



CO-OPERATIVE BANK OF KENYA LTD

GROUP FINANCIAL RESULTS ANALYST BRIEFING FY2020

23 March 2021





KEY HIGHLIGHTS

We are Growing
We are Resilient
We are Agile

A strong *Transformational* Bank

Largest Co-operative Bank in Africa

- **15 Million Members**
 - **Ksh.1 Per Share Dividend**
-

Successful Universal Banking Model

- **Increased Dominance in Kenya**
-

Kshs. 537 Billion in Total Assets

Growth, Resilience and Agility in a pandemic environment

Over 8.8 Million Direct Account Holders

4628 Skilled, Motivated Staff Members

We are Growing

Creating Value

Continued focus on optimizing opportunities to grow; Asset, liability & non funded income through an innovative array of financial solutions.

Total Assets +18%

Total Capital +15%

Loan Book +8%

Government securities +37%

Customer deposits +14%

Shareholders funds +14%

Net interest income +16%

Total Operating Income +11%

Investment in E-credit

- Strong penetration; disbursement of **Kshs.4.9B per month**
- Good yield of 8% flat.
- Short term tenor of maximum 90 days.
- Consumer based that is on salary checkoff deductions at source.
- Low NPL

We are Resilient

Protecting Value

Profitable Bank **Kshs. 14.3B** (Kshs.1 per share dividend proposed).

Strong Capital Buffers, 8.25B IFC Tier II Capital to support MSMEs and Climate smart initiatives.

Proactive Enterprise Risk Management Framework.

Continued gains from our institutionalized Transformation seeking efficiency and growth. Key ongoing transformation initiatives aimed at a quality loan book are;

- Credit Review Implementation Project **“Project Kilele”** with McKinsey &Co.
 - Decentralization of loan portfolio management enabling **Project 3C** (Connect, Collect and Cure).
-

Proactive provisioning for NPL: **Kshs. 8.1B in 2020** (+220% YoY growth)

Continuous support to our customers, staff and all our other stakeholders. Up to Kshs. **49B Covid Restructures.**

Low relative exposure in high risk sectors like Tourism (1%) and Manufacturing (2%). Up to **47% of our loan Book is in Consumer banking** which is performing well.

Optimal risk spread with a 37% growth on T-bills and T-bonds.

We are Agile

- *Fast*
- *Adaptable*

Digital

Operational efficiency with **92%** of our transactions in alternative channels. We have been able to offer uninterrupted services on these channels.

Enhanced digitization of internal bank processes and engagement platforms, to ensure **contactless** capabilities for both customers and staff.

New Core Banking Platform implementation on track. Expected key benefits include enhanced;

- Business agility & Innovation
- Customer experience
- Cost management
- Analytics
- Process automation & Digitization

Staff Productivity

- Supporting new ways of working.

Proactive Regulatory compliance including measures put in place to mitigate the adverse economic impact due to the ongoing pandemic

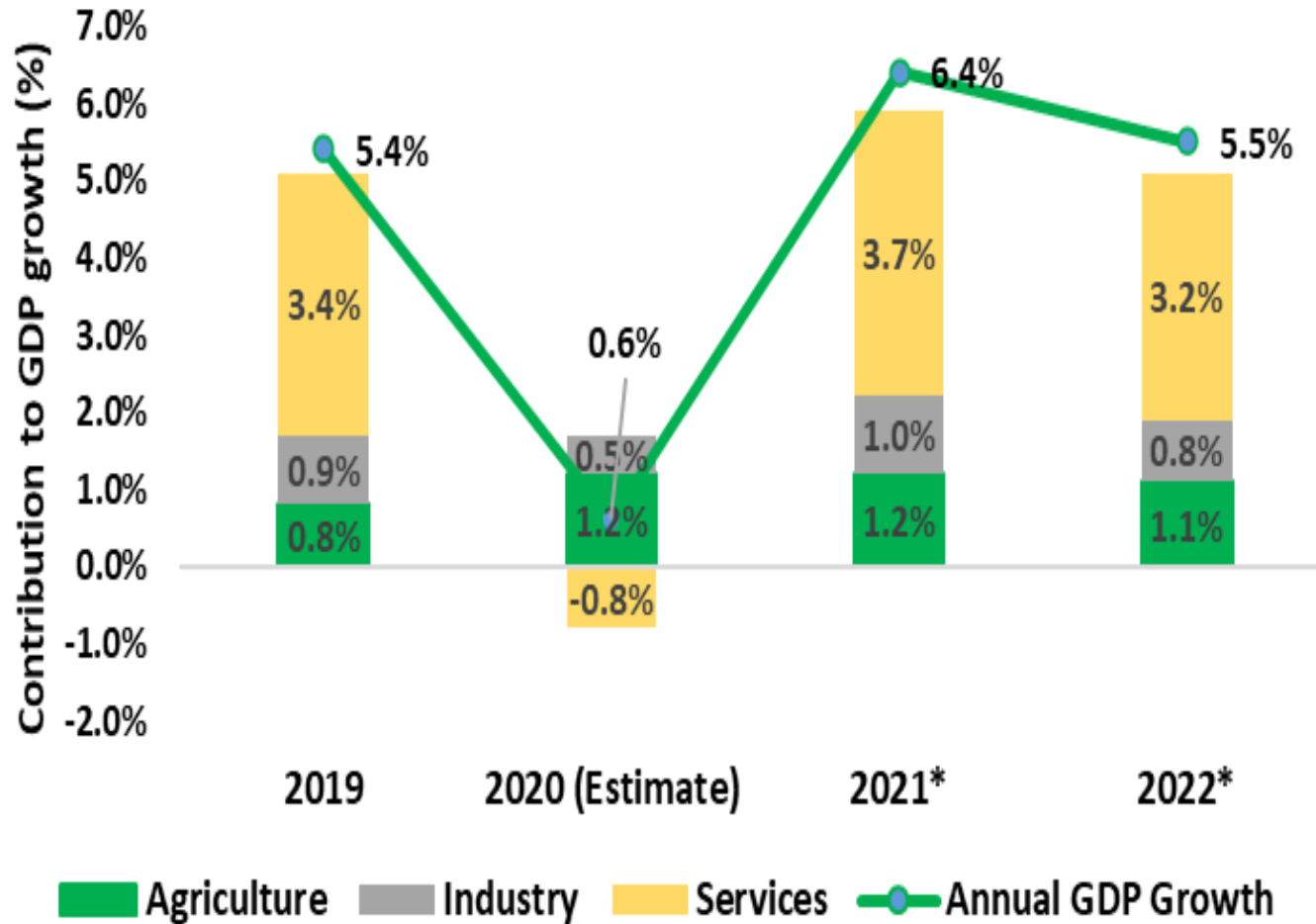


Macro Economic Highlights

- *Economic Recovery Path- Kenya*
- *Short Term Interest Rates*
- *Inflation*
- *Private Sector Credit Growth*
- *South Sudan Macro Environment*

Kenya's Economic Activity Projected On Recovery Path In 2021

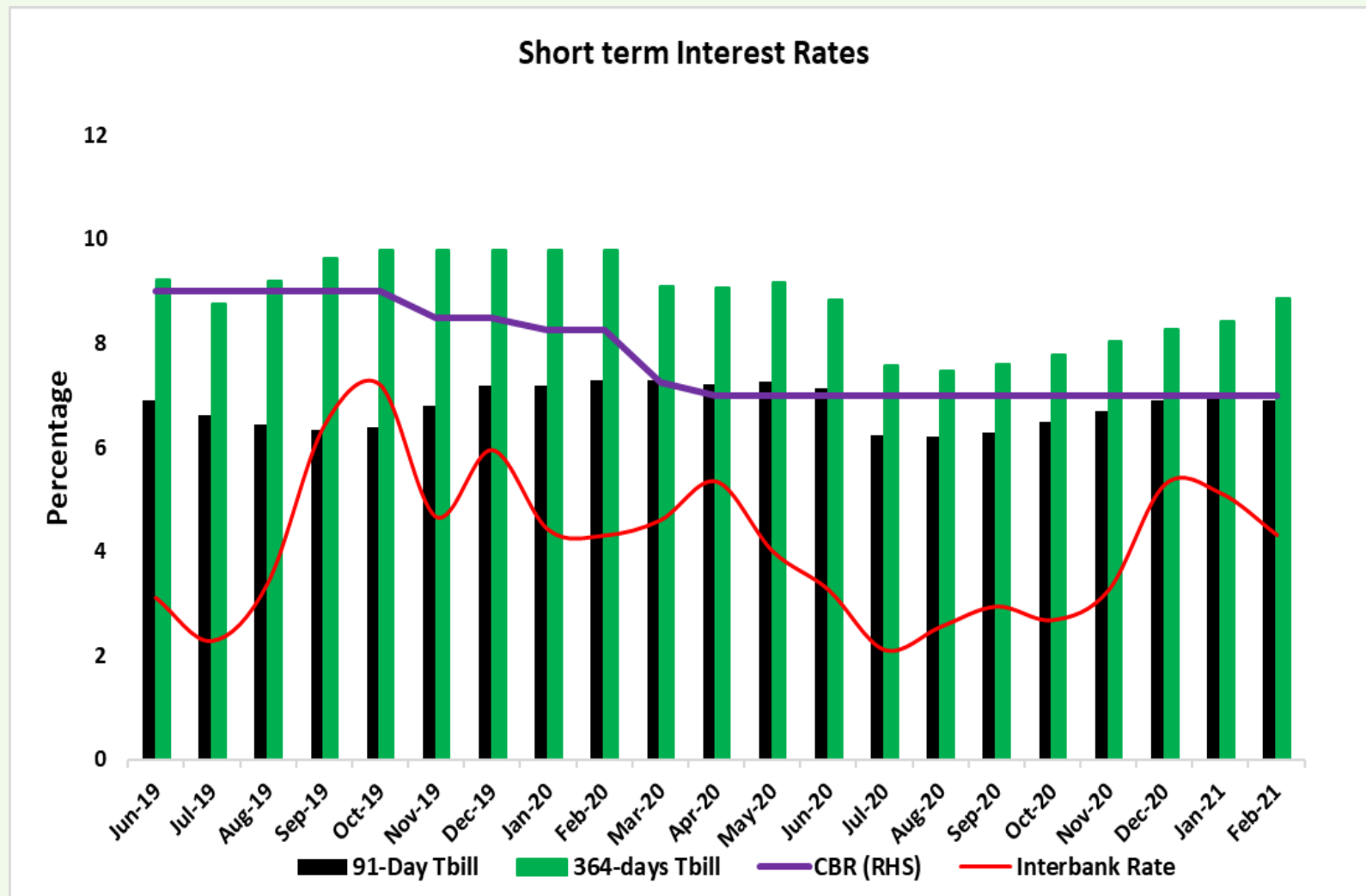
Kenya's Forecast Real GDP Growth Rate



- Kenya is projected to register a GDP growth rebound across most of the sectors in 2021.
- Overall GDP growth is projected at about 6.4% (National Treasury) and 7.6% (IMF) in 2021.
- The favorable Long rains weather forecast is expected to maintain the growth in agriculture while services and industrial sectors rebound.
- However, the high Government fiscal deficit and elevated credit risk pose risks in 2021.

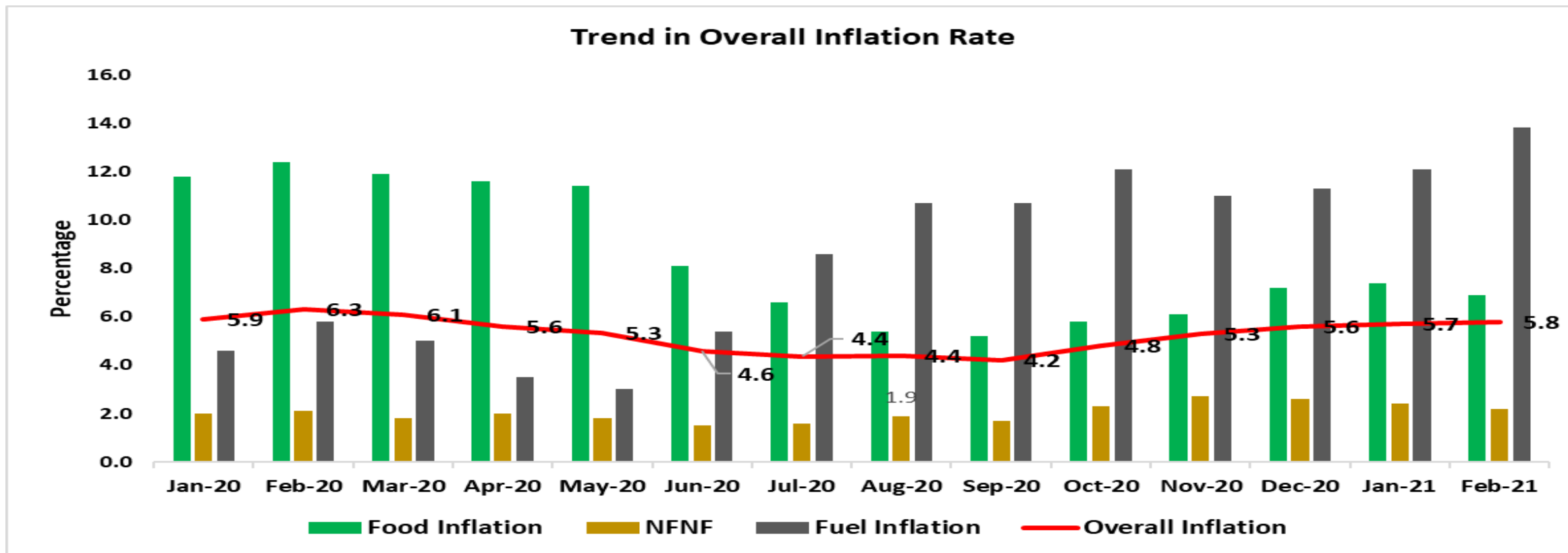
Short Term Interest Rates

- CBR remained at 7% since April 2020, down from 7.25% in March and 8.25% in January.
- Yield curve for Government securities have started rising in 2021 compared to 2020 average levels. The 91-days paper (6.8% to 6.9%), 182-days (7.4% to 7.6%) and 364-days (8.5% to 8.7%).
- Inter-bank rate has also risen to an average of 4.7% YTD from the average level of 3.7% in 2020.



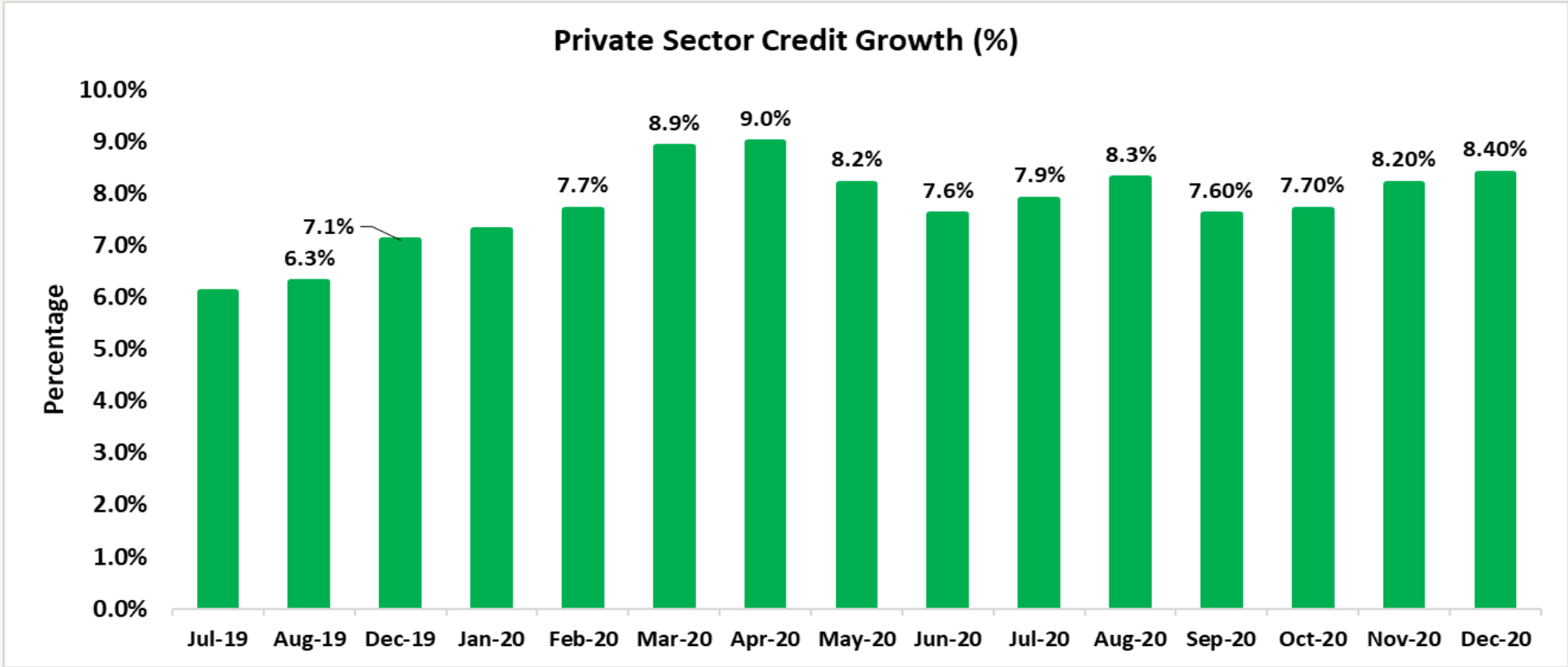
Trend in Inflation Rate

- Overall Inflation rate has remained moderate at an average of 5.2% in both 2019 and 2020 and at 5.8% in February 2021
- The weather outlook for the March-April-May 2021 “Long Rains” season indicates normal rainfall in most parts of the country, hence low risk on food inflation in the 2H2021. However, energy fuel prices are on the rise.



