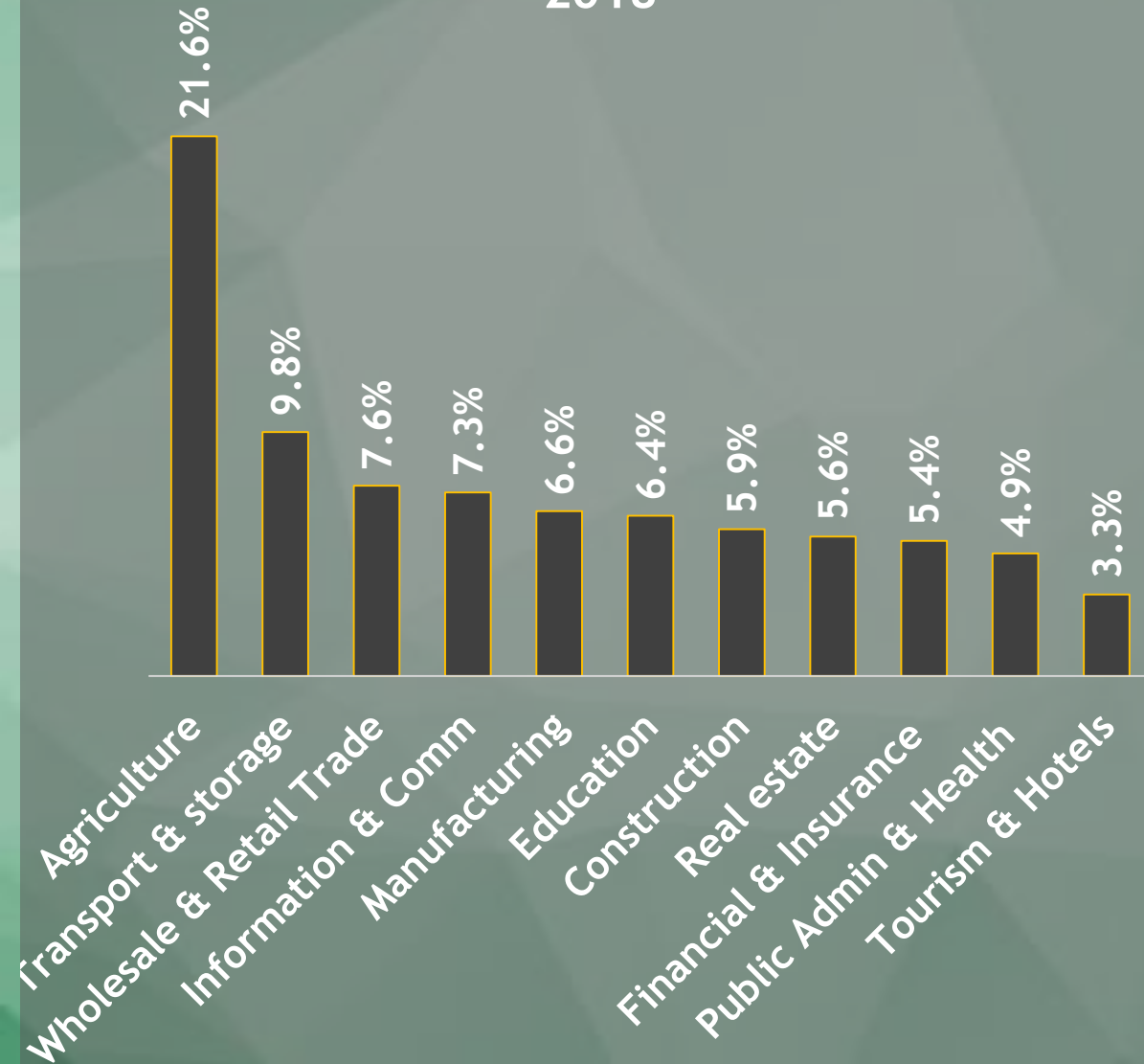


GROUP FINANCIAL RESULTS
ANALYST BRIEFING
Q12019

24 May 2019

MACRO ECONOMIC HIGHLIGHTS

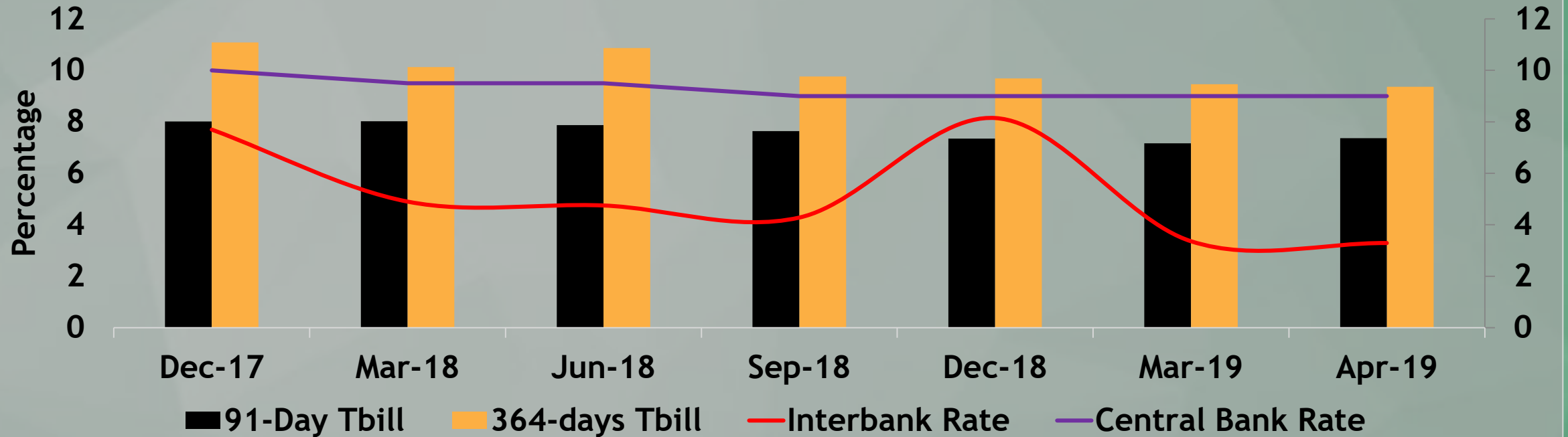
CONTRIBUTION TO GDP GROWTH IN 2018



GROSS DOMESTIC PRODUCT (GDP)

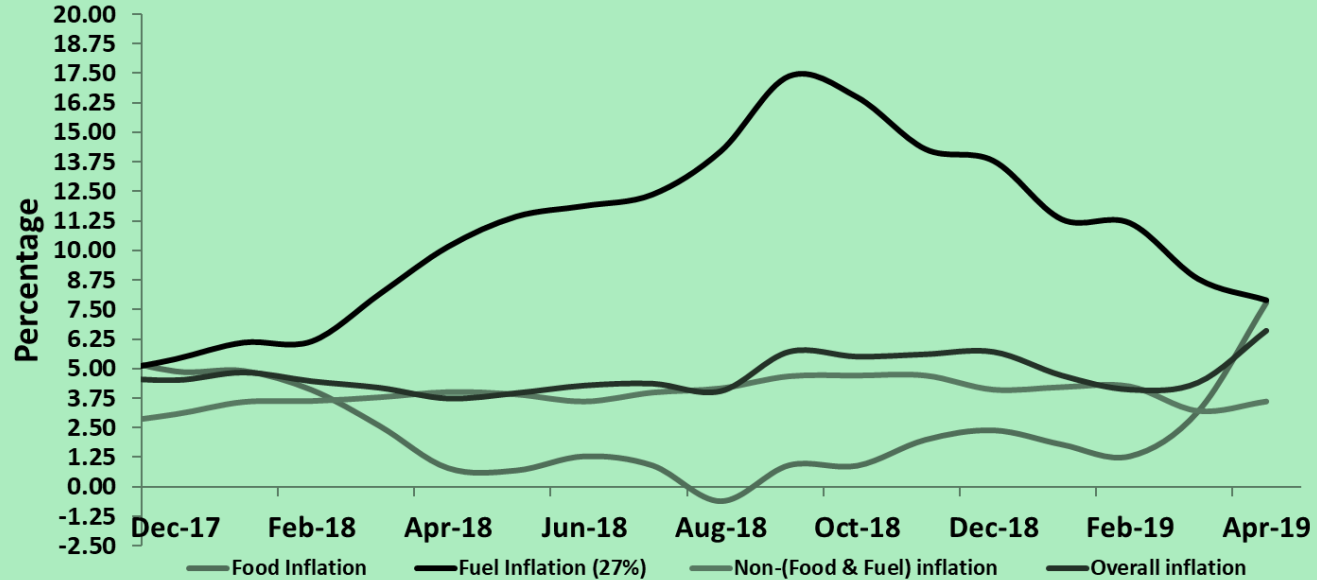
- ❖ The Kenyan economy was on a growth path in 2018 expanding by 6.3%.
- ❖ This was supported by good weather, eased political uncertainty and private consumption.
- ❖ In 2018, real GDP growth was mainly driven by Agriculture (21.6%), Transport & Storage (9.8%), Trade (7.6%) and ICT (7.3%).
- ❖ GDP growth in 2019 is highly dependent on the weather pattern, especially the outcome of the current long rains.

Interest Rates Market



- ❖ The money market remained fairly stable in 1Q 2019.
- ❖ Even with a high appetite for domestic borrowing by the government; high liquidity within the banking system has seen yields on government paper remain low.
- ❖ Between 1Q2018 and 1Q2019, the benchmark CBR has fallen by 50 basis points thus reducing our lending rate from 13.5% to 13%.

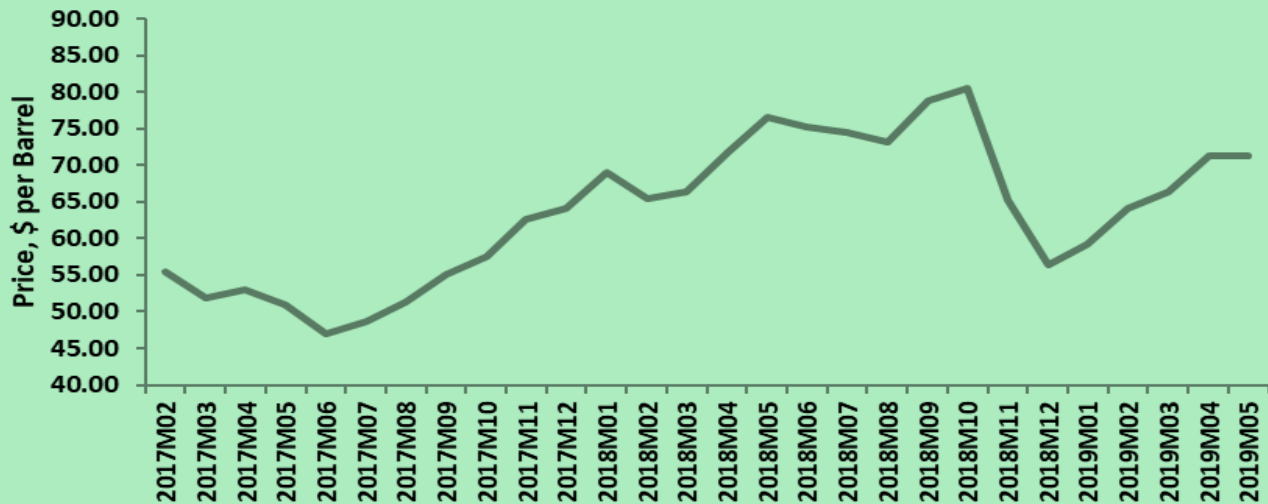
Inflation Rate Trends



Inflation Rate

- Overall inflation rate remained low and stable in both 1Q2018 and 1Q2019.
- However, inflation rate has started ticking upwards. It rose to 6.6% in April as a result of depressed supply of vegetables and re-pricing of maize and maize flour by millers who are projecting lower harvests this season.
- The outlook remains on the downside with uncertainty on the distribution of current rainfall in both space and time and global oil prices following expiry of Iran oil importation sanctions on 2nd May 2019.
- The level of core inflation has remained worryingly low indicating lack of demand pressure in the economy.

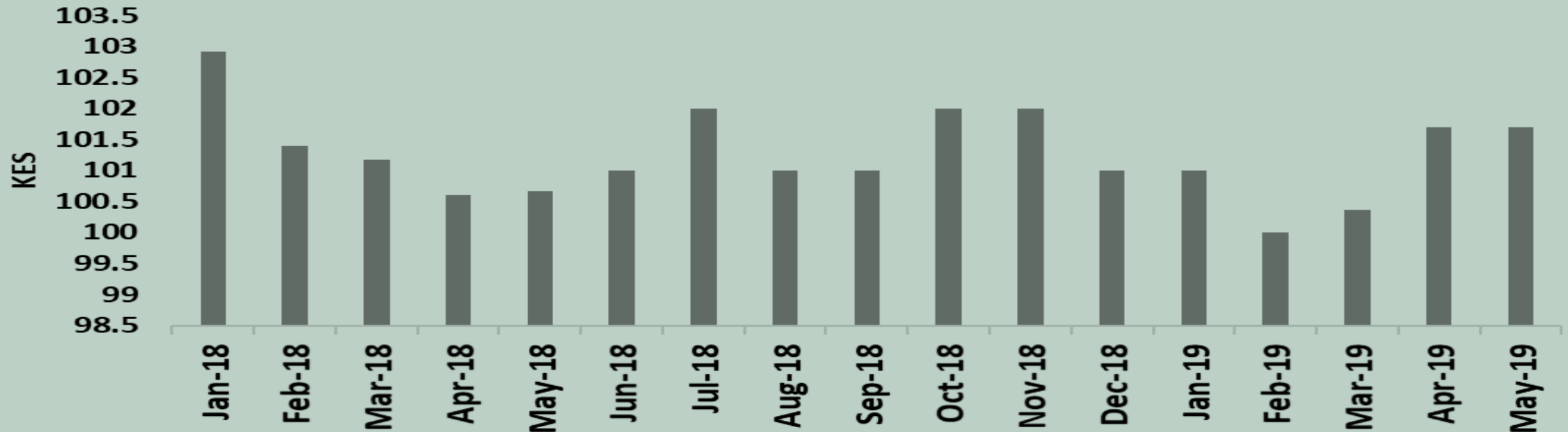
Brent Crude Oil Price



Currency

- ❖ The USD/KES exchange rate has been relatively stable since Q12018.
- ❖ This strength in the KES exchange rate was driven by a rise in diaspora remittances and tourism receipts, higher tea and horticultural exports.
- ❖ Imports recorded slow growth. For example total imports grew at 2% in 2018 compared to 2017.
- ❖ Thus low demand for hard currency by importers.

USD/KES MEAN EXCHANGE RATE



Private Sector Credit Growth

- ❖ The 12-month growth in private sector credit has risen to 4.3% in March 2019 from 2.4% in December 2018.
- ❖ This compares to 2.1% growth registered in March 2018.
- ❖ Commercial banks are still unable to price in some borrowers credit risk premium within the current loan pricing regulation of CBR+ 4%.

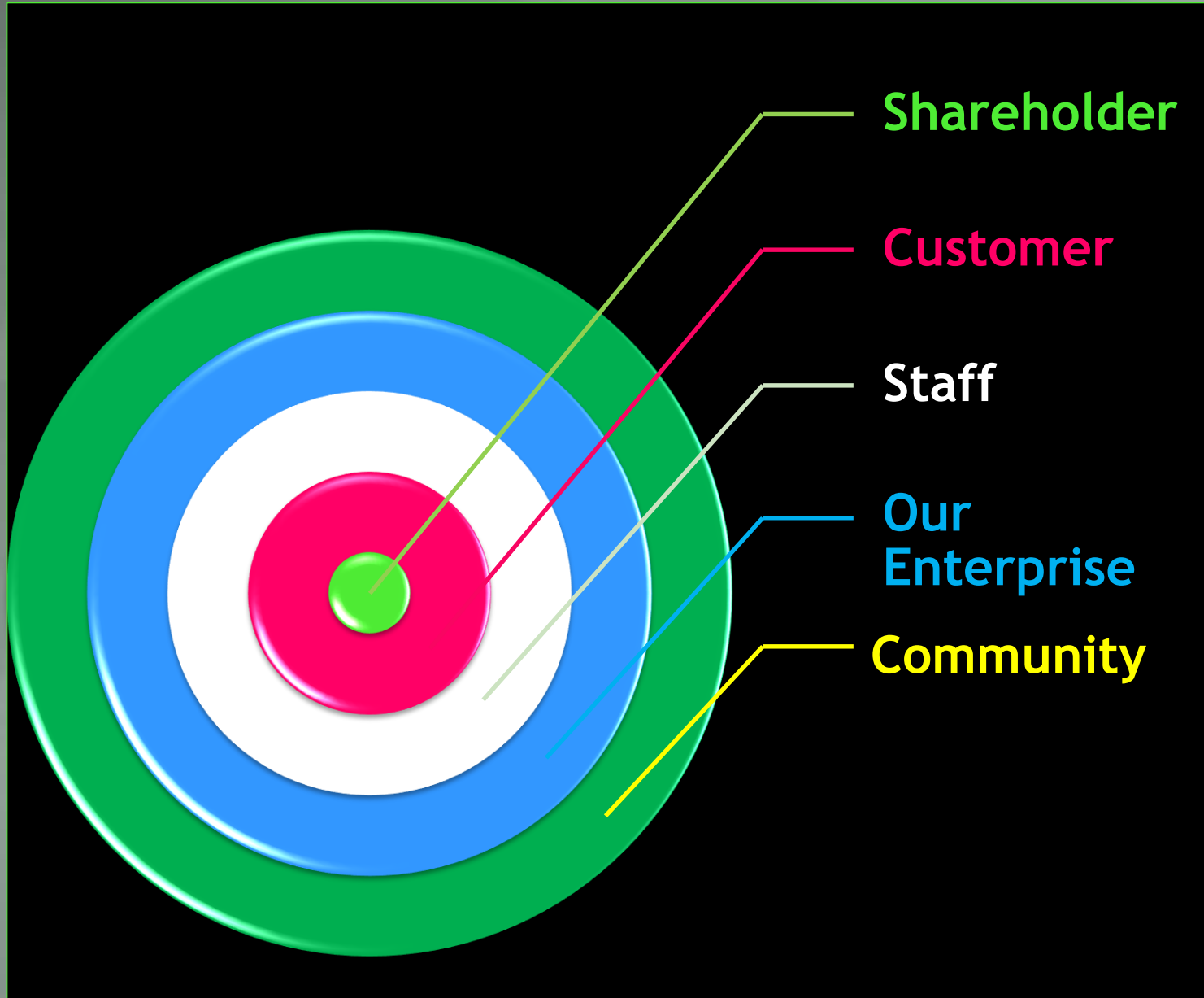


South Sudan

- ❖ The IMF projects South Sudan's economy to expand by about 8.8% in 2019, assuming the country remains peaceful.
- ❖ Overall inflation level is expected to fall to about 25% down from 84% registered in 2018. The uncontrolled growth in the monetary base remains the key inflationary challenge.
- ❖ The government expects to resume oil production of about 350,000 barrels per day by mid-2019, as production has recently been restarted in the five oil fields that have been shut down since the conflict started in December 2013.
- ❖ In addition, South Sudan and Sudan have reached a new deal on oil transit fees whereby South Sudan will pay \$4 per barrel, down from \$9.1 per barrel under the terms of an agreement signed in September 2012.
- ❖ In 2019, macro-economic conditions in South Sudan are thus generally expected to improve.

