

CO-OP BANK RECORDS KSHS 16.4 BILLION PROFIT IN 2017

The Co-operative Bank Group is pleased to report a Profit before Tax of **Kshs.16.4 billion** for full year 2017 compared to **Kshs.17.7 Billion** recorded in 2016, a marginal drop of 7.3% despite the very challenging economic environment in the period. Profit after tax was **Kshs 11.4 Billion** compared to **Kshs 12.7 Billion** in the previous year.

This is a very commendable performance against the backdrop of one of the most challenging operating environments that business had to contend with in the year with interest rate caps and lower economic growth in an election year.

The good performance represents the tangible benefits arising from the bold “Soaring Eagle” Transformation Project that the bank has been implementing since 2014 with a clear focus on improving operating efficiencies, salesforce effectiveness and innovative customer delivery platforms.

Notably, the cost-to-income ratio has progressively improved from a high of **59%** in 2014 to **52%** in 2017.

Key financial highlights include:-

1. Profit & Loss

- *Total interest income reduced marginally by 4% from Kshs 42.3 billion to Kshs 40.4 billion on account of; Interest income from government securities retreating by 3% from Kshs 8.5 billion to Kshs 8.2 billion and Interest income from loans & advances dropping 4.7% being the full-year effect of interest rates capping.*
- *Total interest expense reduced by 4% from Kshs 12.8 billion to Kshs 12.3 billion on account of lower cost of funding.*
- *Non funded income grew by 6% from Kshs 12.8 billion to Kshs. 13.5 billion as we continued the strategy of sales force effectiveness.*
- *Total operating income dropped by 2% from Kshs 42.3 billion to Kshs 41.6 billion.*
- *Cost-to-income ratio was 52%, similar to that recorded in 2016 reflecting the sustained control on costs.*

2. Balance sheet

- *Total assets grew by Kshs 35 billion (+10%) to Kshs. 386.9 billion compared to Kshs 351.9 Billion in the same period last year.*
- *Net loans and advances book grew by Kshs 17 billion (+7%) to Kshs. 253.9 billion compared to Kshs. 236.9 billion in the same period last year.*
- *Government securities grew by Kshs.11.4 billion (+20%) to Kshs. 69.2 compared to Kshs. 57.8 billion in 2016.*
- *Total deposits grew by 9% from Kshs. 263.6 billion to Kshs 287.7 billion*
- *Borrowed funds from development partners grew by Kshs. 1.4 billion (+7%) to Kshs 21.2 billion compared to Kshs.19.8 billion in the same period the previous year*
- *Shareholders' funds grew from Kshs. 61.3 billion to Kshs. 69.6 billion, an impressive growth of 13.5%, supported by a steady growth in retained earnings and a progressive dividend policy.*
- *The bank closed the year with a solid capital base, with total capital against total risk-weighted assets standing at 22%, which is 7.5% above the statutory minimum of 14.5%.*

3. Innovative Customer Delivery Platforms

- Through our multi-channel strategy, the Bank has successfully moved **87%** of all customer transactions to alternative delivery channels that include an expanded 24-hour contact centre, mobile banking, 580 ATMs, internet and over 9,000 Co-op Kwa Jirani banking agents.
- A successful Universal Banking model and the implementation of Sales Force Effectiveness has seen the Group serve **7 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 **3.6 Million** customers registered.
- Our unique model of retail banking services through Sacco FOSAs enabled us provide wholesale financial services to over **560 FOSA outlets**, and issue over **1 million** Sacco-Link cards.

4. Regional Expansion

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 PBT of South Sudanese Pounds (SSP) 192 Million which was 135% higher than the SSP 82 Million posted in 2016. This performance however translated to a monetary loss of Kshs.603 million in 2017 attributable to hyperinflation accounting occasioned by currency devaluation of the South Sudanese Pound.

5. 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 6,303 students since the inception of the program in 2007.

6. Accolades

The Group was a big winner at the Kenya Bankers Association Sustainable Finance Catalyst Awards 2017 where the bank emerged **Overall Winner** as a result of building a sustainability strategy that enables people, businesses and society to grow in a way that is most sustainable in the long-term.

“Sustainability is fully integrated in our business model that stands on the three pillars of Economic sustainability, Social sustainability and Environmental stewardship. As a bank that is predominantly-owned by the 15 million-member Co-operative Movement, we are inclusive by design that has not only enabled us to deliver shared prosperity today, but also helped us build an awareness and prudence to avoid putting future generations in jeopardy,” said Dr. Gideon Muriuki, Group Managing Director & CEO Co-operative Bank on the award.

7. Dividend

The Board of Directors has recommended for approval by the AGM the payment of a dividend of **Kshs. 0.80** per every ordinary share held subject to approval by the Capital Markets Authority.

8. Conclusion

The Co-operative Bank Group notes that the environment for doing banking business has become progressively challenging, with the capping of interest rates and more lately the implementation of the IFRS 9 Accounting Standard. The Group will continue to leverage on the growing 7 Million account-holder base, digital banking focus, 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
GROUP MANAGING DIRECTOR & CEO

15TH MARCH 2018

Editor's 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 Bank 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 26% of CIC Insurance Group. The Bank's footprint across Kenya and the region includes; 149 branches in Kenya, 4 in South Sudan, 580 ATMs and over 9,000 Co-op Kwa Jirani banking agency outlets supporting a growing client base now standing at 7 million account-holders.