Trend in Private Sector Credit Growth

- Growth in private sector credit in the 12-months to December was 8.4% compared to 9% in April and 7.6% in September 2020.
- Most of the lending has been to households, and working capital for enterprises.



- South Sudan is under an IMF (International Monetary Fund) Rapid Credit Facility. This is expected to unlock or catalyze donor support from international organizations.
- In November 2020, South Sudan received its first IMF lending of \$52.3 million since joining the fund in 1992. This goes towards urgent fiscal needs following the impact of the COVID-19 shocks.
- The World Bank's COVID-19 fast-track-facility draw down started with \$20 million early this year.
- GDP growth is forecast to contract by 3.6% in FY2020/21, which is 10 percentage points below the pre-COVID levels.
- In July 2020 South Sudan managed to agree on a debt-restructuring of the \$627 million outstanding Qatar National Bank debt that went into arrears in 2015.
- Recent efforts by the Bank of South Sudan to narrow the margin between the official and unofficial exchange rate have not yet succeeded.

Covid-19 Response

- *Co-ordination within the bank- Covid19 governance*
- *Regulatory interaction: legal perspective*
- *Policies, procedures and related controls*
- *Risk assessment*
- *Stakeholder Support*

Covid_19 Response: Key Pillars

- **Co-ordination within the bank- Covid19 governance**

- Business Crisis Management Team
- Multidepartment emergency response team
- Pandemic preparedness strategy –reviewed and communicated constantly

- **Regulatory interaction: legal perspective**

We are compliant with the laws, regulations and guidelines;

- Ministry of Health guidelines
- Government of Kenya directives
- Occupational Safety & Health Policy in line with the OSH Act. (OSHA)
- Central Bank of Kenya guidelines
- The Kenya Centre for Disease Control and Prevention (the “CDC”) guidelines
- World Health Organization guidelines

- **Policies, procedures and related controls**

- These are promoting the use of technology, impact monitoring, response, reporting, communication, education, training and guidance.
- The Bank has put in place adequate business resilience arrangements for disaster recovery and business continuity.

- **Risk assessment**

- Proactively monitoring trends of the disease and impact on the Bank’s strategic objectives, business operations and work plans. We have robust monitoring and reporting tools capable of collecting, analyzing and reporting case-based information.

- **Specific support to each stakeholder**

- We are providing specific support to our stakeholders. For our customers we have universal support but we also have targeted support for customers whose operations /revenues have been halted or materially impacted by the pandemic.
- In total, a portfolio of Kshs. **49 Billion** has been re-aligned to offer our customers this needed support.

Covid_19 Response: Stakeholder Support

Stakeholder Support

- Sanitizers
- Thermal guns
- Social Distancing
- Virtual meeting tools
- Enhanced cybersecurity
- Communication through social & Mainstream media

CUSTOMERS

- 49 Billion Restructured
- Restructure cost borne by the Bank
- Waiver on Bank to wallet fees

- Fortified digital channels
- Digital loan approvals

- 24 hour contact center
- Virtual training - MSME

STAFF

- Medical benefit
- Remote working

- Team A & B
- Constant Communication

- Hotline
- Trained medical personnel
- Telemarketing tools
- Digitization of internal processes

CO-OPERATIVE MOVEMENT

- Facilities re-alignment

- Working capital support

- Digital transaction capabilities

SHAREHOLDERS

- Virtual AGM

- Kshs. 5.8B Dividend -critical support/income to the 15 million member Co-operative Movement

- Virtual engagements

REGULATORS

- Implemented relief measures granted under the emergency by CBK
- Documented & reported all the extended and restructured facilities under the emergency measures.

- Deployed monitoring tools to keep track of the covid-19 restructures

STRATEGIC PARTNERS

- Continued contractual agreements with our strategic partners throughout the pandemic. Secured Kshs. 8.25B from IFC.

- Partnered with them to reach out and train our customers e.g. IFC in our MSME clinics.

SUPPLIERS

- Continued transparent procurement and tendering practices.

- Observing contractual agreements with our contractors and suppliers

COMMUNITY

- Donated Kes.100 Million to the covid-19 task force.

- Continued our operations as a responsible corporate citizen to support the society and the economy



Strategic Focus

GE
BANK CO-OPERATIVE

2020-2024 STRATEGIC THEMES

1 Aggressive deepening of our dominance in the Kenya Market

2 Dominant provider of financial services to the Co-operative Movement in Kenya and the region

3 Customer experience that is seamless across all our touch points.

4 Operating efficiency driven by digitization, innovative products & Processes, efficient business models, and staff productivity.

5 Optimal Enterprise Risk and Compliance in the dynamic environment.

6 Operate as a good corporate citizen.

Key Driver: Institutionalized Transformation

To our stakeholders;

- Optimal returns
- Sustainability/ Marketshare growth

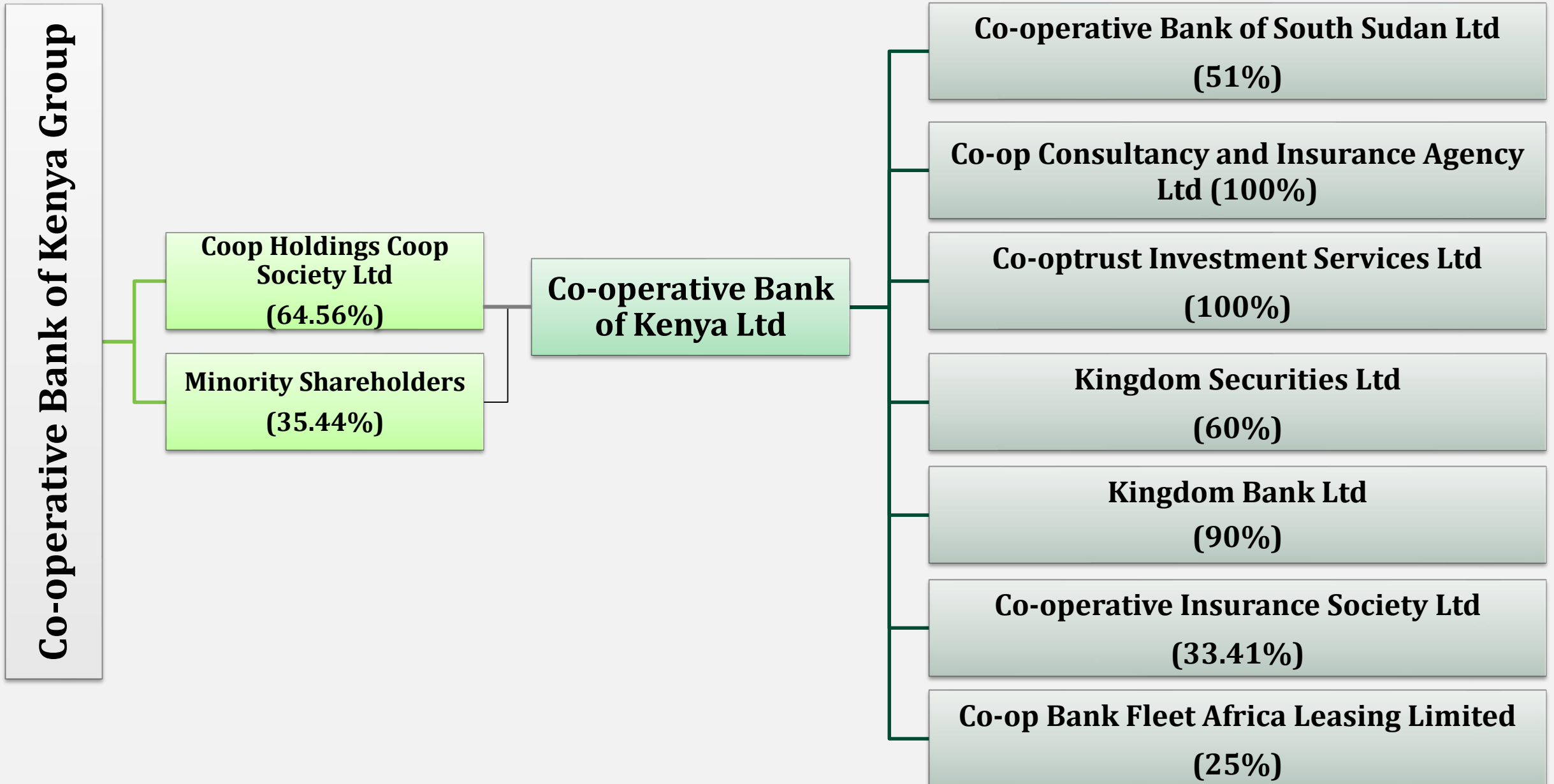
- Customer centricity
- Digitized customer journeys

- Employer of choice
- Staff productivity

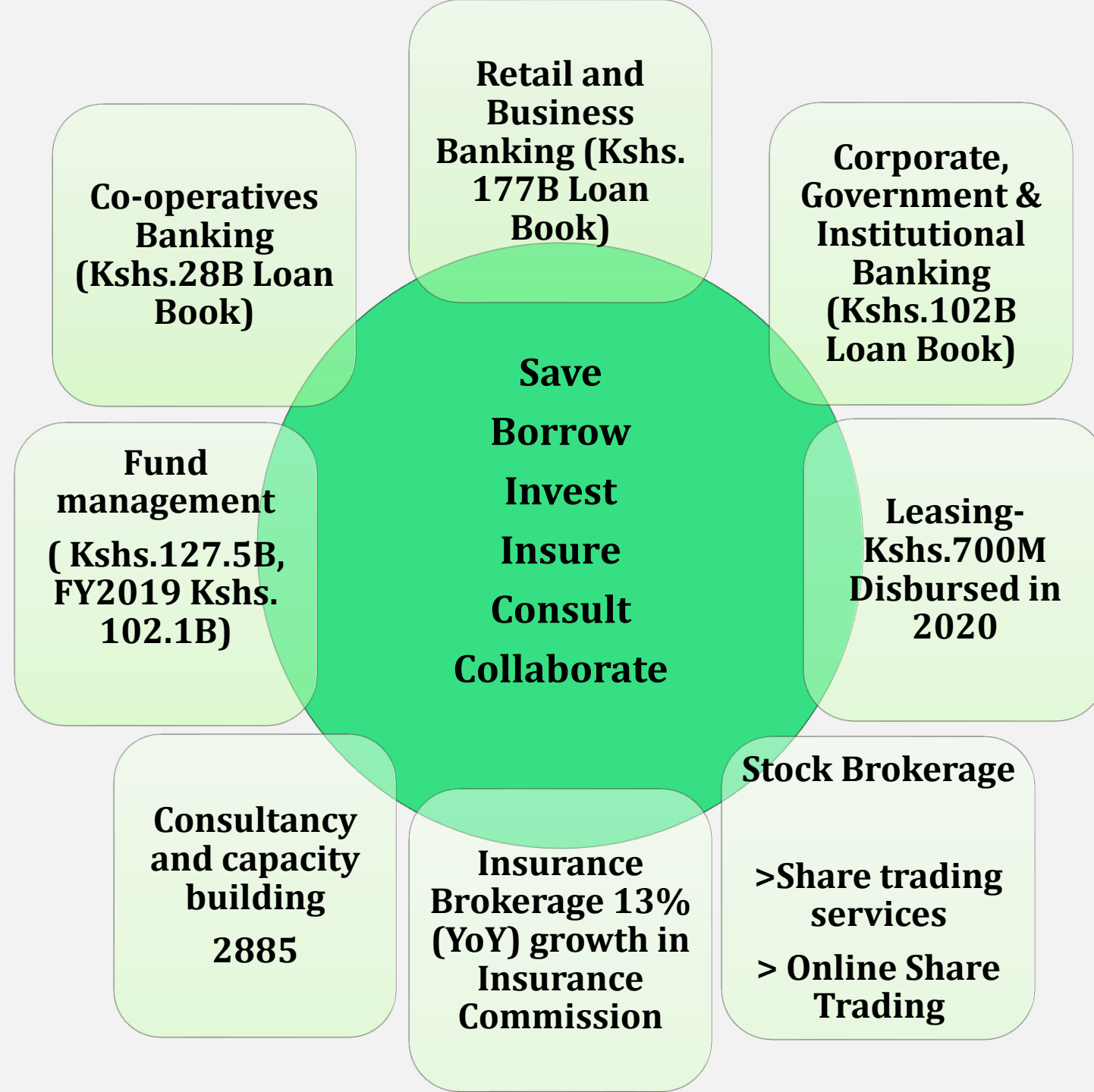
- Operational efficiency
- Proactive Risk management
- Optimal digital strategy

- Responsible Corporate Citizen
- Sustainable Economic, Social & Environmental Impact

Co-operative Bank of Kenya Group Structure



A Successful Universal Banking Model





Our Presence

177 Branches

479 Sacco Front Offices Branch network

Over 581 ATMs

16K+ Diaspora banking customers

Over 8.8M Account Holders

115K Internet banking Customer

24 HR Contact Centre

23K+ Co-op Kwa Jirani Agents

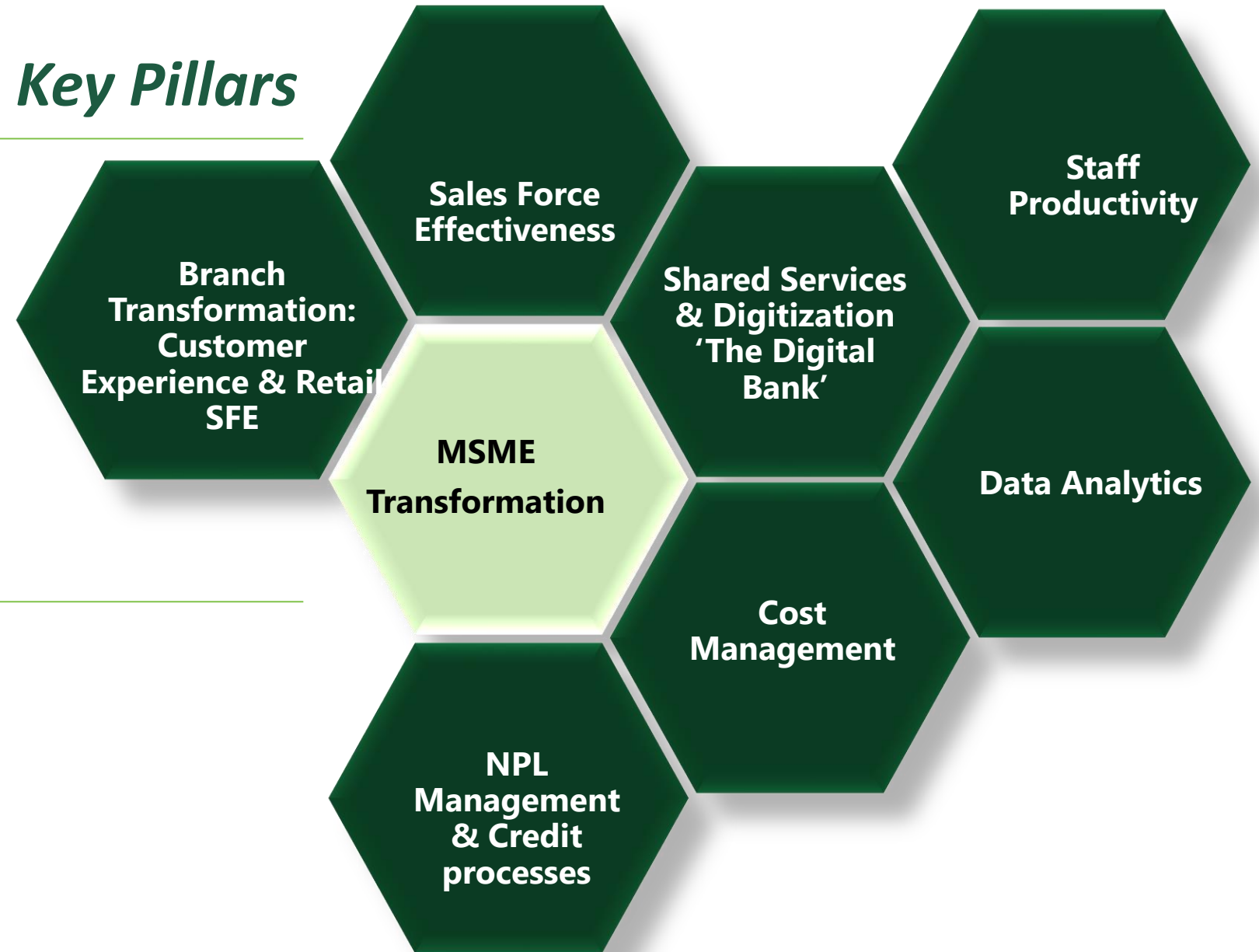
4628 Staff

5M Mcoop Cash Customers

“Soaring Eagle” Transformation Initiatives

- Growth
- Efficiency

Key Pillars



“Soaring Eagle” **Transformation:** **Key achievements**

- **E-Credit Focus: Kshs. 122.2B Disbursed so far.**
 1. Short term tenor of maximum 90 days .
 2. Good yield of 8% flat.
 3. Average disbursement of Ksh.4.9B per month.
 4. Consumer Based that is on salary checkoff deductions at source.
 5. Low NPL
- **Average queue time of 8.4 Minutes.**
- **92% transactions on alternative channels.**
- **Proactive credit management through;**
 1. Continuous Process improvement for enhanced End to End Turn Around Time on all loan applications.
 2. Proactive early delinquency & NPL management through Connecting with our customers, collecting and offering customer centric solutions.
 3. Credit Review Implementation Project “Project Kilele”
- **MSME Transformation:**
 1. 10750 trained customers
 2. 116K on boarded on the new packages (Gold, Silver, Bronze)
 3. Supply chain financing: 91 Anchors and 512 counter parties to date.
 4. Non-Financial Services (NFS):174 NFS clinics, 13 Networking forums, 3 international business trips.
 5. Government of Kenya Credit Guarantee Scheme
 6. Kshs. 8.25 Billion MSME financing from IFC

“Soaring Eagle” Transformation: Key achievements

- Sales Force Effectiveness for CIBD and Cooperatives;
 - Sector focus; Tailor-made go to market strategies for different sectors.
 - Scale up value chain business.
 - Leasing- Partnership with coop fleet to offer assets on lease
 - *Akili Kali* partnership; Fintech engagement challenge.
-
- Digitization: Core Banking System (ongoing), Omnichannel, Business Process Management System, Master Card.
-
- Advanced data analytics – credit score redevelopment.
-
- Staff productivity and enablement of Work From Home (WFM) – MS Teams, VPN, soft phone.