STRATEGIC FOCUS

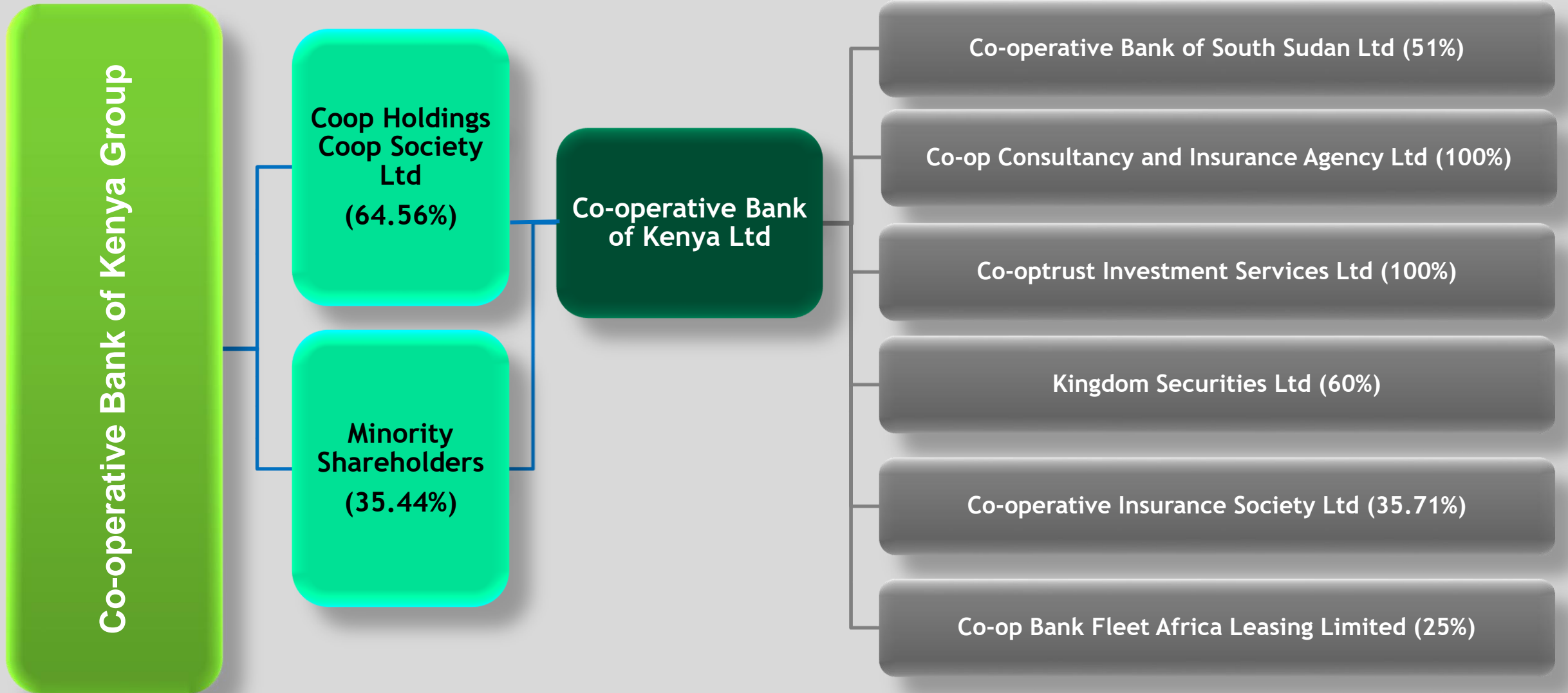
Our Strategic Focus



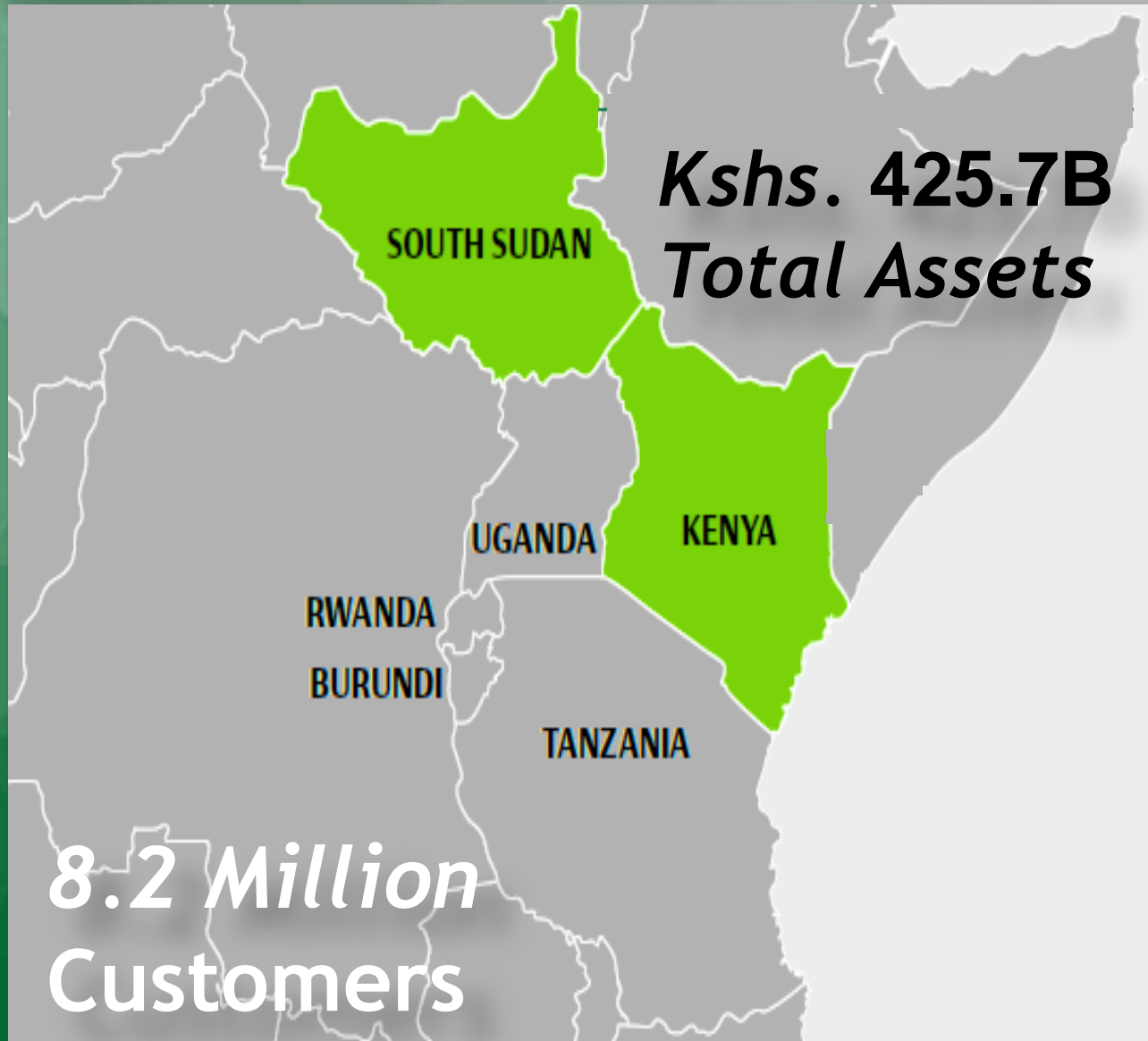
Key Drivers

- Optimal returns to our shareholders
- Sustainability/ Marketshare growth
- Customer centricity
- Digitized customer journeys
- Employer of choice
- Staff productivity
- Staff development
- Operational efficiency
- Proactive Risk management
- Optimal digital strategy
- Responsible Corporate Citizen
- Sustainable Economic, social & Environmental Impact

Co-operative Bank of Kenya Group Structure



Our Presence



155 Branches

4Million+ Mcoop cash mobile banking

11000+ Co-op Kwa Jirani Agents

585 ATMs

86K+ CoopNet- Internet Banking

464 Sacco Front Offices Branch network

14K+ Diaspora Banking Customers

Our Business: A Successful Universal Banking Model

We enable our customers to;

Save

Borrow

Invest

Insure

- Retail and Business Banking (Over Kshs.137B Loan Book)*
- Corporate, Government & Institutional Banking (Over Kshs.106B Loan Book)*
- Co-operatives Banking (Over Kshs.25B Loan Book)*
- Fund management (Over Kshs.90B, FY2018 Kshs. 40.5B)*
- Consultancy and capacity building for the Co-operative movement (2600 mandates to date)*
- Insurance Brokerage 20% (YoY) growth in Insurance Commission*
- Stock Brokerage*
- Leasing- Kshs.4.1 Billion disbursed*

Key Pillars

- 1 **Branch Transformation: Customer Experience & Retail SFE**
- 2 **MSME Transformation**
- 3 **Sales Force Effectiveness**
- 4 **Shared Services & Digitization ‘The Digital Bank’**
- 5 **NPL Management & Credit processes**
- 6 **Cost Management**
- 7 **Data Analytics**
- 8 **Staff Productivity**

(A)Product Holding:

Introduction of Gold silver and bronze packages

- 26,800 Clients on boarded.
- Average products growth - 1.8 to 2.6
- Targeting one million clients by 2020

(B) Supply Chain financing:

A trade solution for MSME suppliers to key anchor clients

- Onboarded 9 anchors and 65 counter parties
- 450 loans disbursed to 65 Suppliers, Kshs. 4.1 Billion disbursed cumulatively.
- Isuzu, Toyota and Simba colt Partnership (pickups & lorries purchase)
- Direct Importation- World Navy; One of the largest used motor vehicle importers
- Target: 85 Corporate clients (anchors) on the program by the end of the year and 600 suppliers by the end of year 2020.

Leveraging on the branch network to onboard more anchors Clients.

(C) MSME Non-financial services

Value add services to business clients to support their growth.

- Training for MSME's: 1600 trained, targeting 6000 by year end.
- Networking Forums: 200 customers linked to local markets/Suppliers and potential distribution networks. Targeting 800 by the end of the year.
- Business Trips: 100 Customers visited China for business exposure trips.
- New Initiative: MSME accounting application and online platforms.

(D) Business E-loans (Mobile based)

- Enabling access to unsecured mobile credit. All MSME's pre-scored for limits of upto 500,000. Targeting to increase this limit to 2 Million by the year 2020.
- Performance: Cumulative disbursement of Ksh 1.53B
- 24,167 mobile unsecured business loans disbursed in Quarter 1.

(E) Wallet Sizing

Maximizing sales opportunities through the segmented top 30 clients. 8000 opportunities identified.

- Targeting to grow wallet share for medium clients from 50% to 75% by the end of the year in revenue, deposits & assets

- Partnership with IFC;
 - ✓ Reviewed the Corporate Business Model
 - ✓ Enhance Relationship Management
 - ✓ Optimize Sales Channels and Products Solutioning to deepen our Market share
- Re-organized our relationship management model for more sector expertise
- Redesigned our corporate sales team for 20% growth in Non Funded incomes, deposits and Asset.
 - ✓ Opportunity: Kshs 20B in NFI, 175B in Deposit and 94B in Assets
- New clients Acquisition: 590 new clients have been identified for onboarding out of which 78 are targeted under Supply chain solution

Wallet sizing

- Re-tooled our workforce to provide a 20% uplift in revenue.
- Identified opportunities- Kshs. 24B in assets, 13B in deposits and 7B in NFI.

New client acquisition

- Ring-fence the cooperative movement by increased product offering
- Potential 1,100 new cooperatives and new Agri-value chains.

Capturing the Agricultural value chains through Supply Chain Finance

- Innovative trade products for Agri-based societies(nut, coffee, cotton and tea sub-sectors)
- Milestones in progress to offer the same to the other sub-sectors

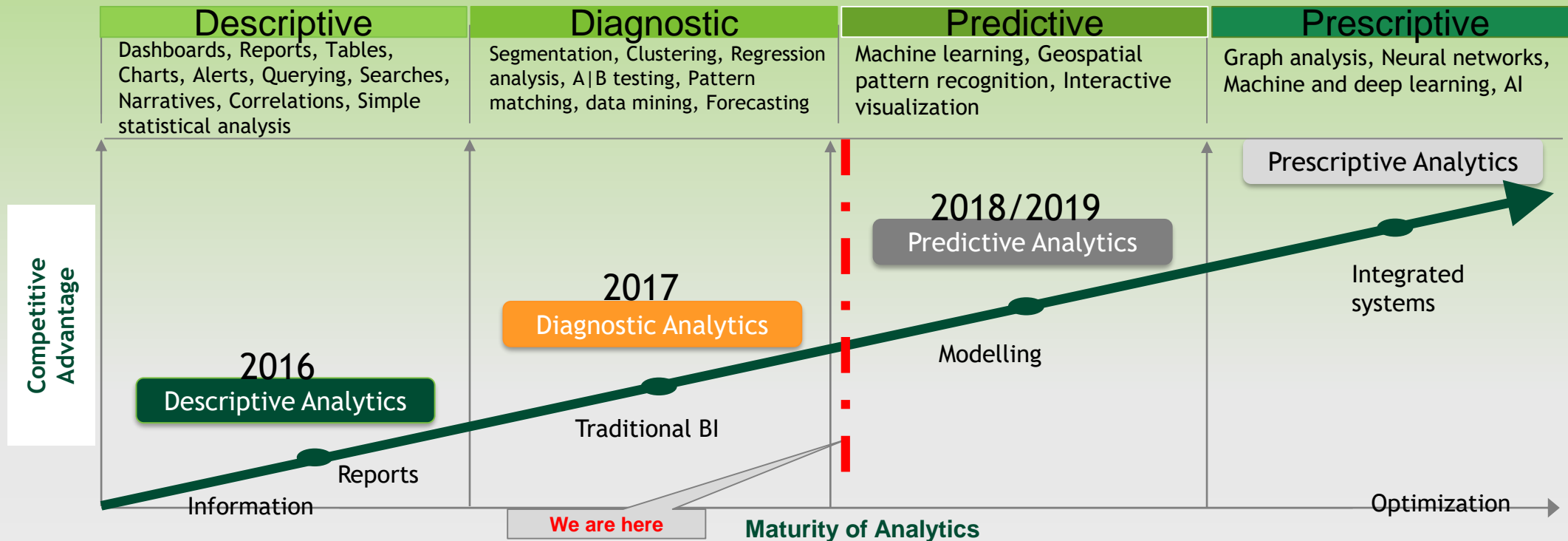
Branch Transformation

Retail SFE, Operational and Alternative Banking channels Excellence

- E-credit growth focus - Currently Kshs 2.6B disbursements monthly and with a target of Kshs. 10B per month
- Leverage alternative channel for Sales
- Focus on new and emerging realities e.g. AML KYC, E-Credit, Merchant business
- 7 transformation focus areas for 2019 -
 - ✓ Insights Driven Campaigns
 - ✓ Product Holding: Customer Engagement Form
 - ✓ CRM: Effective Leads utilization
 - ✓ Higher Transactions Per Second
 - ✓ E-credit Support
 - ✓ Higher operational efficiency
 - ✓ Sustainability & Performance rhythms
- Transformation recalibration to prescriptive activities;
 - Originate sales campaigns at various levels and track activities leading to conversion

- Omnichannel/seamless digital offering Implementation - Go live in august 2019
- CRM 365 implementation as single source of sales information. Fully adopted across the bank. Linked with Data and Analytics for lead generation and scripting for campaigns.
- Open banking - Leveraging Market Places and Customers to grow Non Funded Income
- End to end digitization of loan processing and account opening - BPMS system implementation.
- E-commerce business growth through secure online payments through Verified By Visa enablement
- Money Transfer Organizations partnerships to drive international remittances
- Innovations and partnerships framework of engagement with fintechs developed
- Business to Business (B2B) integration developed.

- Drive sales - E-credit leading through mobile, lead generation for front-line sales teams
- Performance management - leveraging data for visibility
- Drive proactive credit management - leverage of early warning reports, trends and post delinquency reports for all loan facilities for proactive remedy.



