

## COMMENTARY ON THE 1<sup>ST</sup> QUARTER 2018 RESULTS

### Financials

- The bank's performance for the first quarter 2018 was adversely affected by the difficult operating environment, the impact of interest rates capping and lack of adequate capital to meet regulatory requirements and implement the business strategy.
- The net advances declined by 9% to Kshs 7.9 billion in March 2018 compared to Kshs 8.7 billion the same period last year while customer deposits declined by 8% to Kshs 8.4 billion from Kshs 9.2 billion the same period last year.
- Interest income declined by 13% to Kshs 304 million from Kshs 344 million while interest expense declined by 18% to Kshs 208 million from Kshs 218 million. Overall the net interest income declined to Kshs 95 million from Kshs 126 million the same period last year.
- Operating expenses declined by 13% to Kshs 326 million due to decline in impairment charge.
- The bank recorded a pre-tax loss of KShs 138 million in the period ending 31 March 2018.

### Strategic Positioning

- Consolidated Bank is 100% owned by the Government of Kenya. The National Treasury owns 78% of the ordinary share capital; the National Social Security Fund owns 5% while other state corporations own the balance of 17%.
- Capital determines the volume of business a bank can underwrite. The Board of Directors of Consolidated Bank has been consulting the National Treasury with a view of unlocking the full potential of the bank through recapitalization.
- On the basis of these consultations, the National Treasury injected bridging capital of Kshs 500 million on 21 May 2018 to immediately shore up the capital levels and support the bank as it implements a long term recapitalization solution. Further consultations with the other shareholders are ongoing.
- A Transaction Advisor was appointed on 10th May 2018 to facilitate implementation of the long term capital solution.
- The Transaction Advisor is currently undertaking a comprehensive due diligence on the bank after which they will advise and help implement the most appropriate capital raising option .
- The bank continues to provide excellent customer service underpinned by an excellent technology platform that allows customers to transact at any of our branches and through the digital channels.

The Board of Directors, Management and Staff of Consolidated Bank wishes to thank all our customers for their continued loyalty and support. We look forward to serving you better with more innovative products and services because we know

**WE'RE BETTER TOGETHER.**