Credit Review Implementation Project

“Project Kilele”

E2E assessment of credit risk management practices

Comprehensive diagnostic review on each area of credit risk, including:

- Credit risk management framework with a key focus on risk governance, credit risk appetite, origination and underwriting process, credit approval process, credit scoring/rating models, and pricing
- Portfolio management, monitoring and reporting procedures
- Non-performing loan management, collections, and recovery processes

Strengthen portfolio assessment and risk frameworks

- Stress-testing of existing work done on portfolio analysis
- Assess client level (and sub-sector) strategies that have been developed and suggest improvements
- Quantify impacts of work done - Improvements on work done and potential heuristics that can be applied to enhance PD, LGC, and ECL modeling incorporating sector expertise

Enhance Collections

- Diagnostic of collections area (including recoveries and restructuring)
- Segment by segment re-design
- Future roadmap for collections function

Credit Review Implementation Project

“Project Kilele”

Key Achievements;

Underwriting process optimization

Reclassification of sectors and sub-sectors

NPV (Net Present Value) Restructuring Model

Early Warning System

Enhanced Strategic Collections

Client level action Plans

- Roll out of new Application For Facility forms.
- Improving Turn Around Time for facilities.
- Auto disbursements.
- Business Process Management System optimization
- Training for Frontline staff and service teams done to enable onboarding new customers with the new sectors and subsectors.
- Early Alert meetings at a segment level with the new guidelines.
- NPV (Net Present Value) Restructuring Model deployed
- Entire corporate and Co-operative book has been reclassified into the new Sector classification to enhance quarterly stress testing of customers by sector and subsector.
- Enhanced Client level action Plans to ensure regular and comprehensive update and actioning.
- Escrow buildup by our customers.

Championing Social Economic Empowerment

Co-op Consultancy & Insurance Agency Ltd

- >>2885 Consultancies
- >>20 Dedicated Consultants
- >>479 FOSA- Financial Inclusion Deepening

Co-op Foundation

- >>7713 students supported to date
- >>1.27 Billion since inception
- >>Other Programs with;
 - Ford Foundation
 - Embassy of Finland
 - Energy De Portugal
 - GIZ

- >>Kshs. 49B loans restructured as support to customers affected by Covid-19.
- >>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 2020 (Kshs.20 Million)
- >>Private sector-led Covid-19 Emergency Response Fund. Donated Kshs. 100 Million to support critical medical supplies and equipment such as ventilators.
- >>Signatory to the United for Wildlife's (UfW) Financial Taskforce



FT BANKER 2020

- Bank of The Year in Kenya



EMEA FINANCE AFRICAN BANKING AWARDS 2020

- Best Bank - Kenya



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



FINANCIAL REPORTING AWARDS 2019

- Winner: Environmental Sustainability Reporting



KENYA ASSOCIATION OF MANUFACTURERS

- Best Bank in Sustainable Finance in Kenya - 2019



- Added in MSCI Index in May 2020 under Frontiers Index small Index, raising the Bank visibility in the International Market



GLOBAL SME FINANCE AWARDS 2019

- Product innovation of the year

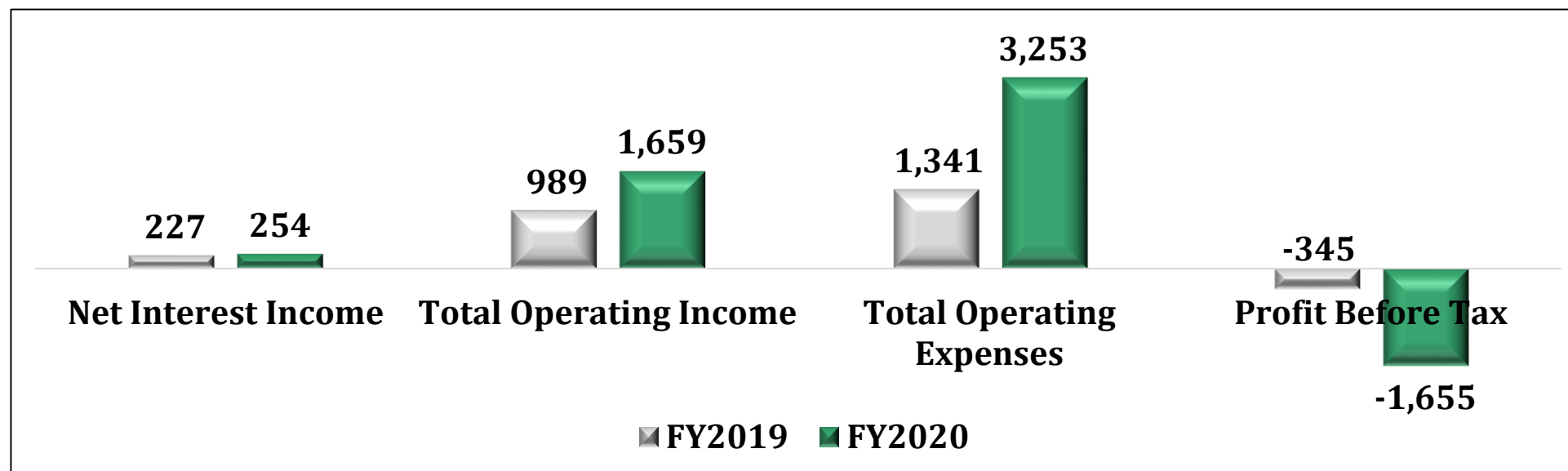
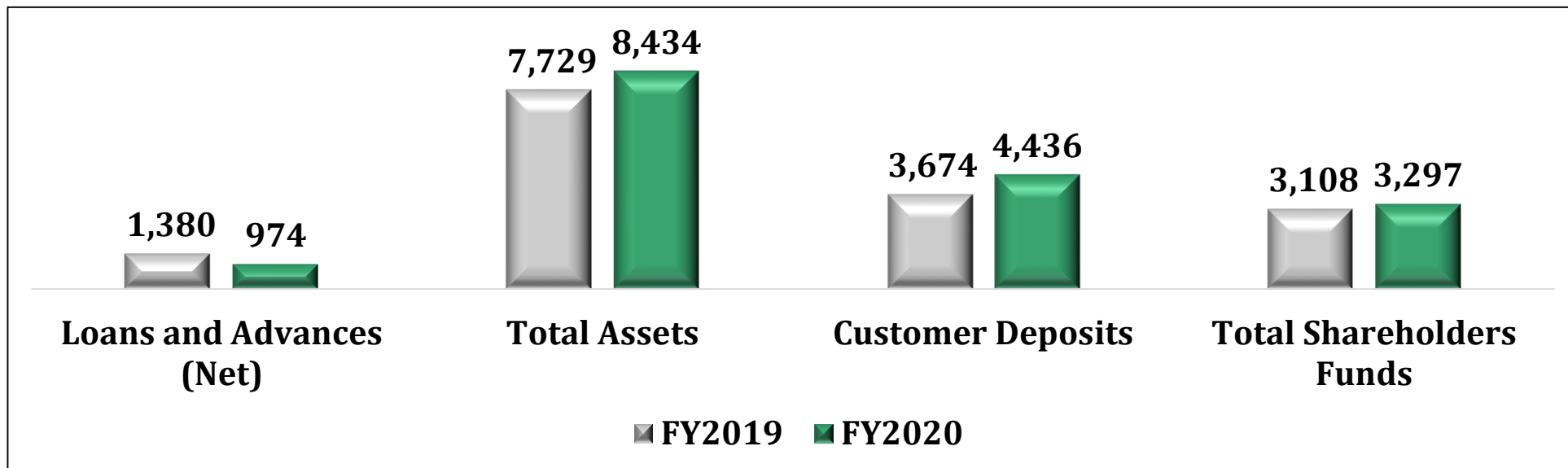


Regional Business (Kshs. Million)

