

CO-OPERATIVE BANK OF KENYA



GROUP FINANCIAL RESULTS ANALYST BRIEFING Q3 2019

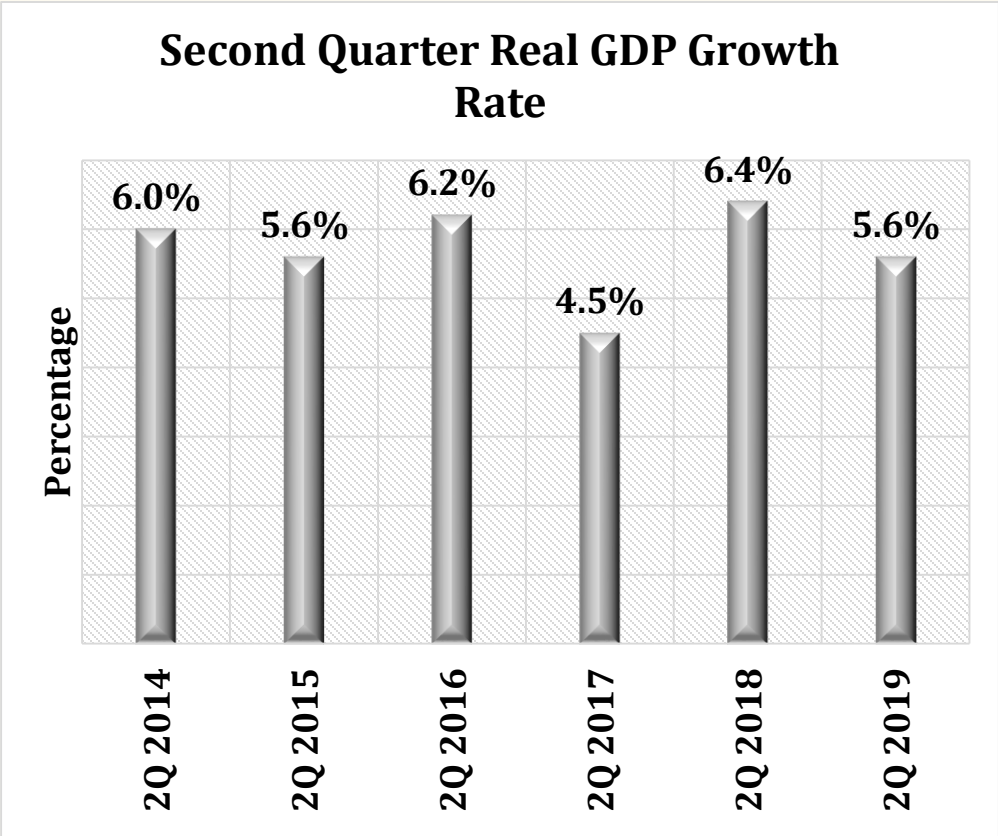
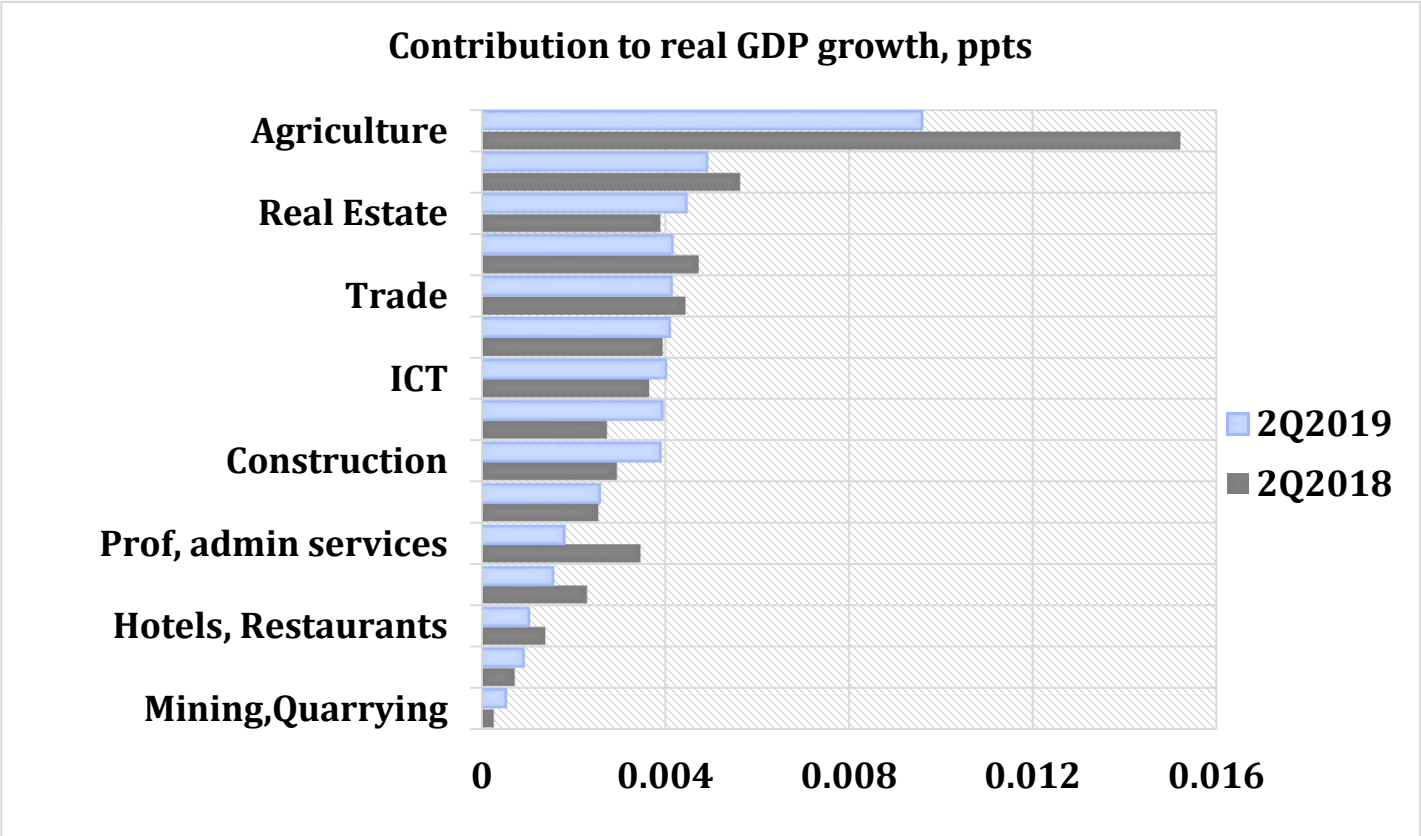
19 November 2019

Macro Economic Highlights

GROSS DOMESTIC PRODUCT (GDP) GROWTH ROSE TO 6.3% IN 2018

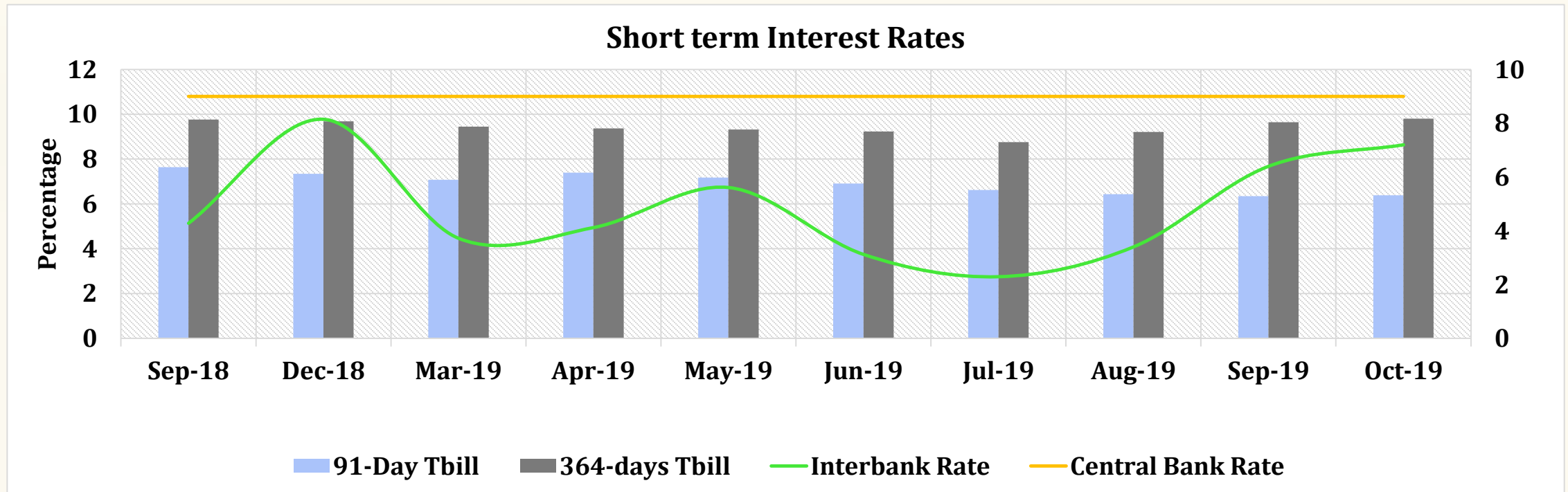
- Kenya’s economic performance for the second quarter of 2019 generally softened to 5.6% compared to 6.4% in a similar period in 2018.
- Higher growth was recorded in ICT, food & hotels , transport and the public sector.

Charts on trend and contribution to quarterly GDP growth rate



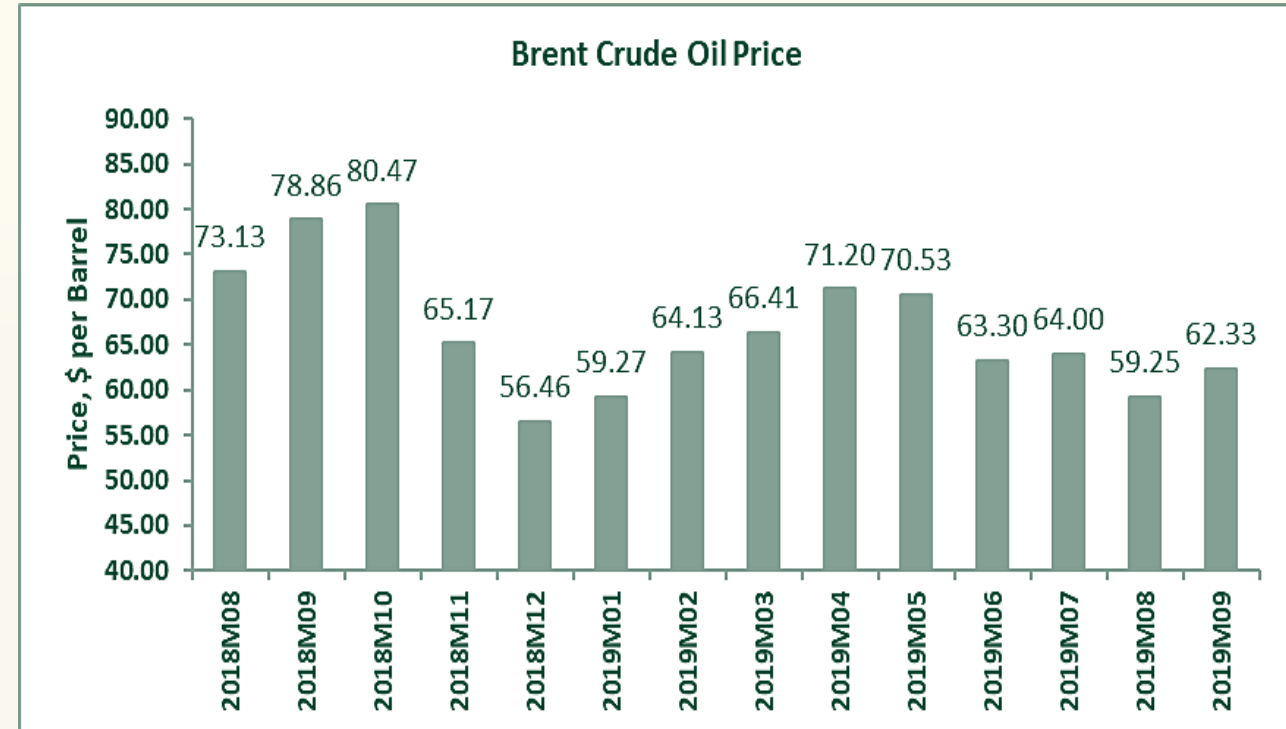
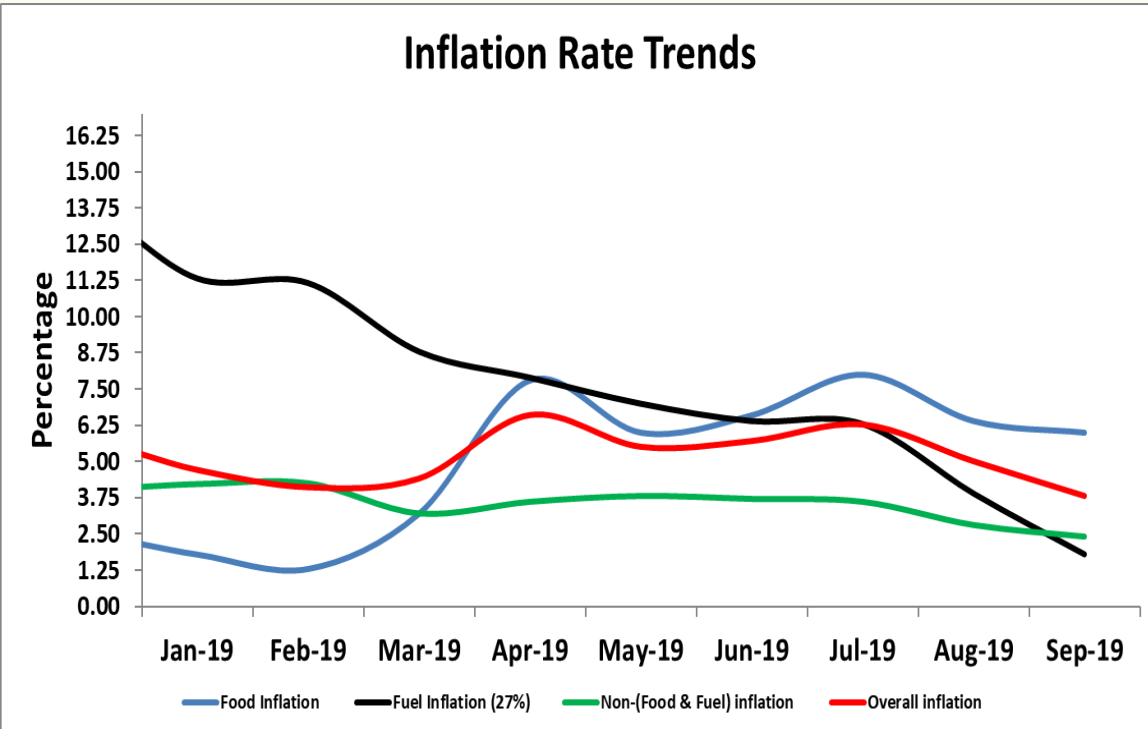
SHORT TERM INTEREST RATES

- The money market remained fairly stable in the nine months to September 2019.
- Yields on short term paper continued on a marginal fall during the nine months to September 2019.
- Interest rate on 91-days, 182-days and 364-days Treasury bills were 6.4%, 7% and 9.4%, respectively at the close of September 2019 compared to 7.6%, 8.8% and 9.8%, respectively at the close of September 2018.
- Average interbank rate also fell to 3.6% in the nine months to September 2019 compared to 5.3% in a similar period in 2018 indicating generally higher liquidity in the banking sector on average.