- Early warning tools
- Comprehensive collection approach - SMS, Calls, letters and visits
- Borrower behavior/trends analysis for decision making
- Root cause analysis of default for decision making
- Proactive monitoring of E-credit performance to ensure quality

Co-op Consultancy & Insurance Agency Ltd

- 2600 Consultancies
- 20 Dedicated Consultants
- 464 FOSA- Financial Inclusion Deepening

Co-op Foundation

- 7002 students supported to date
- 2018 (2826) 2017 (2742)
- Over 1 Billion since inception (2018- Over 147Million)
- Other Programmes with;
 - Ford Foundation
 - Embassy of Finland

Financing the SME and MCU sector

Sustainable financing towards;

Big 4 Agenda

Vision 2030 and MDGs

Staff CSR Involvement

Corporate Social Responsibility: First Lady's Beyond Zero Campaign 2019 (Kshs.20 Million)



- Best Retail Bank - Kenya
- Dr. Gideon Muriuki- Best Banking CEO Kenya



KENYA BANKERS ASSOCIATION: CATALYST AWARDS

Overall Winner

- 1ST- Client Case Study - Financing Commercial Clients
- 1ST- Bank Case Study - Bank Operations & Policy
- 2ND -Best Practice in Sustainable Finance
- 3RD - Sustainability Through Policy & Governance
- 3RD- Client Case Study - Financing Micro, Small & Medium-Sized Companies



- Best Retail Bank - Kenya
- Best SME Bank - Kenya
- Best Investment Institution - Kenya



- Best Bank in Kenya
- Best product launch- MCo-op Cash v4.0 update



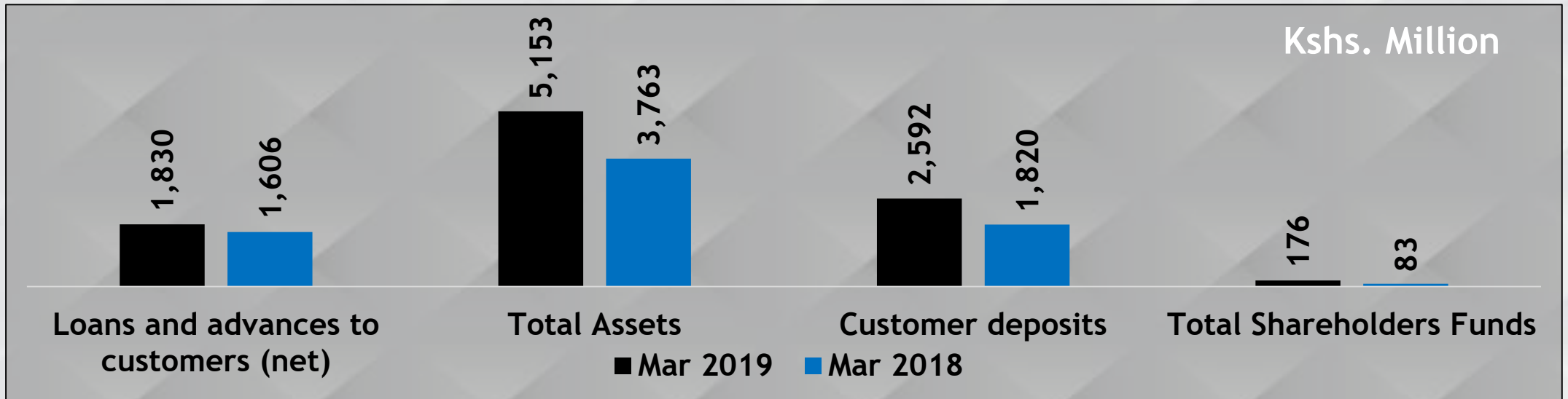
Kenya Association of Manufacturers

Best Bank in Sustainable Finance in Kenya - 2019

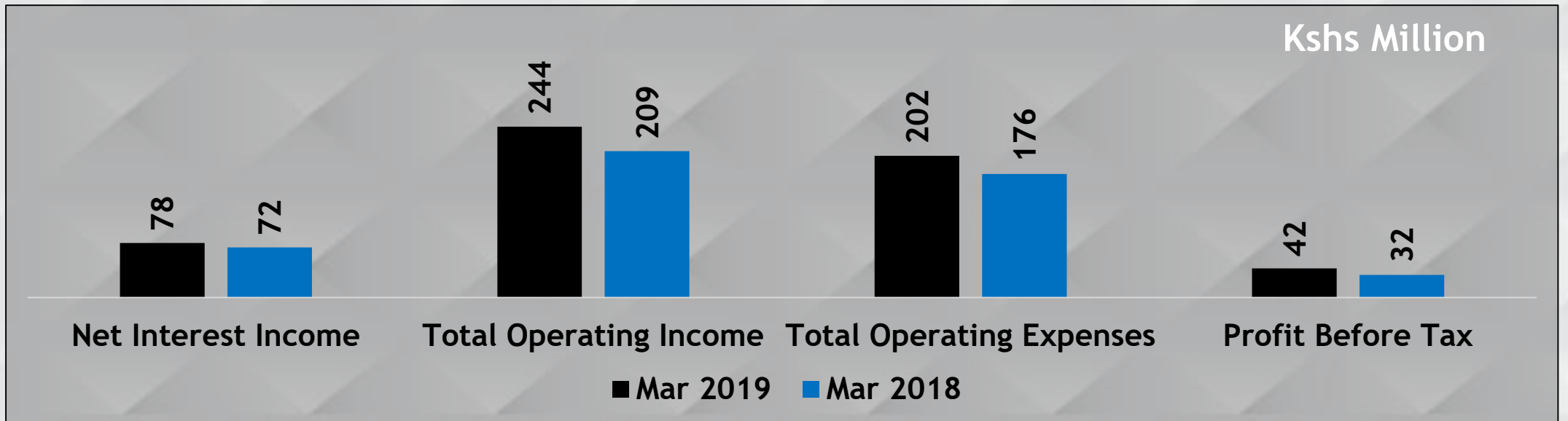


Regional Business

Kshs. Million



Kshs Million



4 branches in Juba

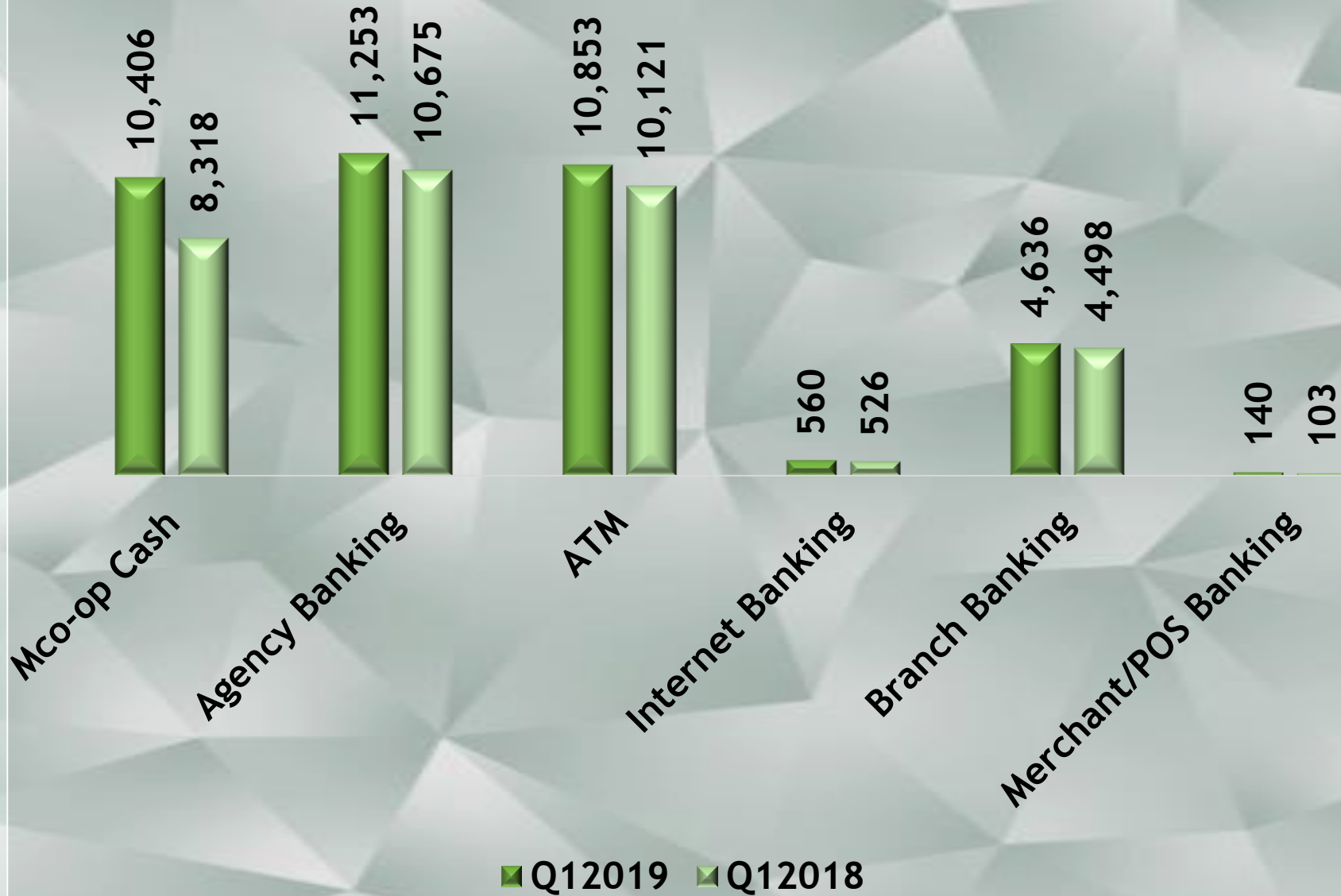
5 Non-oil collection centers.

Owns 31% of CIC Africa Ltd- South Sudan

OUR CHANNELS

Growing Digital Channels

Channel Transactions ('000')



88% of our Transactions are on alternative Channels

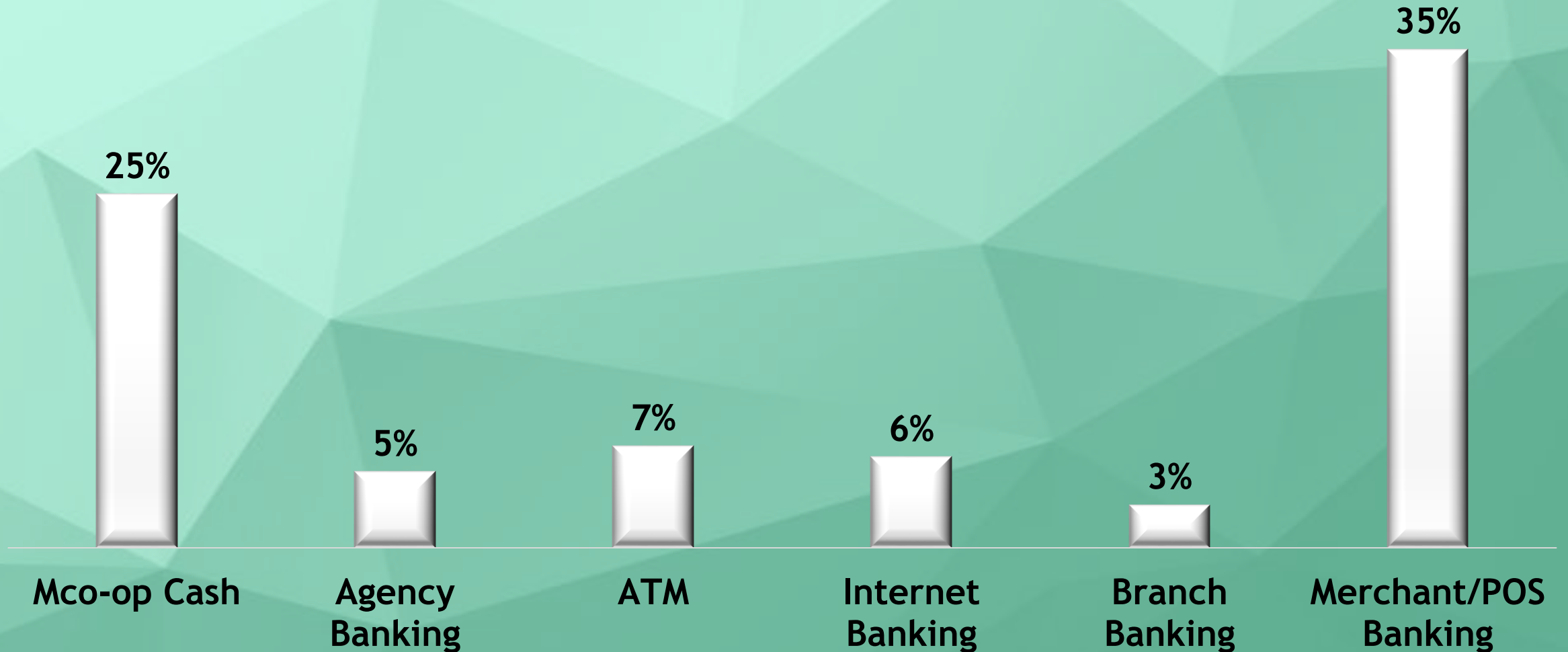
2.1 Million loans have been given through Mobile

25 Billion has so far been disbursed

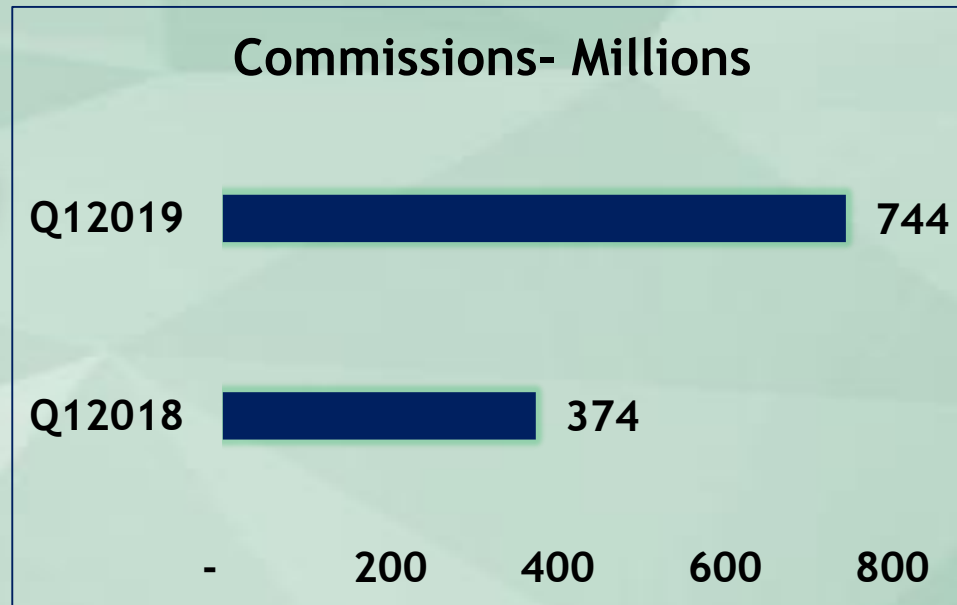
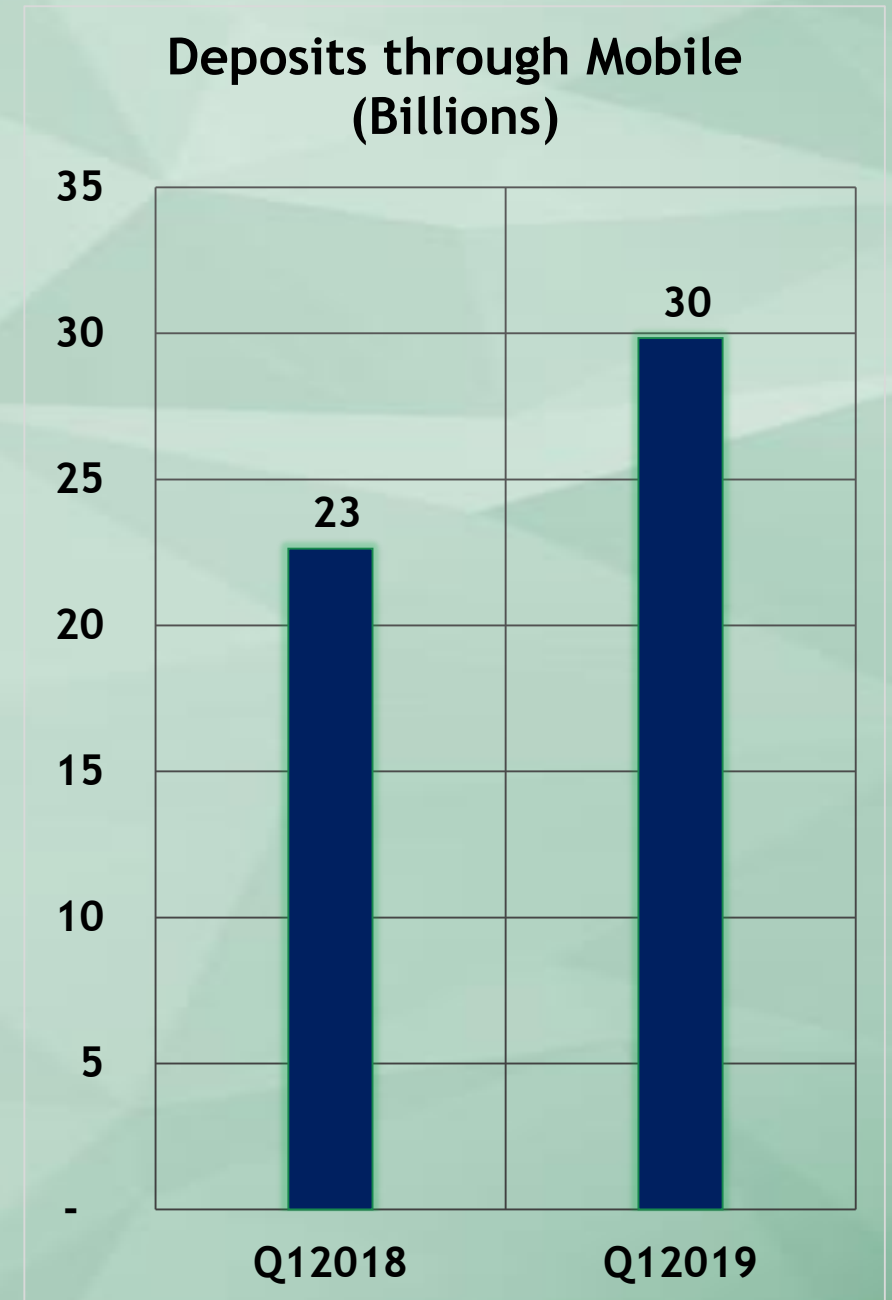
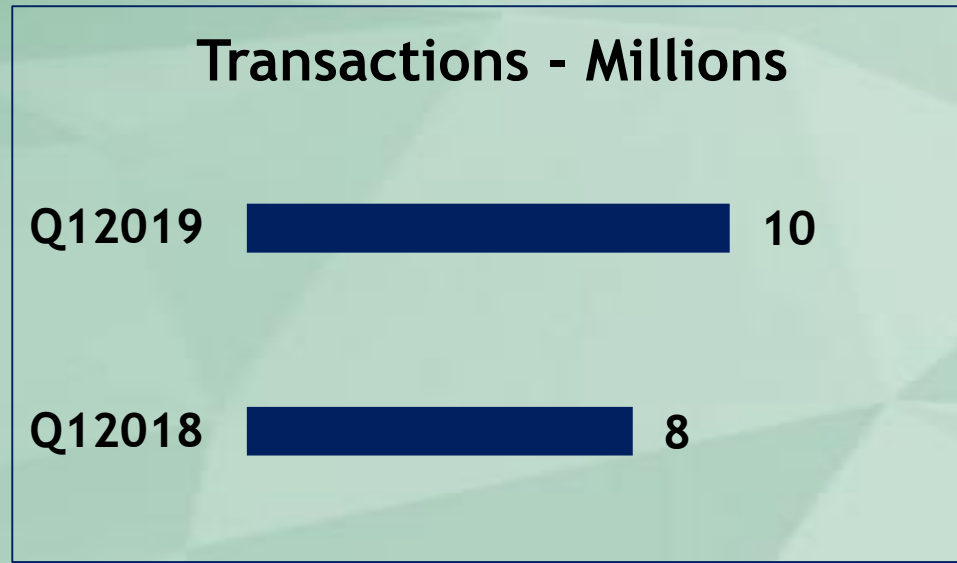
E-Credit lending key focus area in 2019.