4 branches in Juba

5 Non-oil collection centers.

Owens 31% of CIC Africa Ltd- South Sudan

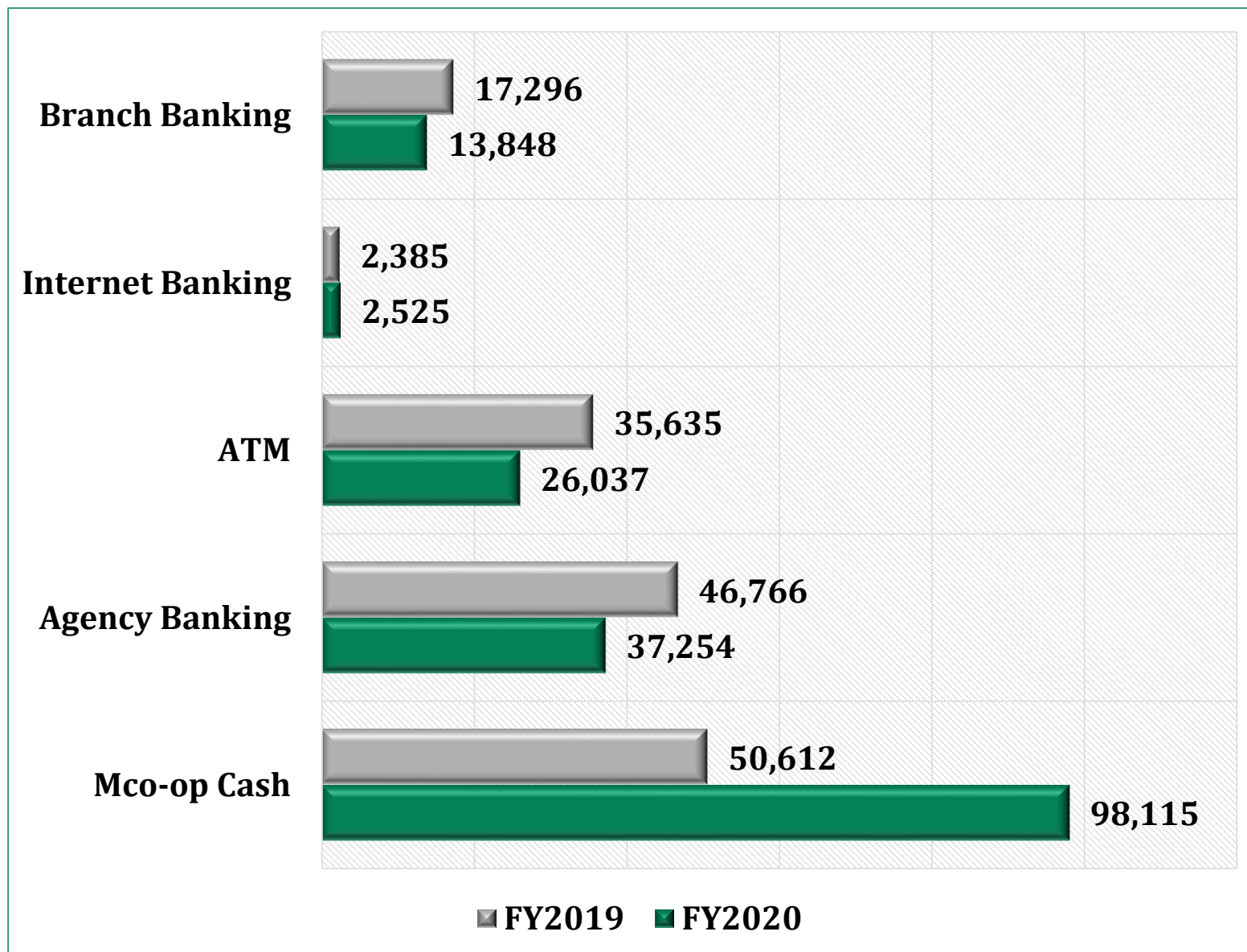




Channel Performance

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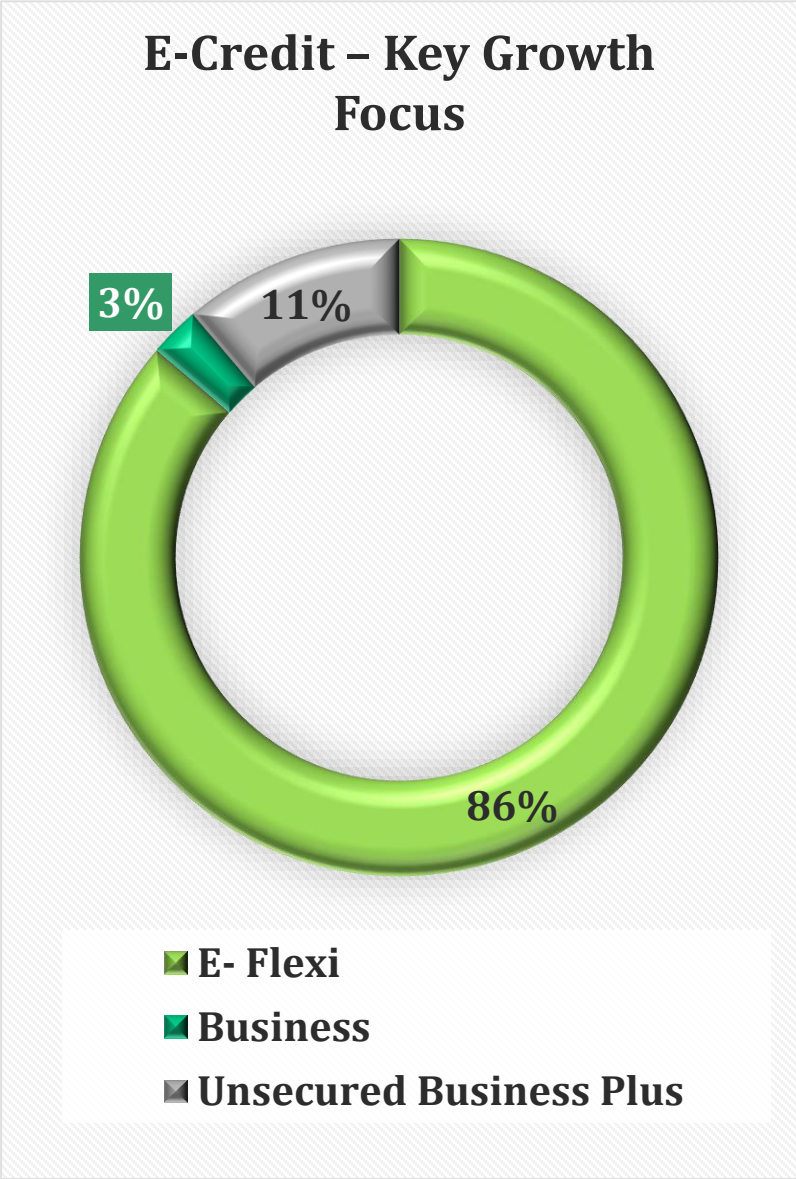
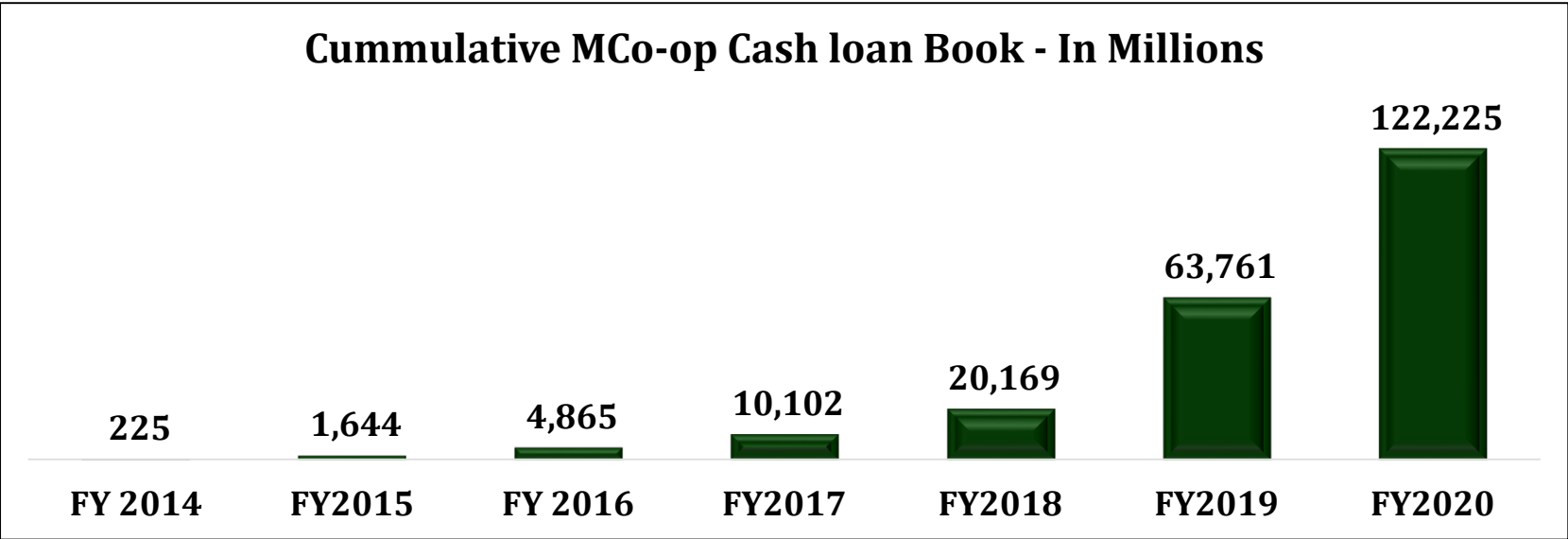
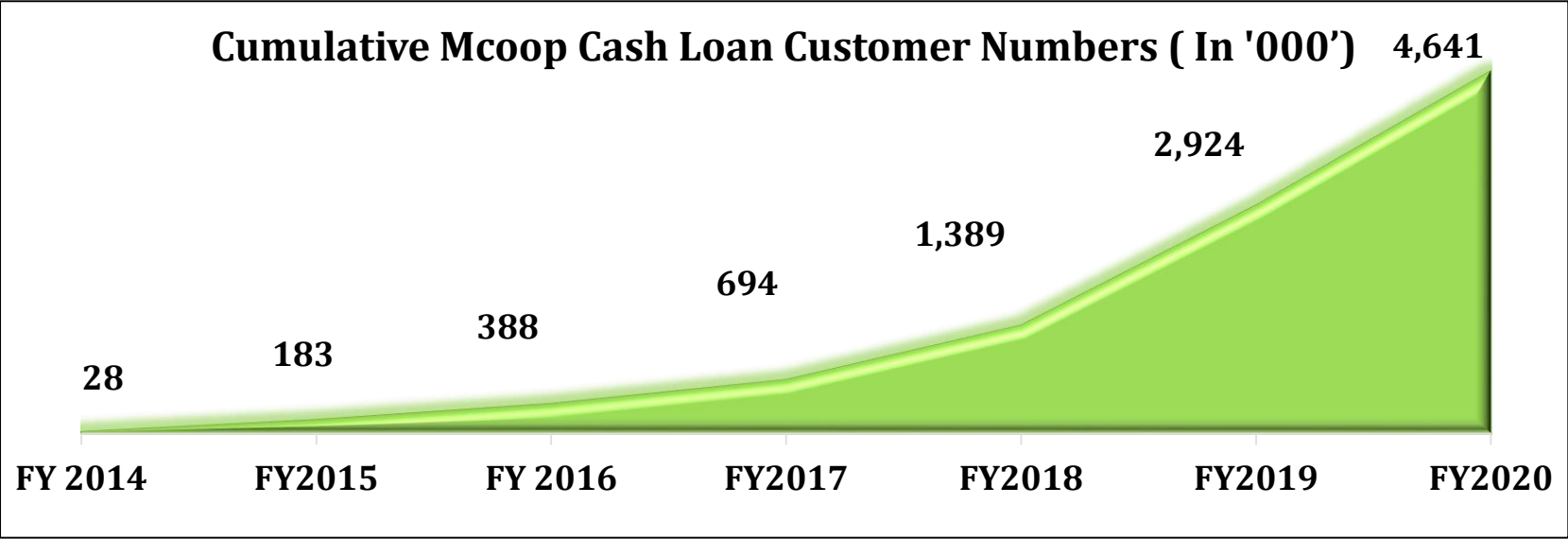
Growing Digital Channels



- 92% of our Transactions are on alternative Channels providing opportunities for efficiency.
 - ✓ Mobile
 - ✓ Internet
 - ✓ ATM
 - ✓ Agency
- 94% growth in Mobile Transactions year on year.
- Ecredit
 - ✓ A key focus area, Kshs. 122B disbursed to Date.
 - ✓ Kshs. 4.9 Billion disbursed per month on average.
 - ✓ Yield of 8% flat
 - ✓ Consumer based salary checkoff hence lower NPL.

E-Credit

A superior product for our customers that continues to scale and is a key revenue source.

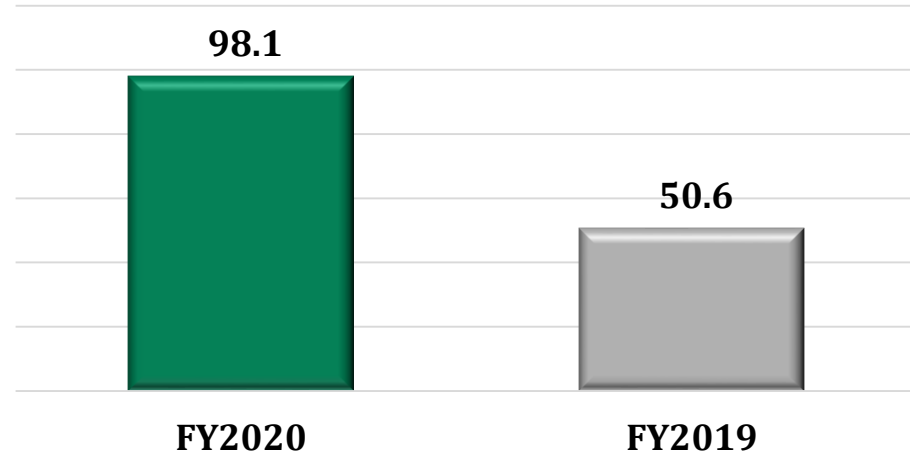


MOBILE BANKING (MCOOP CASH)

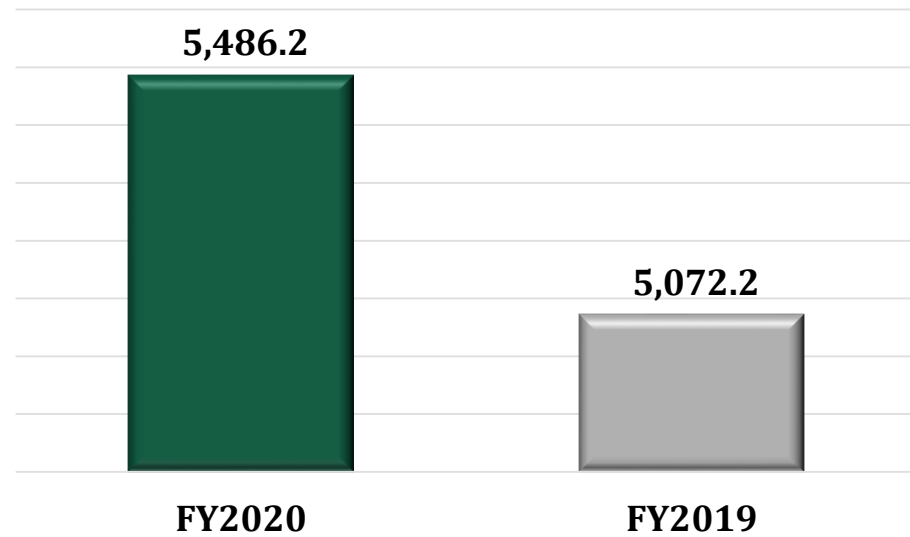
Leveraging Mobile Banking to grow commissions

- 94% increase in Transactions.
- 8% increase in Commissions.
- 100% growth in deposits through mobile.

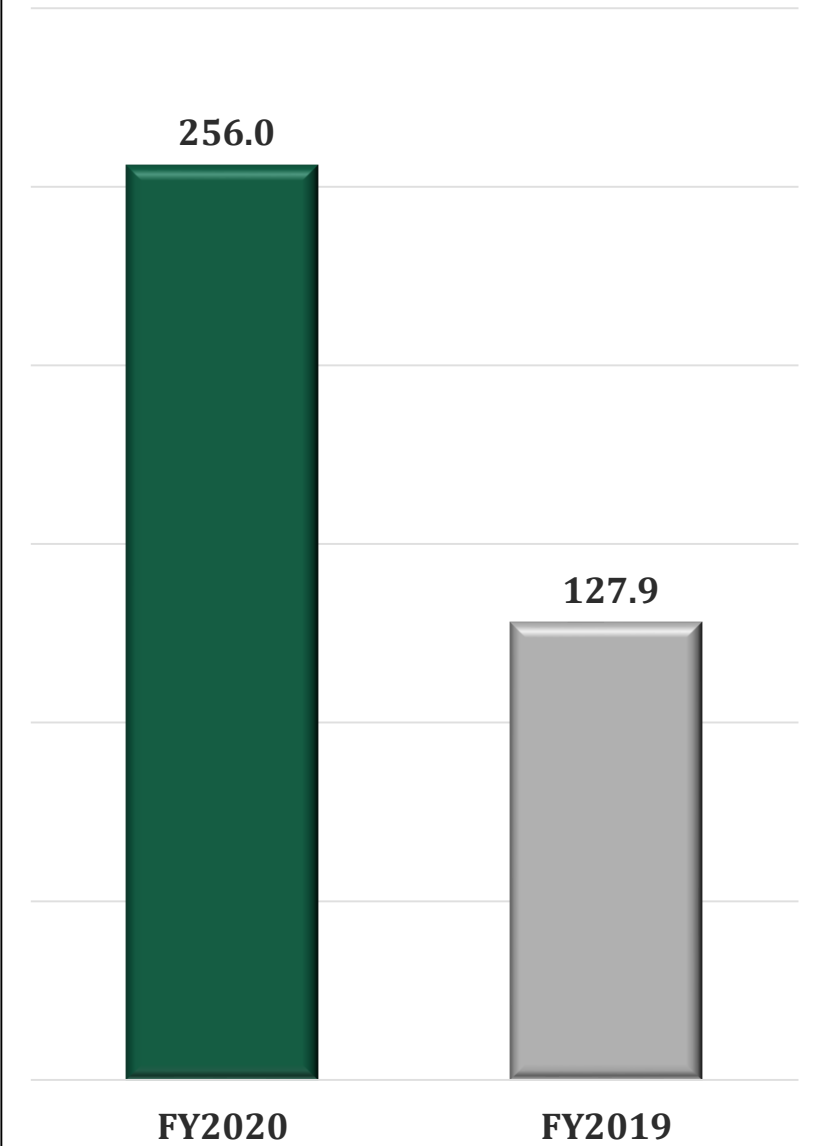
Transactions - Millions



Commission - Millions



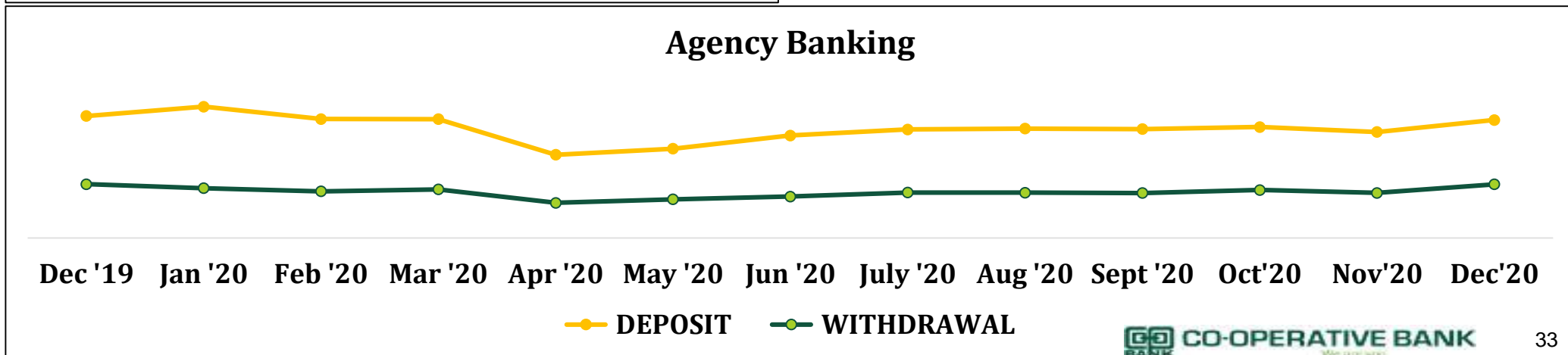
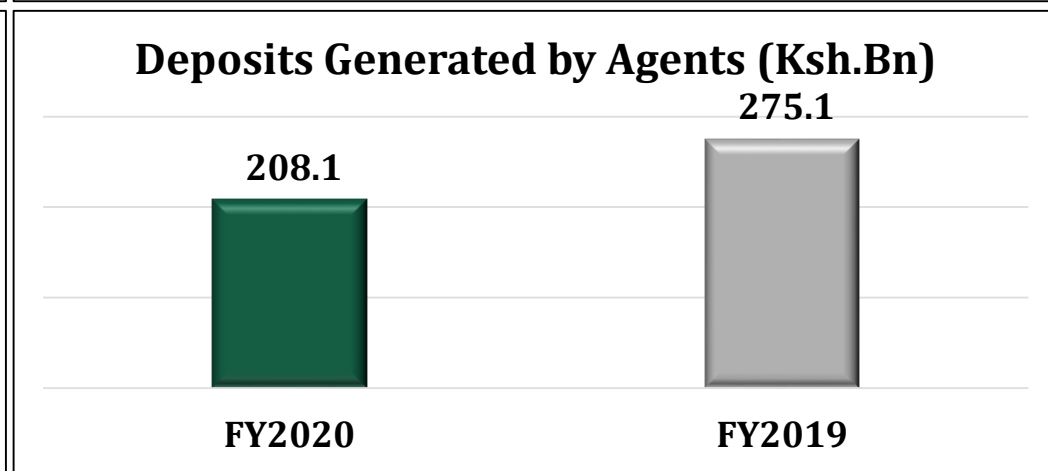
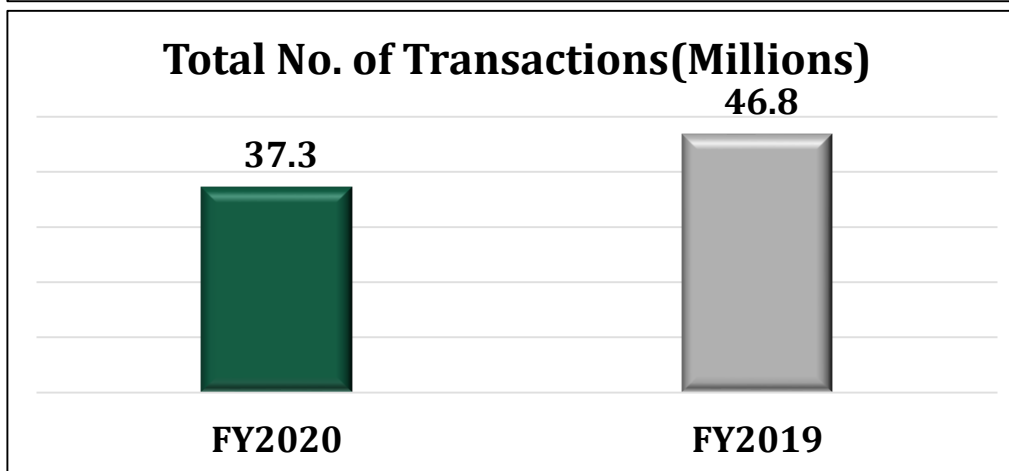
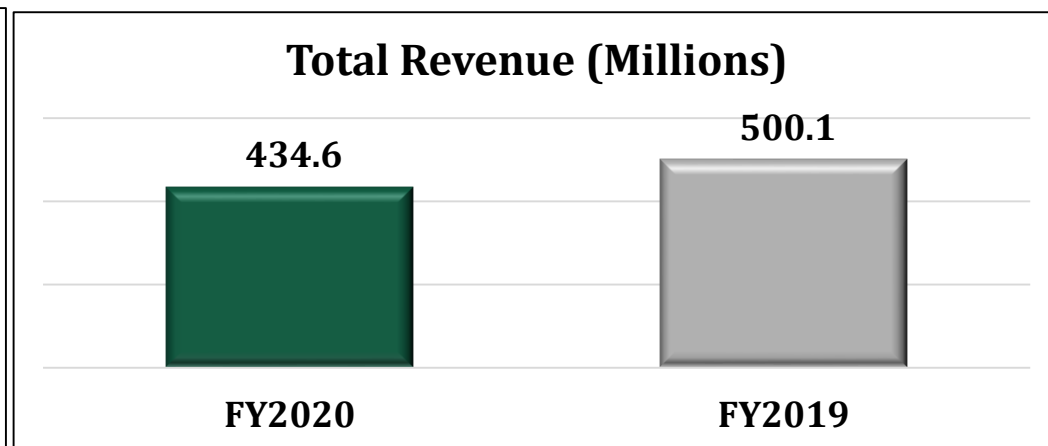
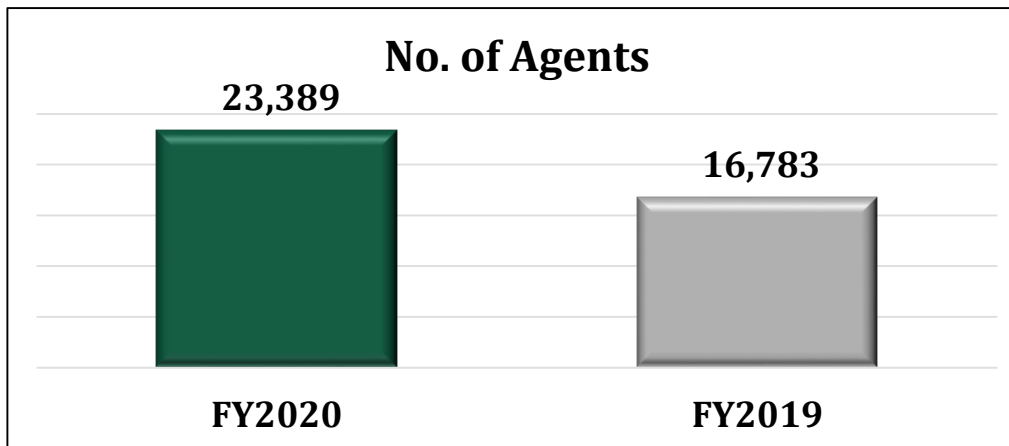
Deposits through Mobile
(Billions)



