

19<sup>th</sup> March 2014

The Chief Executive  
Nairobi Securities Exchange  
Nation Centre  
Kimathi Street  
Nairobi



Dear Sir,

RE: THE CO-OPERATIVE BANK OF KENYA LIMITED  
GROUP FINANCIAL RESULTS FOR THE PERIOD ENDED  
31<sup>ST</sup> DECEMBER 2013

Enclosed please find:-

- a. The unaudited financial statements of the Co-operative Bank Group for the period ended 31<sup>st</sup> December 2013, together with the disclosures on earnings per share.
- b. The statement on cash flows, and changes in equity for the same period.

Yours faithfully,



Rosemary Githaiga (Mrs)  
COMPANY SECRETARY  
Encl.

Chief Executive Officer  
Capital Markets Authority  
Embankment Plaza  
3<sup>rd</sup> Floor, Longonot Road  
Upper Hill  
Nairobi

The Board of Directors are pleased to announce the Un-audited results of the Group and the Bank for the Period ended 31 December 2013



I	STATEMENT OF FINANCIAL POSITION	GROUP		BANK	
		31-Dec-13	31-Dec-12	31-Dec-13	31-Dec-12
		KSHS.'000	KSHS.'000	KSHS.'000	KSHS.'000
		Audited	Audited	Audited	Audited
A	ASSETS				
1	Cash (local and foreign)	9,196,193	7,170,048	8,908,316	7,170,048
2	Balances due from Central Bank Of Kenya	11,516,976	15,044,018	10,388,172	15,044,018
3	Kenya Government and other securities held for dealing purposes	30,009	30,009	30,009	30,009
4	Financial Assets at fair value through profit and loss	557	152,190	501	150,825
5.a.a	Investment Securities: Held to Maturity- Kenya Government Securities	13,983,393	3,373,531	13,820,482	3,213,925
a.b	Investment Securities: Held to Maturity- Other Securities	45,000	-	-	-
b.a	Investment Securities: Available for Sale- Kenya Government Securities	19,560,640	24,320,588	19,560,640	24,319,957
b.b	Investment Securities: Available for Sale- Other Securities	5,746,273	5,514,468	5,746,273	5,514,467
6	Deposits and balances due from local banking institutions	2,968,294	4,013,588	3,003,578	3,997,121
7	Deposits and balances due from banking institutions abroad	7,072,622	4,872,579	7,053,215	4,872,579
8	Tax recoverable	97,029	-	99,631	-
9	Loans and advances to customers (net)	137,087,227	119,087,748	137,051,537	119,087,748
10	Balances due from banking institutions in the group	-	-	109,379	-
11	Investments in associates	1,688,888	1,354,935	755,118	755,118
12	Investments in subsidiary companies	-	-	1,748,494	240,000
13	Investment in joint ventures	-	-	-	-
14	Investment in properties	-	-	-	-
15	Property, plant and equipment	11,447,430	8,949,529	10,641,897	8,943,111
16	Prepaid lease rentals	38,180	38,863	38,180	38,863
17	Intangible assets	1,616,772	2,145,001	1,094,514	1,892,241
18	Deferred tax asset	66,658	308,124	56,113	-
19	Retirement benefit asset	-	-	-	-
20	Other assets	9,053,219	4,511,363	8,768,434	4,392,927
21	TOTAL ASSETS	231,215,359	200,886,582	228,874,484	199,662,956
B	LIABILITIES				
22	Balances due to Central Bank Of Kenya	-	-	-	-
23	Customer deposits	175,425,121	162,083,580	174,776,225	162,267,227
24	Deposits and balances due to local banking institutions	5,462,337	1,065,302	5,462,337	1,065,302
25	Deposits and balances due to banking institutions abroad	-	-	-	-
26	Other money market deposits	-	-	-	-
27	Borrowed funds	10,252,392	4,572,005	10,252,392	4,572,005
28	Balances due to banking institutions in the group	-	-	-	-
29	Tax payable	-	585,429	-	581,349
30	Dividends payable	-	-	-	-
31	Deferred tax liability	-	473,939	-	175,713
32	Retirement benefit liability	-	-	-	-
33	Other liabilities	2,937,252	2,164,274	2,731,485	2,034,414
34	TOTAL LIABILITIES	194,077,101	170,944,529	193,222,439	170,696,010
C	SHAREHOLDERS' FUNDS				
35	Paid up/Assigned capital	4,190,844	4,190,844	4,190,844	4,190,844
36	Share premium/(discount)	3,588,262	3,588,262	3,588,262	3,588,262
37	Revaluation reserve	460,752	416,106	407,035	416,106
38	Retained earnings/ Accumulated losses	26,409,433	19,558,597	25,354,077	18,727,297
39	Statutory Loan Loss Reserve	718,026	451,784	717,844	451,784
40	Other Reserves	(1,243,357)	(1,062,887)	(1,255,707)	(1,077,486)
41	Proposed dividends	2,095,422	2,095,422	2,095,422	2,095,422
42	Capital grants	554,268	574,717	554,268	574,717
43	TOTAL SHAREHOLDERS' FUNDS	36,773,649	29,812,845	35,652,045	28,966,946
43.1	Non-Controlling Interest	364,608	129,208	-	-
44	TOTAL LIABILITIES & SHAREHOLDERS' FUNDS	231,215,359	200,886,582	228,874,484	199,662,956

