

**CO-OP BANK'S THIRD QUARTER PROFIT BEFORE TAX**  
**UP TO KSHS.9.13 BILLION**

Co-op Bank Group is pleased to report a strong **Profit before Tax of Kshs.9.13 billion** for the 9 months period ended 30<sup>th</sup> September 2014 compared to **Kshs.8.91 billion** recorded over the same period in 2013.

The performance was driven by remarkable growth of the asset book by 31%, interest income by 27% and non-funded income by 24% in line with the Group's Strategic focus on progressive growth in the Asset portfolio and transaction based incomes.

The Bank has notably already engaged Mckinsey & Company a leading global advisory firm to undertake a growth and efficiency review. The ongoing review is focused on the bank's organizational optimisation, front line productivity enhancing the bank's ability to generate higher revenues, and significant improvements in efficiency. The bank looks at maximizing on the massive investment in the last 3 years in an expansive network with over 140 branches, 8,066 Banking Agents with now well over 4.9 million accounts. The review is scheduled to be concluded by December 2014, as a significant pillar into the Group's next 5 year Strategic Plan (2015 - 2019).

**Key financial highlights include:-**

❖ **Balance sheet**

- ***Net Loans and advances grew by 31% to close at Kshs.175.97 billion from kshs.134.30 billion recorded over the same period in 2013.***
- ***The bank's total assets grew by 18.3% to Kshs.270.6 billion as at 30<sup>th</sup> September 2014 compared to Kshs. 228.8 billion registered the same period in 2013.***
- ***Total customer deposits increased by Kshs. 20.1billion to close at Kshs.200.4 billion, representing 11% growth.***
- ***Shareholders' funds rose to Kshs.41.77 billion from Kshs.34.77 billion as at same period in 2013 representing 20% growth, supported mainly by retained earnings which grew by 24.4% in the period under review.***

## ❖ Profit & Loss

- *Non-funded income grew by 23.8% from Kshs.6.83 billion in 2013 to close at Kshs.8.45 billion as at September 30, 2014. Driven mainly by M-banking, ATM commissions, personal and business banking commissions, Agency Banking, internet banking, forex income and letters of credit. Our foreign exchange commission grew by 13.5%.*
- *Net Interest income increased by 8.8% to close at Kshs.20.86 billion compared to Kshs.19.16 billion recorded in 2013.*
- *Fees and commissions on loans and advances increased to Kshs.1.61 billion compared to Kshs.1.34 billion realised in a similar period last year; representing a 20.4% growth.*
- *Total Operating Expenses increased by 13.9% as the bank continued focus on cost management yielded. Investment in Information Technology has also improved the overall efficiency.*

## Transaction-Based Income

- The bank is aggressively pushing commissions income with the recently launched mobile wallet, '**M-Co-opCash**', that enables both customers and non-customers across all networks to open bank accounts, apply for loans and also make cash and utility payments straight from their mobile phones. Already over 1.34 million customers have registered to date and the target is to register the bank's over 4.9 million account holders. The bank has revamped the internet platform to enhance service to customers.
- Branch network in Kenya grew to 142 branches having opened 2 additional branches in quarter 3 and 2 in South Sudan. These locations exhibit high business potential, key to growing our deposit base and transaction income. To tap into county business, the bank now has presence in most of the Counties.
- The bank has 567 ATMs well distributed across the network for ease of access to customers.

- The bank's Agent banking foot print is in over 8,066 locations supported by Points of Sale (POS) enhancing commission income and providing an accessible channel to significantly grow low-cost deposits.
- Our unique model of retailing banking services through Sacco FOSA's enabled us provide wholesale financial services to over 555 FOSA outlets and their over 13 million members spread all over the country. The bank has currently issued over 704,205 Sacco link cards.

### Regional Expansion

Co-operative Bank of South Sudan subsidiary started operations in September 2013 and is currently operating 2 branches with a third one under renovations. Owing to the challenging economic environment arising from the conflicts in the country, the subsidiary is expected to break even early 2015 with fruitful conclusion of the peace negotiations.

### Corporate Social Responsibility Programs

The bank's wholly-owned subsidiary Co-op Consultancy Services continues to support the over thirteen million-member co-operative movement with capacity-building, to increase outreach and financial deepening.

The bank through the Co-operative Bank Foundation is now paying full four-year secondary school fees for **2,800** bright but needy Kenyans. The Foundation is also sponsoring an additional **88** students selected from the top performers in secondary school with full university scholarships.

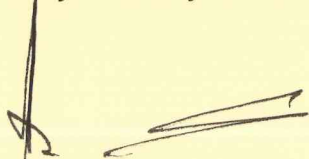
### Banking Awards

The Bank has once again been recognized for its exemplary performance. The World Finance of UK awarded the bank **Best Commercial Bank 2014 Kenya**. The bank also received a security certification ISO/IEC 27001:2013 in information security and management. Co-operative bank was the only bank in East Africa to achieve the certification by Royal Charter. This is indeed a testimony of the robust systems and controls we have put into the secure our data.

## **Conclusion**

With the ongoing review by Mckinsey & company, and the various investments already made to grow the footprint of the bank to all corners of the country, strong management team with a well diversified product offering and a strong customer base of over 4.9 million account holders, the bank is on target to grow its Balance Sheet and profitability significantly in the coming years.

Thank you for your continued support and May God richly bless you.

A handwritten signature in black ink, appearing to read 'Dr. Gideon Muriuki', with a long horizontal flourish extending to the right.

**Dr. Gideon Muriuki - MBS**  
**Group Managing Director & CEO**

**13<sup>th</sup> November 2014**

## Editor's Notes

The Co-operative Bank 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 initially registered under the Co-operative Societies Act at the point of founding in 1965. This status was retained up to and until June 27<sup>th</sup> 2008 when through a Special General Meeting resolution it was incorporated under the Companies Act in order to facilitate the listing/raising of additional capital through the Nairobi Securities Exchange.

The Group's Vision is to be the leading and dominant bank in the region, playing a central role in the co-operative movement and providing relevant and innovative financial services to our customers for the optimum benefit of all our stakeholders.

The Group is the 3<sup>rd</sup> largest bank by Assets in Kenya 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's footprint across Kenya and the region includes; 142 branches plus 2 in South Sudan, 567 ATM service points, 555 FOSA outlets and over 8,066 Co-op Kwa Jirani agents supporting over 4.9 million account holders.

The Bank is also an anchor shareholder in CIC Insurance Group Limited.