AGENCY Banking

Growing Co-op
Kwa Jirani Agency
Banking

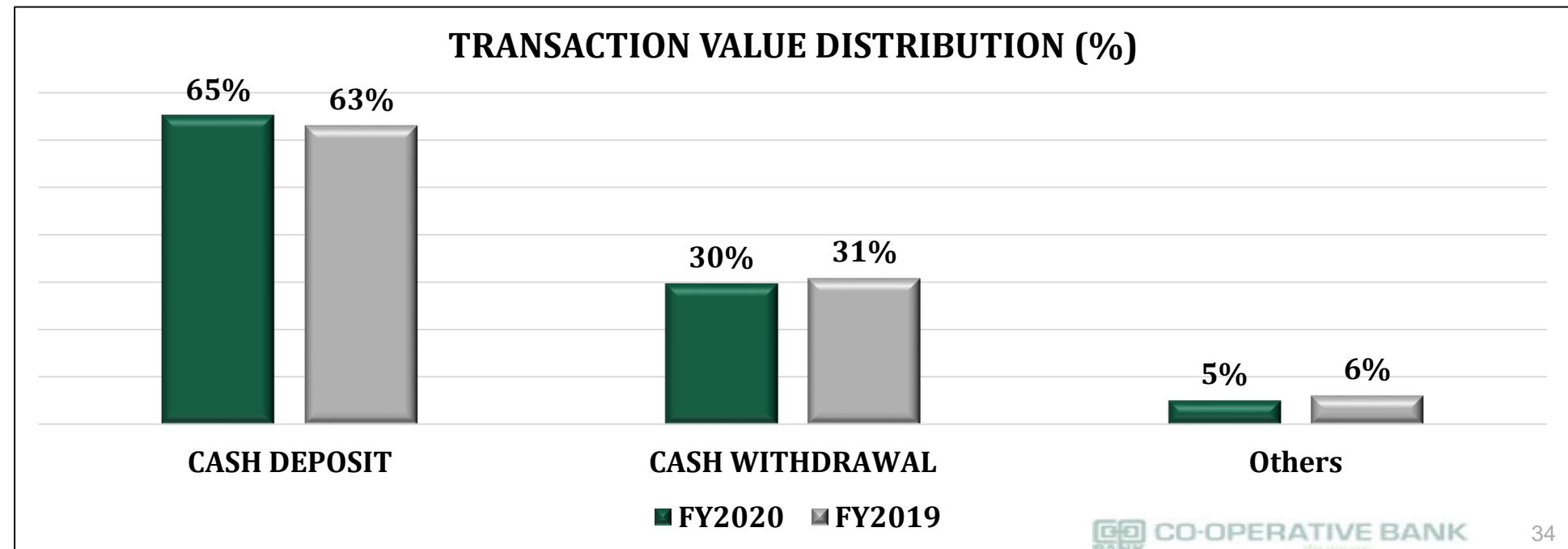
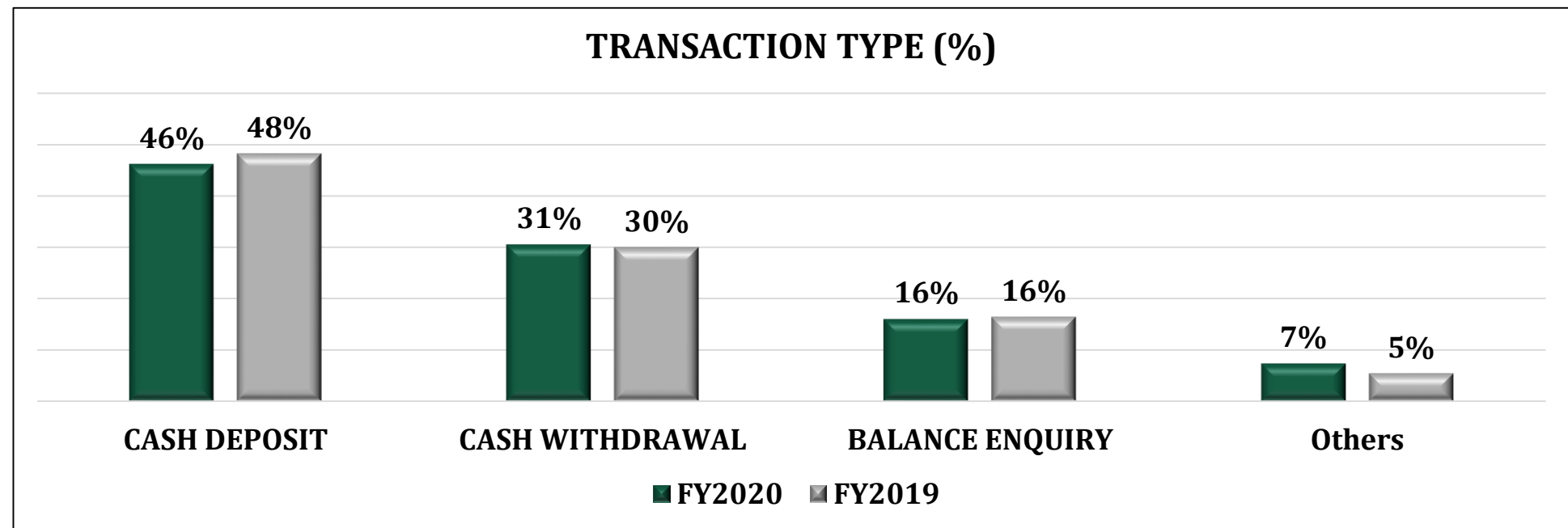
- Number of agents up by 5%



AGENCY Banking

Growing Co-op Kwa
Jirani Agency Banking

- Higher deposit
than withdrawal



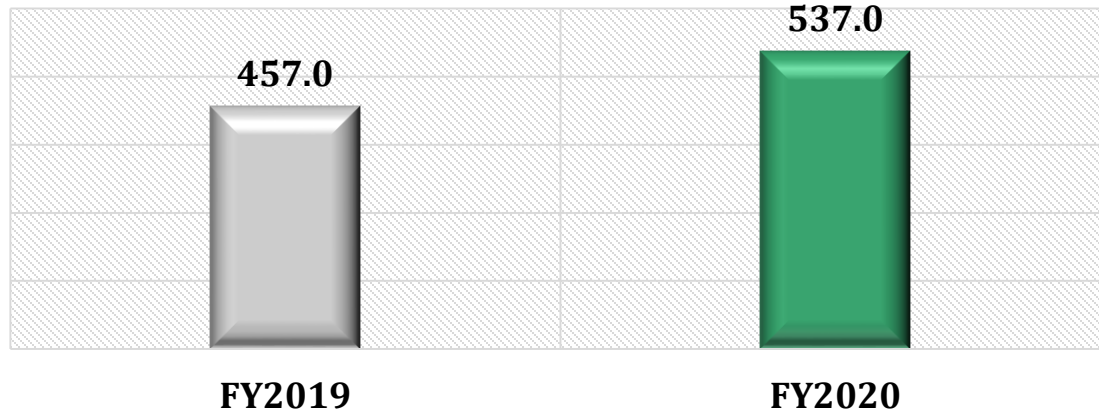
The image features a dark green background with a diagonal split. The left side shows a glass-fronted building with a sign that reads "GE BANK CO-OPERATIVE". The right side is a solid dark green color. The title "Financial Highlights" is written in a large, white, serif font across the center, overlapping both the building image and the green background.

Financial Highlights

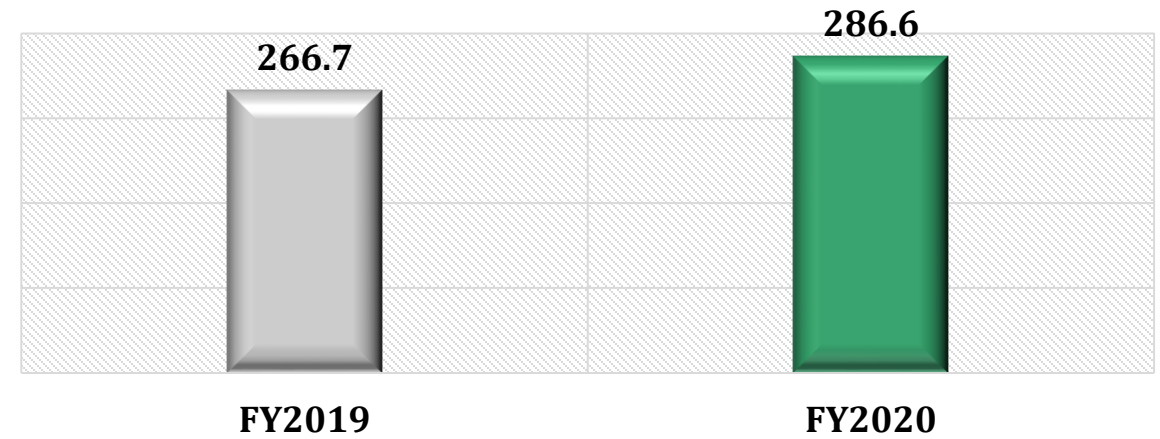
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Strong Financial Position (Kshs. Billion)

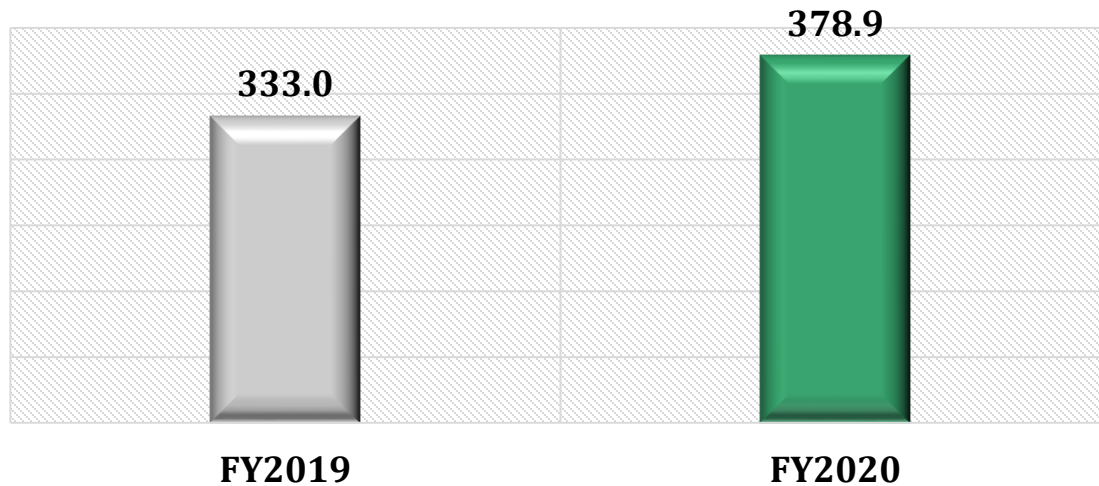
Total Assets



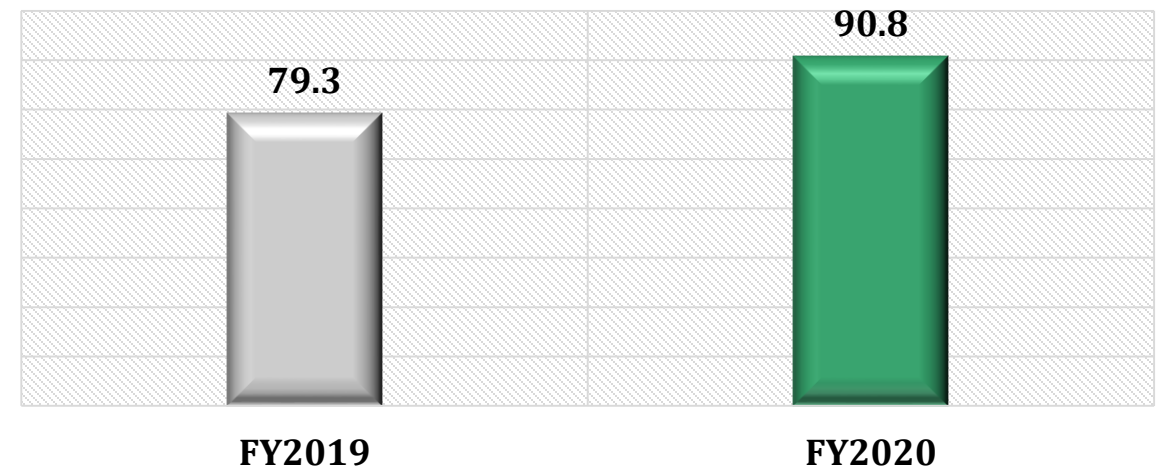
Net Loan book



Total Deposits



Shareholder's Funds

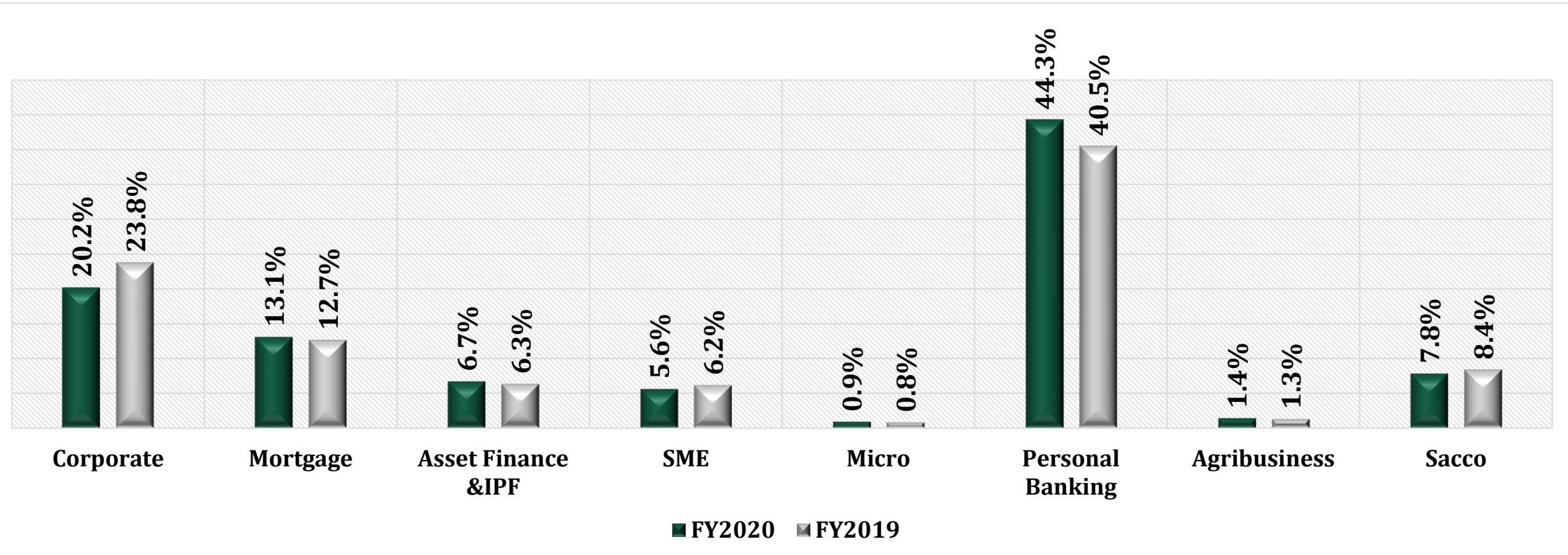


Strong Financial Position (Kshs. Billion)