Growing Digital Channels

Channel Transaction Growth Q12019/Q12018



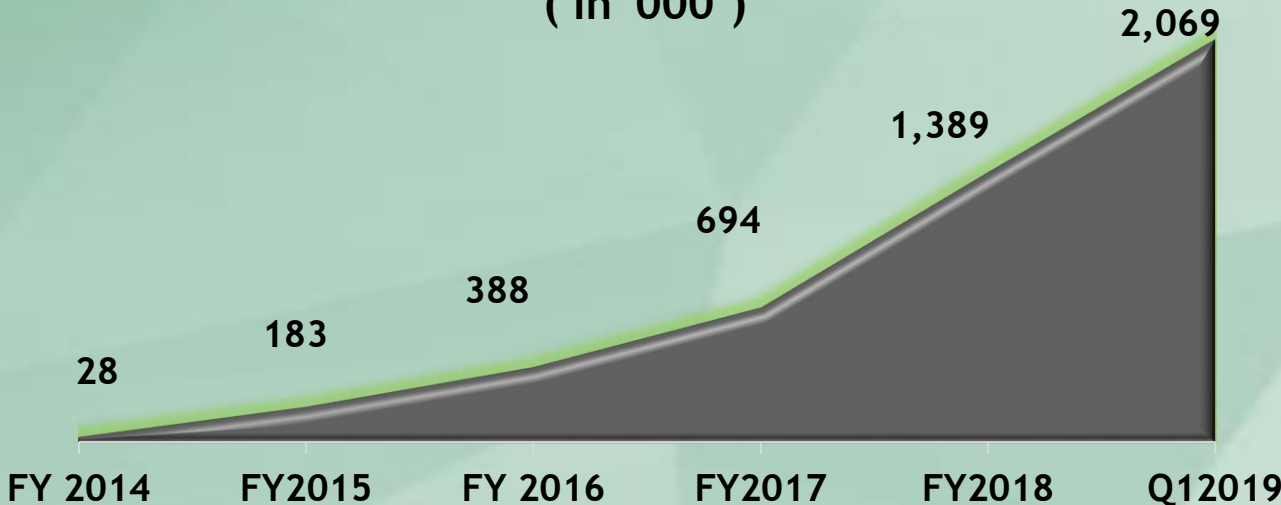
MOBILE BANKING (MCOOP CASH)



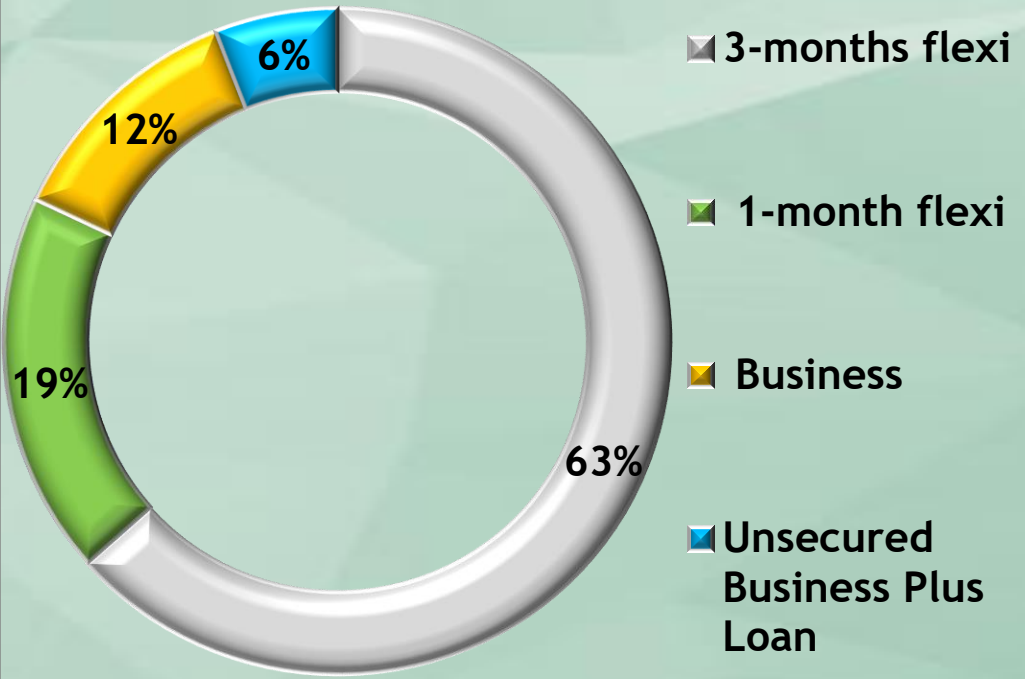
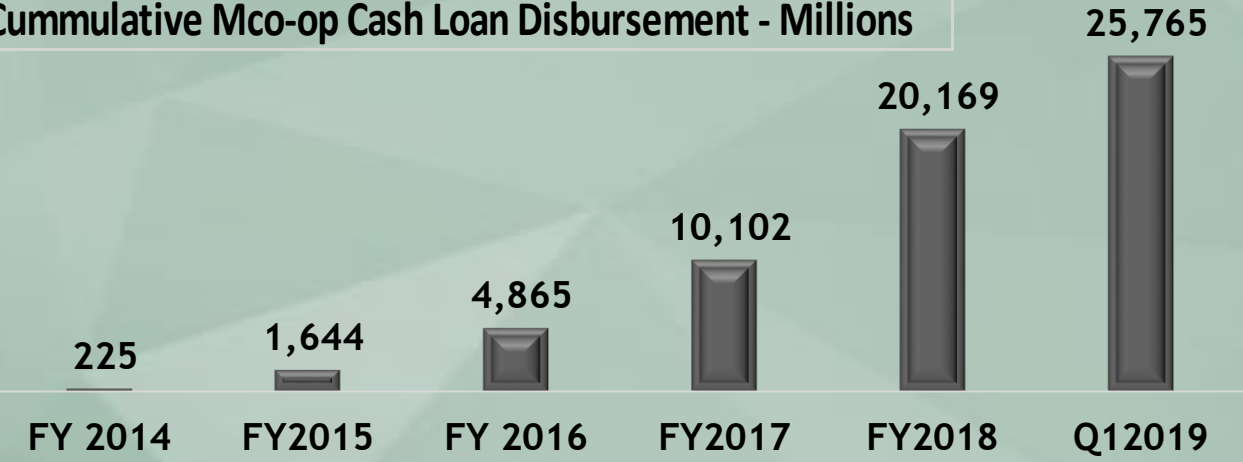
**Leveraging
Mobile Banking
to grow
commissions**

E-Credit

Cumulative Mcoop Cash Loan Customer Numbers
(In '000')

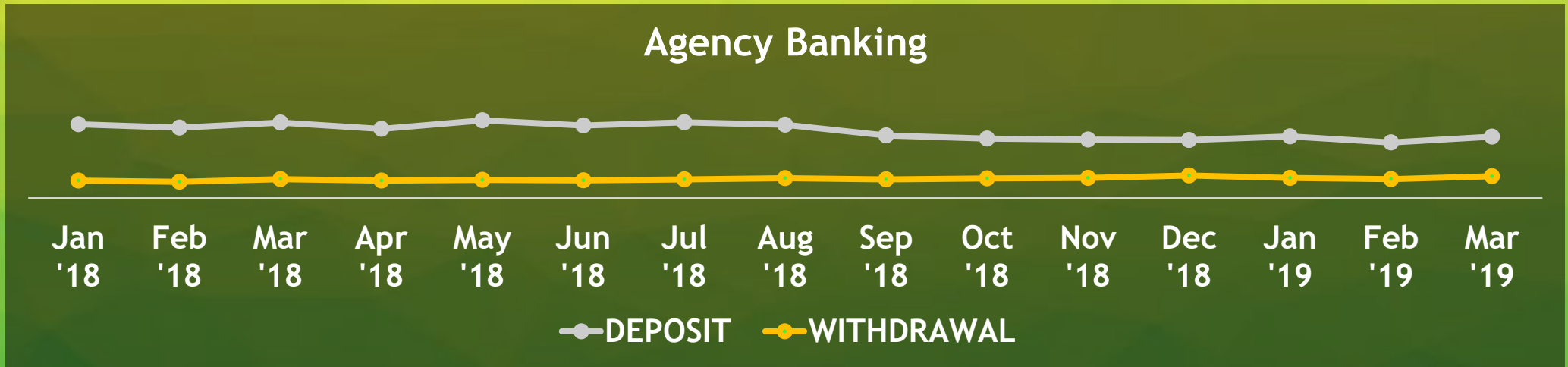
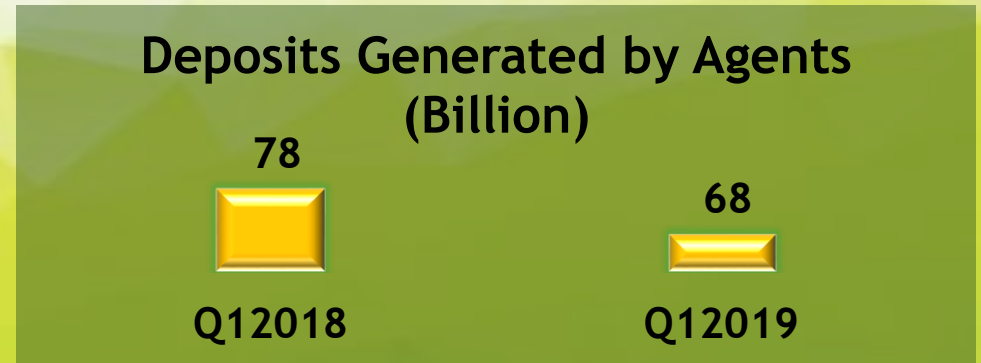
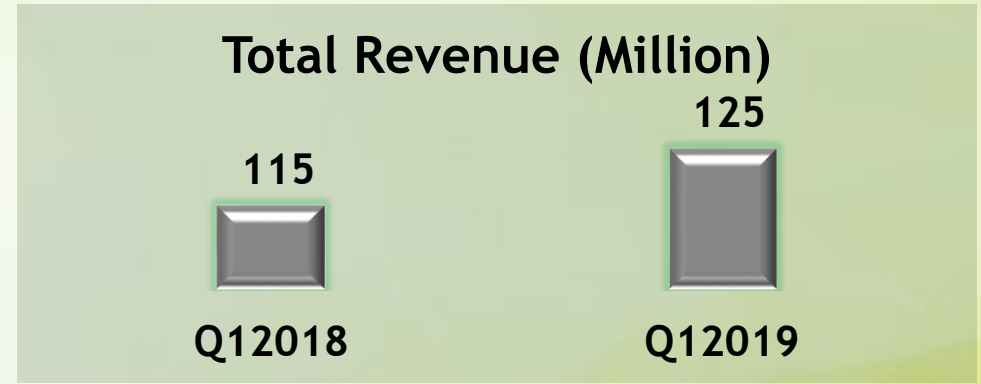
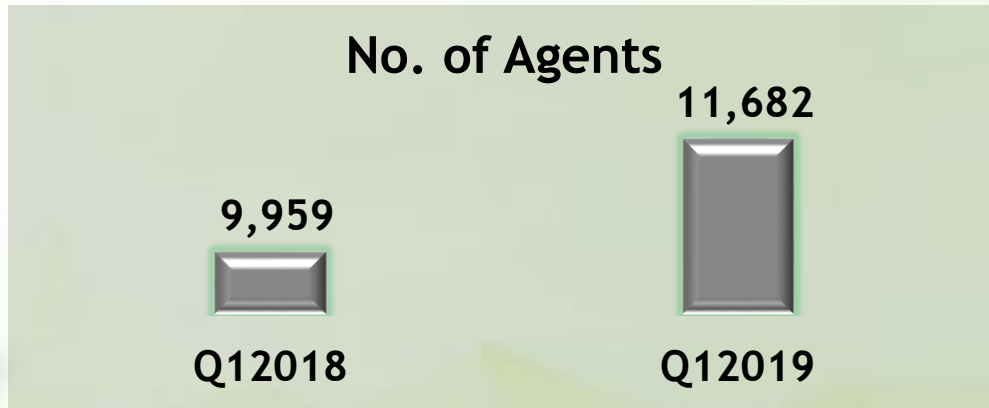


Cummulative Mco-op Cash Loan Disbursement - Millions



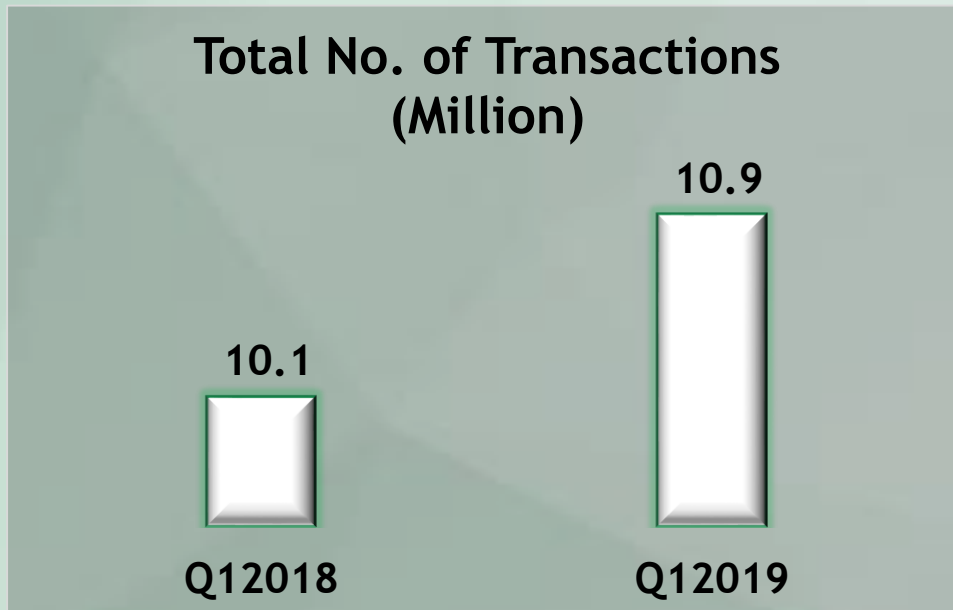
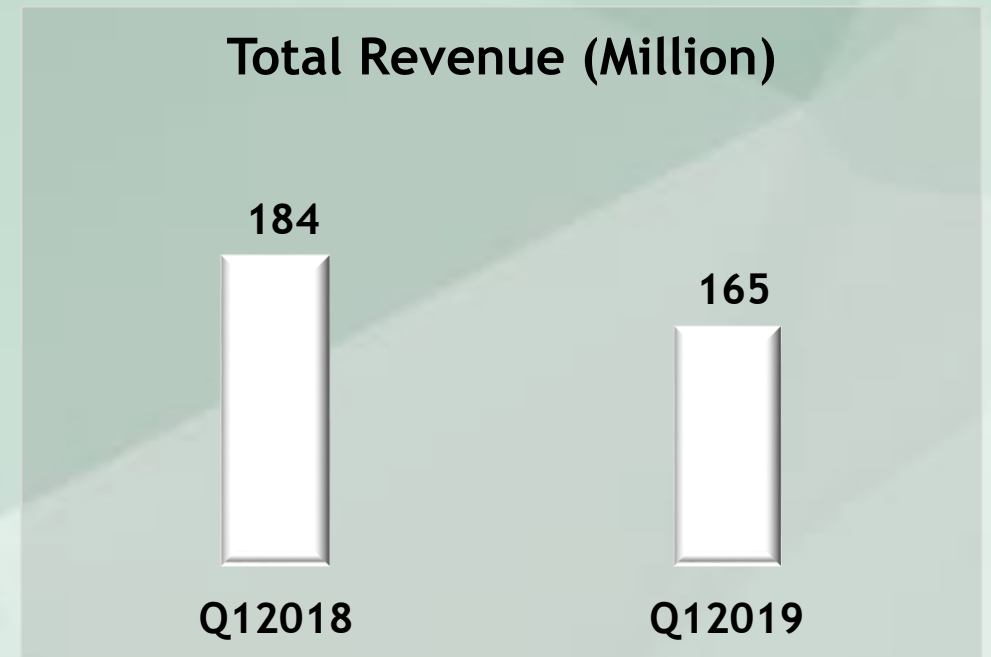
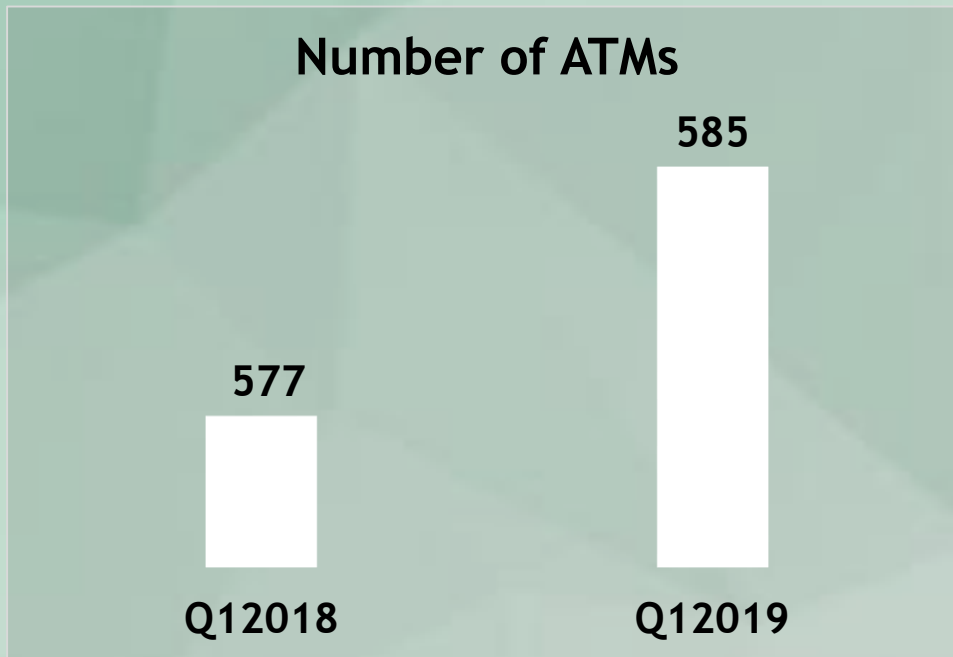
AGENCY Banking