II	STATEMENT OF COMPREHENSIVE INCOME	31-Dec-13	31-Dec-12	31-Dec-13	31-Dec-12
		KSHS.'000	KSHS.'000	KSHS.'000	KSHS.'000
		Audited	Audited	Audited	Audited
1.0	INTEREST INCOME				
1.1	Loans and advances	20,045,346	21,231,015	20,044,538	21,231,015
1.2	Government securities	4,126,061	2,688,498	4,107,495	2,662,204
1.3	Deposits and placements with banking Institutions	370,318	436,613	358,889	431,984
1.1	Other Interest Income	-	-	-	-
1.5	Total Interest Income	24,541,725	24,356,127	24,510,922	24,325,204
2.0	INTEREST EXPENSE				
2.1	Customer deposits	5,103,060	8,013,587	5,103,054	8,013,587
2.2	Deposits and placements from banking institutions	146,220	297,818	146,220	297,818
2.3	Other Interest Expenses	666,535	368,603	666,535	368,603
2.4	Total Interest Expenses	5,915,815	8,680,008	5,915,809	8,680,008
3	NET INTEREST INCOME/(LOSS)	18,625,910	15,676,118	18,595,113	15,645,196
4	NON- OPERATING INCOME				
4.1	Fees and commissions on loans and advances	1,935,527	1,455,578	1,935,527	1,455,778
4.2	Other Fees and commissions	5,225,451	4,588,303	4,894,638	4,332,051
4.3	Foreign exchange trading income/(loss)	1,471,977	1,292,225	1,443,649	1,292,225
4.4	Dividend income	53,551	2,937	53,551	55,072
4.5	Other income	577,386	830,174	625,615	825,508
4.6	Total Non-interest income	9,263,893	8,169,217	8,952,980	7,960,634
5.0	TOTAL OPERATING INCOME	27,889,803	23,845,336	27,548,093	23,605,830
6.0	OTHER OPERATING EXPENSES				
6.1	Loan loss provision	778,157	999,882	773,291	999,882
6.2	Staff costs	8,013,780	6,096,093	7,825,352	6,031,466
6.3	Directors' emoluments	131,734	83,552	110,274	64,516
6.4	Rentals charges	1,123,891	902,808	1,062,895	894,142
6.5	Depreciation charge on property and equipment	1,528,961	1,310,631	1,514,249	1,307,024
6.6	Armortisation charges	178,812	127,686	176,176	127,686
6.7	Other operating expenses	5,627,393	4,714,544	5,380,400	4,607,183
6.8	Total other operating expenses	17,382,727	14,235,196	16,842,637	14,031,899
7	Profit/(Loss) before tax and exceptional items	10,507,075	9,610,140	10,705,457	9,573,931
8	Exceptional items-Share of profit of associate	365,368	373,632	-	-
9	Profit/(Loss) before tax	10,872,444	9,983,772	10,705,457	9,573,931
10	Current tax	1,996,713	2,039,256	1,958,092	2,014,380
11	Deferred tax	(232,454)	220,658	(231,826)	230,118
12	Profit/(loss) after tax and exceptional items	9,108,185	7,723,858	8,979,191	7,329,433
13.0	OTHER COMPREHENSIVE INCOME:				
13.1	Gains/(Losses) from translating the financial statements of foreign operations	1,060	-	-	-
13.2	Fair value changes in available-for-sale financial assets	(178,378)	1,997,998	(178,221)	1,997,637
13.3	Revaluation Surplus on property, Plant and Equipment	-	85,652	-	85,652
13.4	Share of other comprehensive income of associates	20,713	5,278	-	-
13.5	Income tax relating to components of other comprehensive income	-	-	-	-
14	OTHER COMPREHENSIVE INCOME NET OF TAX	(156,605)	2,088,928	(178,221)	2,083,289
15	TOTAL COMPREHENSIVE INCOME	8,951,580	9,812,786	8,800,970	9,412,722
	Basic Earnings per share	2.17	1.84	2.14	1.75
	Diluted Earnings per share	1.86	1.58	1.84	1.50
	Dividend per share	0.50	0.50	0.50	0.50

