kshs 26.42 billion compared to Kshs.23.95 billion in 2018.
- Shareholders' funds grew to Kshs. 79.33 billion in 2019 (+13.6%) from Kshs 69.86 billion in 2018. This has enabled the bank to continue to pitch for big-ticket deals.

3. Innovative Customer Delivery Platforms

- Through our multi-channel strategy, the Bank has successfully moved almost **90%** of all customer transactions to alternative delivery channels that include self-service kiosks in 159 branches, an expanded 24-hour contact centre, mobile banking, 583 ATMs, internet and over 16,700 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-opCash** Mobile Wallet continuing to play a pivotal role in the growth of non-funded income with 4.8 Million customers registered and loans worth over Kshs. 43.1 Billion disbursed as at close of the year.
- Over 70,000 customers have taken up the MSME packages we rolled out in 2018, and 5,000 have been trained on business management and planning. We have earmarked KShs. 15.2 billion for MSME lending, with Kshs. 8.05 billion disbursed to date.
- Our unique model of retailing banking services through Sacco FOSAs enabled us provide wholesale financial services to over 479 FOSA outlets, and issue over 1.18 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 240.6 Million in 2019. This performance however translated to a monetary loss of Kshs 344.7 Million attributable to hyperinflation accounting occasioned by currency devaluation of the South Sudanese pound.
- Co-op Consultancy & Insurance Agency contributed **Kshs. 714 Million** as at 31st December 2019.
- Co-op Trust Investment Services has aggressively grown the funds under management to **KShs. 102.1 Billion** as at 31st December 2019 compared to Kshs. 40.5 Billion at as at 31st December 2018.

5. Proposed Acquisition of 100% Shares of Jamii Bora Bank Limited

The Board of Directors of Co-operative Bank of Kenya Limited reported on 11th March 2020 having approved the progression of discussions with Jamii Bora Bank Limited, which if successful, would lead to the Co-operative Bank of Kenya Limited acquiring the 100% shareholding in Jamii Bora Bank Limited.

Jamii Bora Bank is a Kenyan bank incorporated under the Companies Act with over 350,000 customers in 17 branches and asset base of Kshs 12.5 billion.

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 specialised credit offerings that include MSME Banking, Microfinance, Youth & Women Banking, Asset Finance and Leasing.

6. Corporate Social Investment

Co-operative 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 **7,657 students** since inception.

7. Accolades

Co-operative Bank was named Overall Winner of the Kenya Bankers Association (KBA) 2019 Sustainable Finance Catalyst Award. The Awards recognize institutions that practice sustainable finance which has a direct positive impact on the financial sector, the economy, the environment and the society. The bank scooped two more awards in the green energy space; being named Best Bank in Sustainable Finance in Kenya at the 2019 Energy Management Awards hosted by

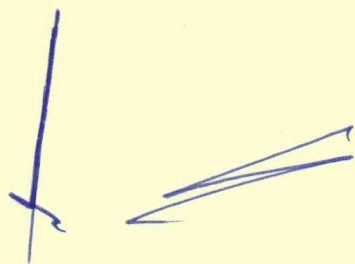
the Kenya Association of Manufacturers, and in addition recognised as Overall Winner in Environmental Sustainability Reporting at the 2019 East African Financial Reporting (FiRe) Awards held in Nairobi. The Bank was also named Best Bank in Kenya by EMEA Finance African Banking Awards 2019.

8. Dividend

The Board of Directors has recommended for approval by the AGM the payment of a dividend of **Kshs. 1.00** per every ordinary share held subject to approval by the Capital Markets Authority.

Conclusion

The Co-operative Bank Group will continue to deepen market share leveraging on the 8.8 million account-holder base, digital banking, the basket of innovative financial solutions, efficient delivery of services and multichannel access.



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

19th March 2020

Editors' Notes

The Co-operative Bank Group ('The Group') 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 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 24.8 per cent stake in CIC Insurance Group. The Bank's footprint across Kenya and the region includes; 155 branches in Kenya, 4 in South Sudan, 583 ATMs and over 16,700 Co-op Kwa Jirani agency banking outlets supporting a growing client base now standing at over 8.8 million account-holders.