*Growing
Co-op Kwa
Jirani
Agency
Banking*



ATM

Continues to be a key revenue driver

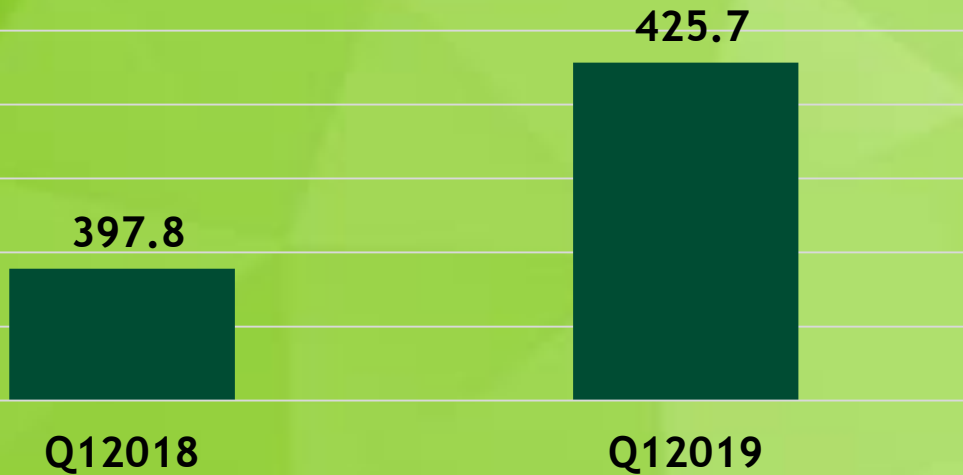


Our Customers can now withdraw money from Mpesa using a Co-op Bank ATM. Over 340Million dispensed since Jul 2018

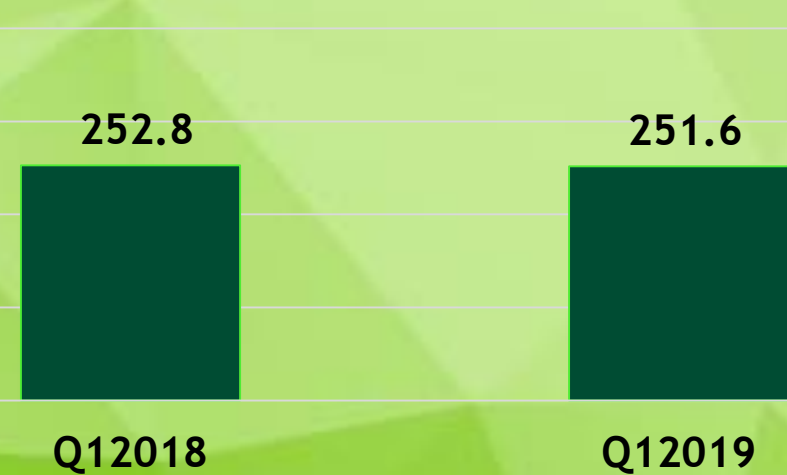
KEY FINANCIAL HIGHLIGHTS

Strong Financial Position (Kshs. Billion)

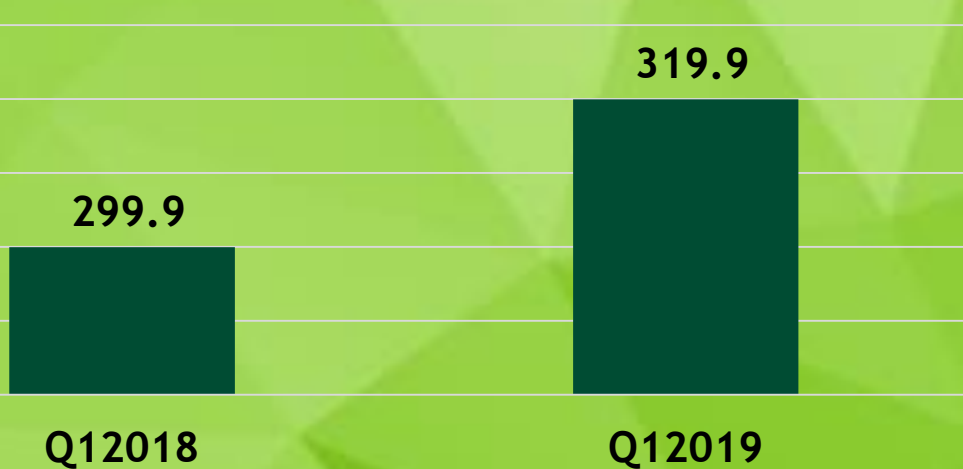
Total Assets



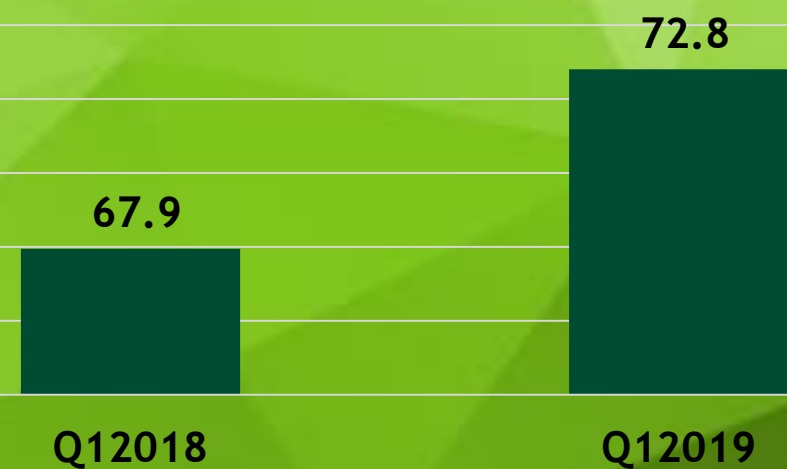
Loan book (Net)



Total Deposits



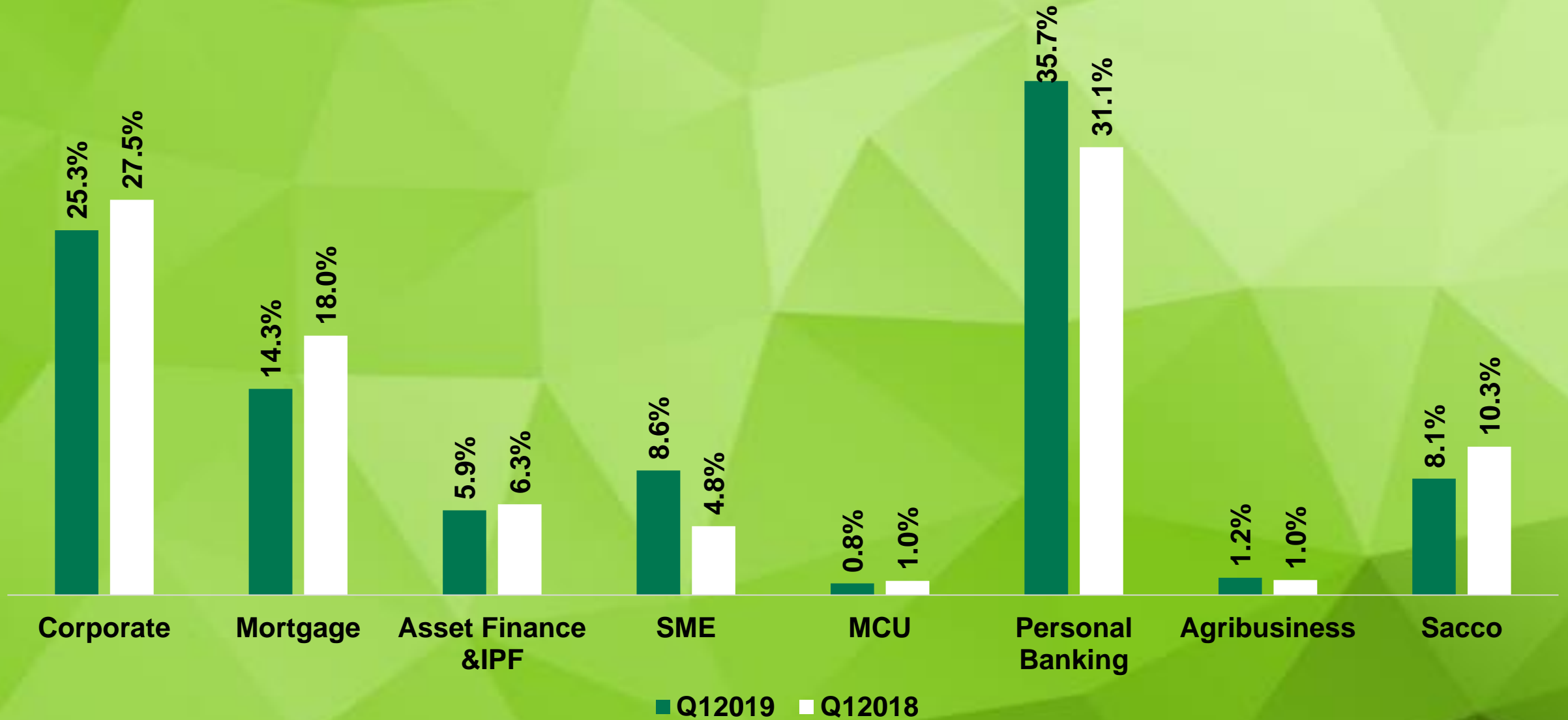
Shareholders Funds



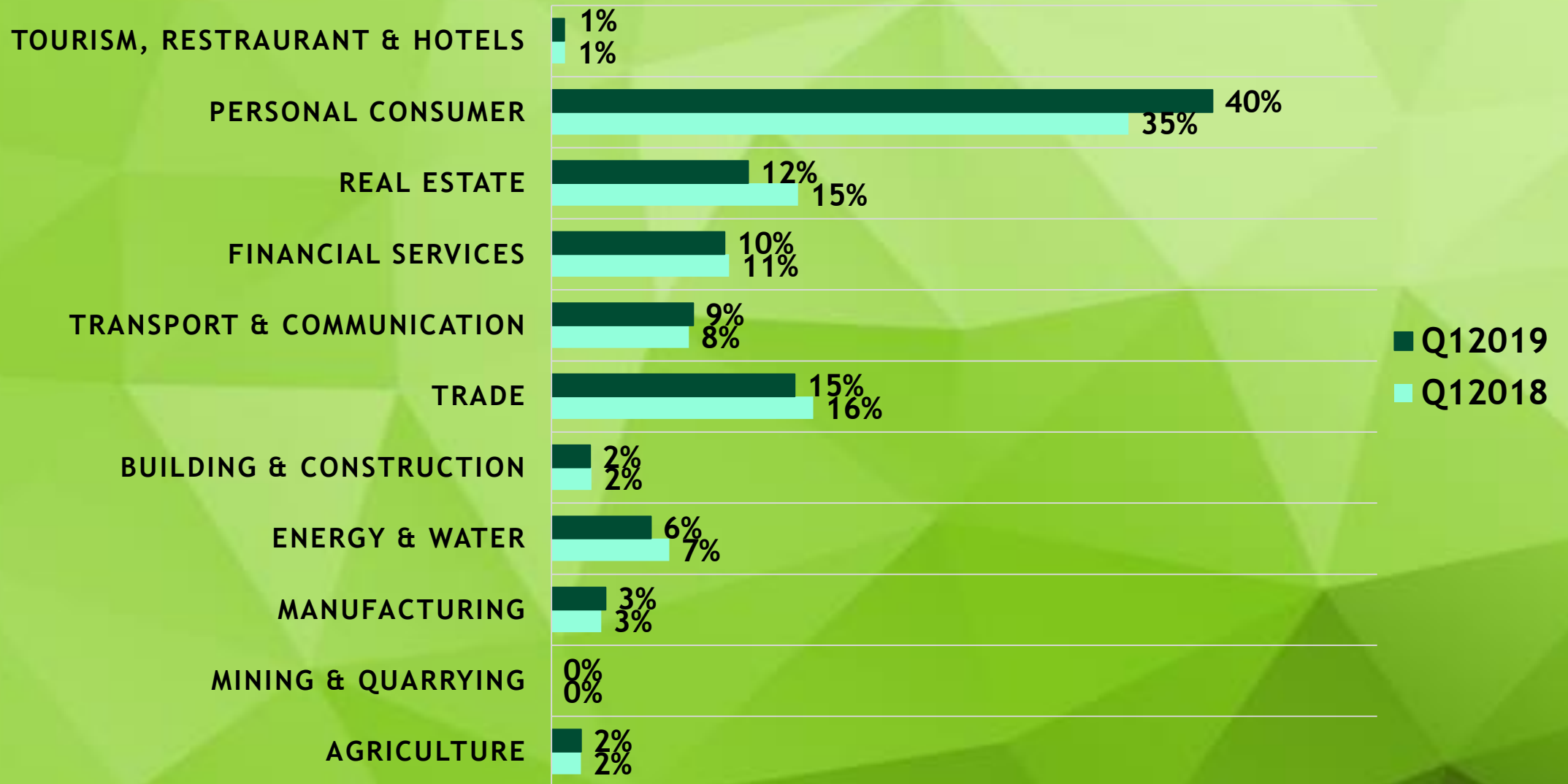
A Strong Financial Position (Kshs. Billion)

Kshs. Billions	Q12019	Q12018	% Change (YoY)		FY2018
Total Assets	425.7	397.8	7.0%	↑	413.4
Loan book (Net)	251.6	252.8	-0.5%	↓	245.4
Government Securities	103.9	75.0	38.6%	↑	80.3
Total Deposits	319.9	299.9	6.7%	↑	306.6
Borrowed Funds	23.7	20.7	14.9%	↑	23.9
Shareholders Funds	72.8	67.9	7.1%	↑	69.9
No. of account holders (Millions)	8.1	7.2	12.5%	↑	8.0