III	OTHER DISCLOSURES	31-Dec-13	31-Dec-12	31-Dec-13	31-Dec-12
		KSHS.'000	KSHS.'000	KSHS.'000	KSHS.'000
		Audited	Audited	Audited	Audited
1	<b>NON PERFORMING LOANS AND ADVANCES</b>				
a)	Gross non-performing loans and advances	6,103,463	6,203,278	6,103,463	6,203,278
	Less				
b)	Interest in suspense	676,978	869,668	676,978	869,668
c)	<b>Total Non-performing loans and advances (a-b)</b>	<b>5,426,485</b>	<b>5,333,610</b>	<b>5,426,485</b>	<b>5,333,610</b>
	Less				
d)	Loan loss provisions	2,366,972	2,437,967	2,366,972	2,437,967
e)	Net Non performing loans (c-d)	3,059,513	2,895,643	3,059,513	2,895,643
f)	Discounted Value of Securities	3,059,513	2,572,046	3,059,513	2,572,046
g)	<b>Net NPLs Exposure (e-f)</b>	<b>-</b>	<b>323,597</b>	<b>-</b>	<b>323,597</b>
2	<b>Insider loans and advances</b>				
a)	Directors, shareholders and associates	158,416	159,003	158,416	159,003
b)	Employees	6,305,246	5,645,248	6,305,246	5,645,248
c)	<b>Total insider loans, advances and other facilities</b>	<b>6,463,662</b>	<b>5,804,251</b>	<b>6,463,662</b>	<b>5,804,251</b>
3	<b>Off-Balance Sheet Items</b>				
a)	Letters of credit, guarantees, acceptances	16,971,431	14,434,139	16,971,431	14,434,139
b)	Forwards, swaps and options	3,865,180	4,773,991	3,865,180	4,773,991
c)	Other contingent liabilities	-	-	-	-
d)	<b>Total contingent liabilities</b>	<b>20,836,611</b>	<b>19,208,130</b>	<b>20,836,611</b>	<b>19,208,130</b>
	<b>Capital strength</b>				
a)	Core capital			32,122,842	29,413,946
b)	Minimum Statutory Capital			1,000,000	1,000,000
c)	Excess/( deficiency)			31,122,842	28,413,946
d)	Supplementary capital			11,071,995	5,128,270
e)	Total capital			43,194,837	34,542,216
f)	Total risk weighted assets			205,151,872	145,187,161
g)	Core capital/total deposit liabilities			18.2%	18.0%
h)	Minimum Statutory Ratio			10.5%	8.0%
i)	Excess/( deficiency)			7.7%	10.0%
j)	Core capital/total risk weighted assets			15.7%	20.3%
k)	Minimum Statutory Ratio			10.5%	8.0%
l)	Excess/( deficiency)(j-k)			5.2%	12.3%
m)	Total capital/total risk weighted assets			21.1%	23.8%
n)	Minimum Statutory Ratio			14.5%	12.0%
o)	Excess/( deficiency)(m-n)			6.6%	11.8%
5	<b>Liquidity</b>				
a)	Liquidity Ratio			32.6%	35.8%
b)	Minimum Statutory Ratio			20.0%	20.0%
c)	Excess/ (deficiency)(a-b)			12.6%	15.8%



**MESSAGE FROM THE DIRECTORS:**

The above Consolidated Statement of Comprehensive Income and Statement of Financial Position are extracts from the Bank's Financial Statements which have been audited by Ernst & Young and have received an unqualified opinion. A full set of these Financial Statements will be available at our registered office at Co-operative House and online at [www.co-opbank.co.ke](http://www.co-opbank.co.ke) for inspection after approval by members at the Annual General Meeting.

**ANNUAL GENERAL MEETING:**

Notice is hereby given that the sixth (6th) Annual General Meeting of The Co-operative Bank of Kenya Limited will be held on 30th May 2014 at a venue to be advised.

**DIVIDEND AND BONUS SHARE ISSUE:**

The Directors have resolved to recommend to the Members at the forthcoming Annual General Meeting, the payment of a first and final dividend for the year 2013 of 50 cents per share (2012-50 cents) to be paid on or about 30th June 2014 to the shareholders registered on the Bank's Register at the close of business on 29th May 2014. The register will remain closed for one day on 30th May 2014 for the preparation of dividend warrants.

The Board has also approved and recommended to the same Annual General Meeting a bonus share, one (1) for every six (6) ordinary shares held. The bonus issue subject to Capital Markets Authority approval will be credited to the shareholders on the register as at close of business on 13th June 2014.