Kshs. Billions	FY2020	FY2019	% CHANGE (YoY)	
Total Assets	536.9	457.0	17.5%	↑
Loan book (Net)	286.6	266.7	7.5%	↑
Government Securities	161.9	117.8	37.4%	↑
Total Deposits	378.9	333.0	13.8%	↑
Borrowed Funds	46.0	26.4	74.2%	↑
Shareholders Funds	90.7	79.3	14.4%	↑

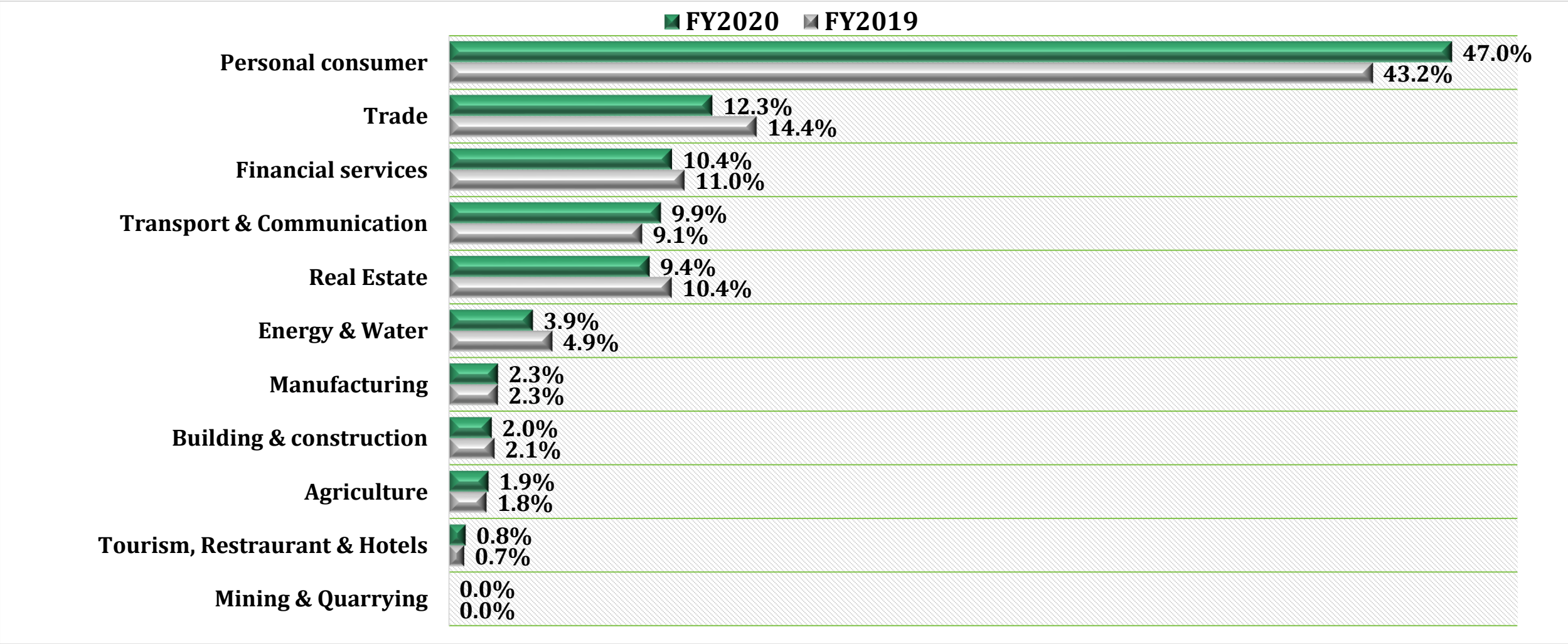
Diversified loan book

- Diversified across segments.
- Highest book is in Personal Banking;
 - ✓ Check off; deductions are done at source.
 - ✓ Diversified across various Government/quasi-government employees.
 - ✓ Appraisal of both employer and employee for optimal risk-return.

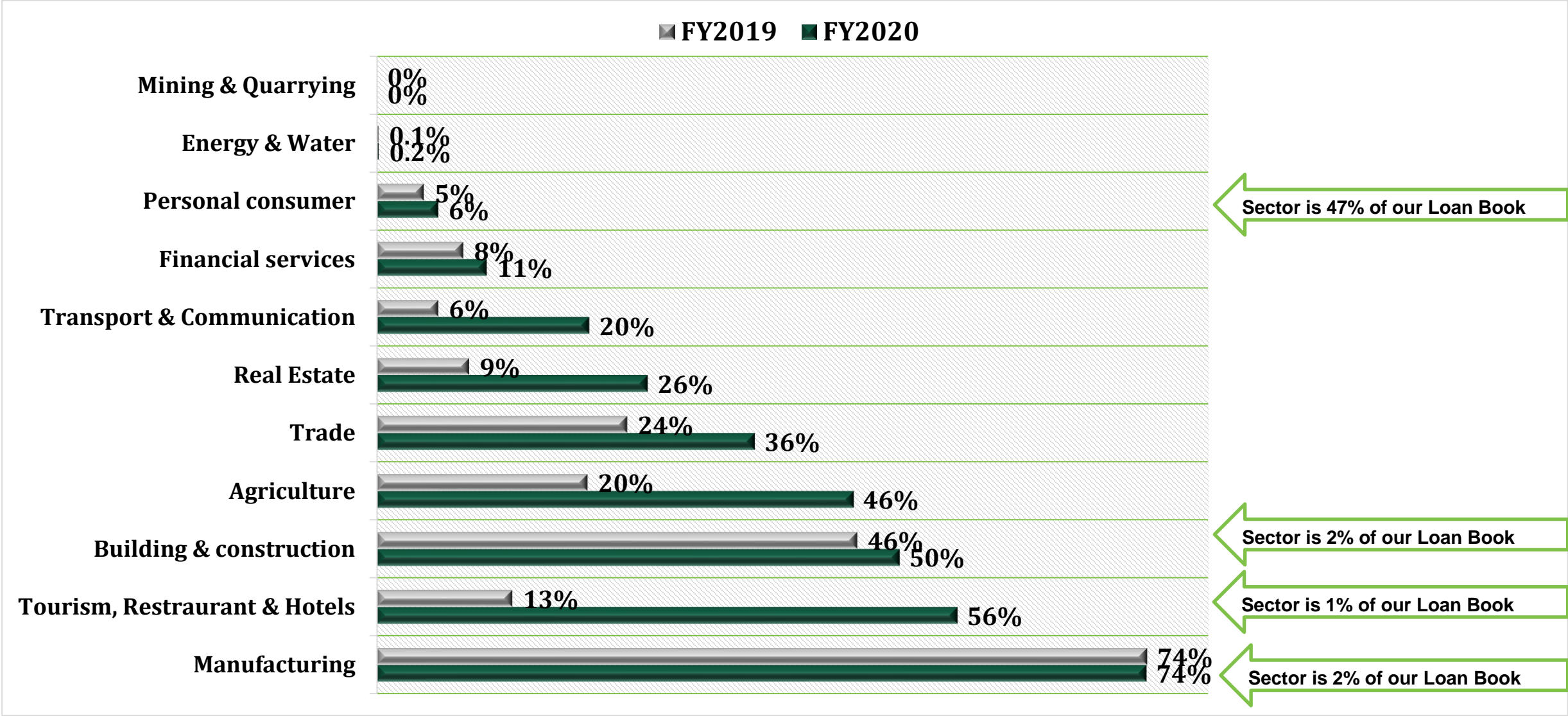


Diversified loan book

- 47% in Personal Consumer loans which are performing well.
- Low relative exposure in high risk sectors.
 - ✓ Tourism, Restaurants and Hotels 1%
 - ✓ Manufacturing 2%

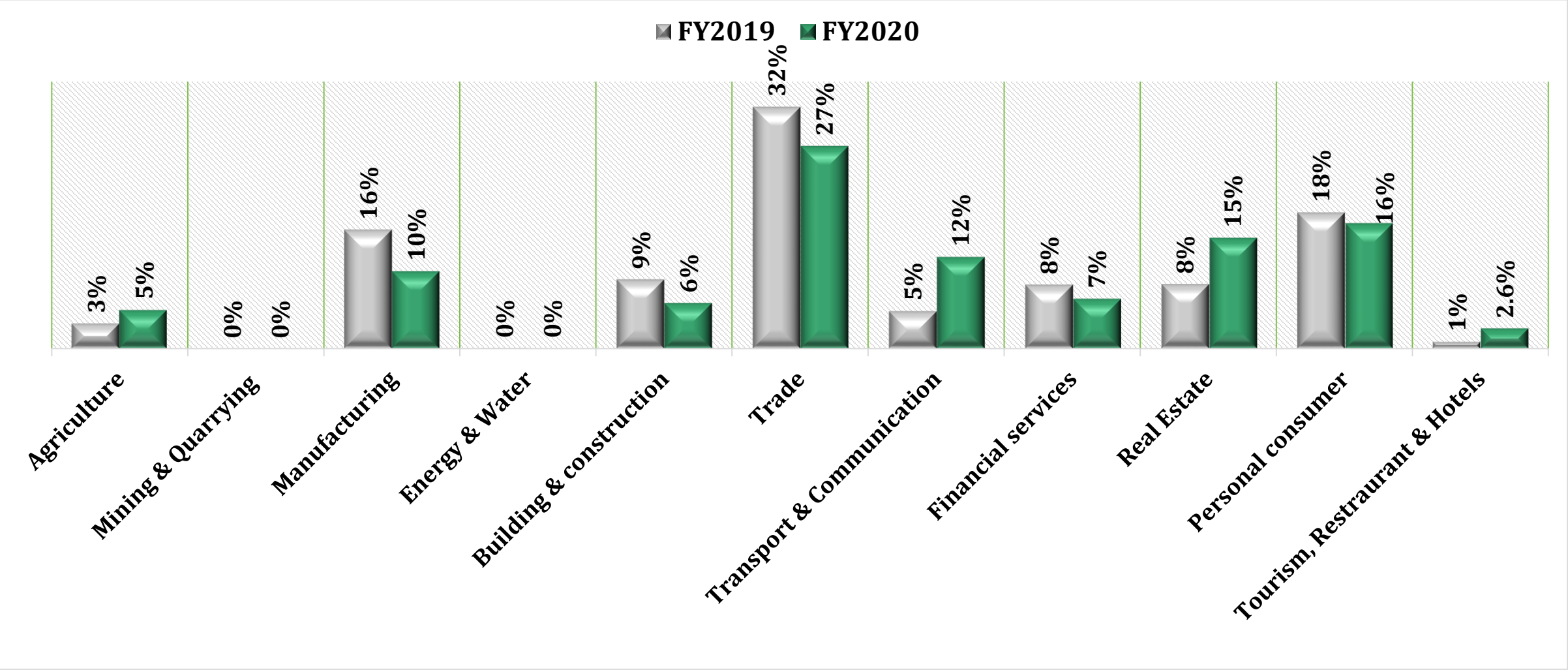


Portfolio Trends – Specific Sector NPL By Sector Book

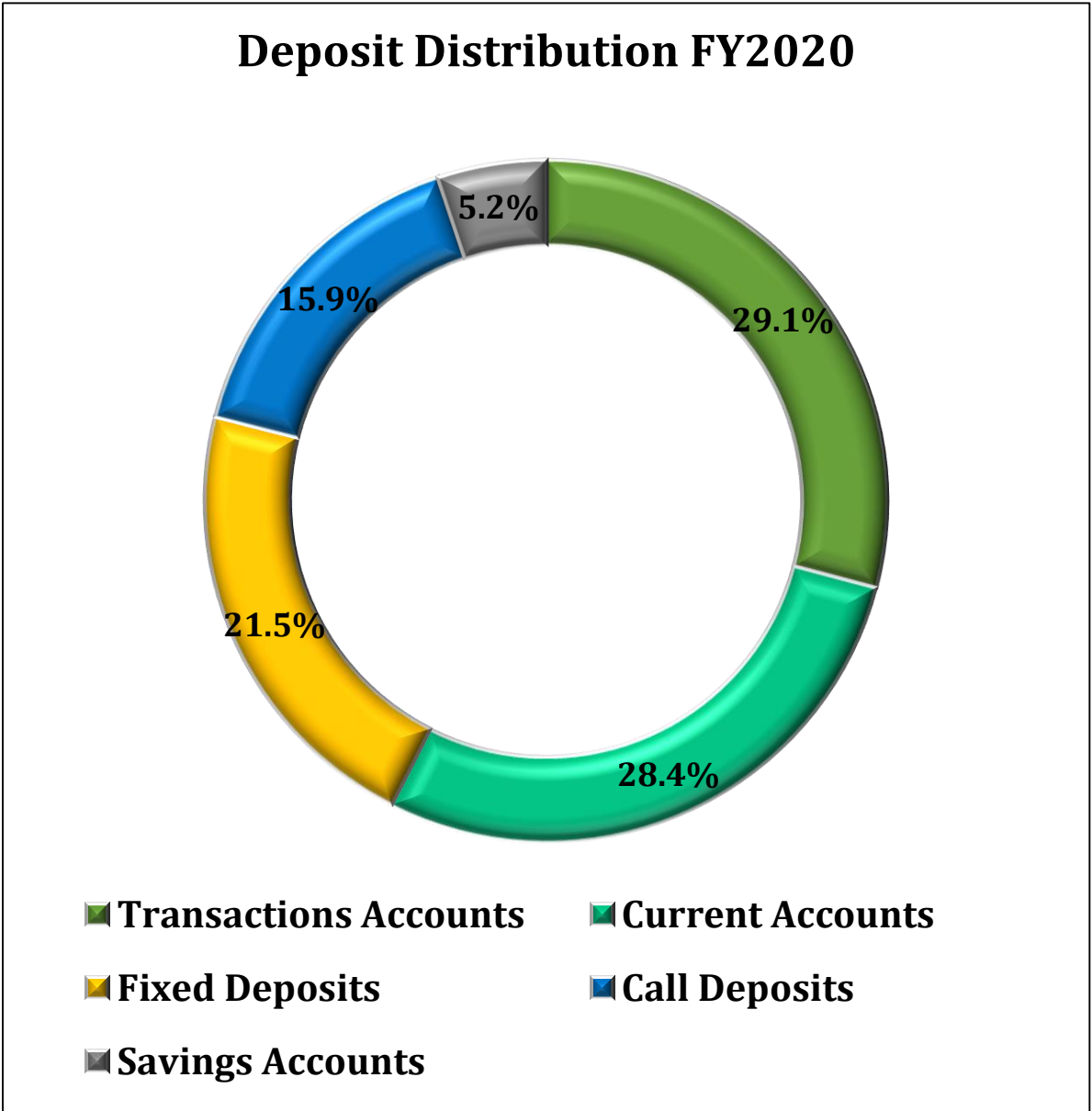
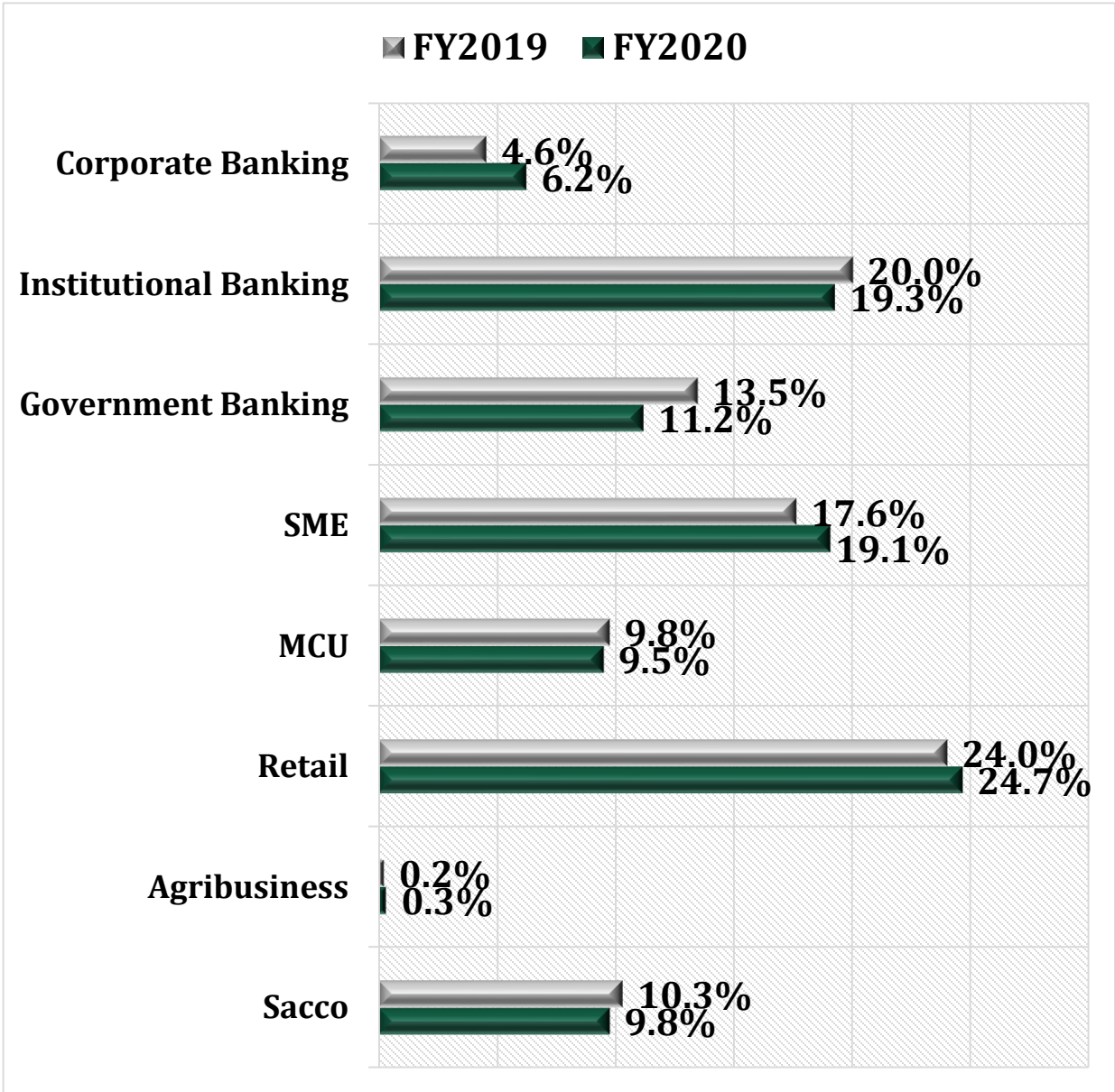