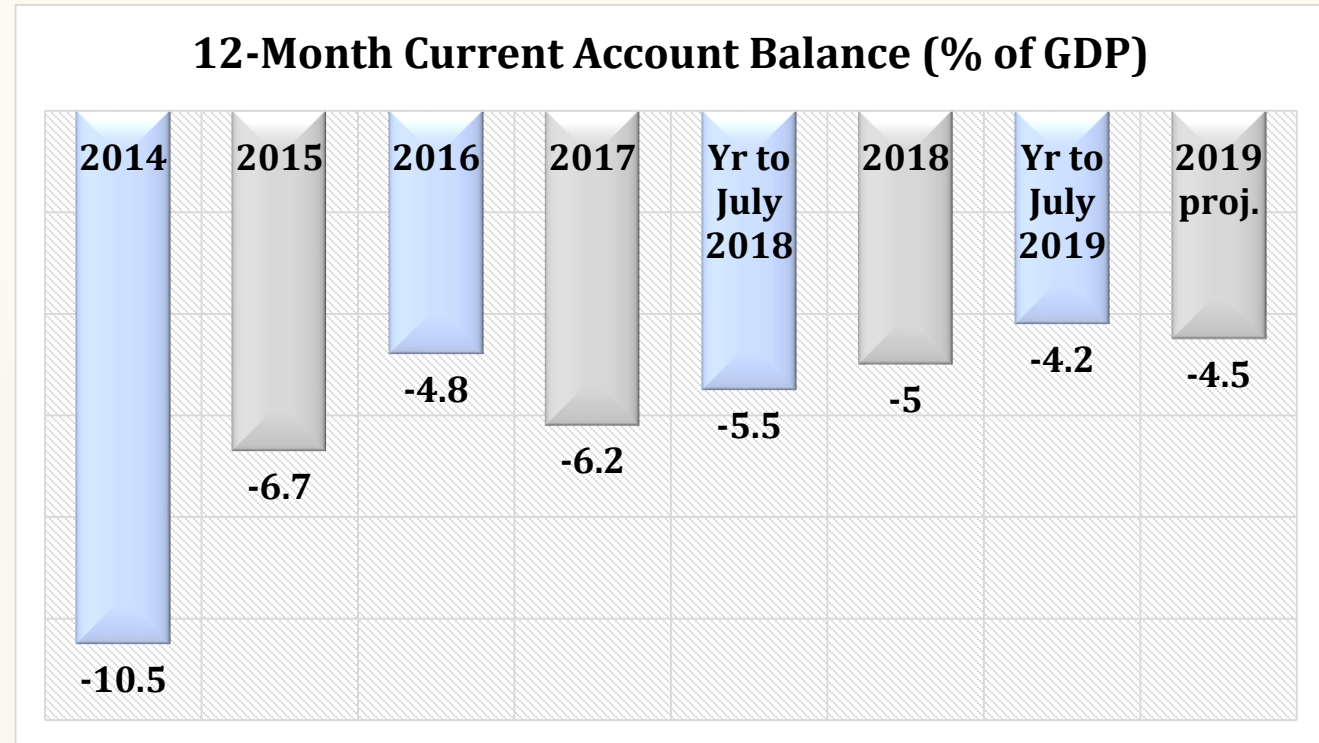
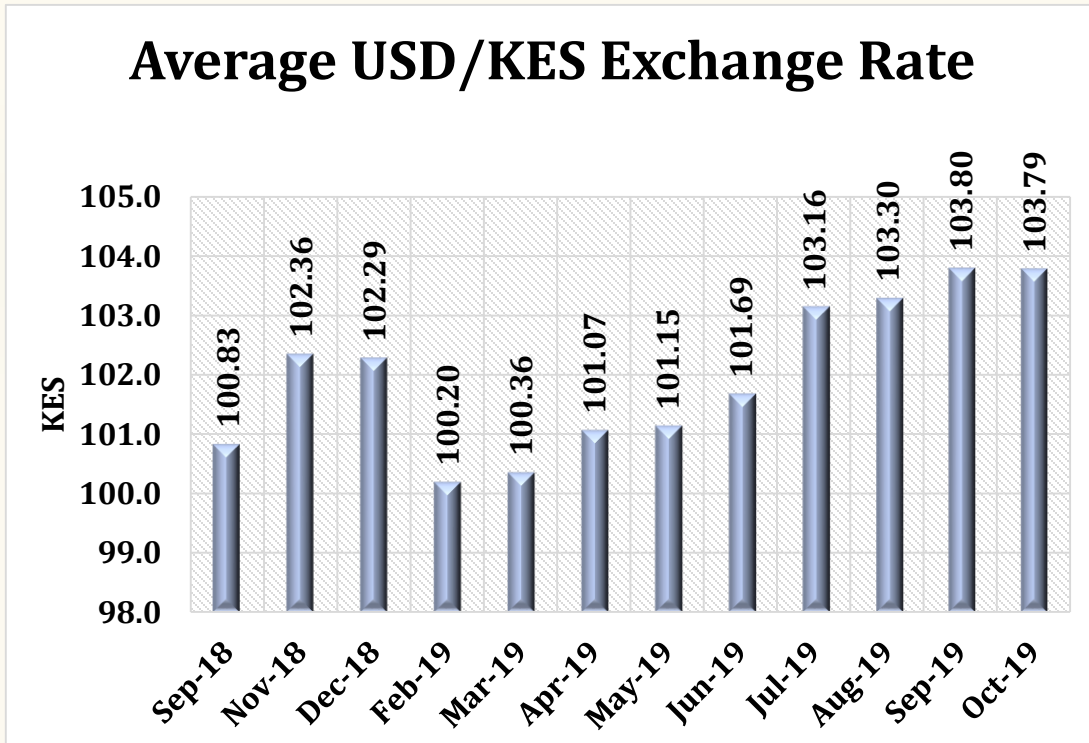
INFLATION RATE LOW AND STABLE

- Overall inflation rate touched 3.8% in September 2019 supported by declining food prices.
- It has trended slightly upwards in the nine months to September 2019 to average 5.1% compared to 4.4% in a similar period last year. The main driver was a rise in food prices in the months of April and June 2019.
- Fuel inflation has however fallen to 7% in the nine months to September 2019 from 11% in 2018 due to the fall in global fuel prices.
- Overall inflation figures are likely to remain within the Government range of 2.5% to 7.5% in most of the year.



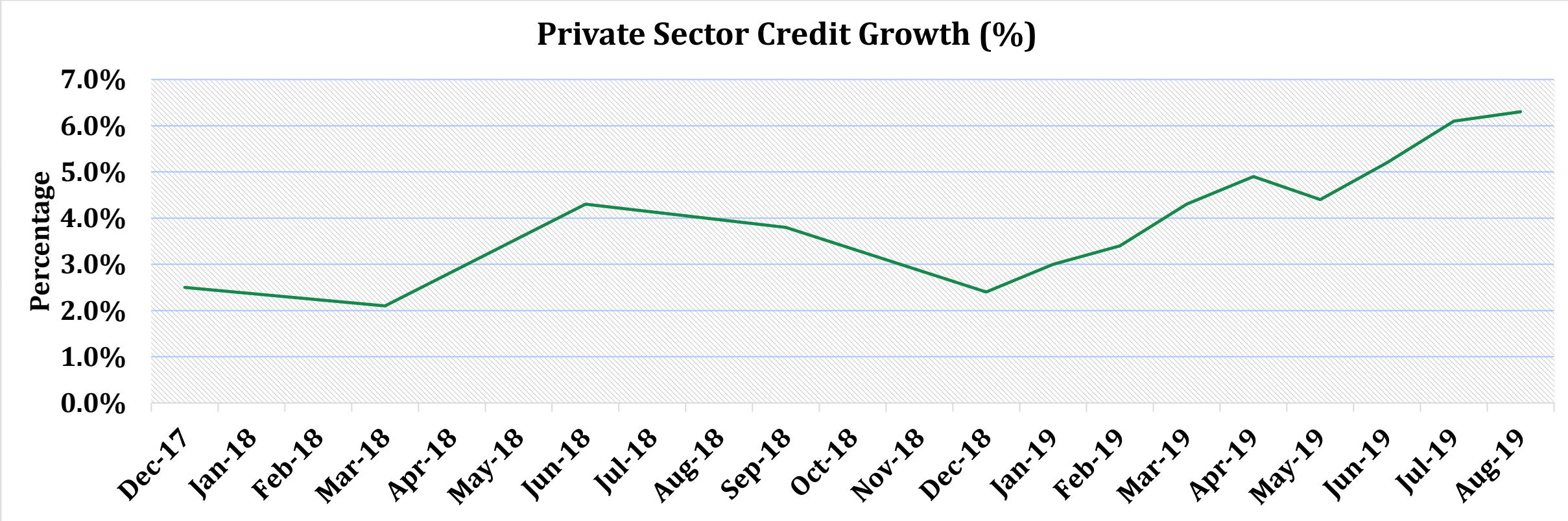
THE CURRENCY HAS REMAINED FAIRLY STABLE

- The KES exchange rate to the USD averaged 101.8 in the nine months to September 2019 compared to 101.3 in a similar period in 2018.
- The KES is currently trading at an average of 103.2 against the USD.
- Going forward, increasingly loose monetary policy in the US implies less pressure on the USD/KES exchange rate in the near term.



TREND IN PRIVATE SECTOR CREDIT GROWTH

- The 12-month growth in private sector credit has risen to 6.3% in August 2019 from 3% in January 2019.
- This compares to 4.3% growth registered in August 2018.



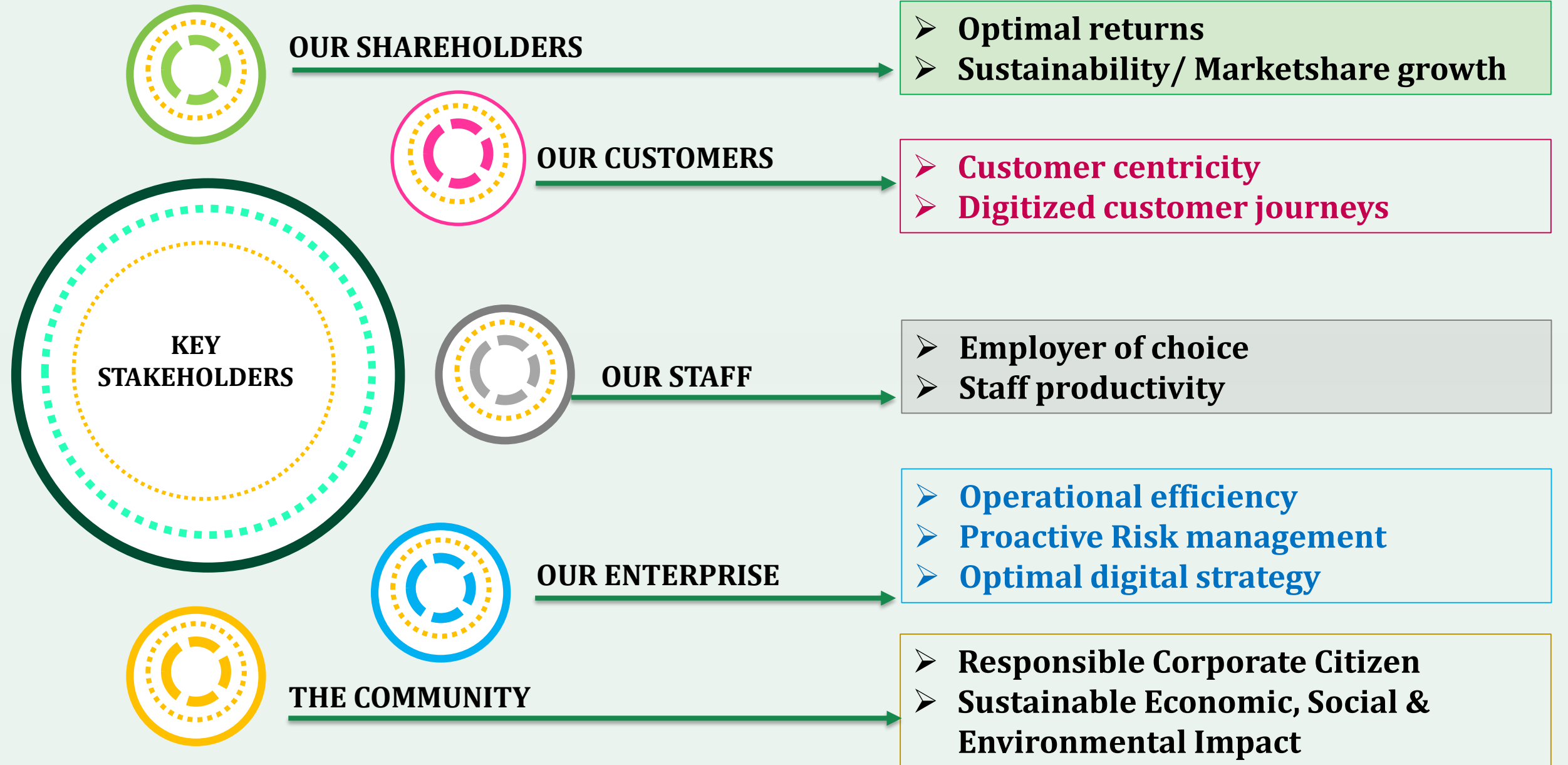


SOUTH SUDAN

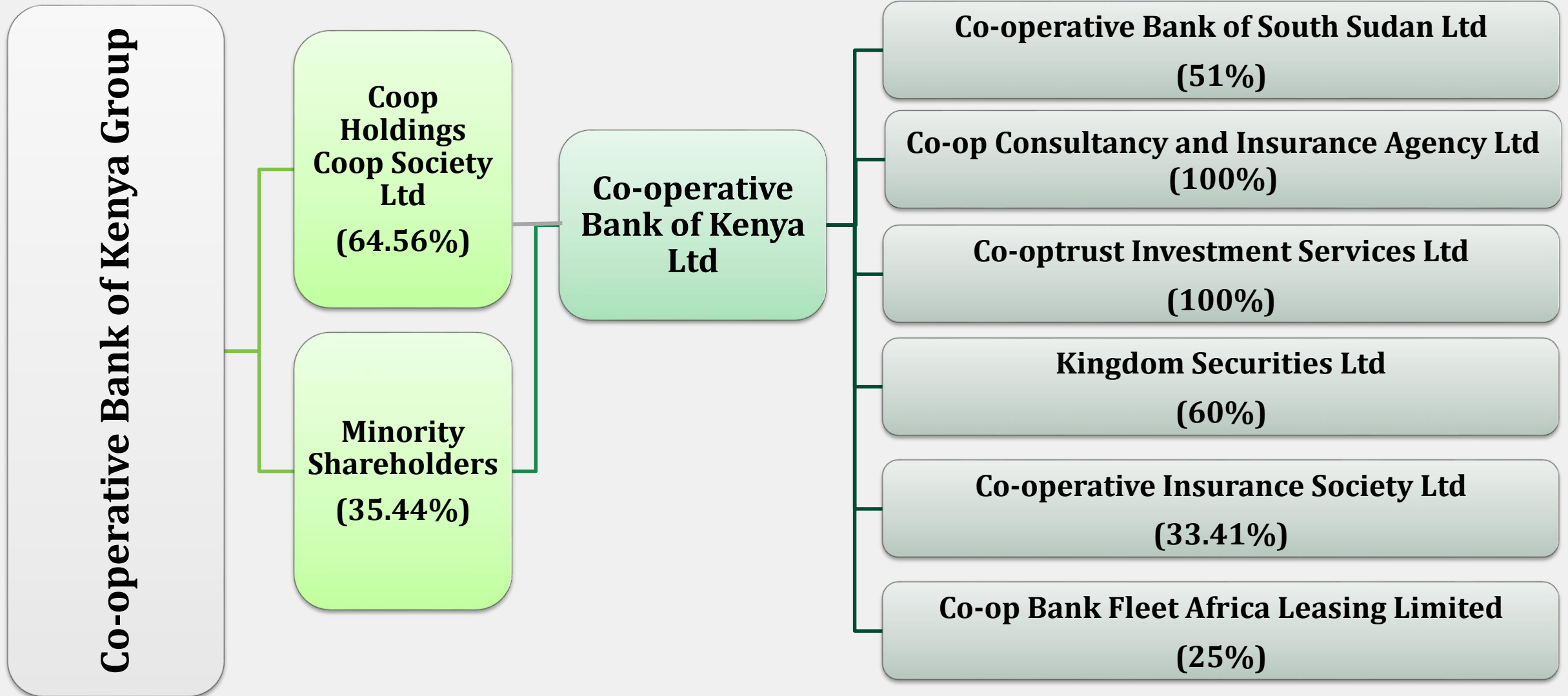
- The economy is estimated to have recovered with a growth rate of 3.2% in FY 2018/19, from a contraction of 3.5% during FY2017/18.
- Overall rate of inflation averaged 60.8% during FY2018/19 down from 121.4% in the FY 2017/18.
- The current account deficit, excluding grants, rose to 6.5% of GDP during FY2018/19 from 4.5% in FY 2017/18
- The main challenge going forward is to ensure sustainability of peace and security in the country.
- With the timeline for the formation of a transitional power-sharing government now set for February 2020, we hope that progress will be made on key milestones such as the unification of the army and decision on the country's states and boundaries.

