

CO-OP BANK REGISTERS A STRONG KSH 4.98 BILLION PROFIT IN QUARTER 1 2021

Co-op Bank Group is pleased to report a Profit Before Tax of **Kshs. 4.98 Billion** for the first quarter of 2021, a modest drop of 2.6% compared to pre-pandemic Profit Before Tax of Kshs. 5.12 Billion recorded in first quarter of 2020. This represents a strong Profit After Tax of **Kshs. 3.46 billion** compared to Kshs. 3.59 Billion reported in first quarter of 2020

Key highlights; -

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

- *Total Assets grew by Kshs 82.5 Billion (+18%) to Kshs. 553 Billion compared to Kshs 470 Billion in the same period last year.*
- *Net loans and advances book grew by Kshs 22 Billion (+8%) from Kshs.276.2 Billion to Kshs. 298.2 Billion.*
- *Investment in Government securities grew by Kshs.50.3 Billion (+43%) to Kshs. 166.2 Billion compared to Kshs. 115.9 Billion in 2020.*
- *Customer deposits grew by 16% from Kshs. 340 Billion to Kshs 393.8 Billion.*
- *Borrowed funds from development partners grew by Kshs. 19.5 Billion (+71%) to Kshs 46.9 Billion from Kshs.27.4 Billion in 2020.*
- *Shareholders' funds grew to Kshs. 93.7 Billion (+14%) from Kshs. 82 Billion in 2020 enabling us to continue pitching for big ticket deals.*

2. Comprehensive Income

- *Total operating income grew by 15% from Kshs 12.5 Billion to Kshs 14.4 Billion.*
- *Total non-interest income declined by 9% from Kshs 4.98 Billion to Kshs 4.52 Billion on account of fee waivers in support of our customers and the general economic slowdown.*
- *Net interest income grew by 31% from Kshs 7.5 Billion to Kshs 9.8 Billion.*
- *Total operating expenses grew by 27% from Kshs 7.3 Billion to Kshs. 9.3 Billion on account of higher loan-loss provisions.*

3. **Credit Management** remains a key focus areas in this season notably with the following key interventions;-

a. **The Credit Risk Adaptation Project** dubbed ‘Project Kilele’ supported by a Global consulting firm;

- End-to-end assessment of credit risk management practices by undertaking a comprehensive diagnostic review touching on each area of credit risk, including credit risk management framework with a key focus on risk governance, credit risk appetite, origination and underwriting process, credit approval process, credit scoring/rating models, and pricing.
- Strengthen portfolio assessment and risk frameworks.
- Enhance Collection platforms aligned to the new business operating environment.

The project is now in the **implementation phase** with ‘quick wins’ being realized in underwriting process with improved turnaround time in our lending operations, monitoring based on our new Early Warning System and Collections with Client-Level Action Plans.

b. **The Decentralization of Loan Portfolio Management**, to the Branches, Lending Units and Relationship Management teams to enhance collection activities. The project dubbed ‘3C’ (Connect, Collect, Cure) entails proactive management of the Credit book re-assigned from Remedial Credit to Branches and Business Segments.

The Group prudentially increased loan loss provisions to Kshs. 2.3 billion in the first quarter of year 2021, in appreciation of the challenges that businesses and households continue to face due to the economic effects of the ongoing pandemic.

We continue to actively engage our customers to support them through this period, by re-aligning the servicing of facilities, funding and transactional needs as the situation unfolds. A total of **Kshs. 49 Billion** in loans have been restructured to support customers impacted by the 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 93% 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.

4. Innovative Customer Delivery Platforms

- 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, 580 ATMs, internet banking and over 24,000 Co-op Kwa Jirani banking terminals.
- 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 5.1 Million customers registered and loans worth Kshs 16.3 Billion disbursed in Q12021.
- Over 125,000 customers have taken up the MSME packages that we rolled out in 2018, and 11,215 have been trained on business management skills. To date we have disbursed Kshs. 24.9 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, and issue over 1.4 million Sacco-Link cards.

5. Subsidiaries

- Co-op Consultancy & Insurance Agency posted a Profit Before Tax of Kshs 262.6 Million as at 31st Mar 2021, riding on strong penetration of Bancassurance business.
- 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%) returned a monetary loss of Kshs 89.1 Million in Q12021 attributable to hyperinflation accounting due to currency devaluation of the South Sudanese pound.
- Co-op Trust Investment Services contributed Kshs. 21.3 Million in Profit Before Tax in Q12021, with Funds Under Management standing at Kshs. 128.4 Billion compared to Kshs. 106.58 Billion as at Q12020.

- **Kingdom Bank Limited has contributed a Profit Before Tax of Kshs. 126.7 Million** in Q12021. This is compared to 2020 full year loss of Kshs. 124 Million.

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

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

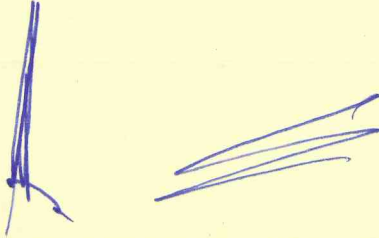
- In 2020 the Group secured a long-term financing facility from the IFC (International Finance Corporation) amounting to **Kshs. 8.25 Billion** for on-lending to MSMEs at affordable terms. The proceeds of the facility will support customers operating in the following key business areas;
 - Micro small and medium enterprises (MSMEs)
 - Businesses undertaking climate-smart projects, including agricultural inputs and sustainable agricultural practices, renewable energy, energy efficiency and related areas.
- We have partnered with IFC 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 critical medical technology needs. This partnership is the first under the IFC-led Africa Medical Equipment Facility, designed to provide risk-sharing facilities to help small businesses access up to US\$ 300 million in loans and leases.
- The Group also secured **US\$ 10 Million** 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 **7,713 students** since the inception of the program.
- The 2021 intake of **655** students countrywide is ongoing.

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.

A handwritten signature in blue ink, consisting of a vertical line with a small loop at the bottom and a series of horizontal strokes to the right.

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

19th May 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 runs 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, 580 ATMs and over 24,000 Co-op Kwa Jirani agency banking outlets supporting a growing client base now standing at over 8.8 million account holders.