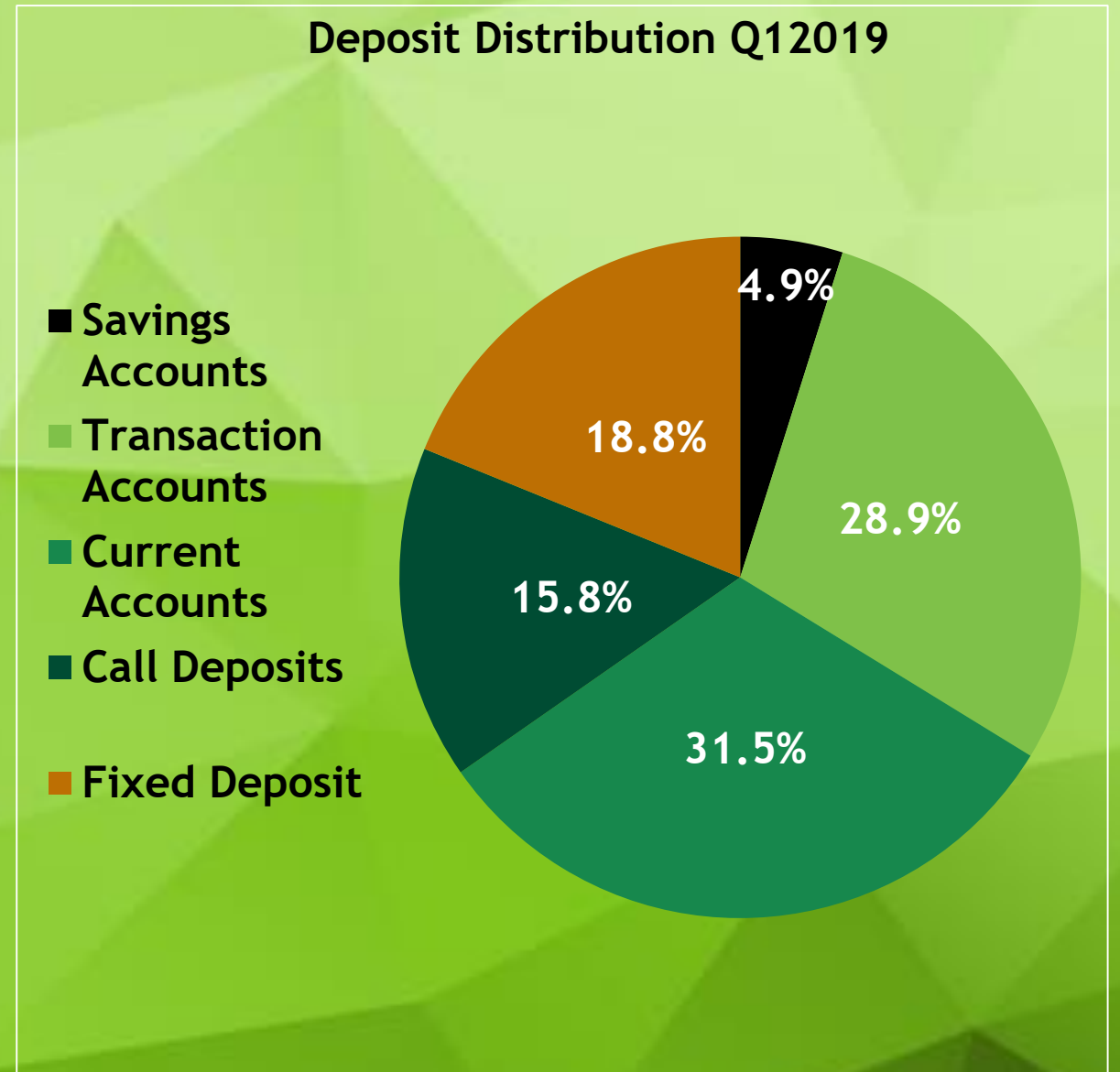
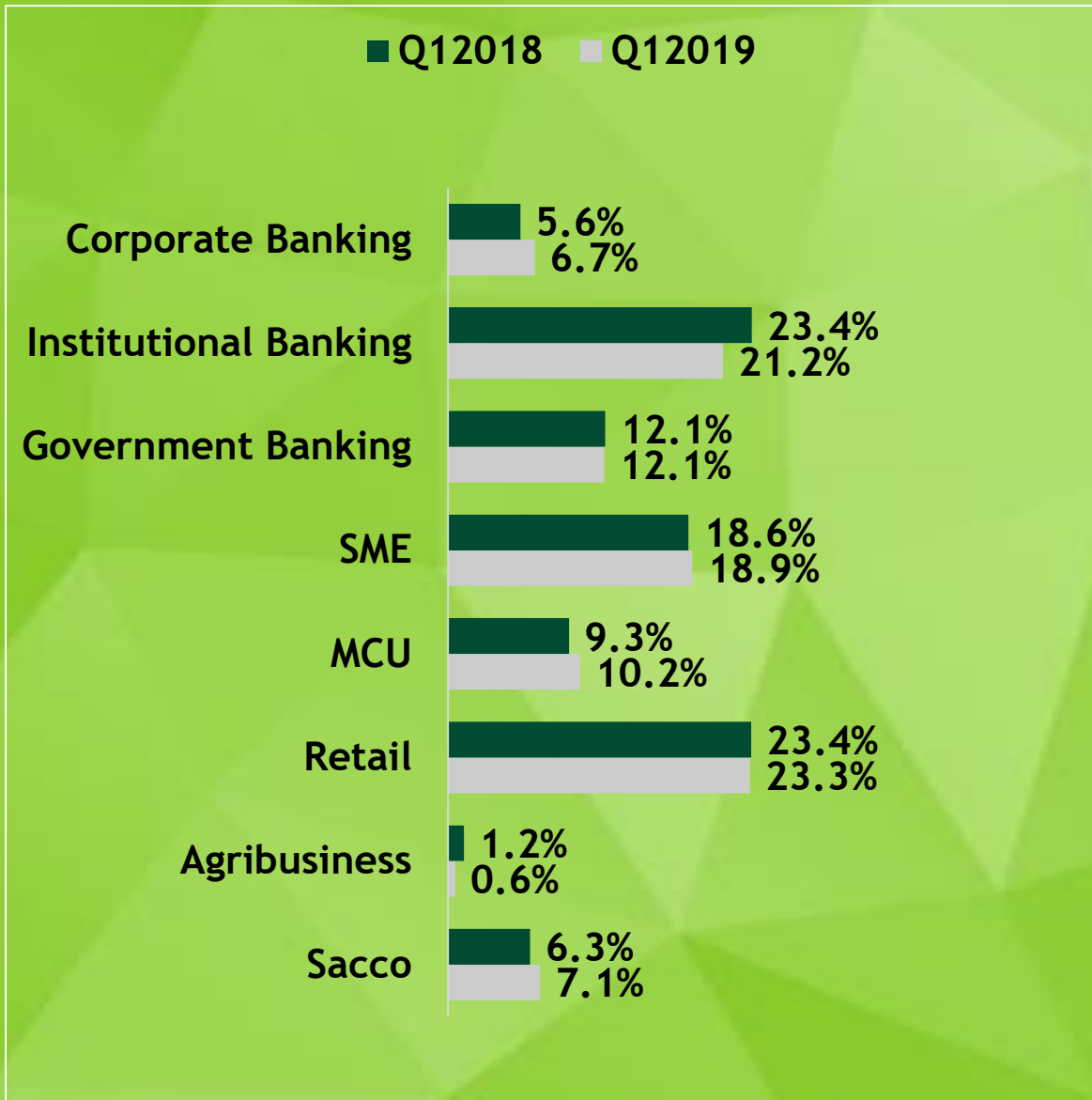
Diversified loan book



Diversified loan book

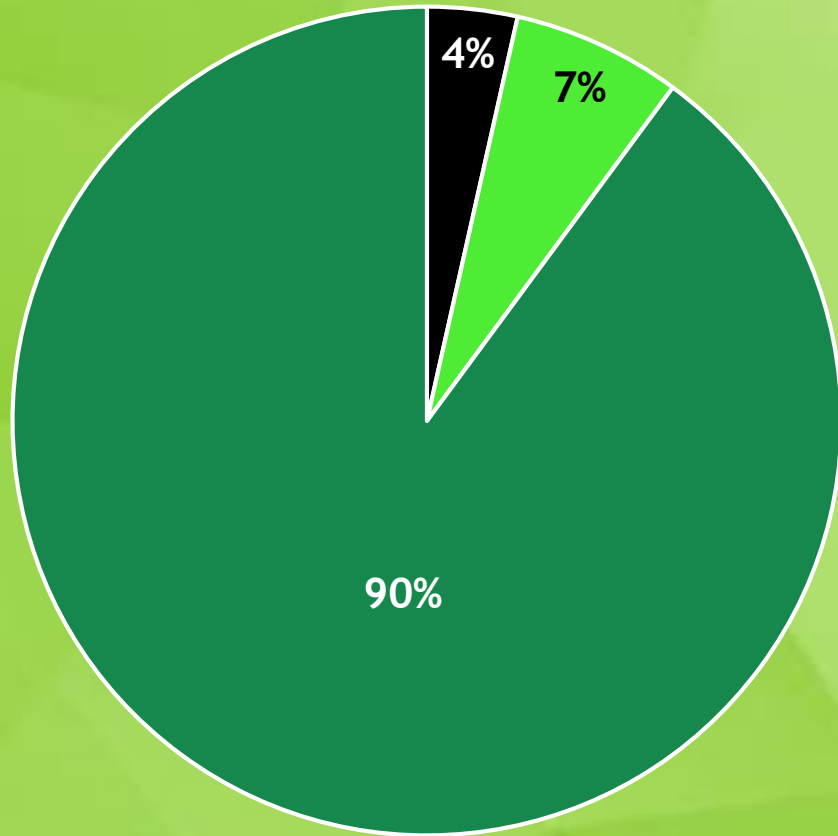


Well-diversified Liability Portfolio



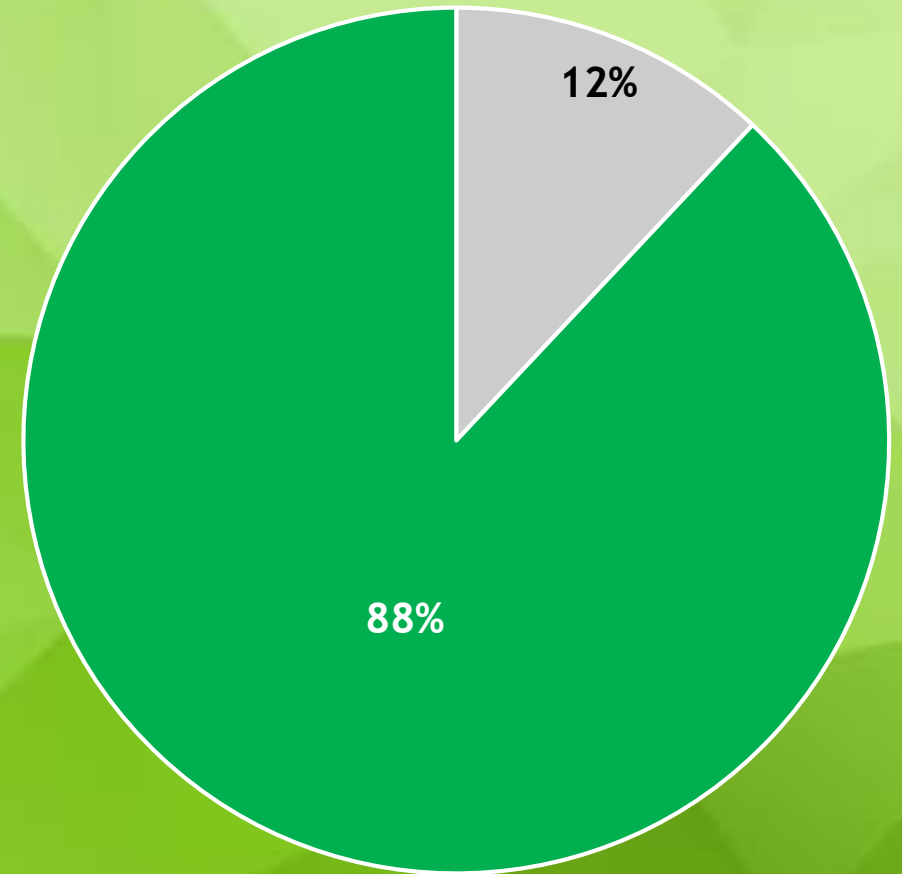
Optimally balanced Kenya Shilling asset & funding book

Funding (Local Vs Foreign Currency) Q12019



- Foreign Currency Deposits
- Foreign Currency Borrowed Funds
- Local Currency Funding

Loan Book (Local Vs Foreign Currency) Q12019

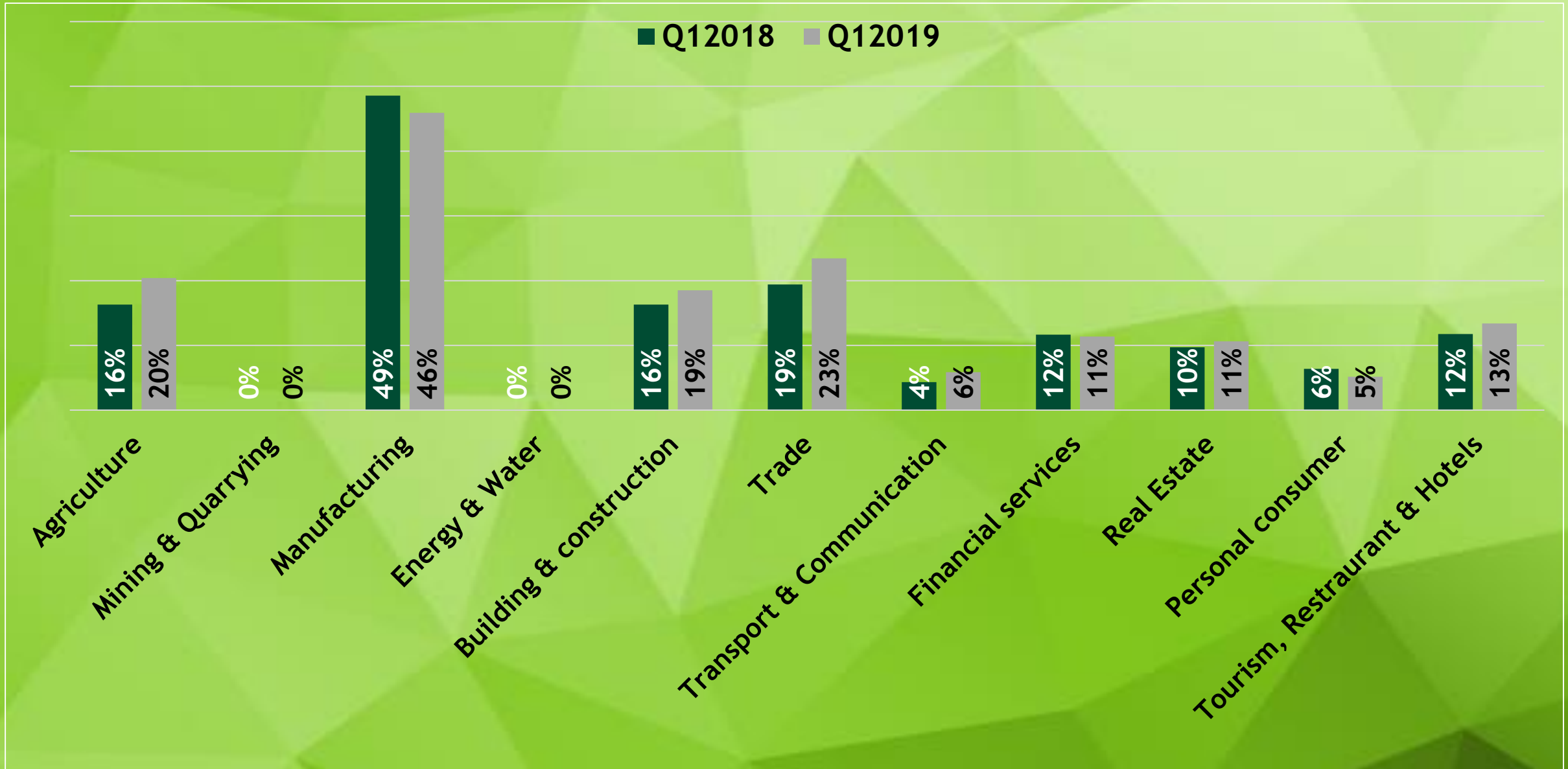


- Foreign Currency
- Local Currency

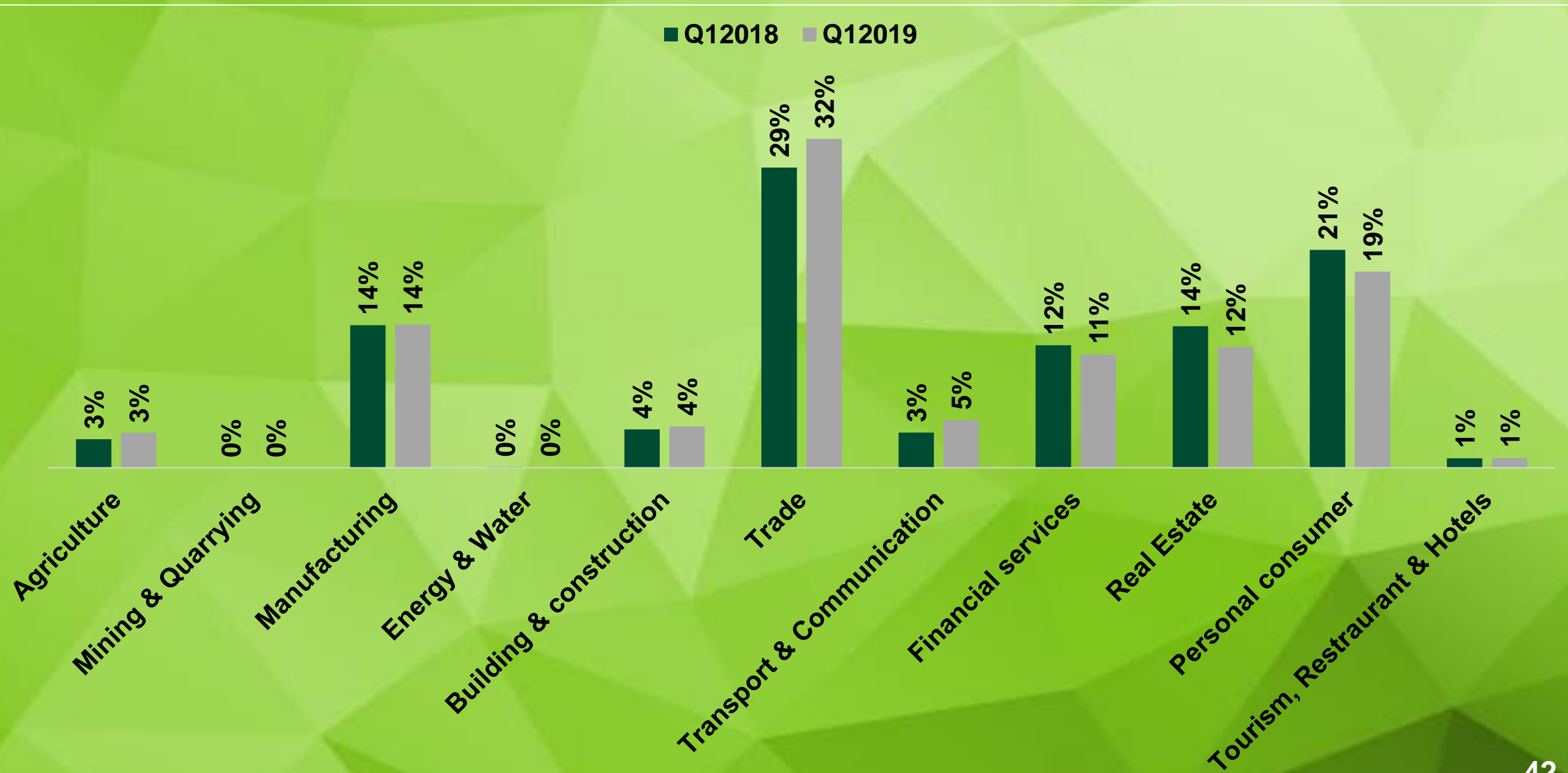
Quality Loan Book - Bank

	Q12019	%	Q12018	%	FY2018	%
Normal	209,144	78%	208,847	7%	200,946	77%
Watch	29,867	11%	29,274	11%	29,723	11%
Substandard	10,472	4%	15,043	6%	10,434	4%
Doubtful	18,206	7%	12,716	5%	17,977	7%
Loss	557	0%	558	0%	542	0%
TOTAL (GROSS)	268,247	100%	266,438	100%	259,621	100%
Provisions	18,448		15,219		16,075	
NET LOAN BOOK	249,799		251,219		243,546	
<i>Gross Non-performing loans</i>	29,235		28,316		28,953	