Strategic Focus

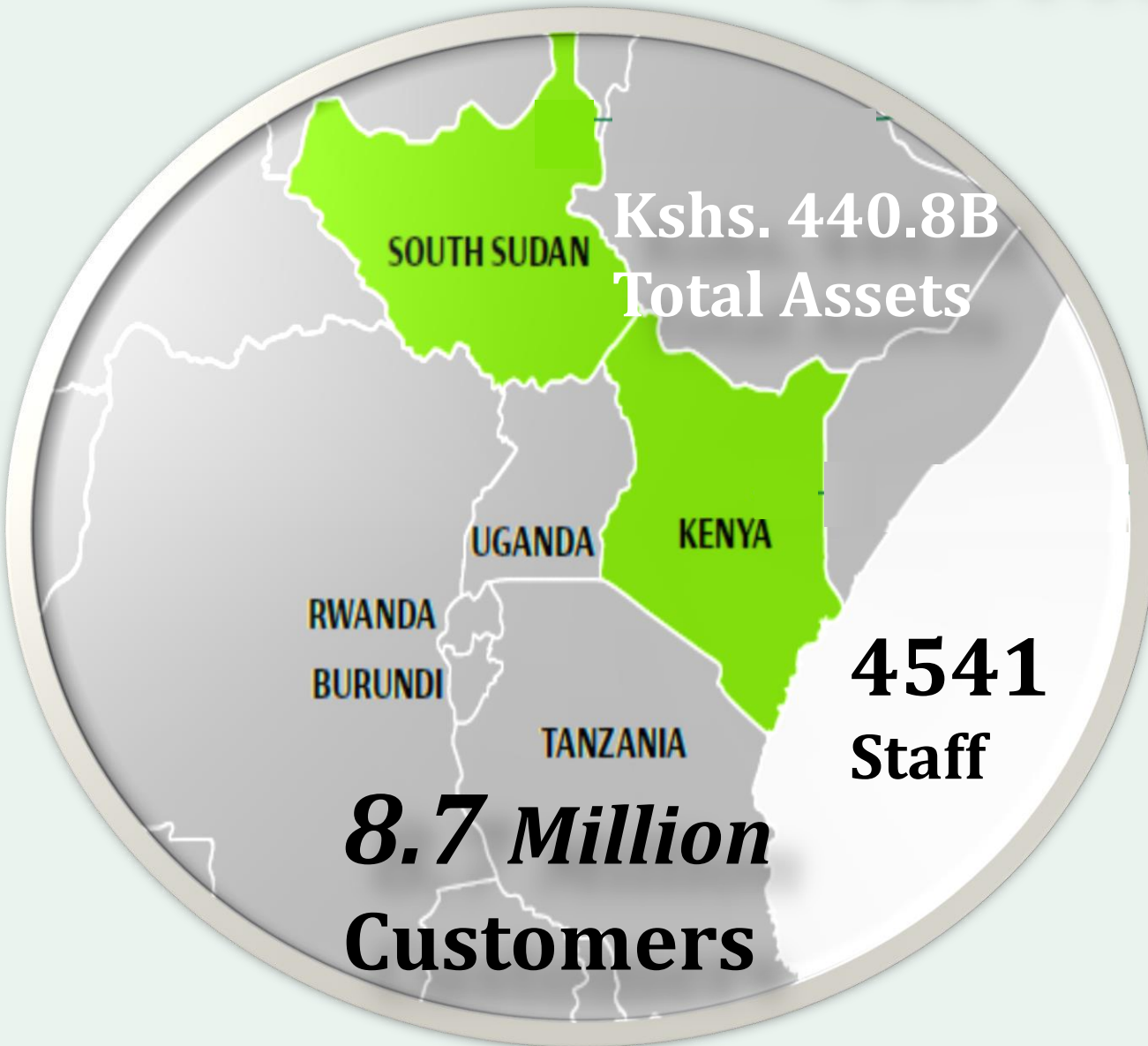
Our Strategic Focus



Co-operative Bank of Kenya Group Structure



Our Presence



157 Branches

4.7 Million+ Mcoop cash mobile banking

16000+ Co-op Kwa Jirani Agents

586 ATMs

89K CoopNet- Internet Banking

464 Sacco Front Offices Branch network

16K+ Diaspora Banking Customers

Our Business: A Successful Universal Banking Model

We enable our customers to;

Save

Borrow

Invest

Insure

Retail and Business Banking (Kshs.148B Loan Book)

Corporate, Government & Institutional Banking (Kshs.110B Loan Book)

Co-operatives Banking (Kshs.29B Loan Book)

Fund management (Over Kshs.96.7B, FY2018 Kshs. 40.5B)

Consultancy and capacity building for the Co-operative movement (2800 mandates to date)

Insurance Brokerage 26% (YoY) growth in Insurance Commission

Stock Brokerage

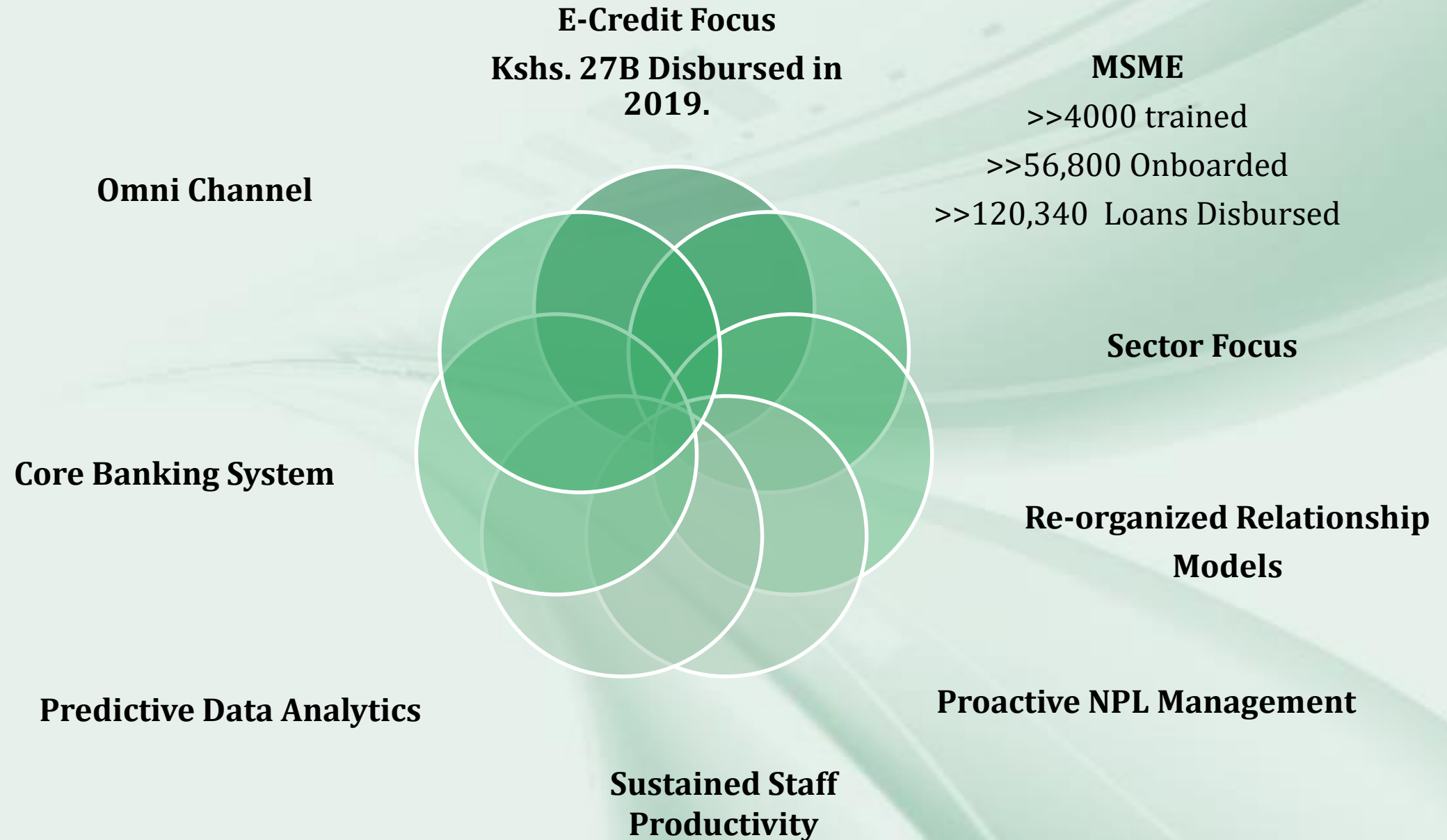
Leasing- Kshs.200M+ Disbursed in 2019

“Soaring Eagle” Transformation Initiatives

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**

“Soaring Eagle” Transformation Initiatives



Co-op Consultancy &

Insurance Agency Ltd

- ❑ 2800 Consultancies
- ❑ 19 Dedicated Consultants
- ❑ 464 FOSA- Financial Inclusion Deepening

Co-op Foundation

- ❑ 7032 students supported to date
- ❑ 2019 (2856) 2018 (2826)
- ❑ Over 1.1 Billion since inception (2019-Over 149Million)
- ❑ Other Programmes with;
 - ❑ Ford Foundation
 - ❑ Embassy of Finland
 - ❑ Energy De Portugal

- ❑ 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)

KENYA BANKERS ASSOCIATION: CATALYST AWARDS 2019

Overall Winner

- Winner: Client case study- Financing SME
- 2nd - Best in sustainable finance
- 3rd - Client Case study-Financing Commercial Clients
- 2nd - Bank case study-Bank Operations
- 2nd - Bank case study- Financing and supporting clients in the informal sector
- 3rd - Most Innovative Bank

GLOBAL SME FINANCE AWARDS 2019

- Product innovation of the year

FINANCIAL REPORTING AWARDS

- Winner: Environmental Sustainability Reporting

KENYA ASSOCIATION OF MANUFACTURERS

- Best Bank in Sustainable Finance in Kenya - 2019



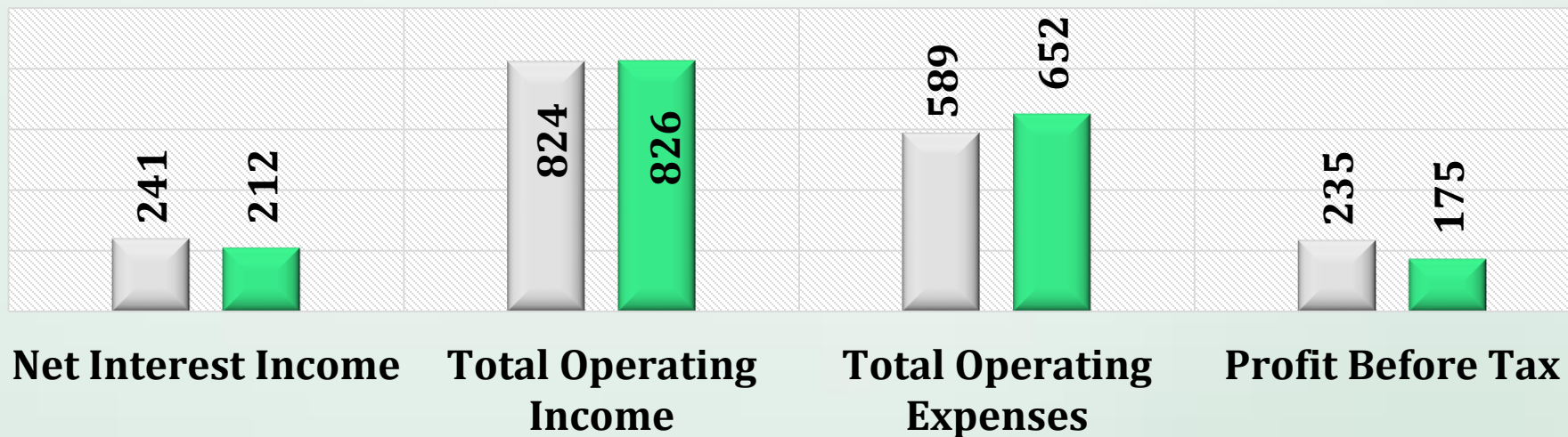
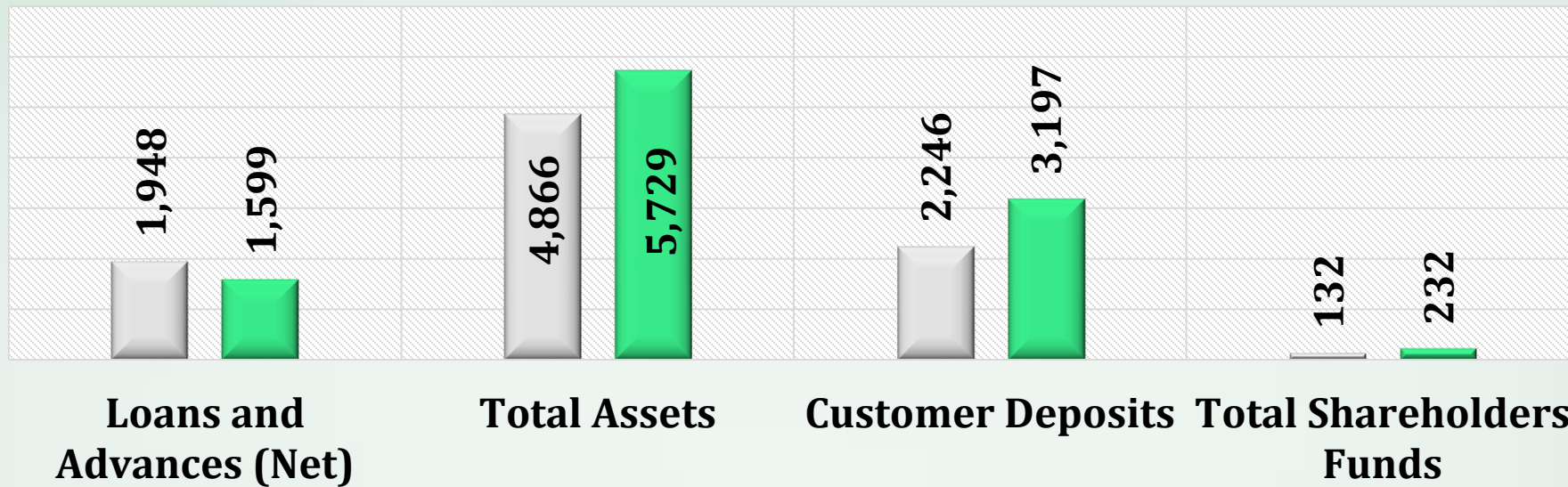


Regional Business (Kshs. Million)

4 branches in Juba

5 Non-oil collection centers.

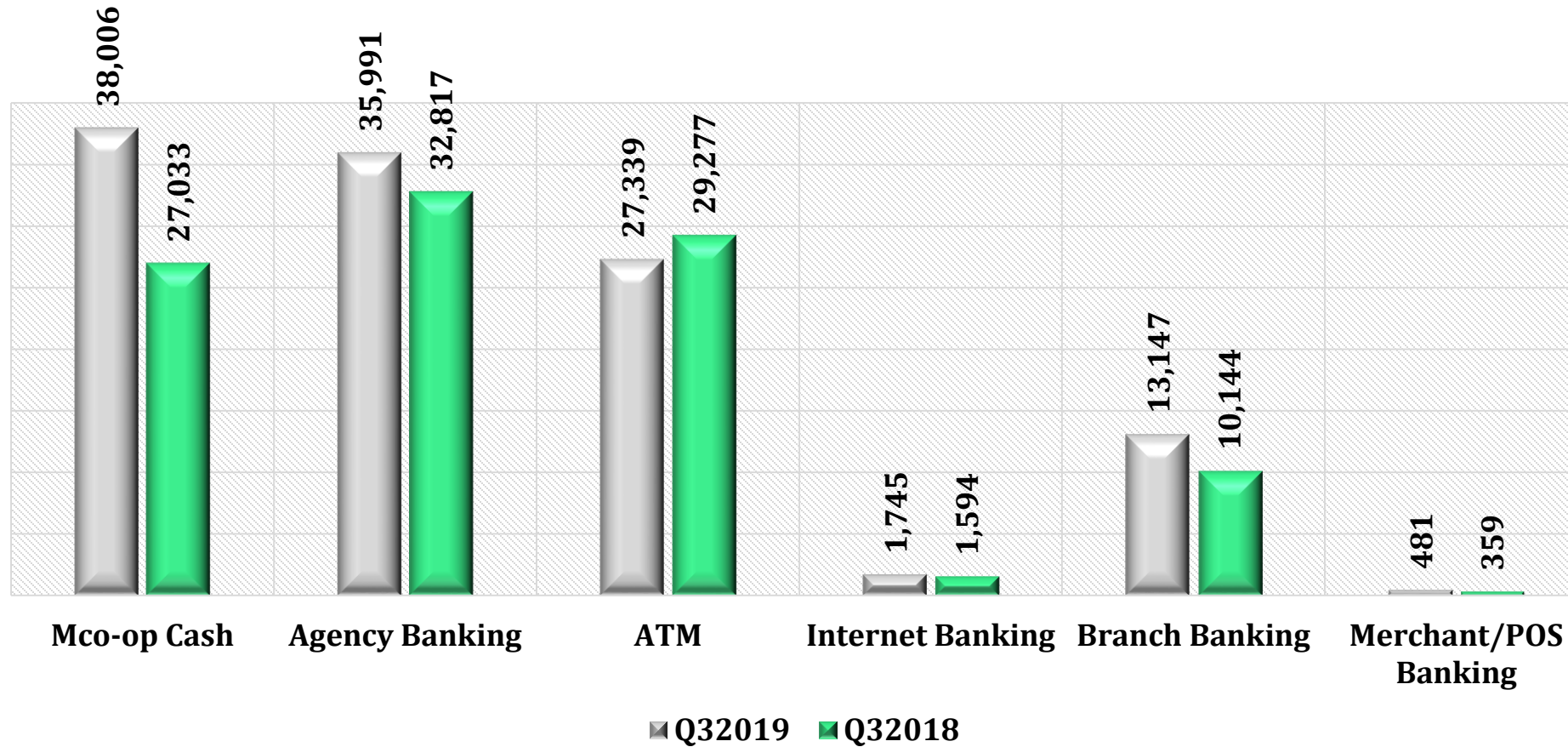
Owns 31% of CIC Africa Ltd- South Sudan



Channel Performance

Growing Digital Channels

Channel Transactions '000'

