

CO-OP BANK REGISTERS A STRONG 20% PROFIT GROWTH TO KSH 16.5 BILLION IN QUARTER 3 2021

Co-op Bank Group is pleased to report a Profit Before Tax of **Kshs. 16.5 Billion** for the third quarter of 2021, a commendable 20% growth compared to Kshs. 13.8 Billion recorded in the third quarter of 2020. This represents a strong Profit After Tax of **Kshs.11.6 billion** compared to Kshs. 9.8 Billion reported in third quarter of 2020.

The strong performance by the Bank exceeds pre-pandemic performance and is in line with the Group's strategic focus that supports growth, resilience and agility.

Key highlights; -

1. Financial Position; The Group has registered sustained growth as hereunder;

- *Total Assets grew by Kshs 82 Billion (+16%) to Kshs. 592.9 Billion compared to Kshs 510.9 Billion in the same period last year.*
- *Net loans and advances book grew by Kshs 22.1 Billion (+7.8%) from Kshs.284.2 Billion to Kshs. 306.3 Billion.*
- *Customer deposits grew by 12% from Kshs. 375.5 Billion to Kshs 420.4 Billion.*
- *Borrowed funds grew by Kshs. 17.7 Billion (+67.6%) to Kshs 43.8 Billion from Kshs.26.2 Billion in 2020.*
- *Shareholders' funds grew to Kshs. 95 Billion (+16%) from Kshs. 82.0 Billion in 2020 enabling us to continue pitching for big ticket deals.*

2. Comprehensive Income

- *Total operating income grew by 19.2% from Kshs 37.2 Billion to Kshs 44.4 Billion.*
- *Total non-interest income grew by 15.6% from Kshs 13.6 Billion to Kshs 15.7 Billion.*
- *Net interest income grew by 21.3% from Kshs 23.6 Billion to Kshs 28.7 Billion.*

- *Total operating expenses grew by 19.2% from Kshs 23.5 Billion to Kshs. 28 Billion on account of a 50% prudential growth in loan-loss provisions.*

3. Credit Management remains a key focus area aimed at supporting a return to pre-pandemic NPL levels by way of the following interventions;-

- The Credit Risk Adaptation Project** dubbed ‘Project Kilele’ supported by a Global consulting firm, now in the **implementation phase**.
- The Decentralization of Loan Portfolio Management**, to the Branches, Lending Units and Relationship Management teams to enhance collection activities.

The Group prudentially increased loan loss provisions to **Kshs. 6.0 Billion** in the third quarter of year 2021, in appreciation of the challenges that businesses and households continue to face due to the effects of the ongoing pandemic.

A total of **Kshs. 49 Billion** in loans was restructured during the CBK restructure window that ended on 31st March 2021, with the restructured facilities largely performing as per the realigned agreements.

4. A Strong Digital Footprint

- Through our multi-channel strategy, the Bank has successfully moved **93%** of all customer transactions to alternative delivery channels; an expanded 24-hour contact centre, mobile banking, 589 ATMs, internet banking and over 23,000 Co-op Kwa Jirani agency banking terminals.
- A successful Universal Banking model and the implementation of Sales Force Effectiveness has seen the Group serve over **9 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 **5.3 Million customers** registered and loans worth **Kshs 51.3 Billion** disbursed year-to-date, averaging Kshs. 5.7 Billion per month.
- Over 139,299 customers have taken up the MSME packages that we rolled out in 2018, and 14,665 have been trained on business management skills. To date we have disbursed over **Kshs. 25 Billion** to MSMEs 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.

5. Subsidiaries

- Co-op Consultancy & Bancassurance Intermediary Limited posted a Profit Before Tax of **Kshs 648.0 Million** as at 30th September 2021, riding on strong penetration of Bancassurance business.
- Co-operative Bank of South Sudan, a joint venture (JV) partnership with Government of South Sudan (Co-op Bank 51% and GOSS 49%) returned a monetary loss of Kshs 104 Million in Q32021 attributable to hyperinflation accounting due to currency devaluation of the South Sudanese pound.
- Co-op Trust Investment Services contributed **Kshs. 92.3 Million** in Profit Before Tax in Q32021, with Funds Under Management standing at **Kshs. 187.1 Billion** compared to Kshs. 123.7 Billion as at Q32020.
- **Kingdom Bank Limited** (formerly Jamii Bora Bank) has contributed a Profit Before Tax of **Kshs. 413 Million** in Q32021. This is compared to 2020 full year loss of Kshs. 124 Million.

Co-op Bank holds a controlling 90% equity interest in Kingdom Bank, a fully-fledged commercial bank regulated by the Central Bank of Kenya with over 444,000 customers and 17 branches.

6. Long Term Financing: MSME, Sustainable Agriculture & Health sectors.

- In 2020 the Group secured a long-term financing facility from the IFC (International Finance Corporation) amounting to **Kshs. 8.25 Billion** for on-lending at affordable terms to MSMEs involved notably in **climate-smart** projects, sustainable agricultural practices and clean energy.
- Partnered in the US\$ 300 million IFC-led Africa Medical Equipment Facility and Philips (a leading health technology company) to support Africa's health sector operators purchase essential medical equipment and strengthen their response to COVID-19 and other medical technology needs.
- The Group secured a **US\$ 10 Million** credit line in partnership with **Eco.Business Fund** to finance Sustainable Agriculture.

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 **8,368 students** since the inception of the program.

8. Accolades

The Group notes with profound appreciation the recognition and Awards received recently at the **EMEA Awards (African Banking Awards) 2021**;

1. The **Best Bank CEO in Africa Award**, awarded to Dr Gideon Muriuki, Group Managing Director & CEO, Co-op Bank with the following citation;

The Board of Directors' bold decision to sustain the same level of dividend payments to shareholders despite the Covid-19 crisis offered a most timely relief, especially to the over 15 Million-Member Co-operative Movement, whose livelihoods would have been severely impaired had the dividend been withheld.

The Bank notably also sustained a relentless focus on Staff Wellness with the unprecedented challenges occasioned by the Covid-19 pandemic; notably it undertook a bank-wide analysis to identify and address manpower inefficiencies spurred by the disruption, with a critical focus on staff redeployment/retention other than redundancies.

2. The **Best Bank in Kenya Award**, and as **Best Bank in Financial Inclusion - Africa**, with the citation;

*Co-op Bank is greatly affirmed on our unique business model with the Year 2021 Awards of **Best Bank In Kenya** and **Best Bank in Financial Inclusion Africa**. We are greatly honoured by these Awards granted to us for extending financial inclusion models to our customers and also offering shared prosperity, with consistent dividend payments notably to the over 15 million-member Co-operative Movement that is the face of Kenya.*

3. Bank subsidiary Co-optrust Investments Services was named **Best Asset Manager in Kenya**; now has an Asset Base of over **Kshs. 187 Billion** under management.

Conclusion

The Co-operative Bank Group continues to execute 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 various sectors as the economy continues to recover.



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

18th November 2021

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 one of the largest financial institutions in the region and has 5 subsidiaries namely; Kingdom Securities Ltd, Co-optrust Investment Services Limited, Co-operative Consultancy & Insurance Agency Limited, Kingdom Bank Limited and Co-operative Bank of South Sudan; The Bank also owns a 24.8 per cent stake in CIC Insurance Group and 25% of Co-op Bank Fleet Africa Leasing Limited. The Bank's footprint across Kenya and the region includes; 173 branches in Kenya, 4 in South Sudan, 589 ATMs and over 25,000 Co-op Kwa Jirani agency banking outlets supporting a growing client base now standing at over 9 million account-holders.