Portfolio Trends - Specific Sector NPL By Sector Book

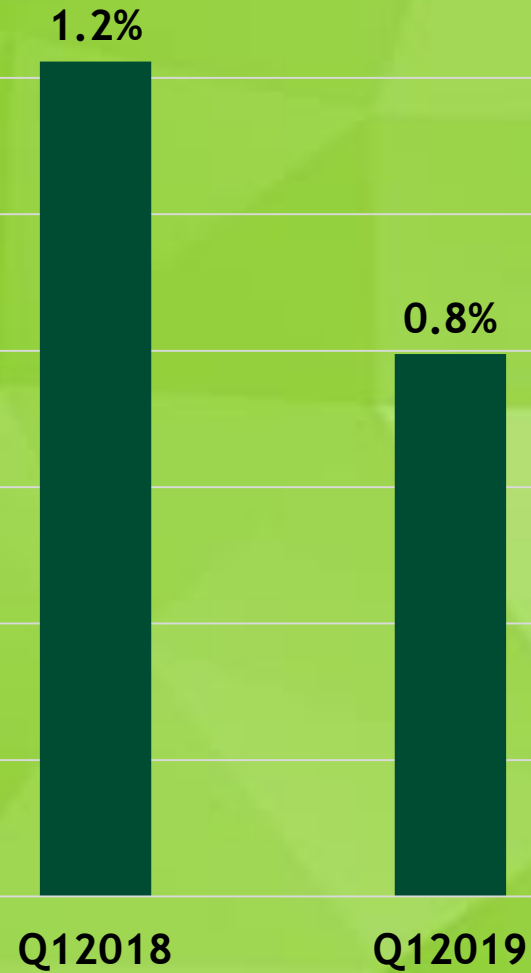


Portfolio Trends - Sector NPL By Total Bank NPL Book

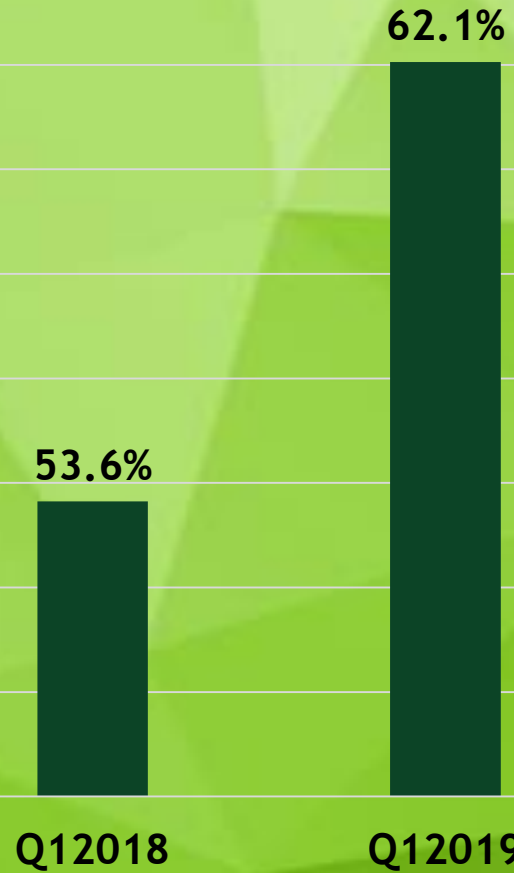


Adequate Coverage

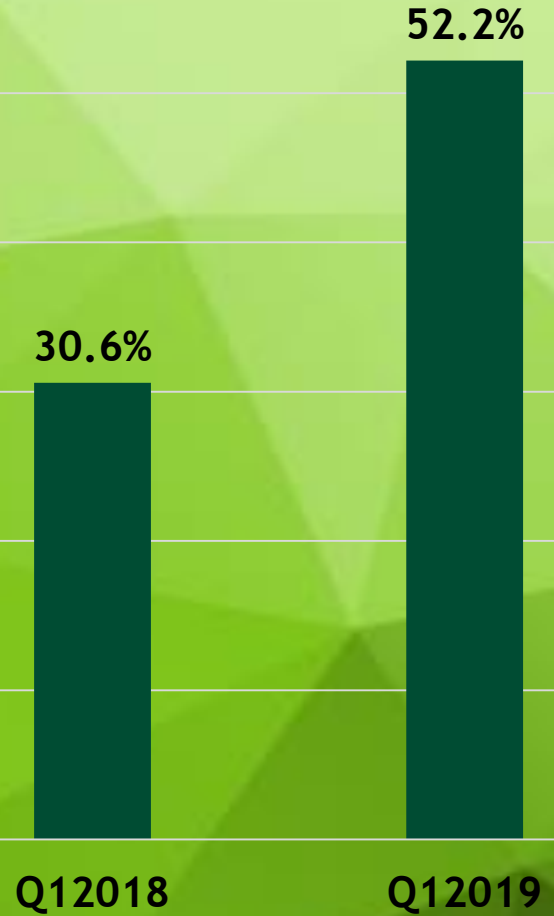
Cost of Risk



Coverage CBK (Includes Gen. Prov.)

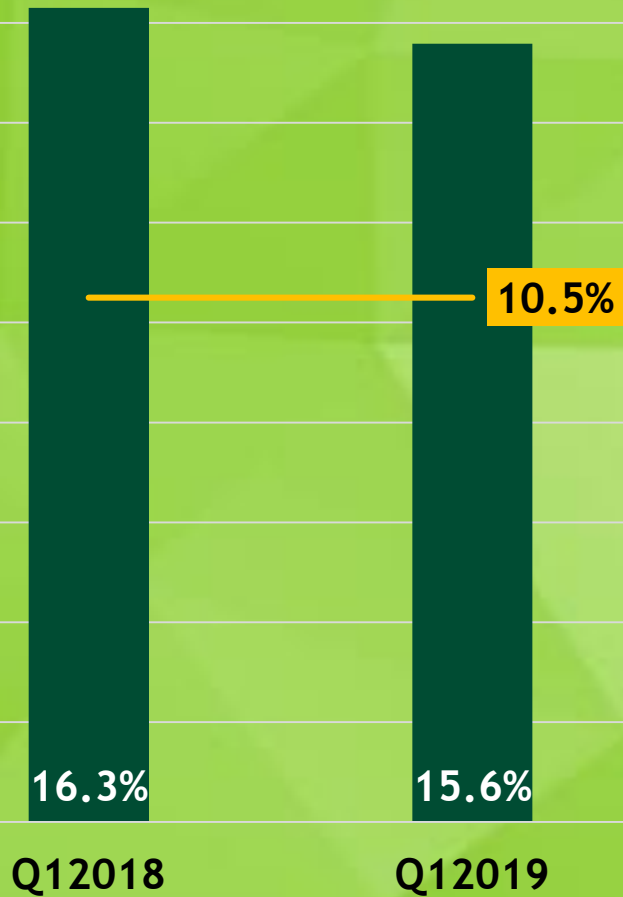


Coverage (IFRS) (Excludes General Provision)

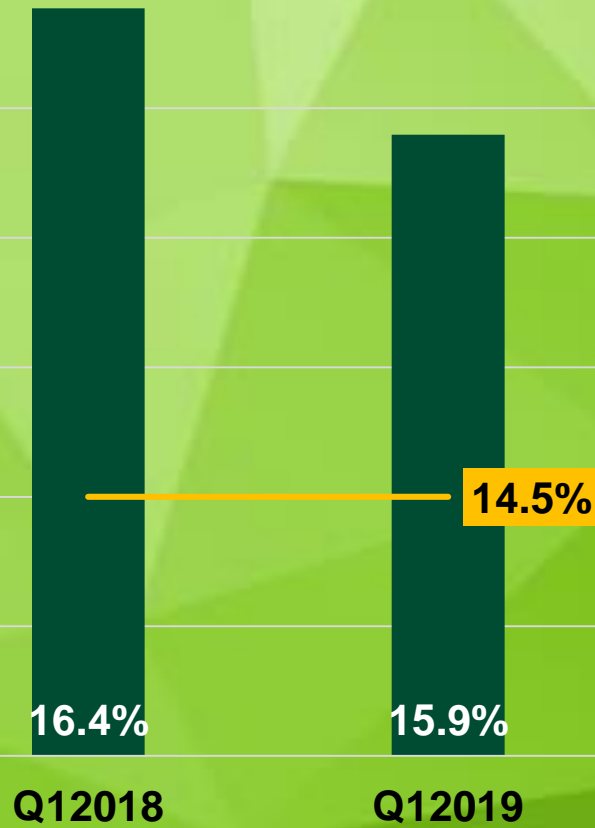


Strong capital to support future growth

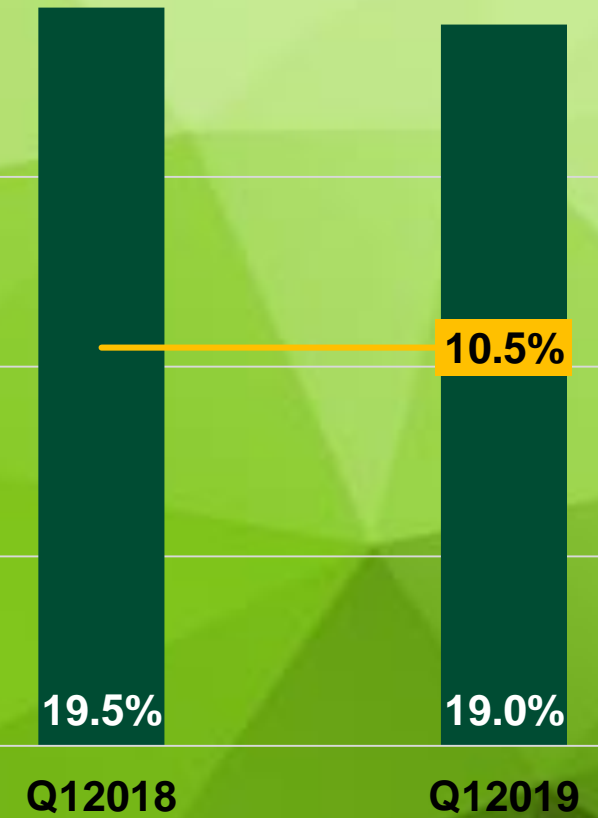
■ Core Capital / Total Risk Weighted Assets
— Minimum Statutory Requirement



■ Total Capital / Total Risk Weighted Assets
— Minimum Statutory Requirement

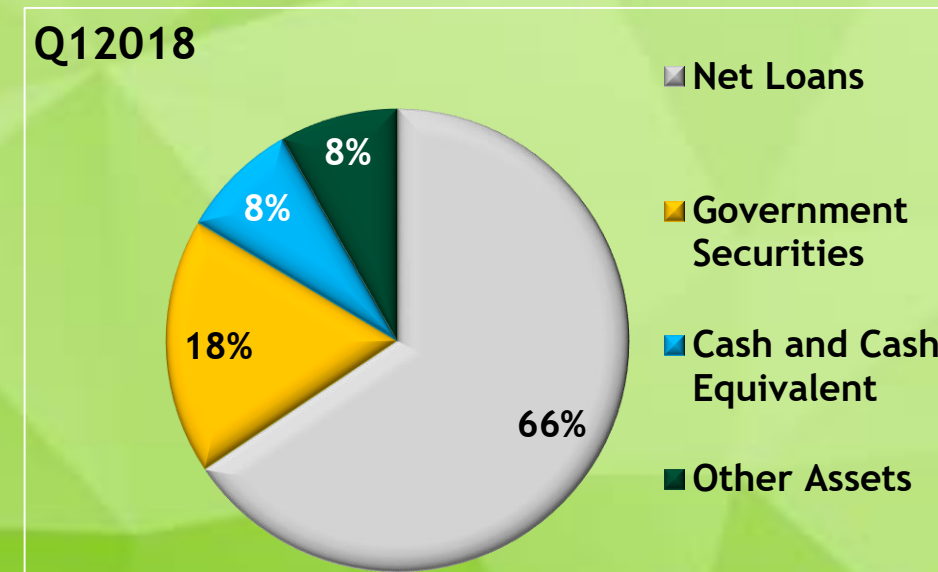
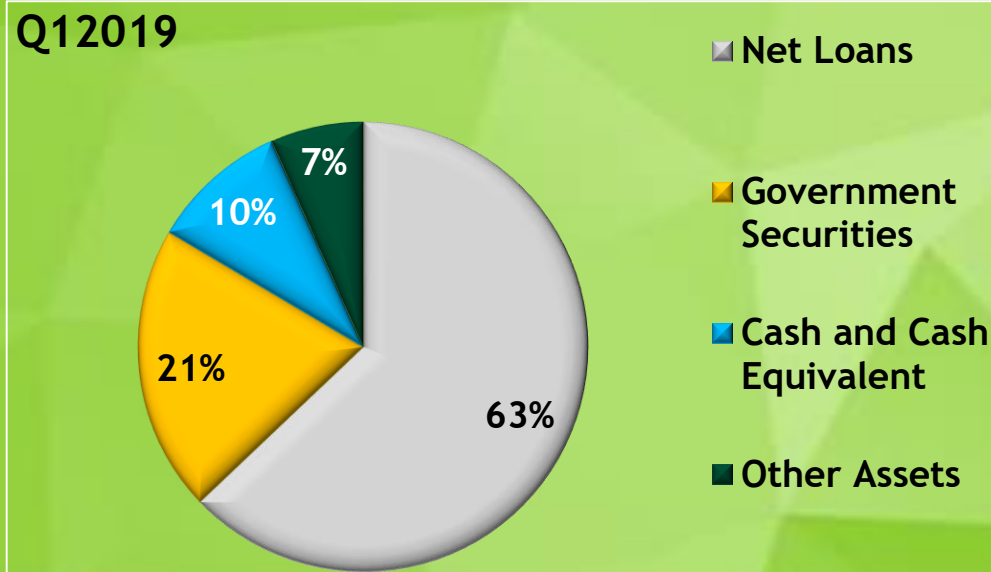


■ Core Capital/ total deposit Liabilities
— Minimum Statutory Requirement

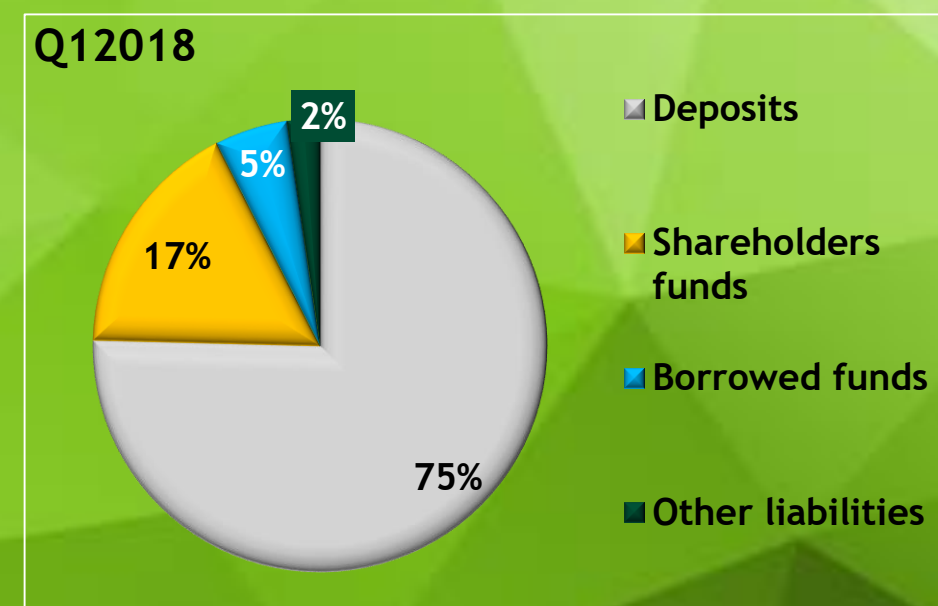
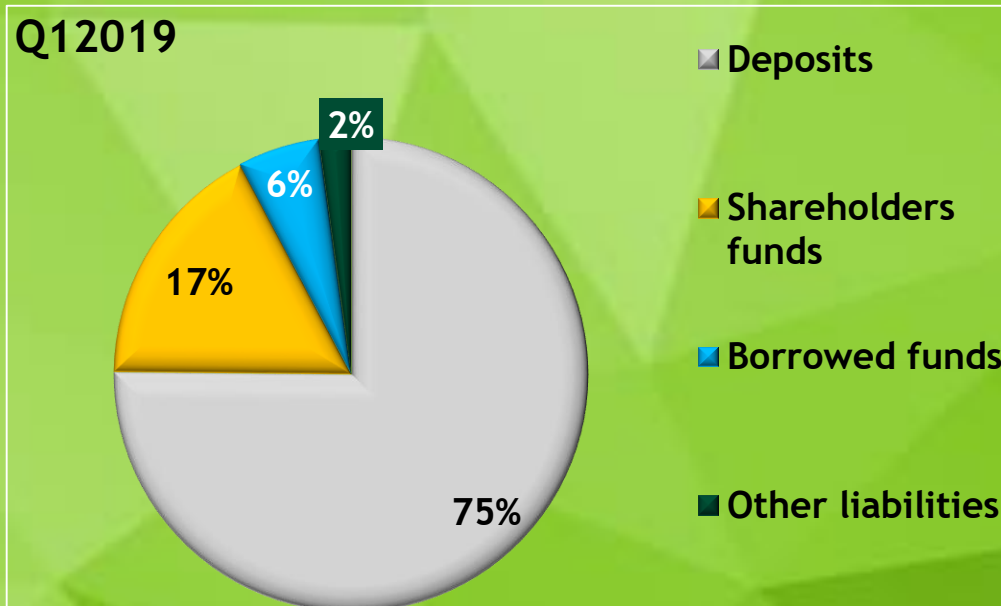