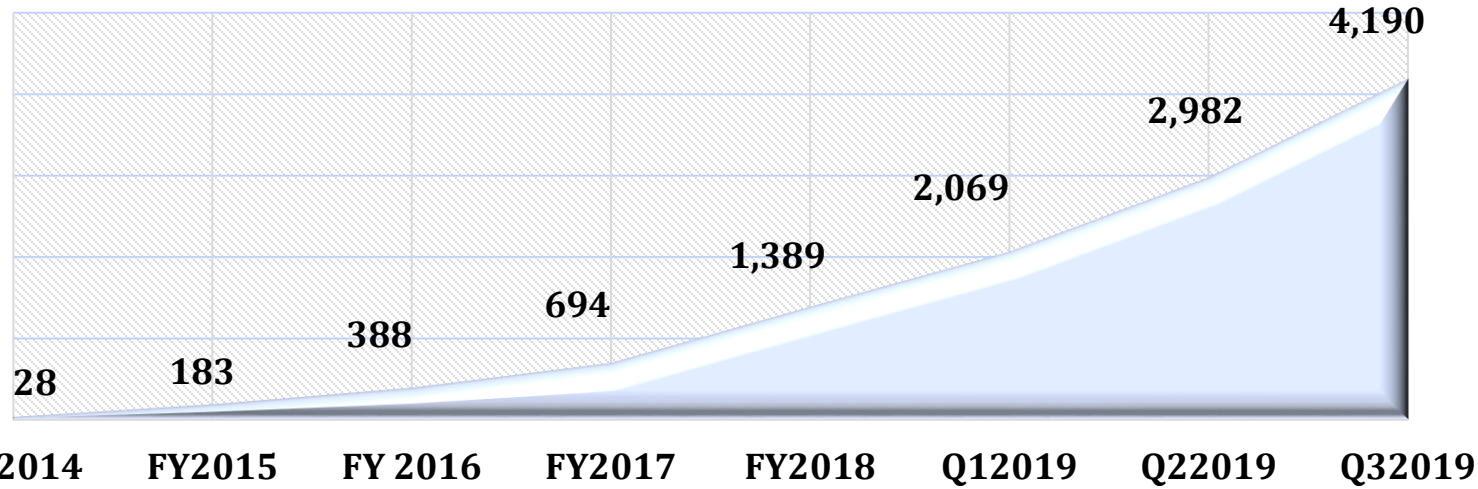


89% of our Transactions are on alternative Channels

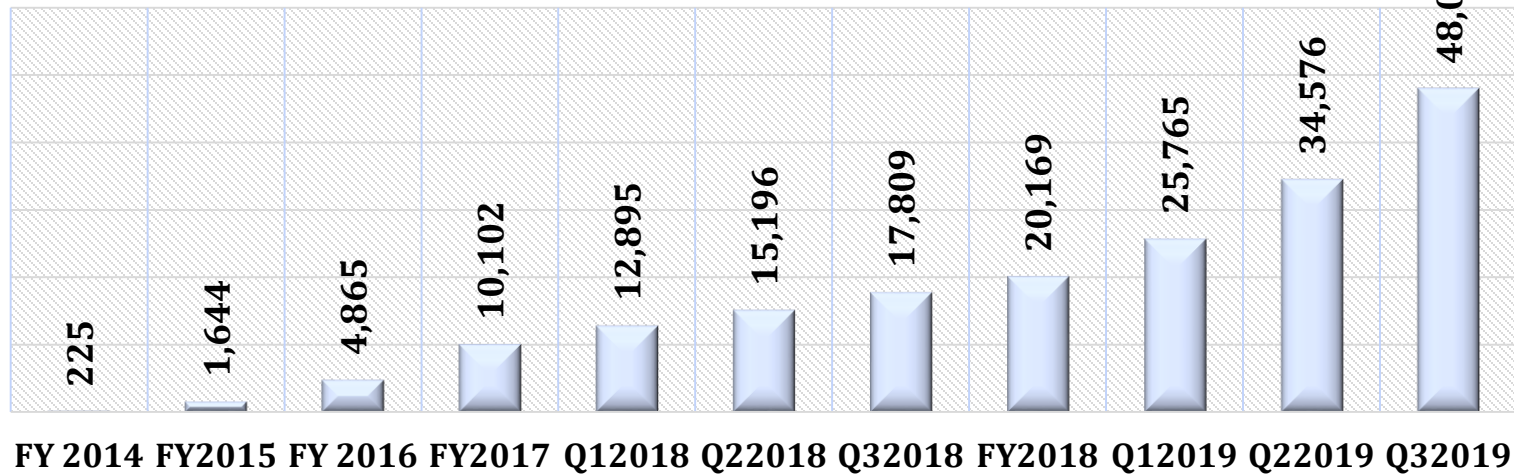
E-Credit is a key focus area, Kshs. 27B disbursed Year to Date

E-Credit

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

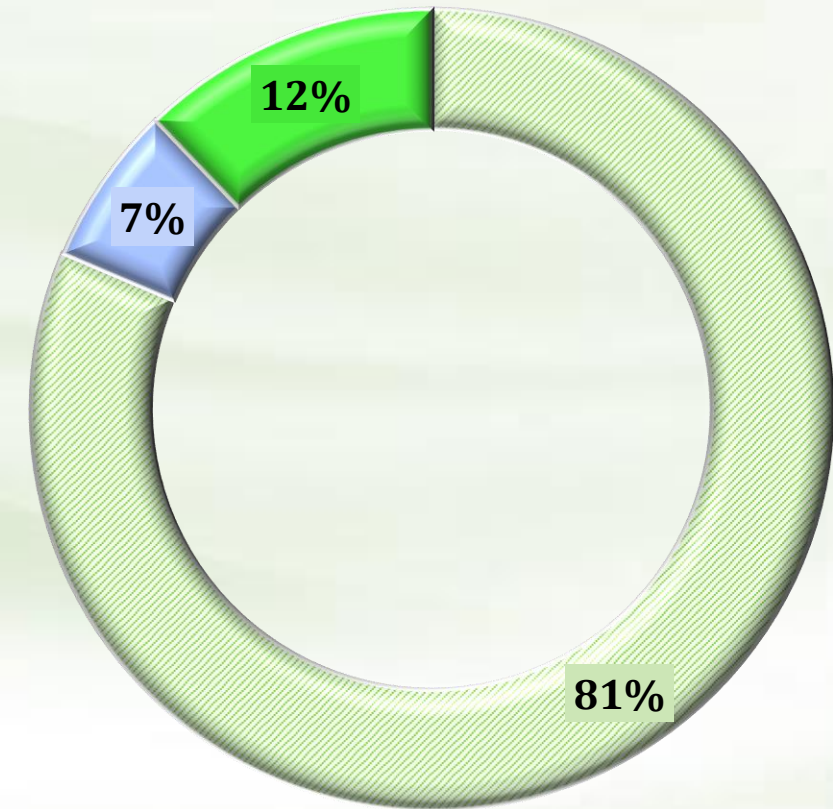


Cummulative MCo-op Cash loan Book - In Millions



E-CREDIT – KEY GROWTH FOCUS

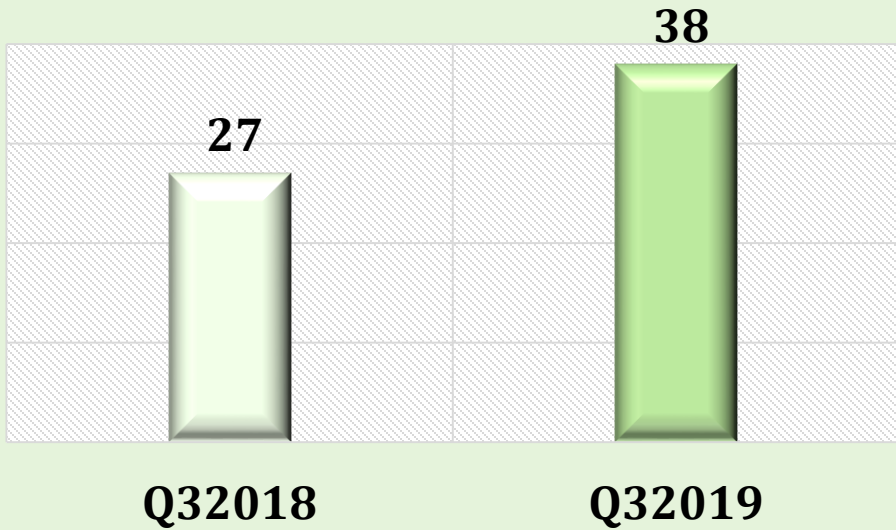
- E- Flexi
- Business
- Unsecured Business Plus



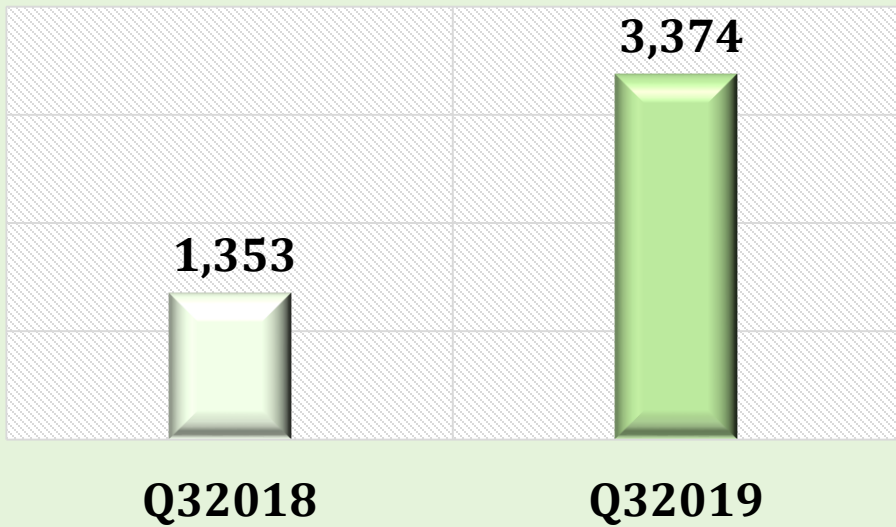
***MOBILE
BANKING
(MCOOP CASH)***

***Leveraging
Mobile Banking
to grow
commissions***

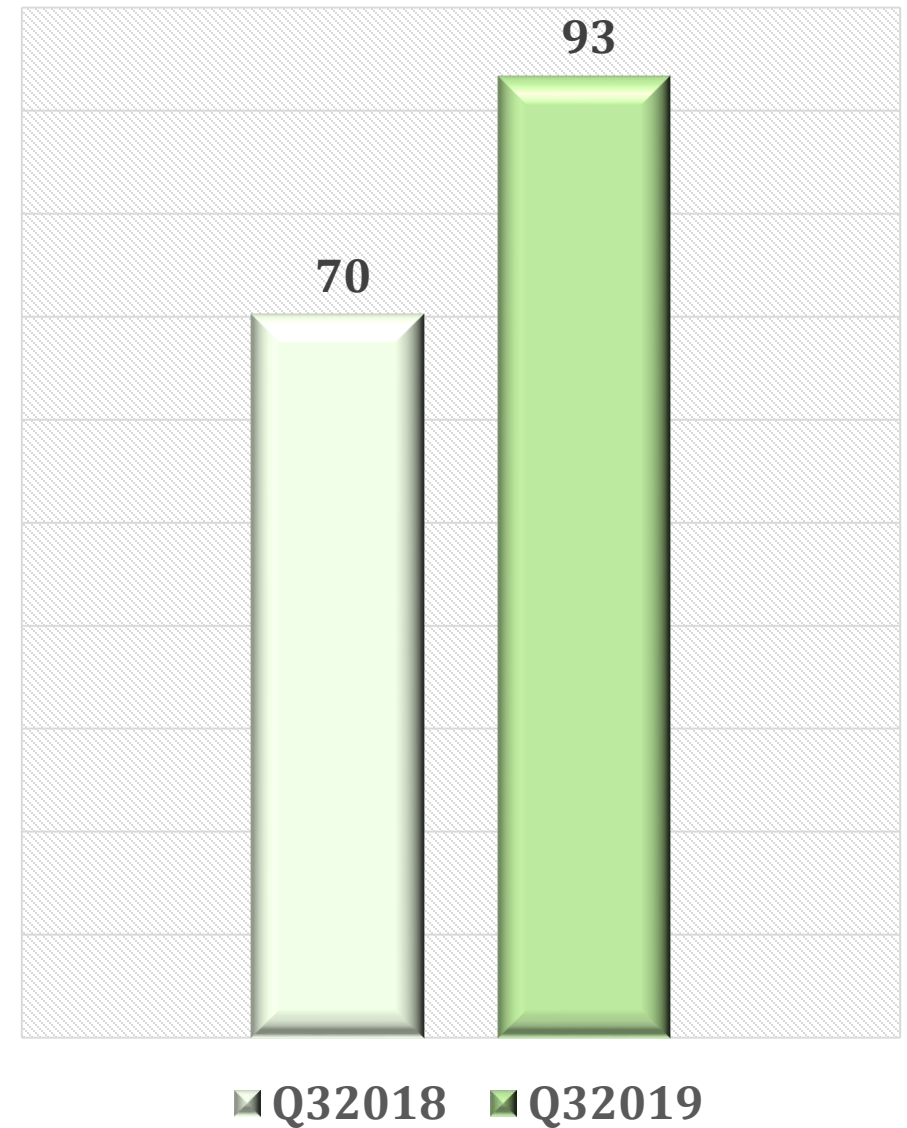
Transactions - Millions



Commissions - Millions



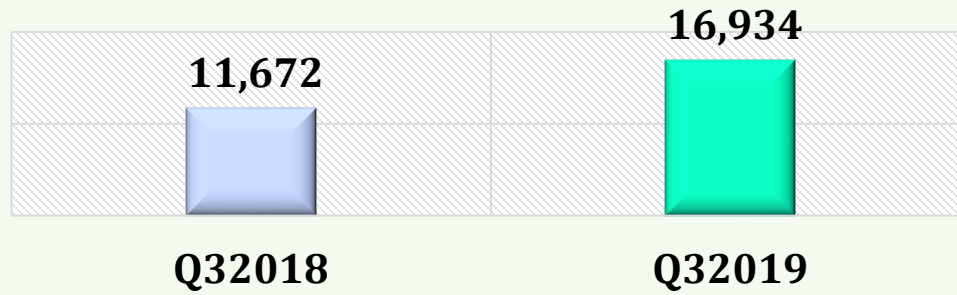
**Deposits through Mobile
(Billions)**



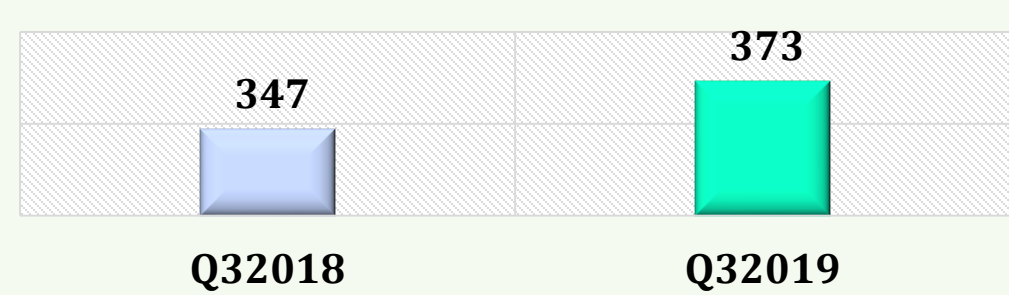
AGENCY Banking

*Growing
Co-op Kwa
Jirani
Agency
Banking*

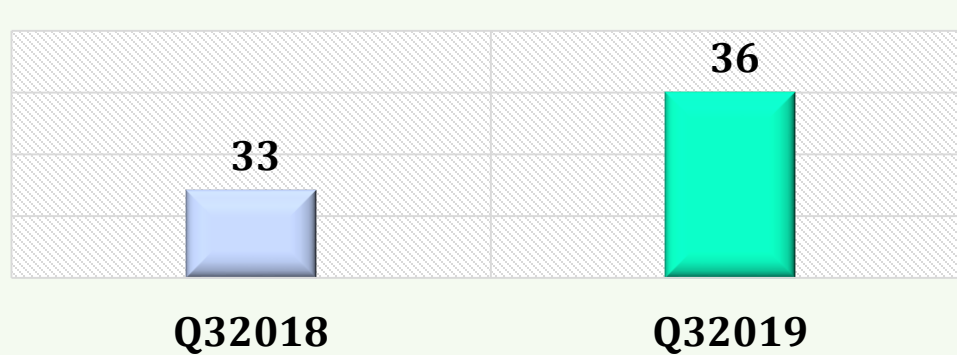
No. of Agents



Total Revenue (Million)



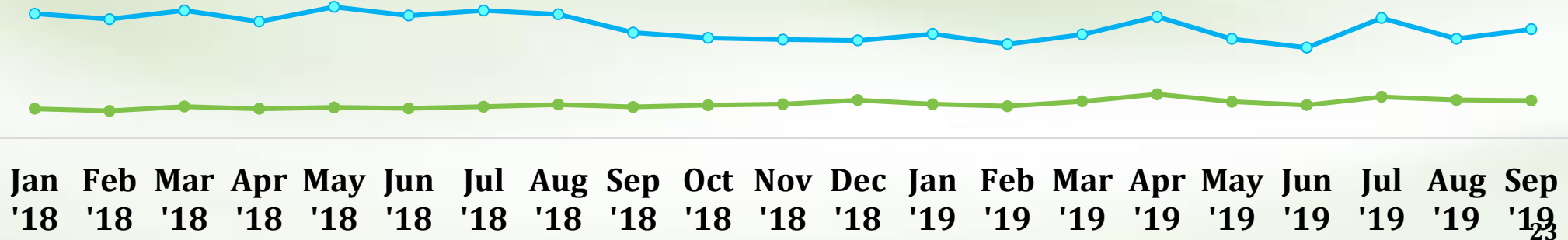
Total No. of Transactions (Million)



Deposits Generated by Agents (Billion)