Portfolio Trends – Sector NPL By Total Bank NPL Book

- Relatively lower NPL in Key Sectors

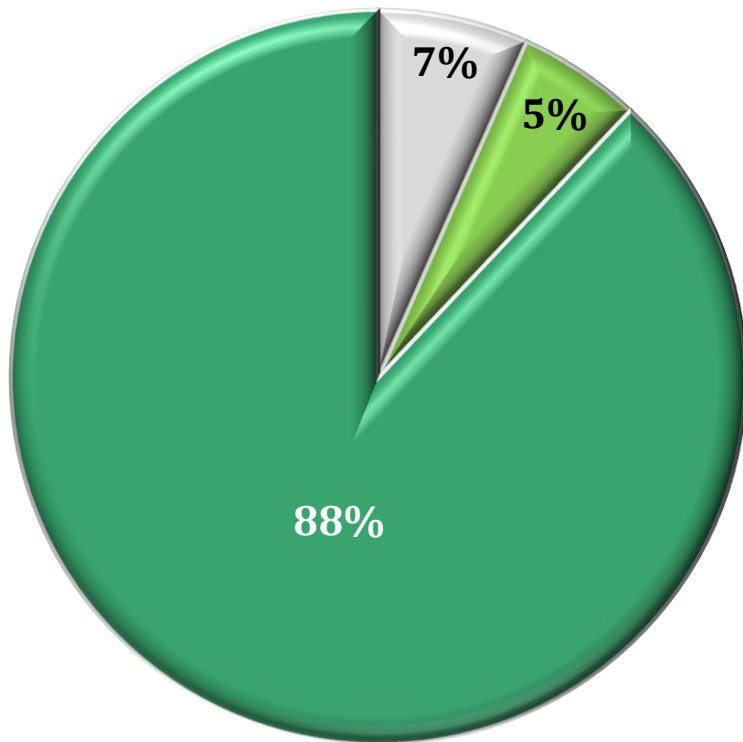


Well-diversified Liability Portfolio



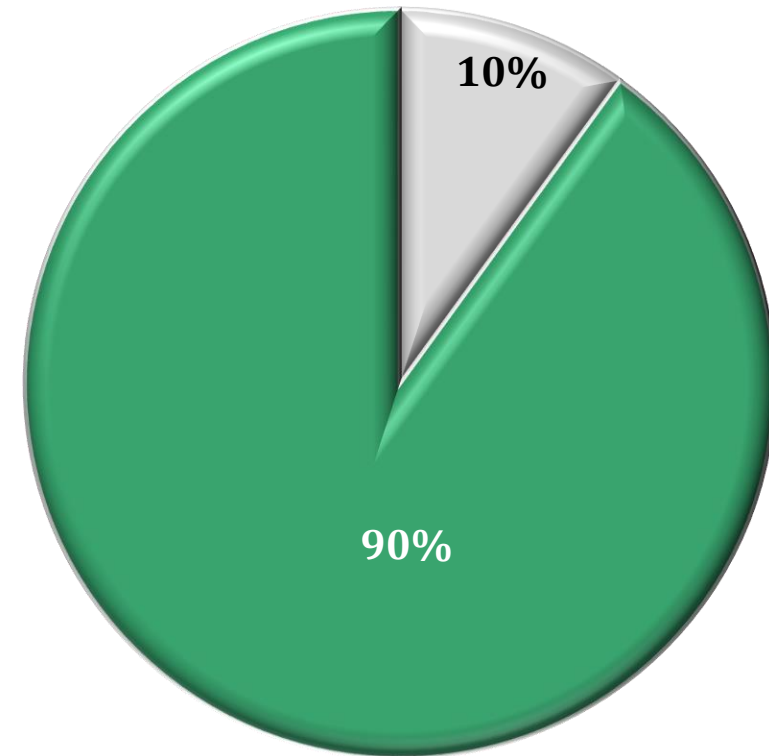
Optimally balanced Kenya Shilling asset & funding book

Funding (Local Vs Foreign Currency)FY2020



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

Loan Book (Local Vs Foreign Currency)

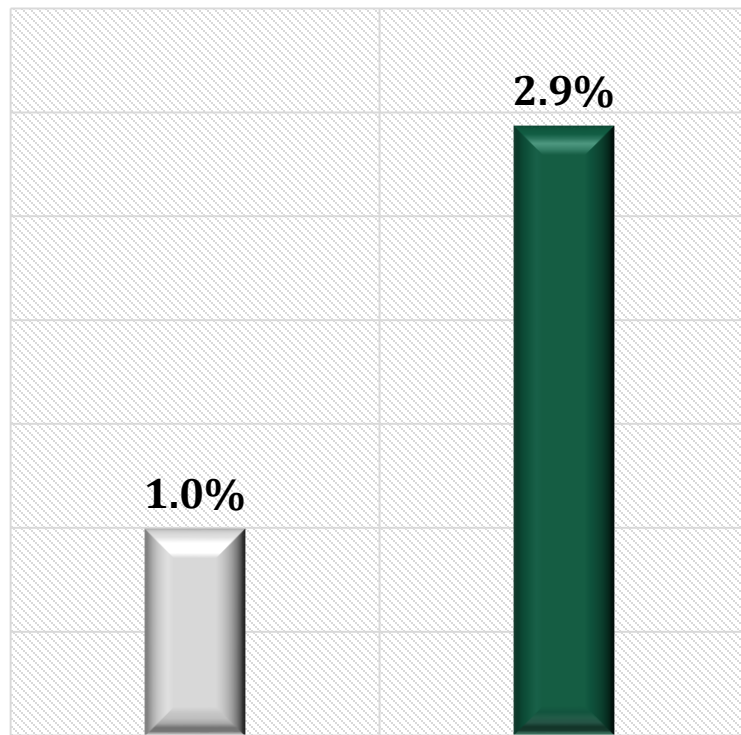


- Foreign Currency
- Local Currency

Adequate Coverage

- 220% increase in loan loss provision from Kshs. 2.5 Billion in 2019 to Kshs. 8.1 Billion, in appreciation of the challenges that businesses and households are grappling with from the disruption occasioned by the ongoing pandemic.

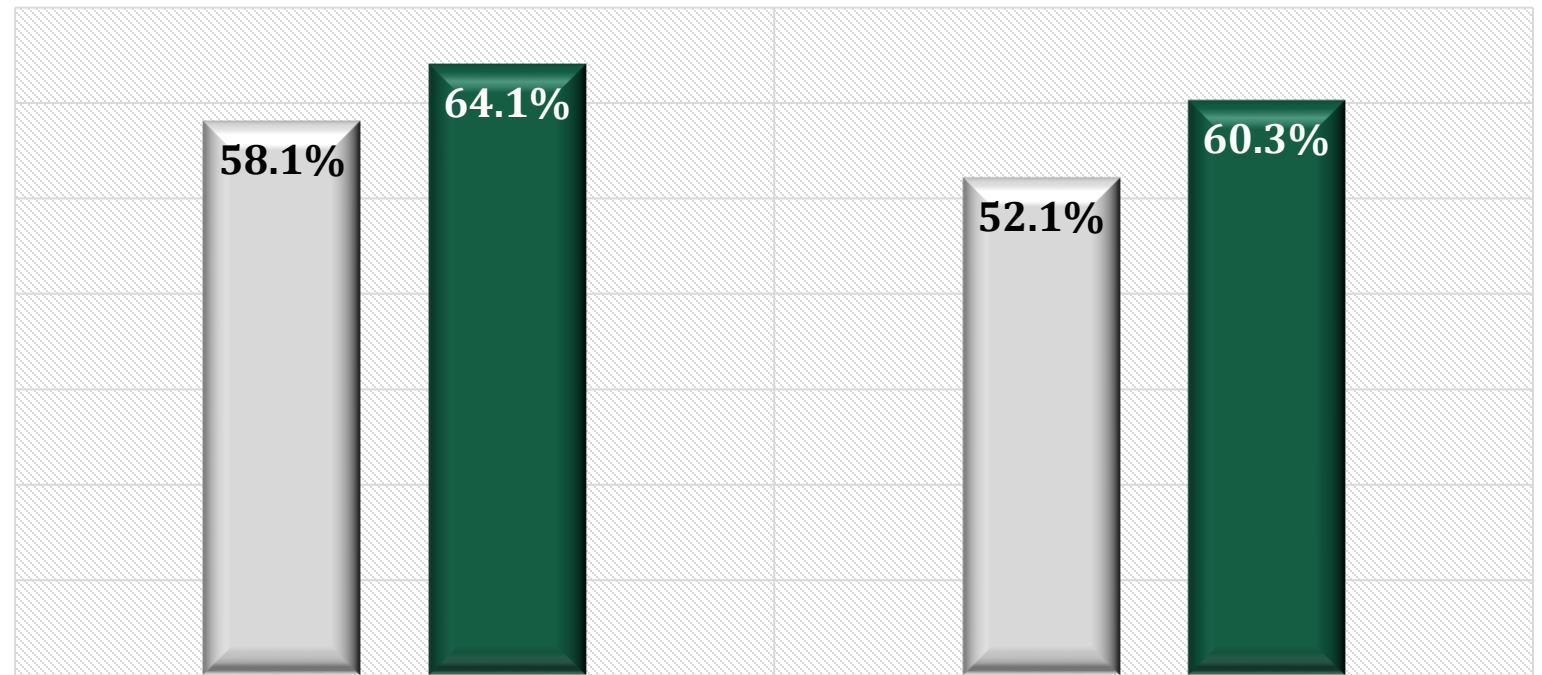
Cost of Risk



FY2019

FY2020

- Coverage (IFRS) Excludes General Provisions
- Coverage CBK (Includes Gen. Prov.)



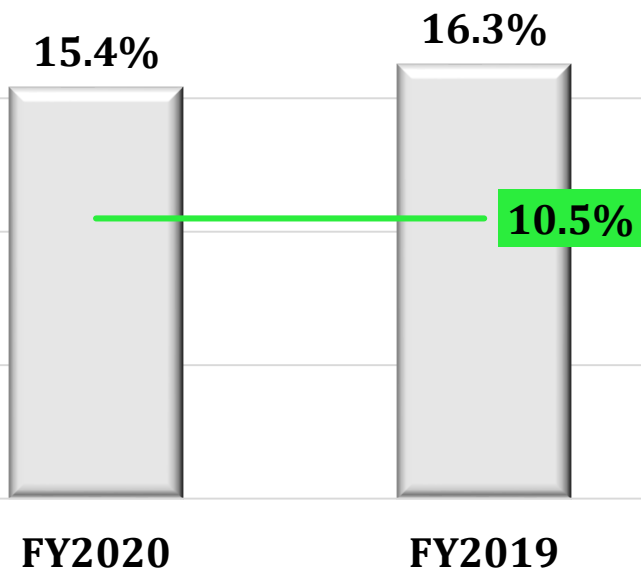
FY2019

FY2020

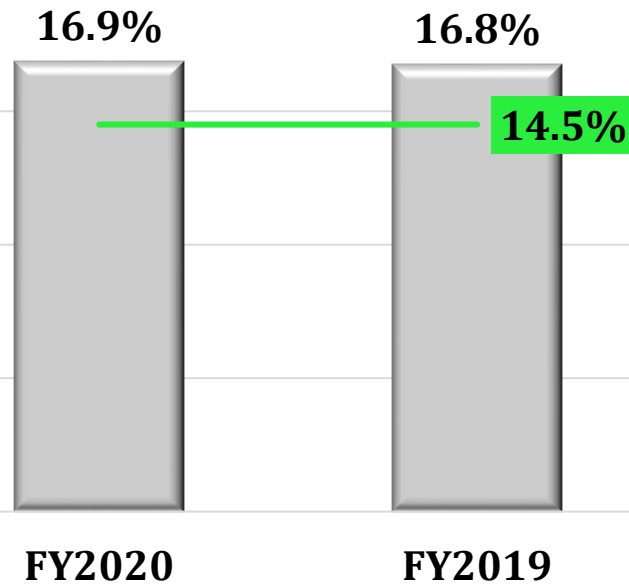
Strong capital to support future growth

Capital buffers for sustainable growth

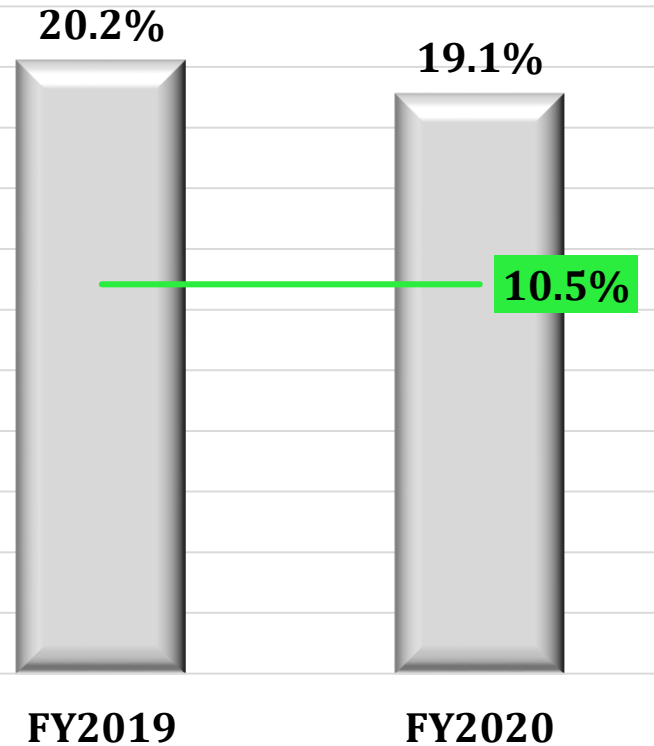
■ Core capital to Total risk weighted assets
— Minimum Statutory Requirement



