

Cooperative Bank Earnings Update

- Profit after tax (PAT) was up 4.37% to 3.6Bn. This was driven by a 19% rise in the Non funded income and 34% decline in the loan loss provision. The bank's provisions declined despite a 3.3% increase in gross NPLs.
- The interest expense up 6% to 3.1Bn. This was attributed to a 7% increase in the customer deposits which stood at 318Bn.
- The Net interest income was down 7% to 6.9Bn as interest expense growth was higher than the increase in interest income. This was due to the 6% rise in the interest expense.
- Fees and commission on loans and advances increased 34% to 0.5Bn. The bank managed to grow its Fees and commission on loans and advances despite a 0.5% decrease in loans & advances. This may be attributed to an increase in the cost of deposits

We expect a pickup in provisions going forward as the cost of risk, which decreased last year due to the adoption of IFRS9, normalizes.

Date: 22nd May 2019

Target Price: KES 17.5

52 week range: KES 11.30 to KES 20.0

TtM EPS: KES 0.61

Latest Results: 1Q2019, KES 3599Mn

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Income Statement 'KES Millions'	Mar-18	Mar-19	% Change
Interest income	10,384	10,086	-2.86%
interest expense	2,974	3,159	6.20%
Net interest income	7,410	6,928	-6.50%
Fees and commissions on loans & advances	404	542	34.23%
Other fee & commissions	2,155	2,877	33.51%
Forex	753	638	-15.27%
Dividend Income			
Other Income	204	132	-35.51%
Non-funded income	3,516	4,189	19.14%
Total operating income	10,925	11,116	1.75%
Loan Loss provision	763	501	-34.27%
Staff Costs	2,637	2,784	5.58%
Directors Emoluments	20	17	-13.66%
Rental Charges	422	430	1.88%
Depreciation on PPE	423	343	-18.99%
Amortization Charges	135	111	-17.84%
Other operating expenses	1,699	1,838	8.19%
Operating expenses	6,098	6,024	-1.22%
Taxation	1,450	1,513	4.39%
Profit After tax	3,448	3,599	4.37%
Earnings per share	0.59	0.61	3.39%

Balance sheet			
Cash & balance with CBK	15,392	19,573	27.16%
Government securities (HTM)	49,216	71,145	44.56%
Loans and advances to customers(net)	252,825	251,629	-0.47%
Property and equipment	7,138	5,868	-17.80%
Total assets	397,793	425,674	7.01%
Deposits due to other banks	3,936	1,587	-59.68%
Customer deposits	295,884	317,770	7.40%
Borrowings			
Other Liabilities	7,318	6,056	-17.25%
Total liabilities	329,104	351,500	6.80%
Shareholders' funds	67,947	72,803	7.15%

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