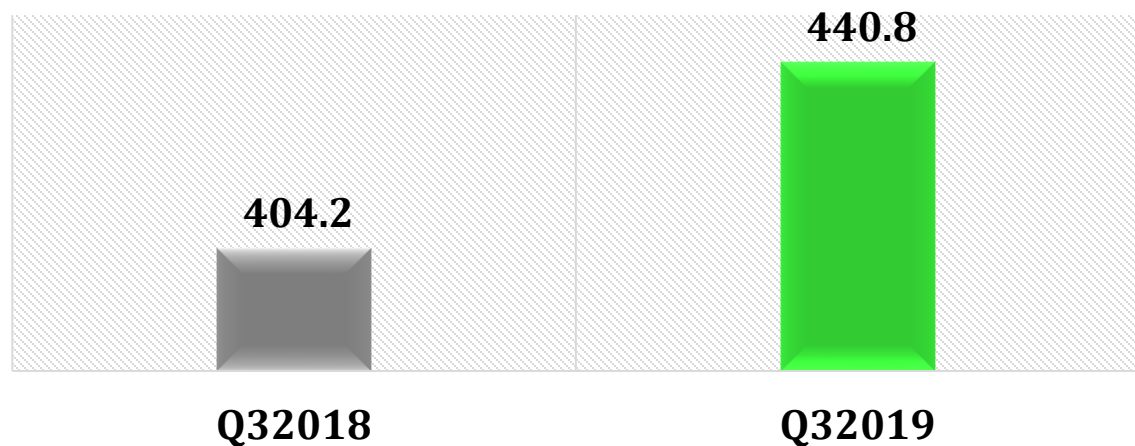
—○— DEPOSIT —●— WITHDRAWAL



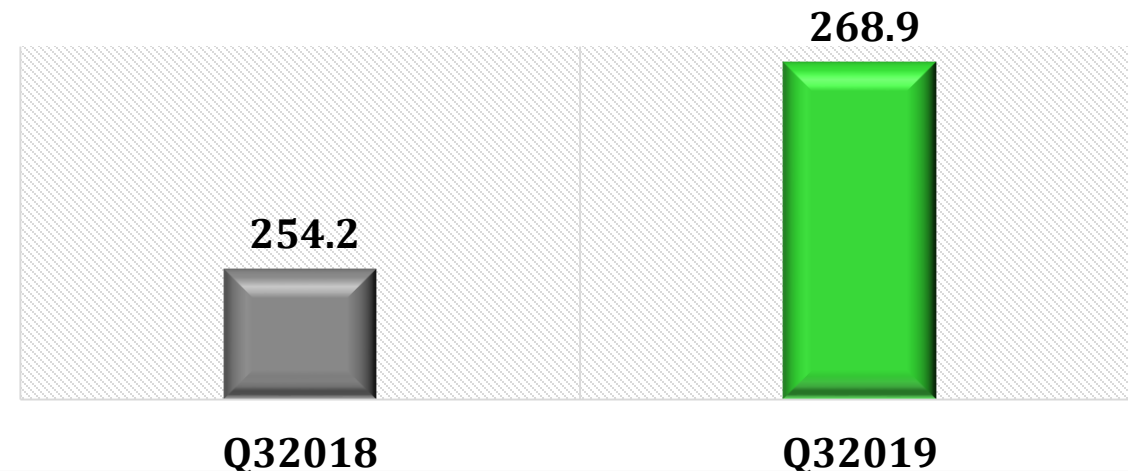
Financial Highlights

Strong Financial Position (Kshs. Billion)

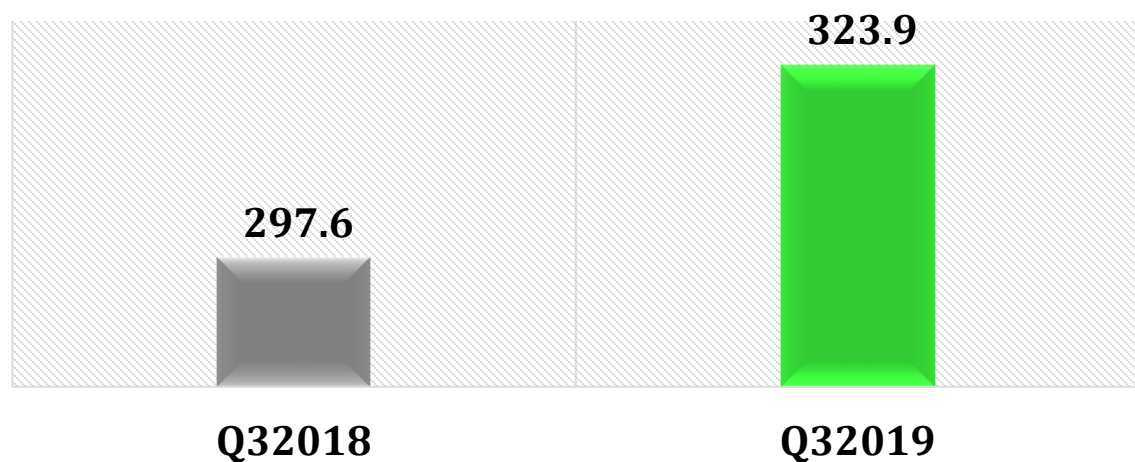
Total Assets



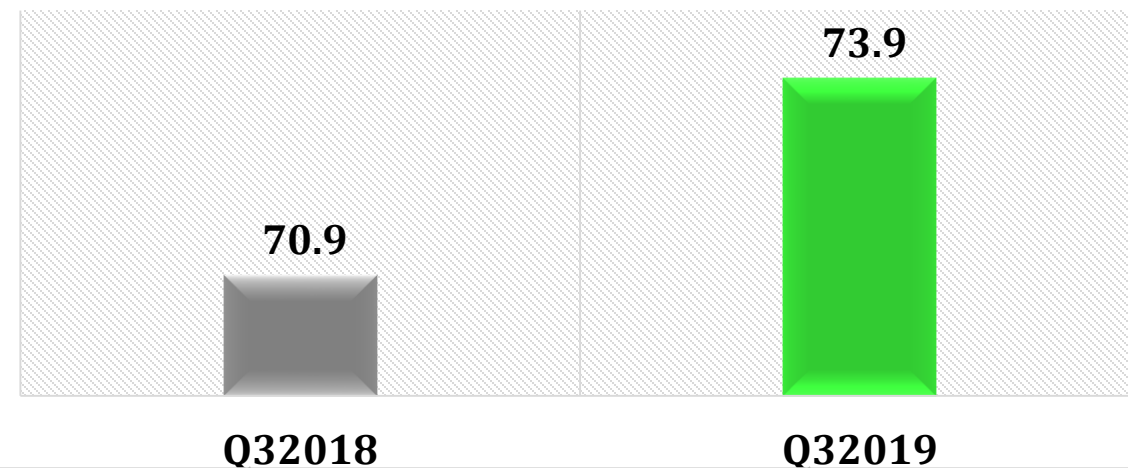
Loan book (Net)



Total Deposits



Shareholders Funds

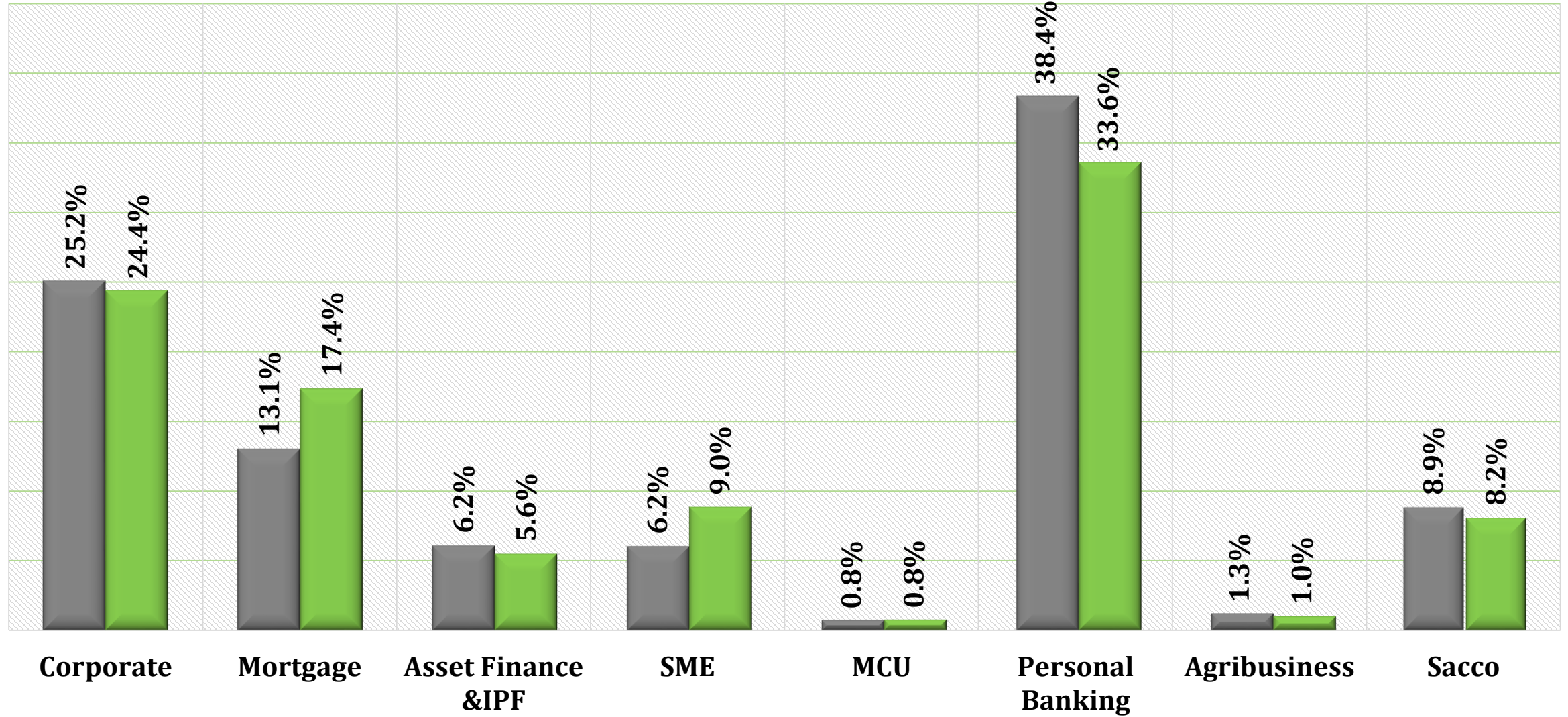


Strong Financial Position (Kshs. Billion)

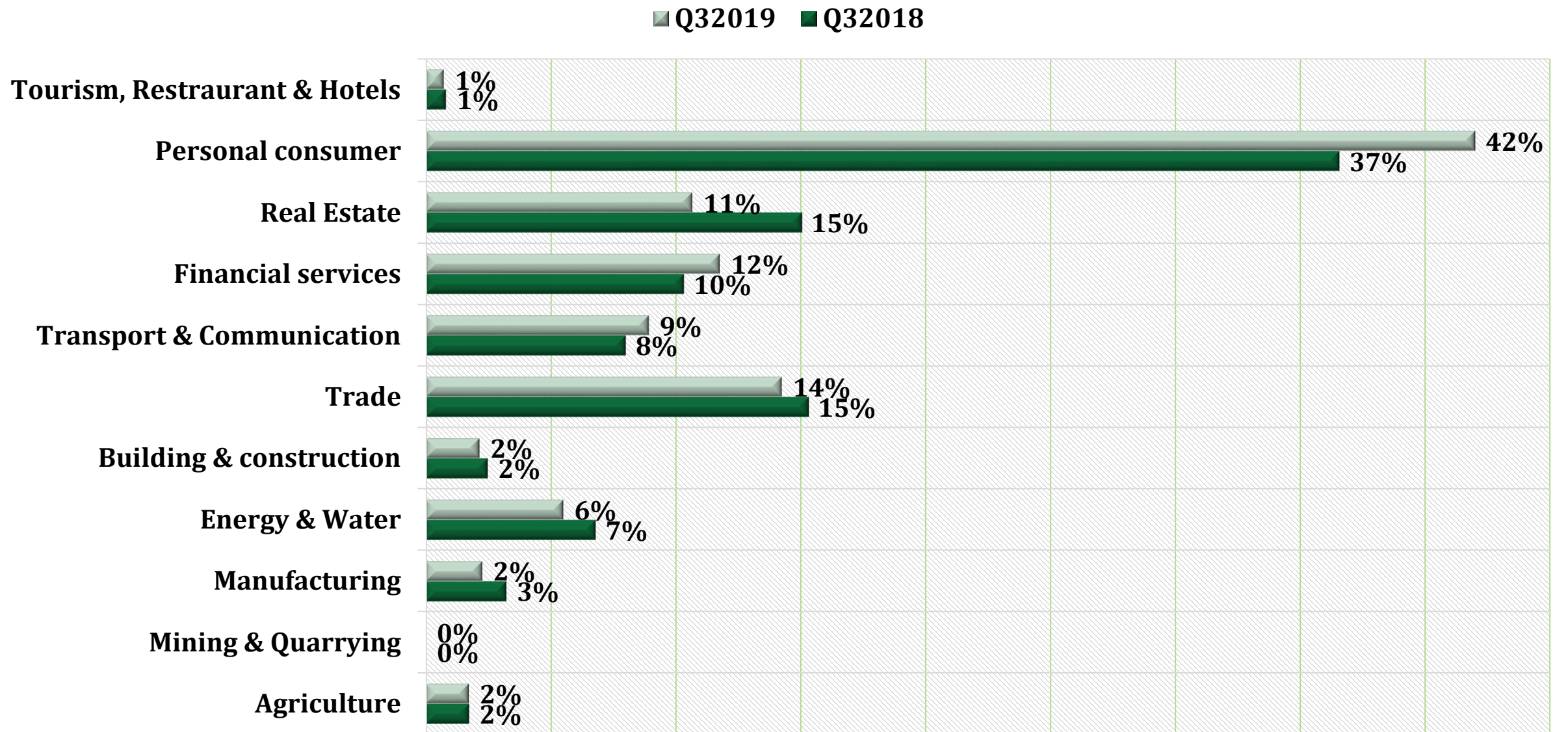
Kshs. Billions	Q32019	Q32018	% Change (YoY)		FY2018
Total Assets	440.8	404.2	9.1%		413.4
Loan book (Net)	268.9	254.2	5.8%		245.4
Government Securities	94.6	83.2	13.6%		80.3
Total Deposits	323.9	297.6	8.8%		306.6
Borrowed Funds	29.7	26.0	14.4%		23.9
Shareholders Funds	73.9	70.9	4.3%		69.9
No. of account holders (Millions)	8.7	7.6	14.5%		8.0