The financial statements were approved by the Directors on 18th March 2014 and signed on its behalf by:

Signed: **S C Muchiri, EBS**  
**Group Chairman**

Signed: **Dr.G. Muriuki, MBS**  
**Group Managing Director & CEO**

THE CO-OPERATIVE BANK OF KENYA LIMITED AND SUBSIDIARIES  
CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 31 DECEMBER 2013

	2013 KShs'000	2012 KShs'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES:-</b>		
<b>Profit before tax</b>	<b>10,872,444</b>	<b>9,983,772</b>
Adjustments for:-		
Depreciation	1,528,352	1,310,631
Amortization of prepaid lease rentals	683	615
Impairment on intangible assets	-	2,769
Depreciation write-back	-	(74,679)
Impairment on property and equipment	3,430	-
Net movement in revenue grants	-	-
Revaluation surplus	-	(85,652)
Movement in provisions	(214,818)	43,440
Foreign exchange gain	73,286	73,286
Amortization of intangible assets	175,583	127,686
Amortization of capital grants	(20,447)	(20,447)
Gain on disposal of property and equipment	(10,632)	(7,154)
Changes in fair value of financial instruments held-for-trading	352	(23,573)
Share of profit in associate	-	(373,632)
Loan interest	104,776	131,214
Amortisation of financial instruments	1,654,957	270,900
<b>Cash flows from operating activities before working capital changes</b>	<b>14,167,966</b>	<b>11,359,176</b>
Advances to customers	(17,784,661)	(9,722,373)
Other assets	(4,862,570)	(457,347)
Deposits from customers	13,341,541	19,451,272
Deposits from banks	4,397,035	(815,982)
Other liabilities	772,975	165,088
Central Bank of Kenya cash reserve ratio	(921,977)	(826,381)
Held-for-trading investments	151,281	5,421
Available-for-sale investments	2,694,965	(5,454,915)
Equity investments held-for-trading	-	1,020
<b>Cash generated from / (used in) operating activities</b>	<b>11,956,555</b>	<b>13,704,979</b>
Tax paid	(2,679,178)	(1,391,791)
<b>Net cash flows generated from / (used in ) operating activities</b>	<b>9,277,377</b>	<b>12,313,188</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:-</b>		
Purchase of property and equipment	(3,018,173)	(3,008,274)
Purchase of software	(664,028)	(52,252)
Proceeds from disposal of property and equipment	12,150	10,324
Purchase of held-to-maturity investments	(13,784,364)	(4,618,370)
Maturity of held-to-maturity investments	3,129,502	1,438,286
Dividends from associate	52,128	52,135
<b>Net cash flows used in investing activities:-</b>	<b>(14,272,785)</b>	<b>(6,178,151)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:-</b>		
Loan received	5,787,690	4,320,173
Loans paid	(212,079)	(113,322)
Dividends paid	(2,095,422)	(1,396,948)
<b>Net cash flows used in financing activities</b>	<b>3,480,189</b>	<b>2,809,903</b>
Net movement in cash and cash equivalents	(1,515,219)	8,944,940
Cash and cash equivalents at the beginning of the year	23,607,621	14,735,967
Net foreign exchange gain differences	(338)	-
Foreign exchange gain	(73,286)	(73,286)
<b>Cash and cash equivalents at 31 December</b>	<b>22,018,778</b>	<b>23,607,621</b>

THE CO-OPERATIVE BANK OF KENYA LIMITED AND SUBSIDIARIES  
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2013

	Share capital KShs'000	Share premium KShs'000	Revaluation reserve KShs'000	Statutory reserve KShs'000	Fair value reserve KShs'000	Foreign currency translation reserve KShs'000	Proposed dividends KShs'000	Retained earnings KShs'000	Attributable to equity holder of the parent KShs'000	Non- controlling interest KShs'000	Total equity KShs'000
<b>Balance at 1 January 2013</b>	<b>4,190,844</b>	<b>3,588,262</b>	<b>416,106</b>	<b>451,784</b>	<b>(1,062,887)</b>	-	<b>2,095,422</b>	<b>19,558,597</b>	<b>29,238,128</b>	<b>129,208</b>	<b>29,367,336</b>
Total comprehensive income	-	-	22,669	-	(180,334)	1,060	-	9,233,280	9,076,675	(125,095)	8,951,580
Realisation of revaluation surplus	-	-	(9,071)	-	-	-	-	9,071	-	-	-
Acquisition of subsidiary	-	-	-	-	-	-	-	-	-	360,321	360,321
Transfers to statutory reserve	-	-	-	266,242	-	-	-	(266,242)	-	175	175
2012- Dividends paid	-	-	-	-	-	-	(2,095,422)	-	(2,095,422)	-	(2,095,422)
Proposed dividends	-	-	-	-	-	-	2,095,422	(2,095,422)	-	-	-
<b>Balance at 31 December 2013</b>	<b>4,190,844</b>	<b>3,588,262</b>	<b>429,704</b>	<b>718,026</b>	<b>(1,243,221)</b>	<b>1,060</b>	<b>2,095,422</b>	<b>26,439,284</b>	<b>36,219,381</b>	<b>364,609</b>	<b>36,583,989</b>