Optimal Asset and Funding Mix

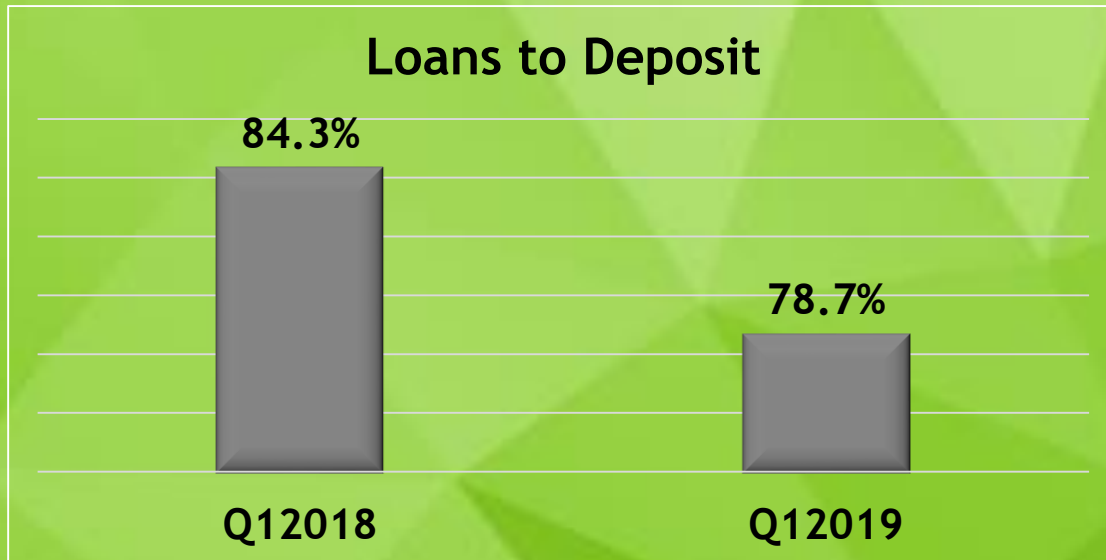
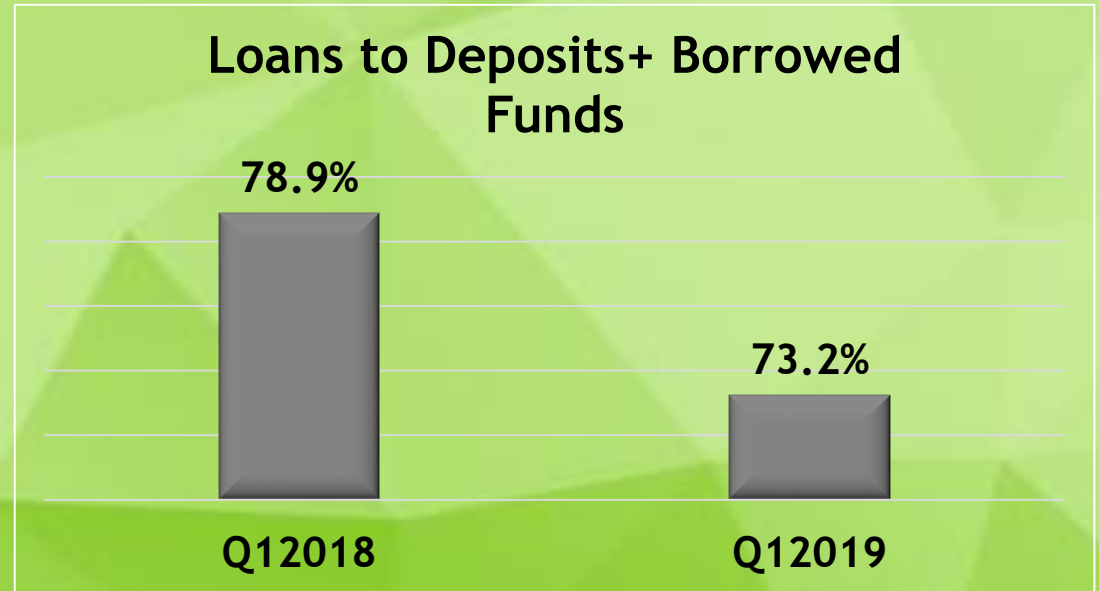
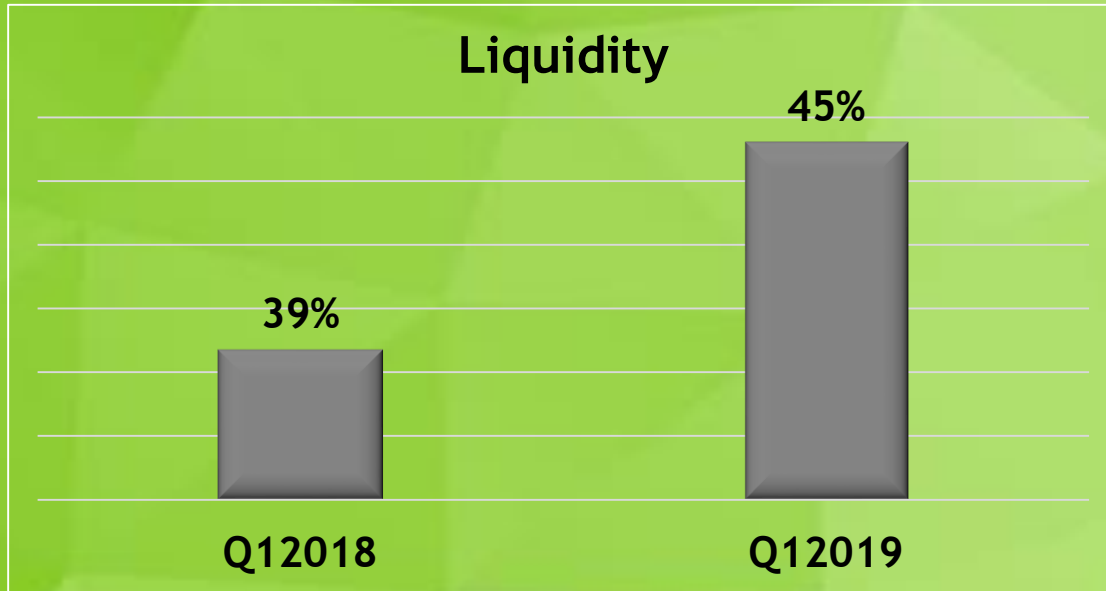
Asset Categories



Funding Categories



Strong liquidity to support investments



Improved Subsidiary Contribution

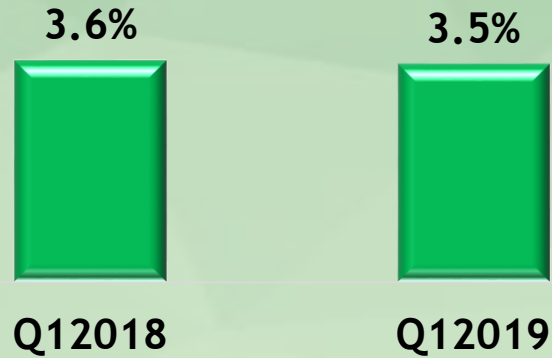
COMPANY	Profit Before Tax Q12019 KShs'000	Profit Before Tax Q12018 KShs'000	Variance	%
The Co-operative Bank of Kenya Limited	4,808,705	4,626,912	181,793	4%
Co-op Consultancy & Ins Agency Limited	216,000	164,905	51,095	31%
Co-op trust Investments Limited	20,107	8,153	11,954	147%
Kingdom Securities Limited	6,032	(5,234)	11,266	215%
Co-operative Bank of South Sudan	41,744	32,436	9,308	29%
Total PBT before eliminations	5,092,588	4,827,172	265,416	5%
Add: Share of profit from associates	19,981	70,949	(50,968)	-72%
Group profit before tax	5,112,569	4,898,121	214,448	4%
Income tax expense	1,513,460	1,449,855	63,605	4%
Group profit after tax	3,599,109	3,448,266	150,843	4%

Sustainable Profitability Growth

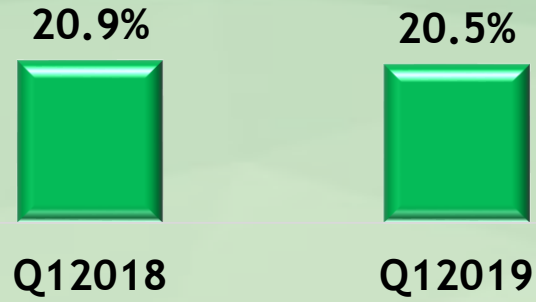
Kshs. Billions (except for EPS)	Q12019	Q12018	% Change (Y/Y)		FY2018
Interest Income	10.1	10.4	-3%	↓	43.02
Interest Expense	3.2	3.0	6%	↓	12.24
Net Interest Income	6.9	7.4	-7%	↓	30.78
Fees & Commissions	3.4	2.6	34%	↑	9.52
Forex Income	0.6	0.8	-15%	↓	2.28
Other Income	0.1	0.2	-36%	↓	1.09
Total Operating Income	11.1	10.9	2%	↑	43.68
Loan Loss Provision	0.5	0.8	-34%	↑	1.84
Staff Costs	2.8	2.6	6%	↑	11.45
Other Operating Expenses	2.7	2.7	1%	↑	12.40
Profit Before Tax and Exceptional Items	5.1	4.8	5%	↑	17.99
Share of profit of associate	0.0	0.1	-72%	↓	0.17
Profit Before Tax	5.1	4.9	4%	↑	18.16
Tax	1.5	1.4	4%	↑	5.42
Profit After Tax	3.6	3.4	4%	↑	12.73
Basic Annualized EPS	2.5	2.4	4%	↑	2.17

Sustainable Profitability Growth

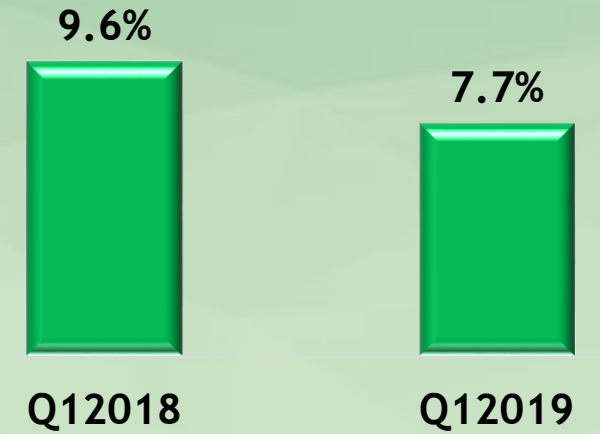
Return On Average Assets (ROAA)



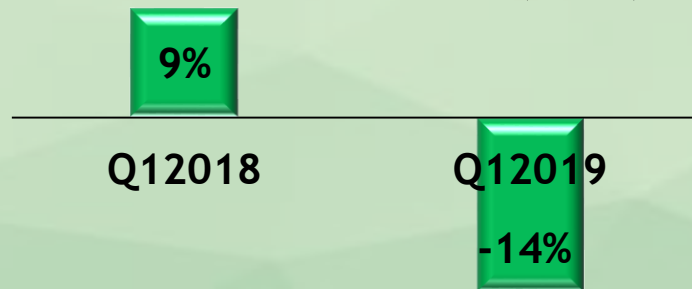
Return On Average Equity (ROAE)



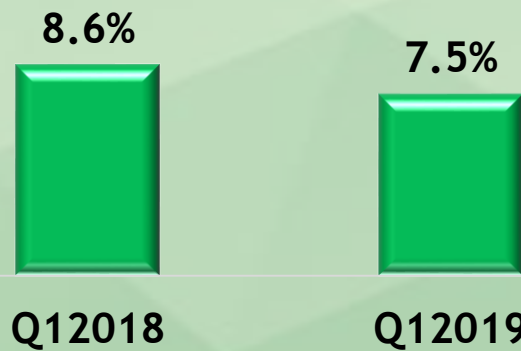
NIM on Loans



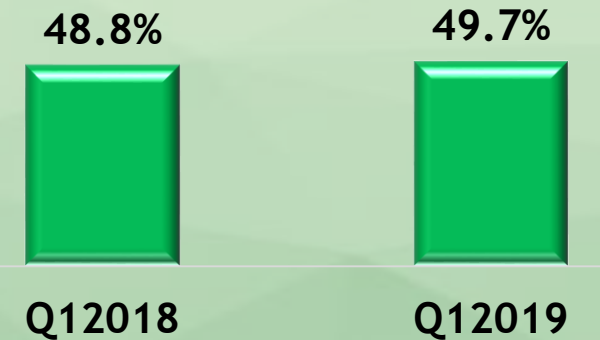
Loan Interest growth(yoy)



NIM on Earning Assets

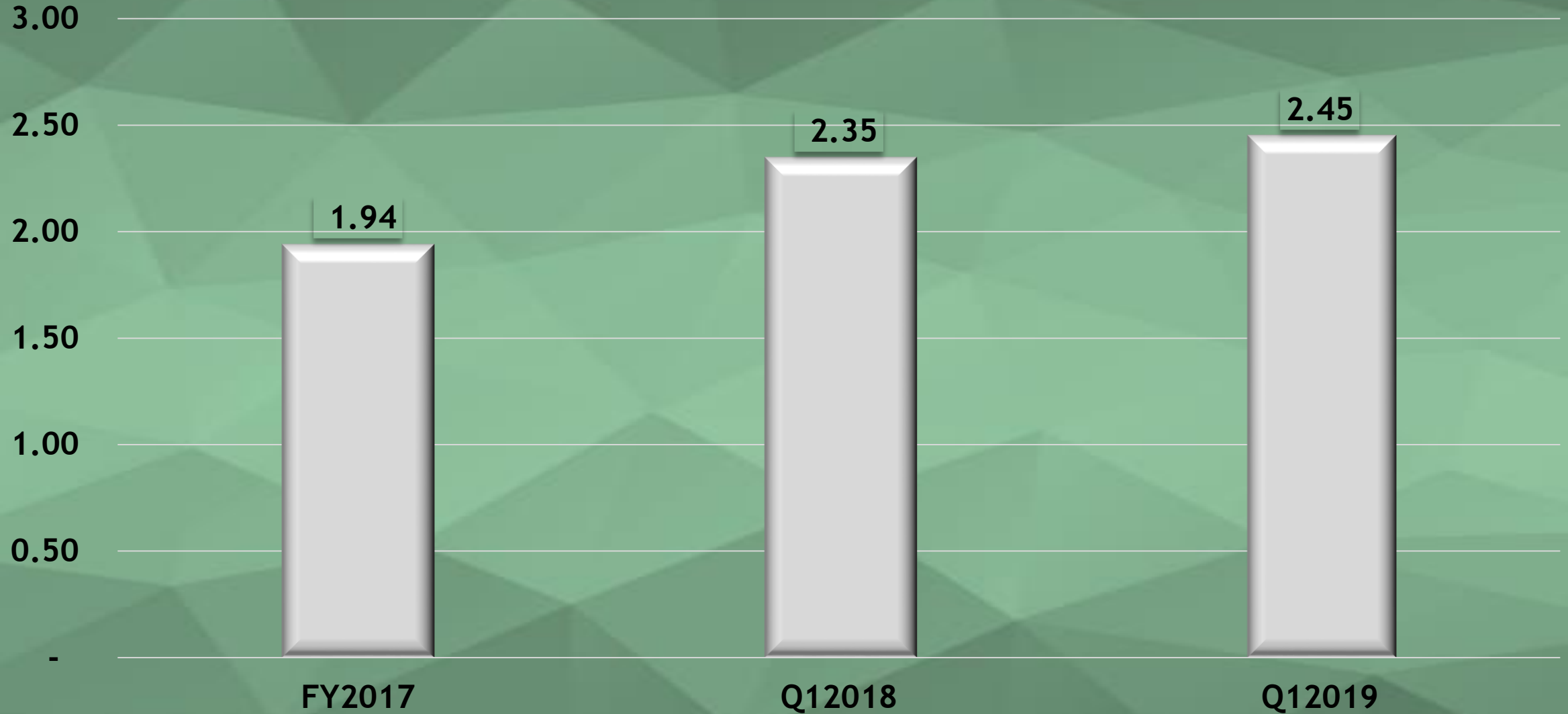


CIR without provisons



Sustainable Returns to our shareholders

Earnings Per Share (EPS)



2019 Financial Outlook

	<u>Actual Q12019</u>	<u>Actual FY 2018</u>	<u>Projections FY 2019</u>
Profit Before Tax Growth	4.4%	10.7%	11.6%
Loans & Advances Growth	-0.5%	-3.3%	10.9%
Deposits Growth	6.7%	6.5%	10%
Cost to Income Ratio	49.7%	54.6%	50%
Non Funded to Total Income	37.7%	28.2%	38%
Return On Average Equity (ROAE)	20.5%	18.3%	21%
Return On Average Assets (ROAA)	3.5%	3.2%	3.6%
Non Performing Loans (NPL)	11.0%	11.2%	9%
Cost of average funds	3.8%	3.8%	3.7%
Net Interest Margin (NIM)	7.7%	9.4%	8.0%
Cost of risk	0.8%	0.7%	1%

CONCLUSION

With over 8.2 million customers, focus on digital banking and innovative financial solutions to the various customer segments through various channels, the Group will continue to grow our Balance Sheet and deliver good financial performance.

THANK YOU