Diversified loan book

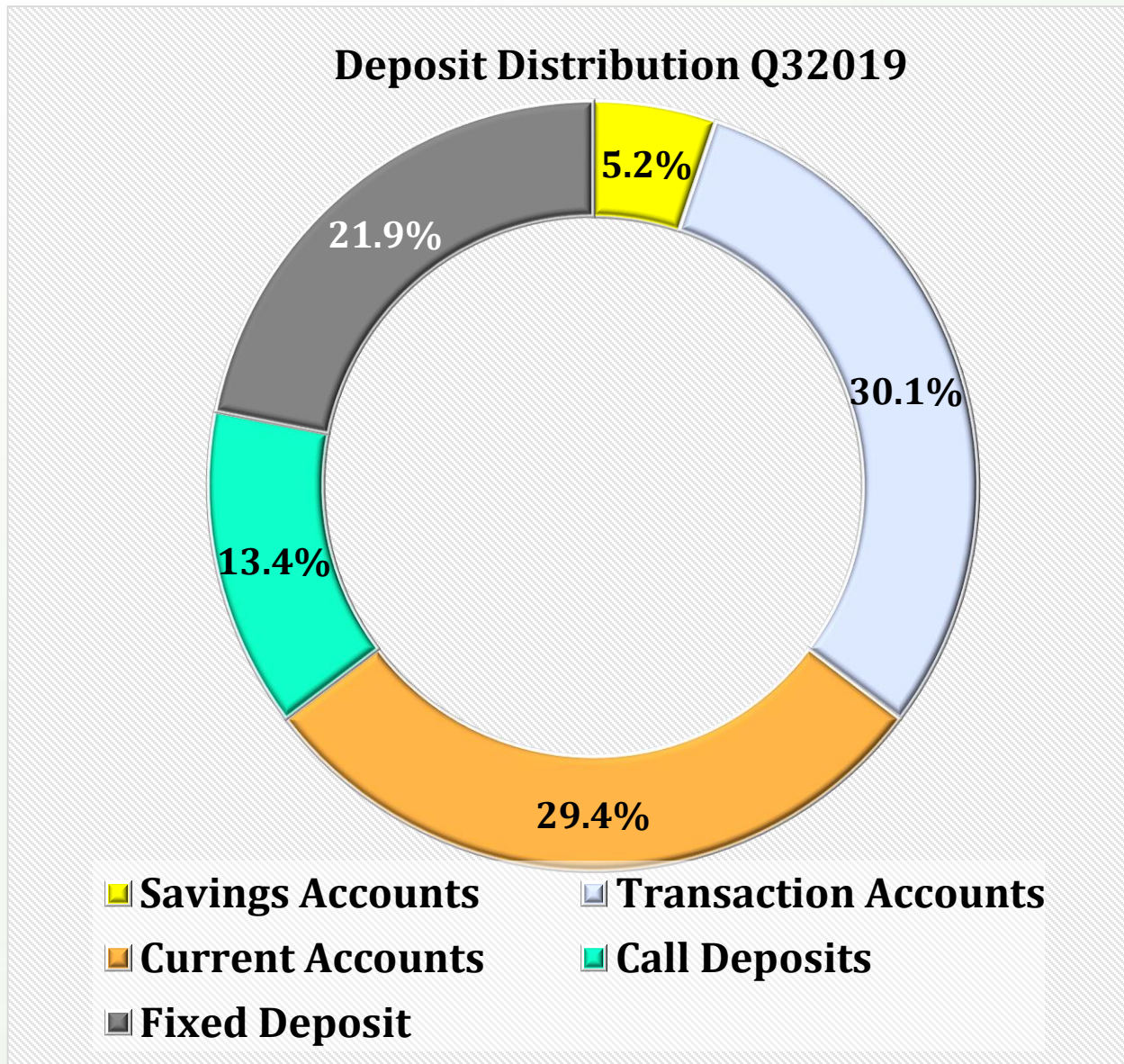
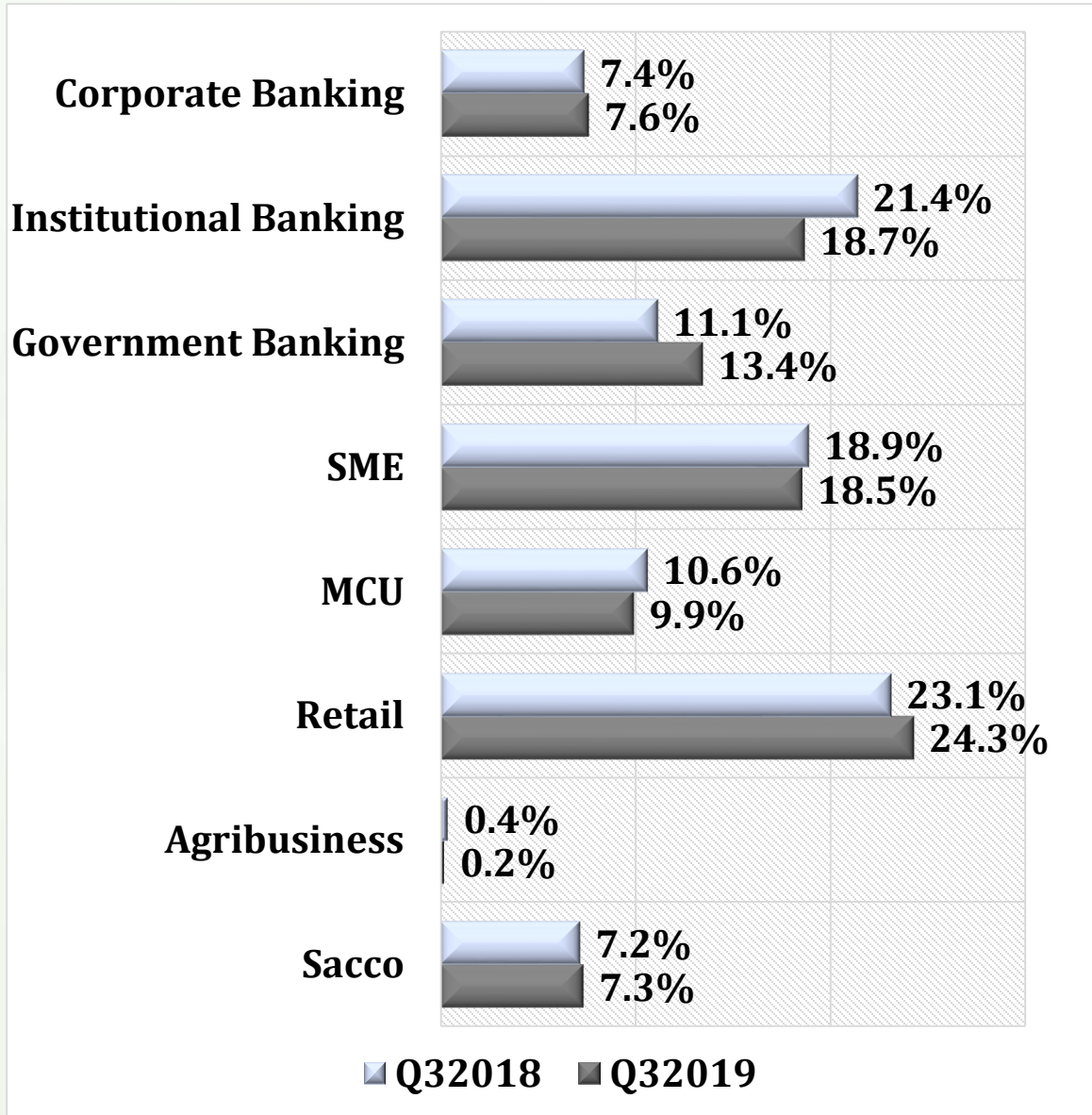
■ Q32019 ■ Q32018



Diversified loan book

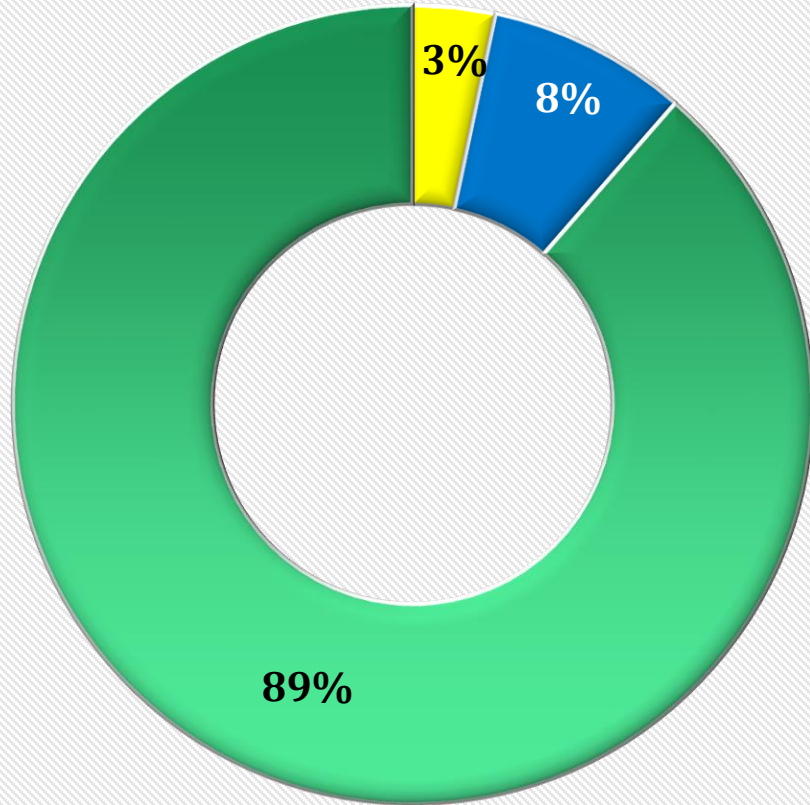


Well-diversified Liability Portfolio



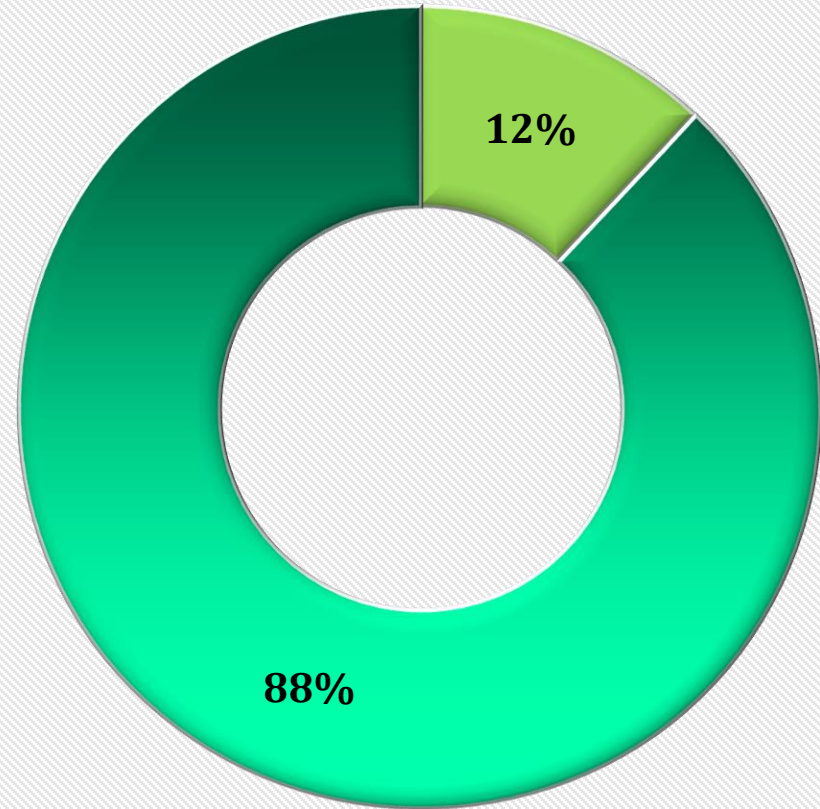
Optimally balanced Kenya Shilling asset & funding book

FUNDING
(Local Vs Foreign Currency Q32019)



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

LOAN BOOK
(Local Vs Foreign Currency) Q32019



- Foreign Currency
- Local Currency

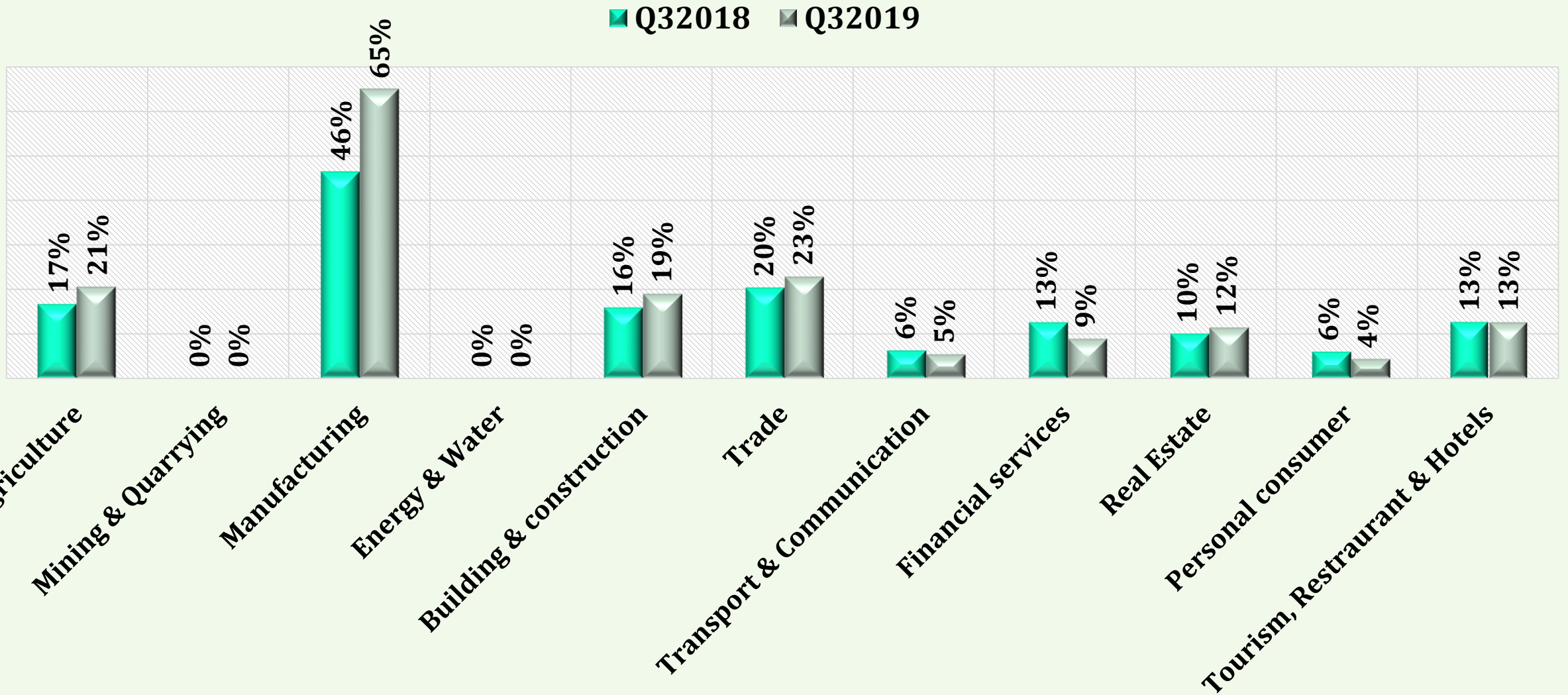
Quality Loan Book - Bank

	Q32019	%	Q32018	%	FY2018	%
Normal	231,247	80%	208,627	78%	200,946	77%
Watch	26,557	9%	30,154	11%	29,723	11%
Substandard	10,300	4%	13,747	5%	10,434	4%
Doubtful	18,586	6%	15,020	6%	17,977	7%
Loss	589	0.2%	559	0.2%	542	0.2%
TOTAL (GROSS)	287,279	100%	268,106	100%	259,621	100%
Provisions	20,007		15,848		16,075	
NET LOAN BOOK	267,272		252,258		243,546	
Gross Non-performing loans	29,474		29,325		28,953	

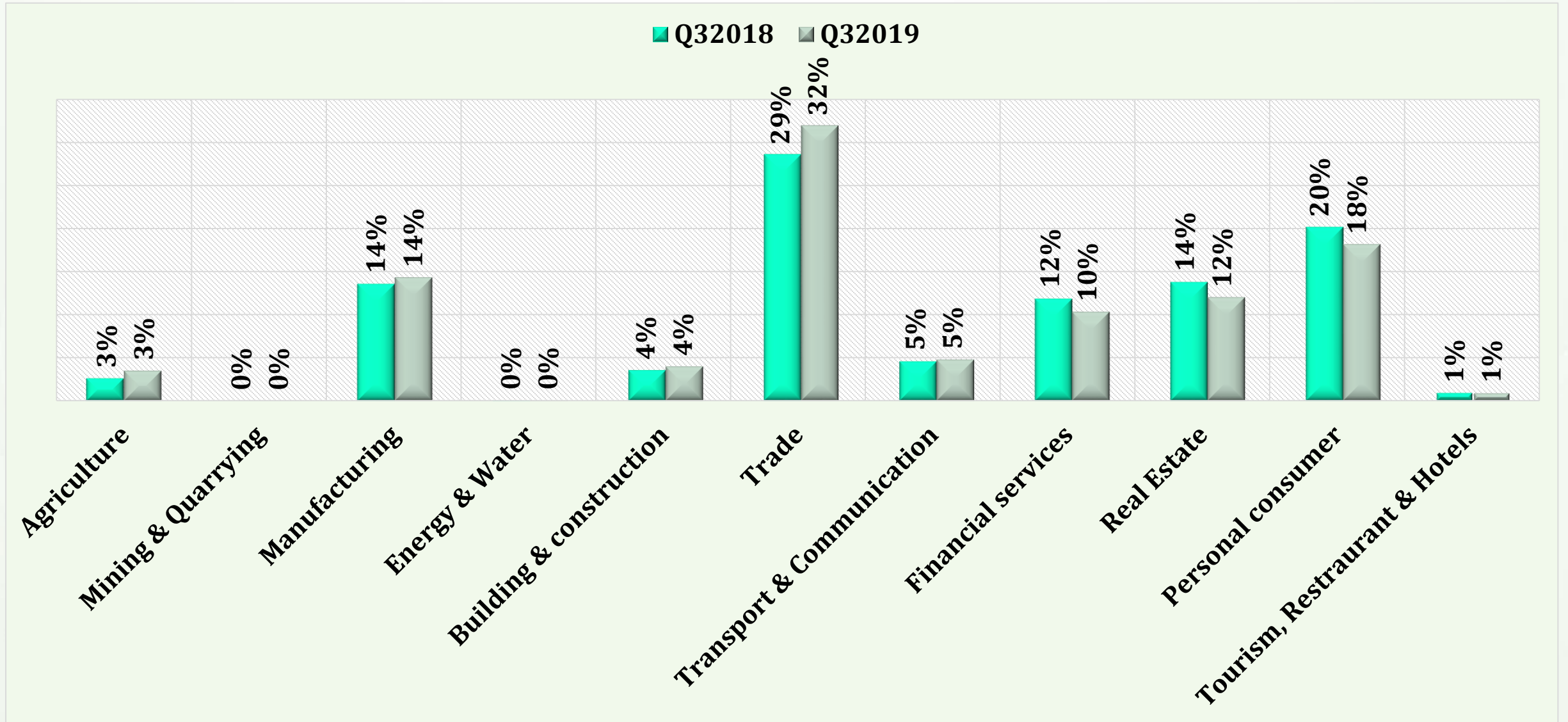
Quality Loan Book – Bank (IFRS 9)

Stage/Grade	Exposure (Kshs. B)	Provision (Kshs. B)
Stage 1	231.25	2.76
Stage 2	26.56	0.80
Stage 3	29.47	16.45
Grand Total	287.28	20.01

Portfolio Trends – Specific Sector NPL By Sector Book

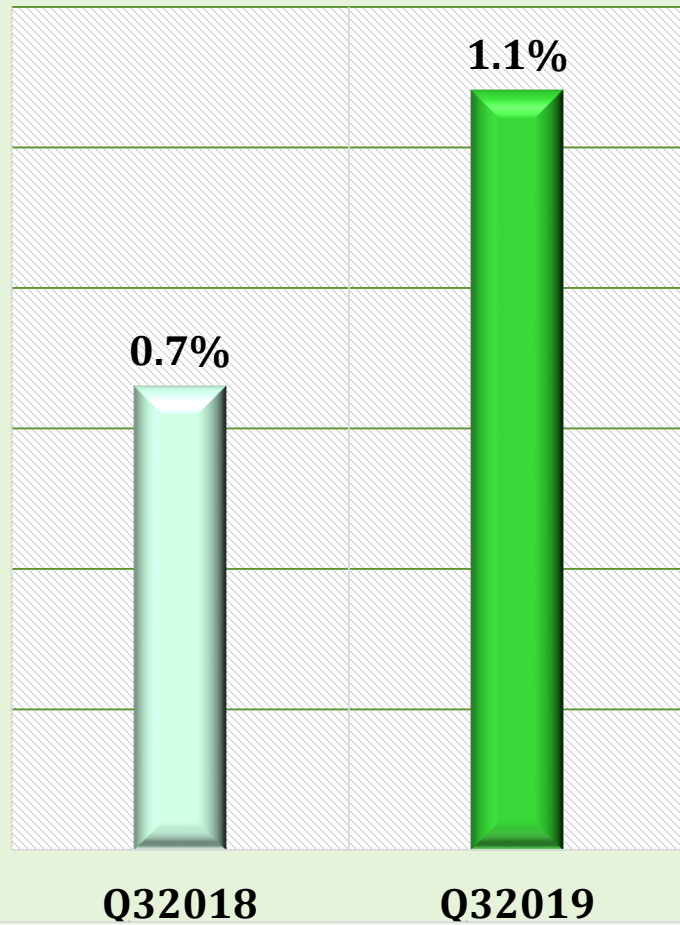


Portfolio Trends – Sector NPL By Total Bank NPL Book

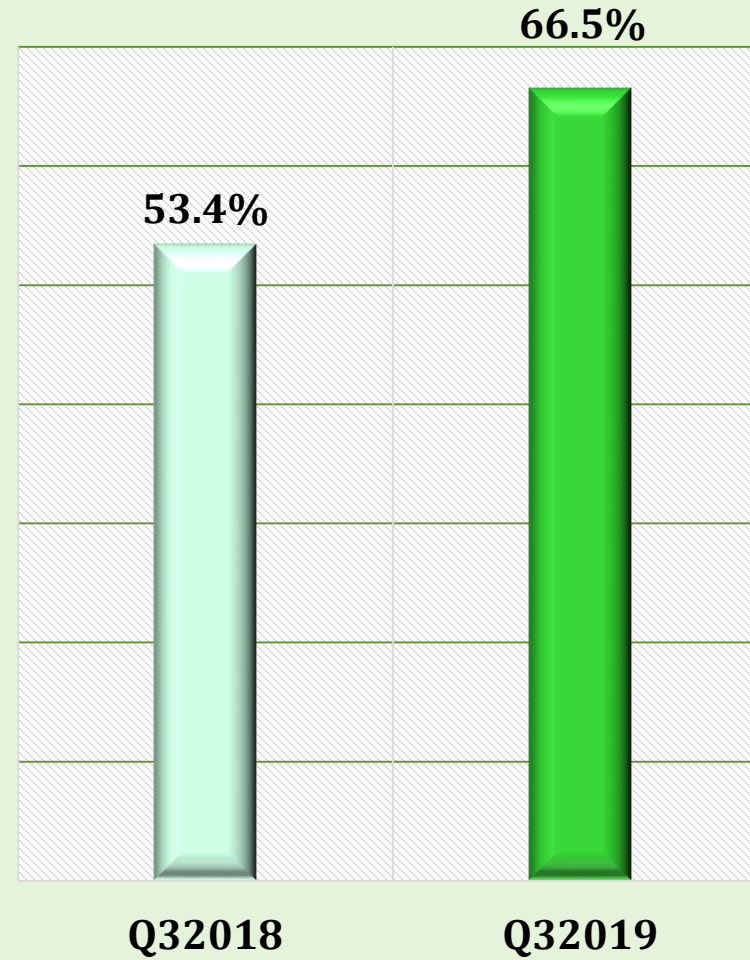


Adequate Coverage

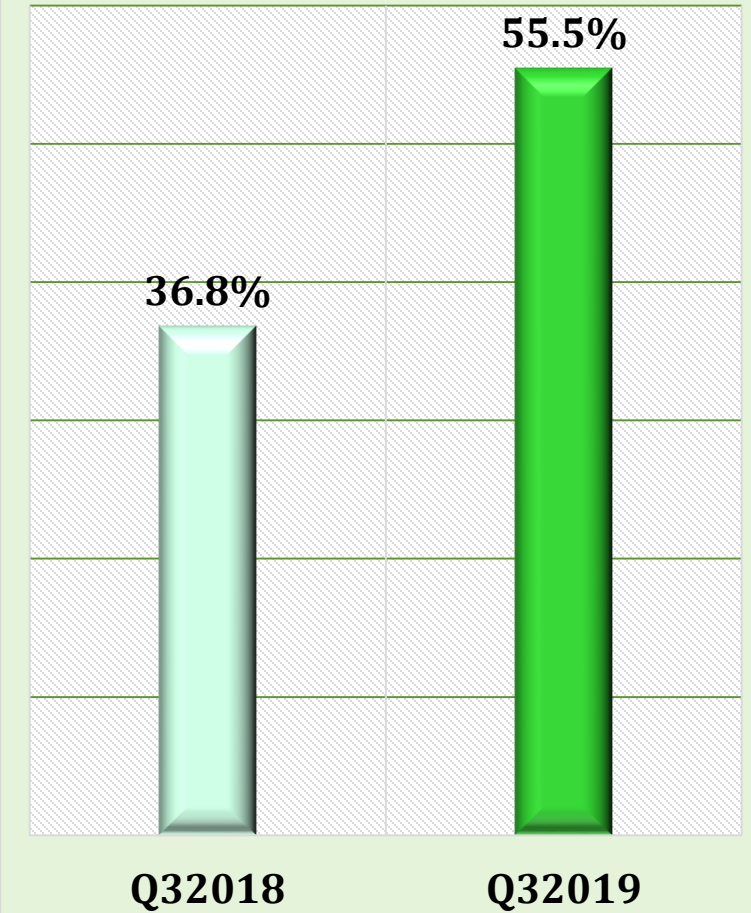
Cost of Risk



Coverage CBK (Includes Gen. Prov.)

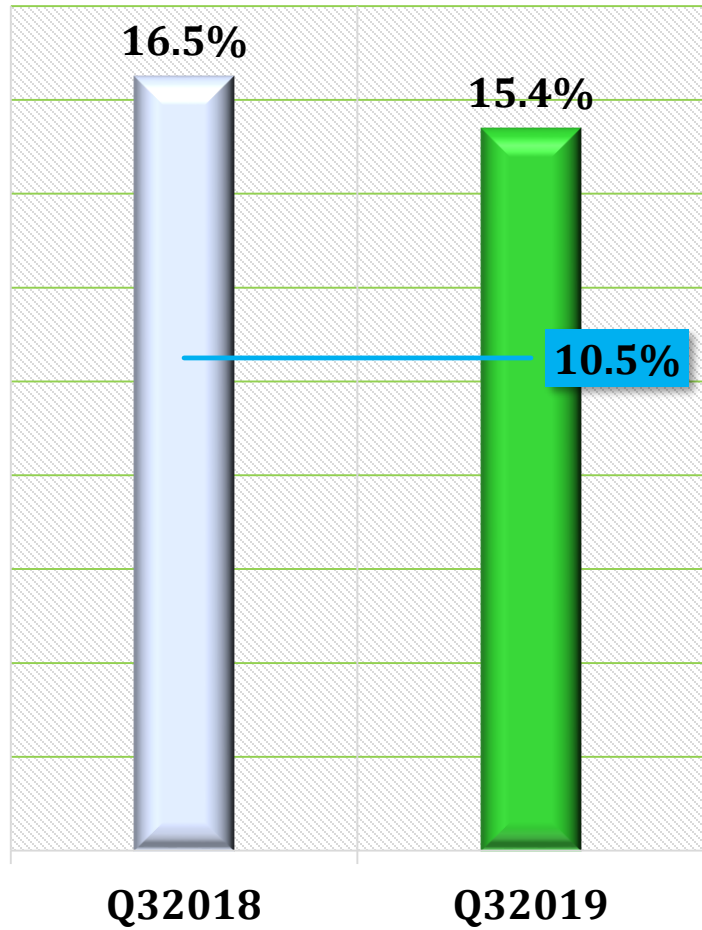


Coverage (IFRS) Excludes General Provisions

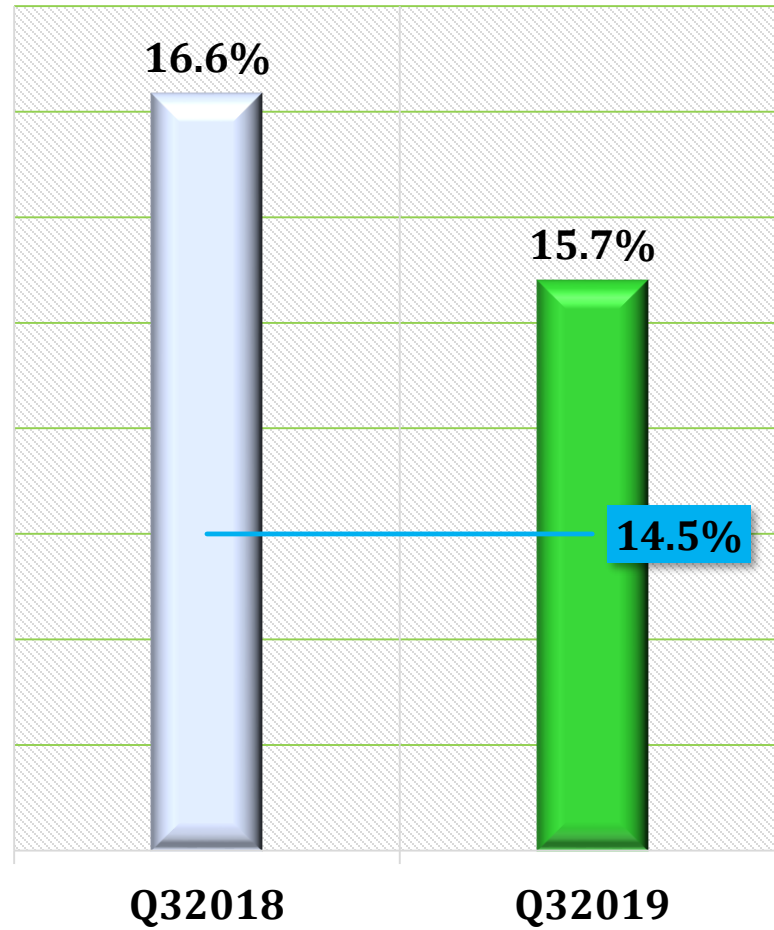


Strong capital to support future growth

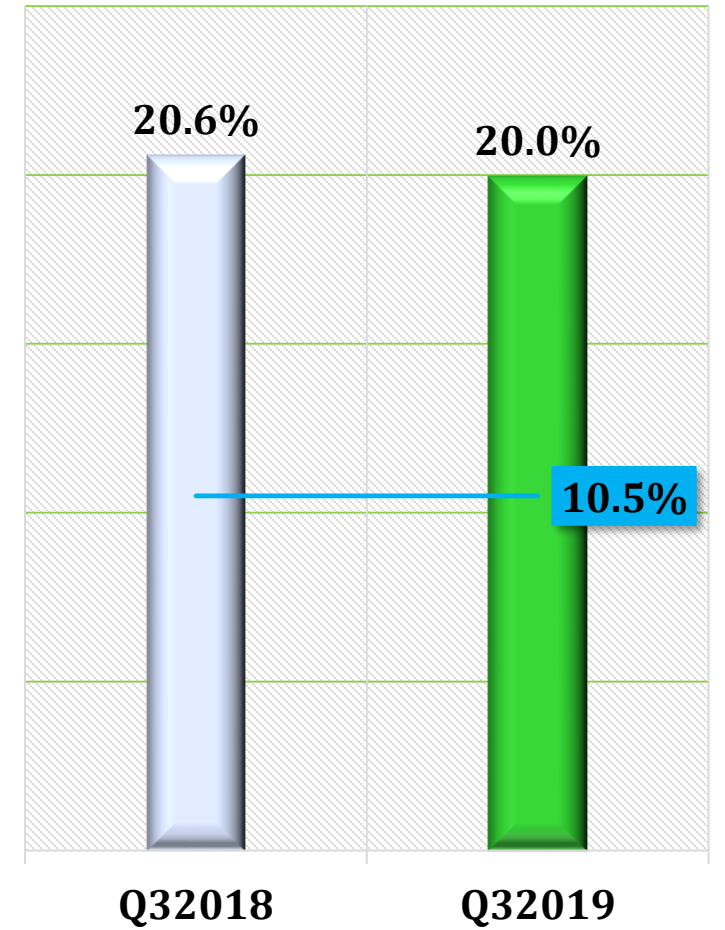
■ Core Capital / Total Risk Weighted Assets
— Minimum Statutory Requirement



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

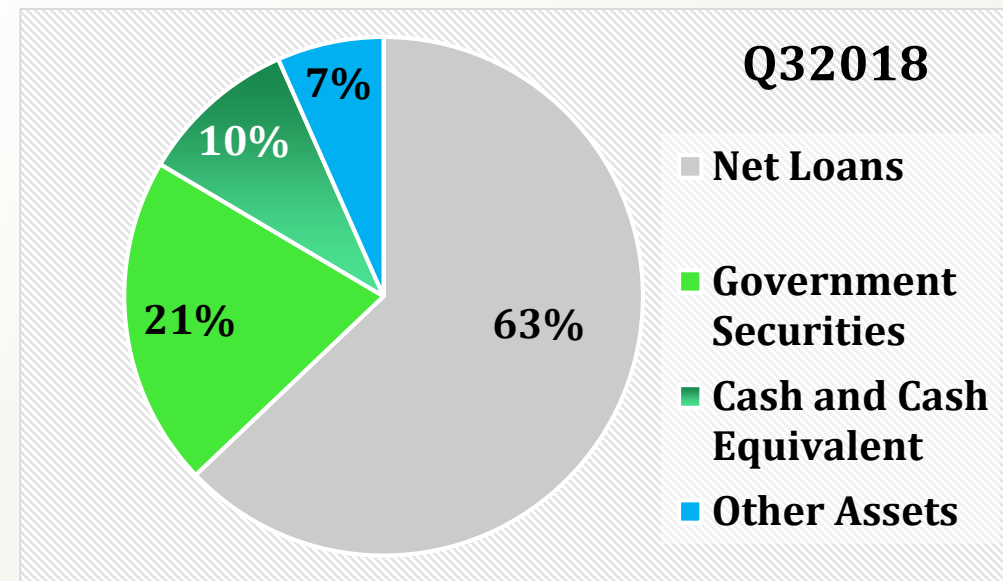
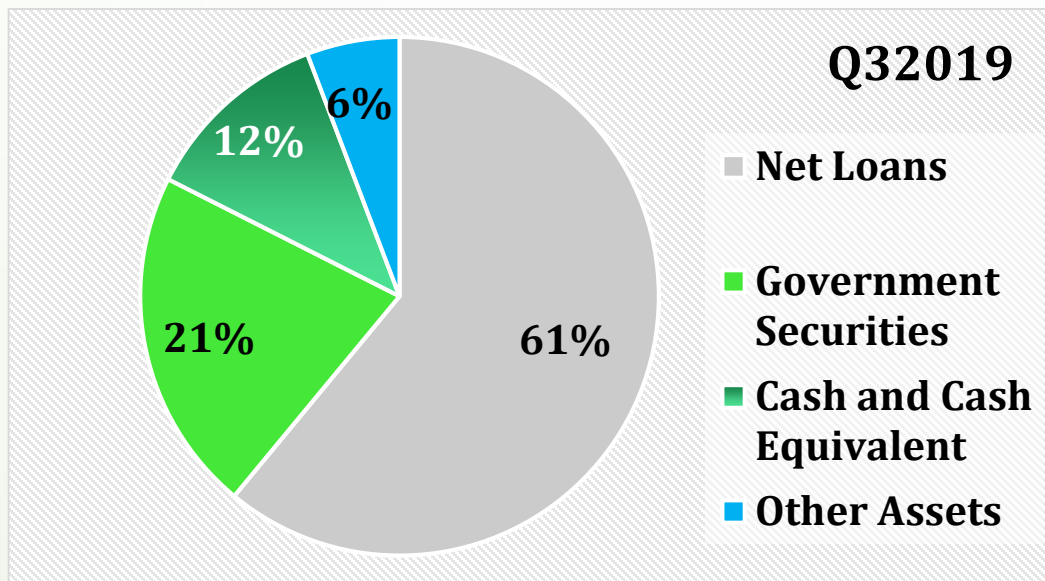


■ Core Capital / Total deposit Liabilities
— Minimum Statutory Requirement

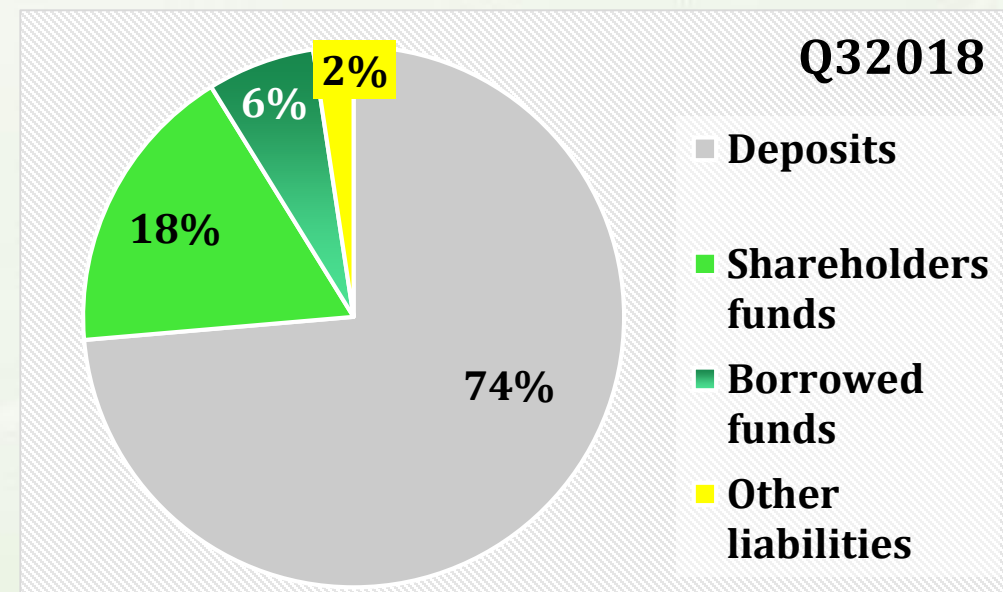
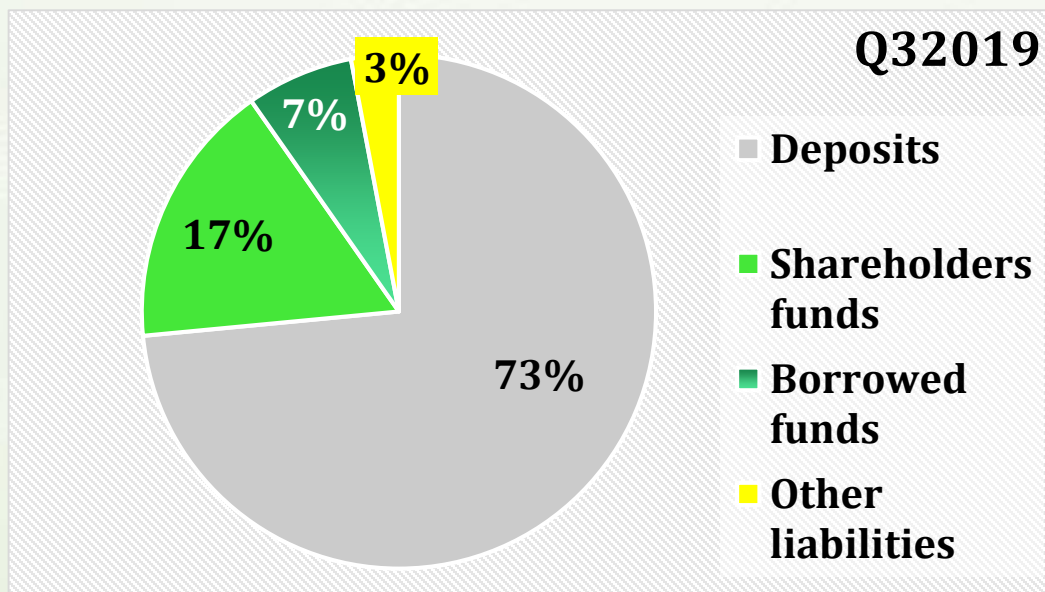


Optimal Asset and Funding Mix

Asset Categories

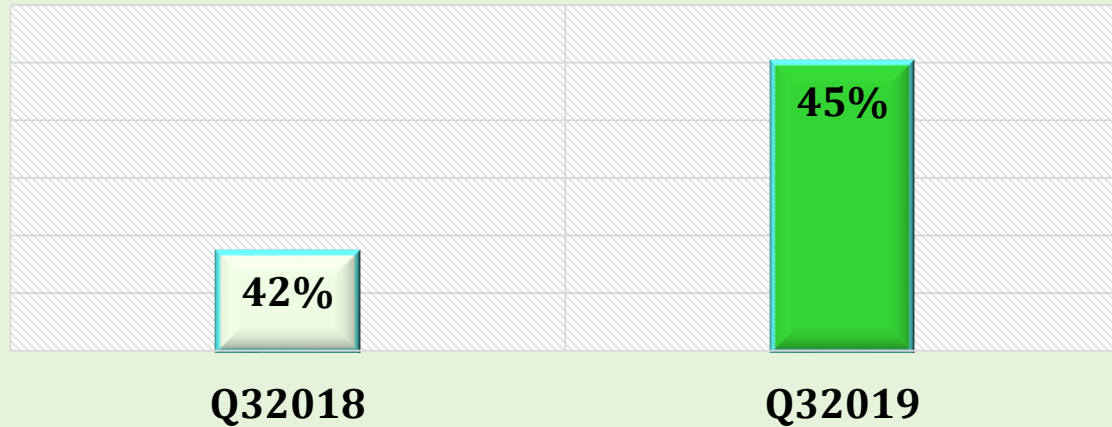


Funding Categories

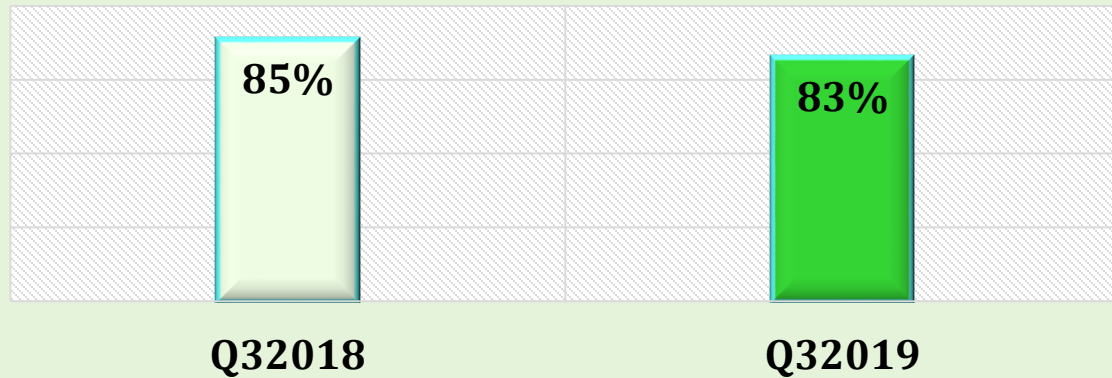


Strong liquidity to support investments

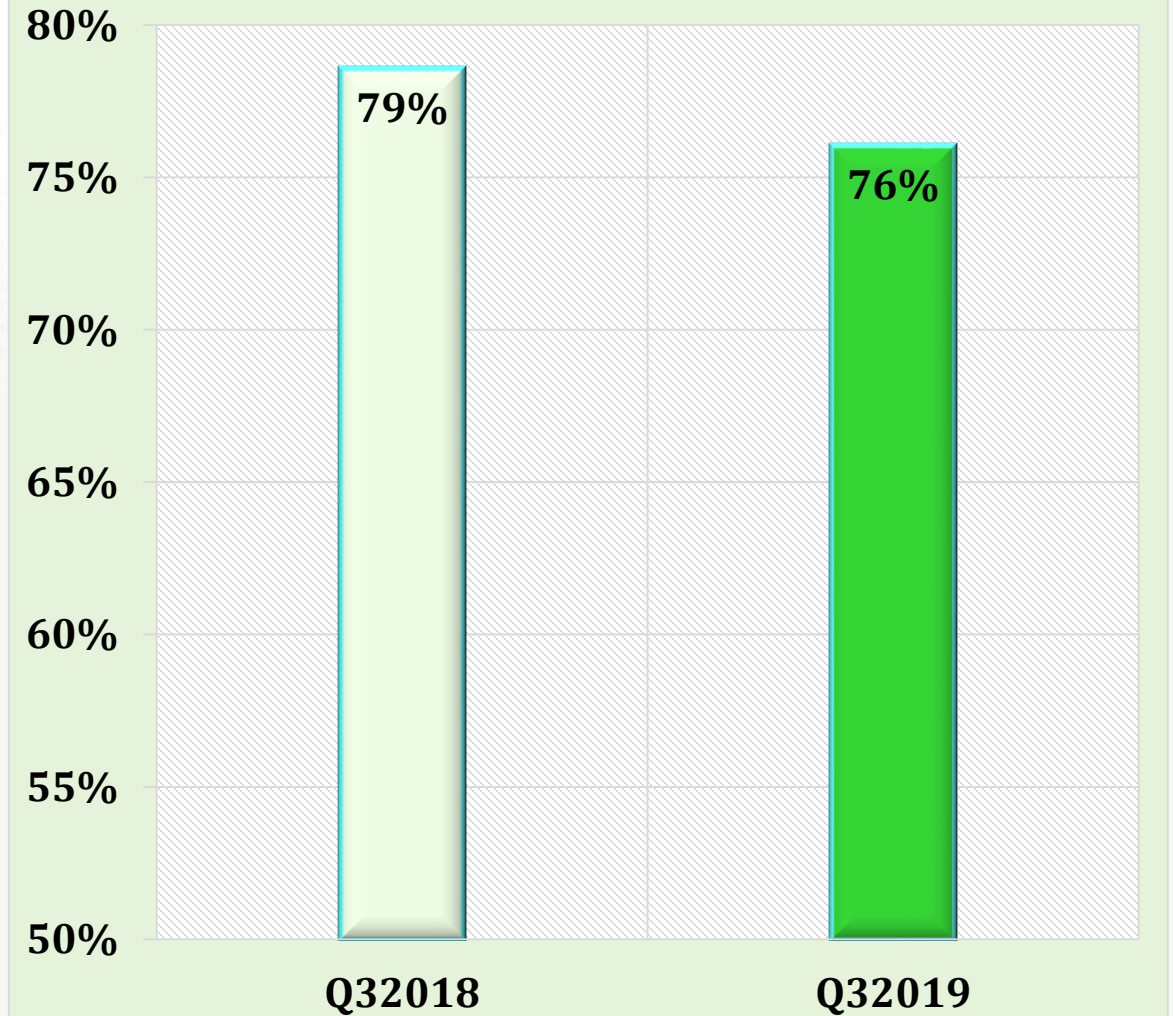
Liquidity



Loans to Deposit



Loans to Deposits+ Borrowed Funds



Improved Subsidiary Contribution

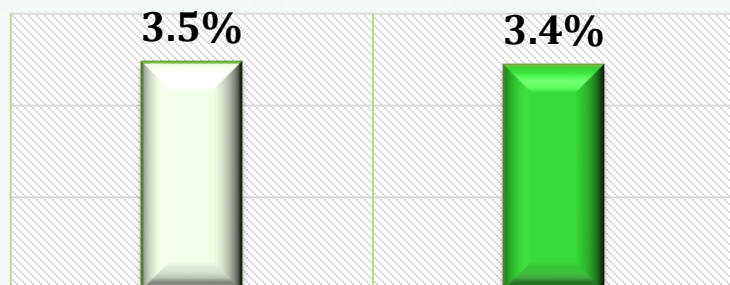
COMPANY	Profit Before Tax Q32019 KShs'000	Profit Before Tax Q32018 KShs'000	Variance	%
The Co-operative Bank of Kenya Limited	14,705,868	13,879,249	826,619	6%
Co-op Consultancy & Ins Agency Limited	511,040	376,735	134,305	36%
Co-op trust Investments Limited	50,858	38,197	12,661	33%
Kingdom Securities Limited	(10,424)	(15,599)	5,175	33%
Co-operative Bank of South Sudan	174,739	235,116	-60,377	-26%
Total PBT before eliminations	15,432,081	14,513,698	918,383	6%
Add: Share of profit from associates	22,685	131,948	-109,263	-83%
Group profit before tax	15,454,766	14,645,646	809,120	6%
Income tax expense	4,571,022	4,331,710	239,312	6%
Group profit after tax	10,883,744	10,313,936	569,808	6%

Sustainable Profitability Growth

Kshs. Billions (except for EPS)	Q32019	Q32018	% Change (Y/Y)		FY2018
Interest Income	30.4	30.9	-1.6%	↓	43.02
Interest Expense	9.2	9.1	0.9%	↑	12.24
Net Interest Income	21.2	21.7	-2.7%	↓	30.78
Fees & Commissions	11.6	7.9	46.6%	↑	9.52
Forex Income	1.6	1.8	-7.7%	↓	2.28
Other Income	0.91	0.93	-2.5%	↓	1.09
Total Operating Income	35.2	32.3	9.1%	↑	43.68
Loan Loss Provision	2.1	1.3	66.8%	↑	1.84
Staff Costs	9.1	8.1	12.1%	↑	11.45
Other Operating Expenses	8.6	8.4	2.1%	↑	12.40
Profit Before Tax and Exceptional Items	15.4	14.5	6.3%	↑	17.99
Share of profit of associate	0.02	0.1	-82.8%	↓	0.17
Profit Before Tax	15.5	14.6	5.5%	↑	18.16
Tax	4.6	4.3	5.5%	↑	5.42
Profit After Tax	10.9	10.3	5.5%	↑	12.73
Basic Annualized EPS	2.5	2.3	5.5%	↑	2.17

Key Ratio's

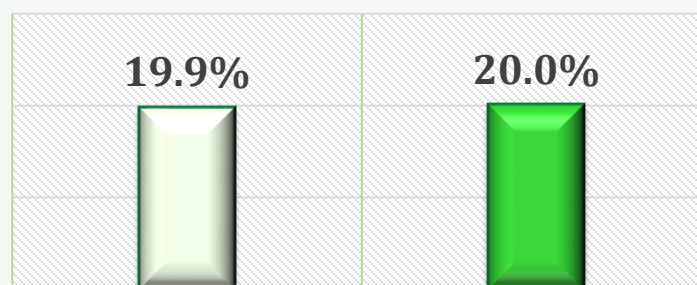
Return On Average Assets (ROAA)



Q32018

Q32019

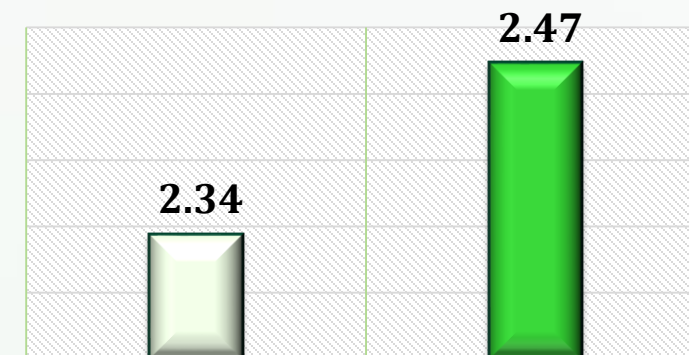
Return On Average Equity (ROAE)



Q32018

Q32019

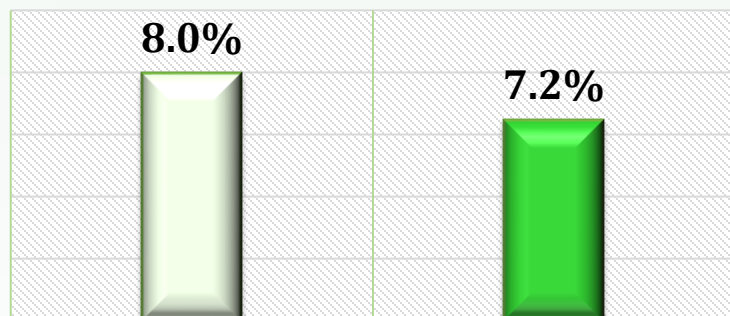
Earnings Per Share (EPS)



Q32018

Q32019

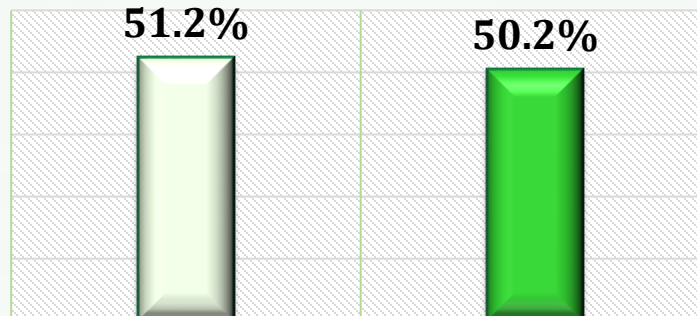
NIM on Earning Assets



Q32018

Q32019

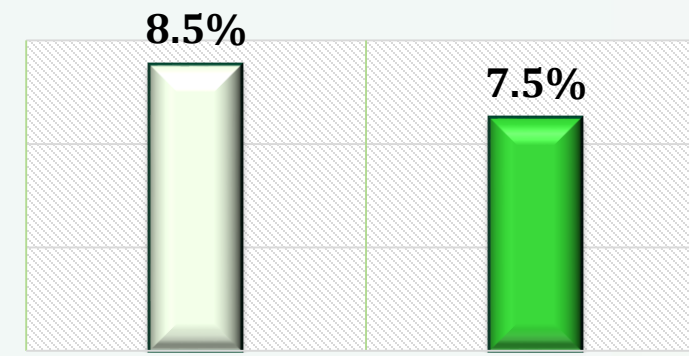
CIR without provisons



Q32018

Q32019

NIM on Loans



Q32018

Q32019

2019 Financial Outlook

	<u>Actual</u> Q32019	<u>Actual FY 2018</u>	<u>Projections</u> FY 2019
Profit Before Tax Growth	5.5%	10.7%	11%
Loans & Advances Growth	5.8%	-3.3%	11%
Deposits Growth	8.8%	6.5%	10%
Cost to Income Ratio	50.2%	54.6%	50%
Non Funded to Total Income	40.0%	28.2%	40%
Return On Average Equity (ROAE)	20.0%	18.3%	22%
Return On Average Assets (ROAA)	3.4%	3.2%	3.5%
Non Performing Loans (NPL)	10.5%	11.1%	10%
Cost of average funds including borrowed funds	3.6%	3.8%	3.6%
Net Interest Margin (NIM)	7.5%	9.4%	8.0%
Cost of risk	1.1%	0.7%	1%

**Thank
You**