■ Total capital to Total risk weighted assets
— Minimum Statutory Requirement

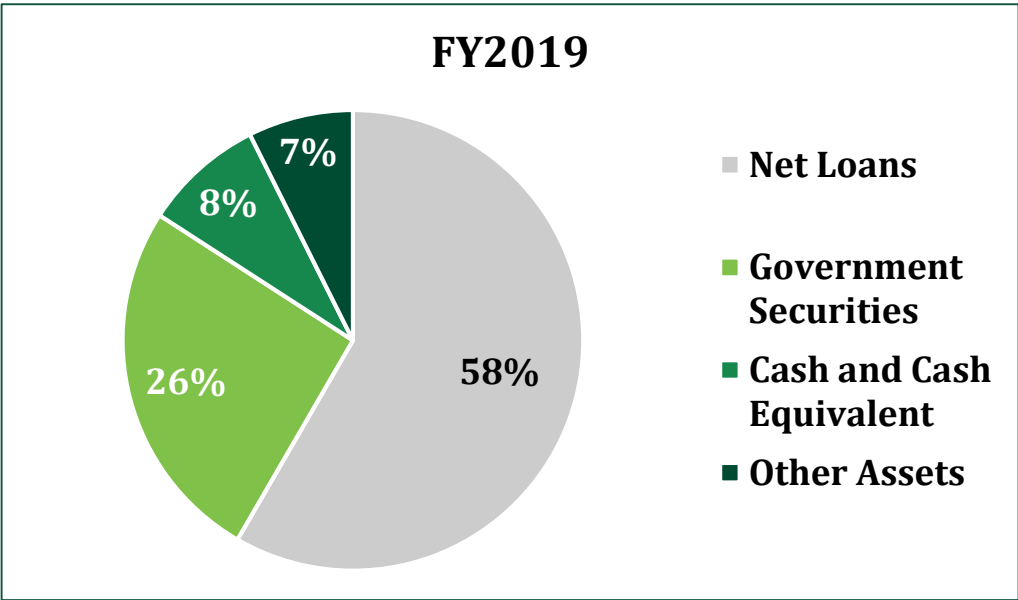
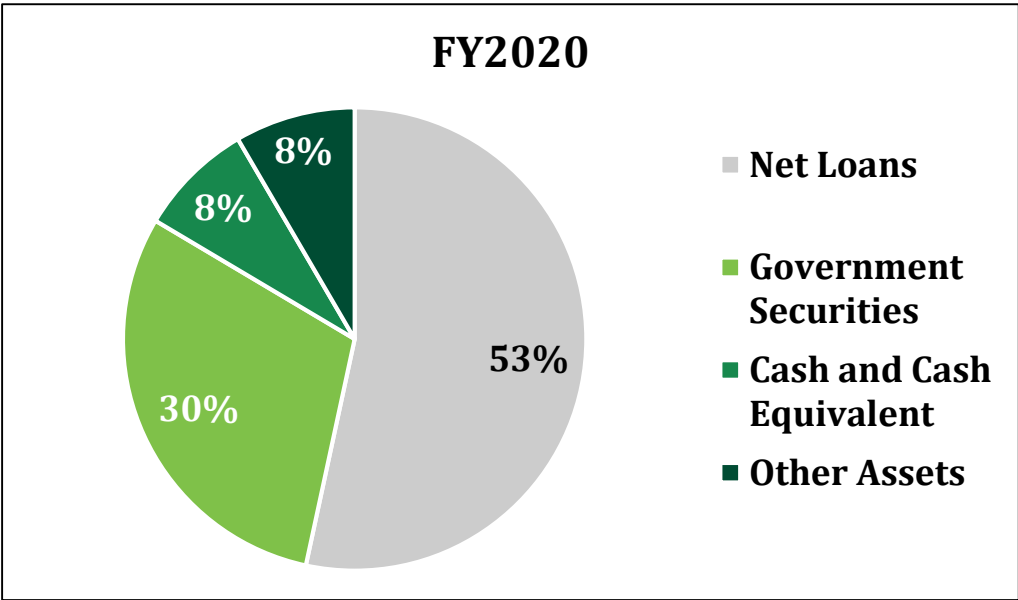


■ Core Capital/ Total deposit Liabilities
— Minimum Statutory Requirement

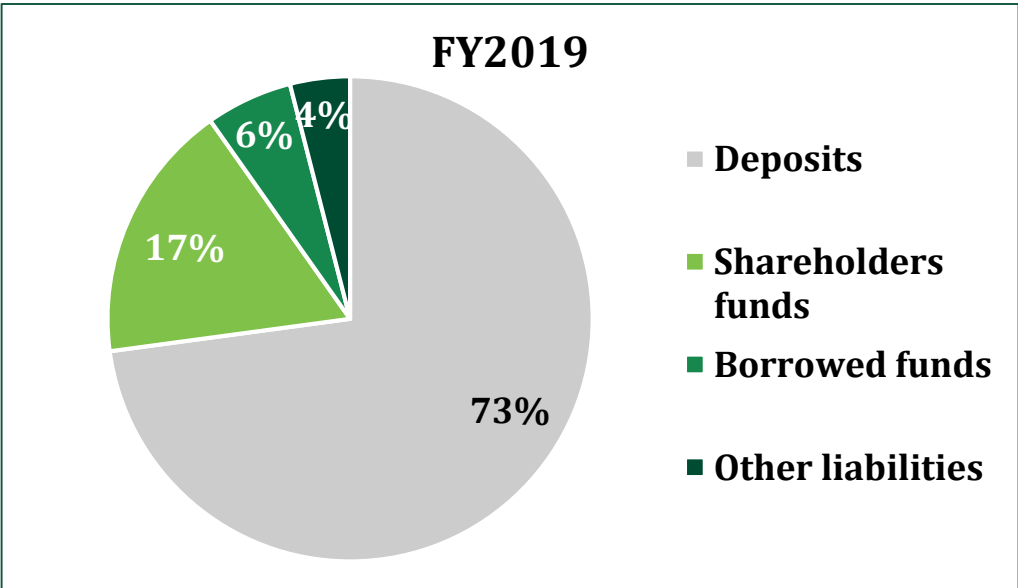
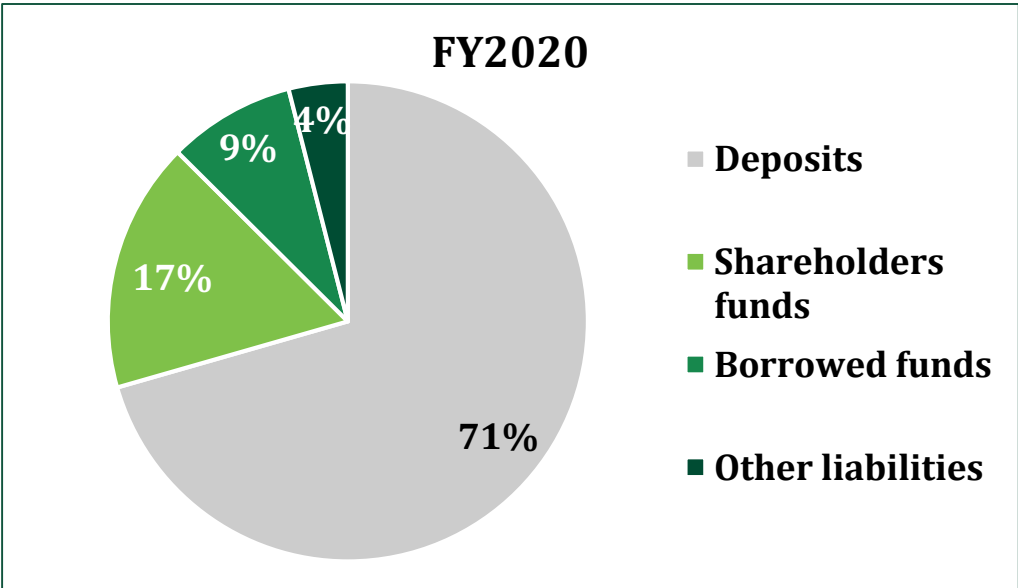


Optimal Asset and Funding Mix

Asset Categories



Funding Categories



Strong Liquidity to support investments

Liquidity ratio

52.2%



FY2020

46.2%



FY2019

Total Loans to Total Deposits

75.7%



FY2020

80.1%



FY2019

Loans /(Deposits+Borrowed Funds)

67%



FY2020

74%



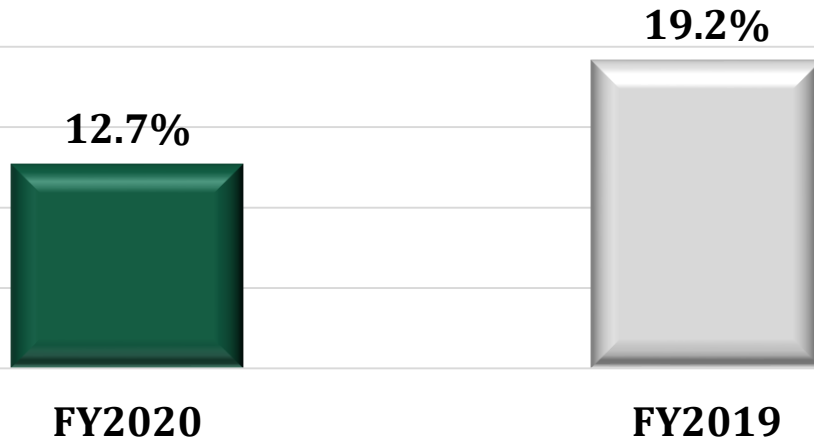
FY2019

Sustainable Profitability Growth

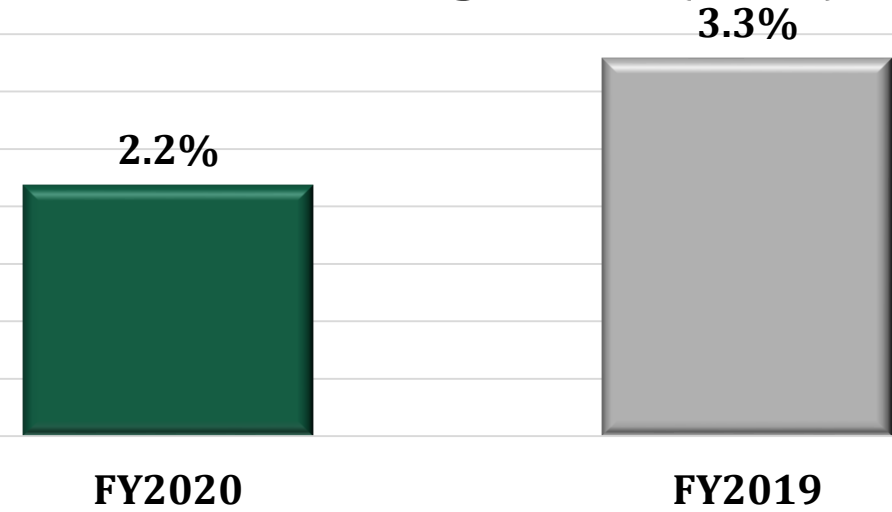
Kshs. Billions (Except for EPS)	FY2020	FY2019	% Change (Y/Y)	
Interest Income	48.8	43.6	11.9%	↑
Interest Expense	12.5	12.3	1.3%	↑
Net Interest Income	36.3	31.3	16.1%	↑
Fees & Commissions	12.9	12.8	0.7%	↑
Forex Income	2.8	2.1	32.1%	↑
Other Income	1.7	2.2	-20.5%	↓
Total Operating Income	53.8	48.5	11.1%	↑
Loan Loss Provision	8.1	2.5	219.5%	↑
Staff Costs	13.4	12.4	8.5%	↑
Other Operating Expenses	17.9	12.9	38.7%	↑
Profit Before Tax and Exceptional Items	14.4	20.7	-30.2%	↓
Share of profit of associate	(0.15)	0.04	-474.5%	↓
Profit Before Tax	14.3	20.7	-31.0%	↓
Tax	3.5	6.4	-45.8%	↓
Profit After Tax	10.8	14.3	-24.4%	↓
Basic Annualized EPS	1.8	2.4	-24.4%	↓

Key Ratio's

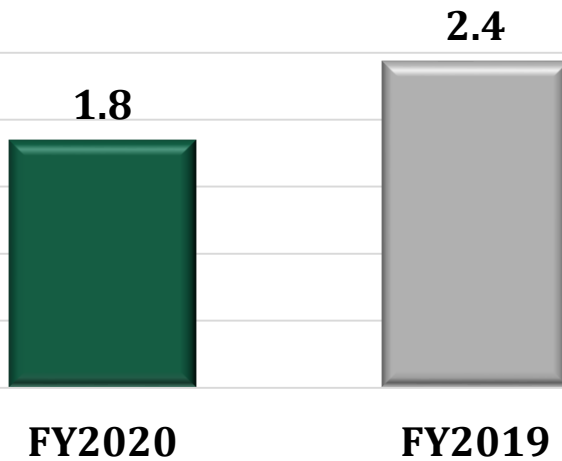
Return On Average Equity (ROAE)



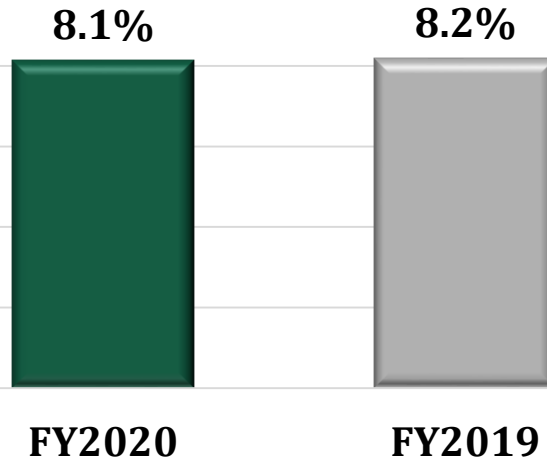
Return on Average assets (ROAA)



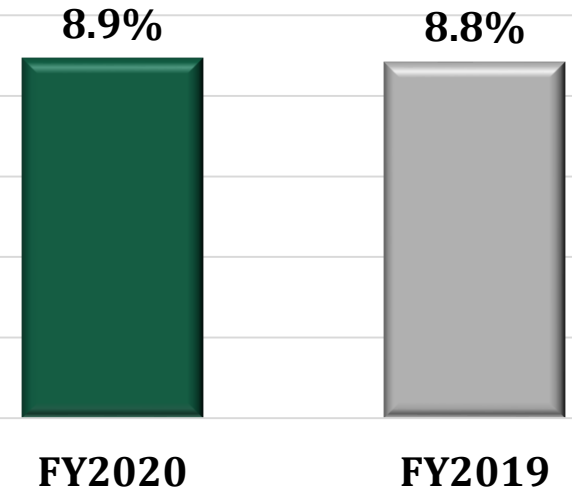
Earnings Per Share (Ksh.)



NIM - Earning Assets

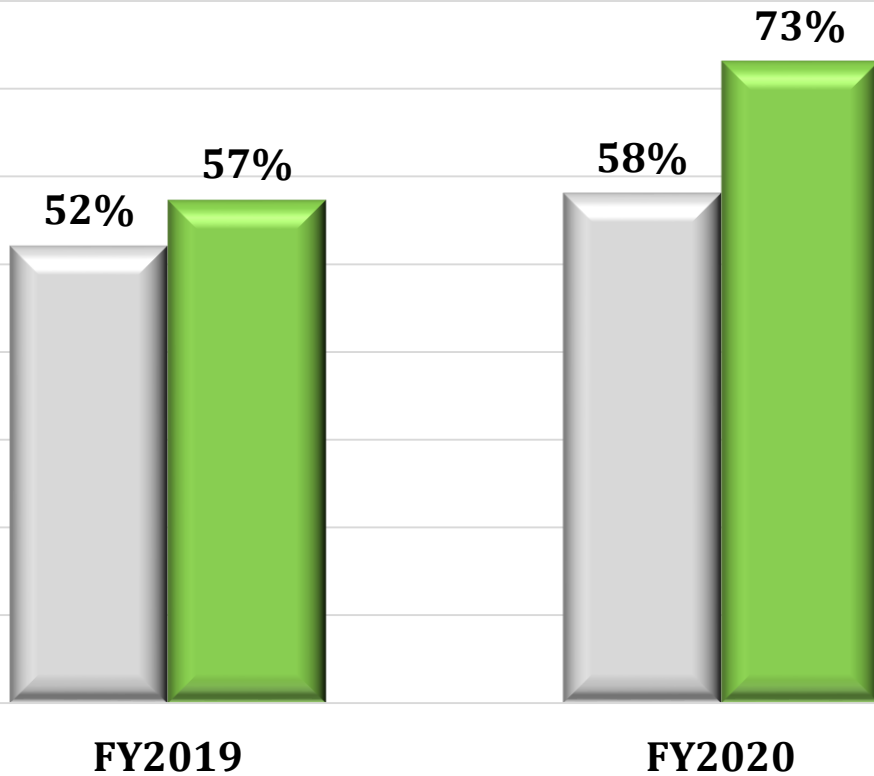


NIM- Loans

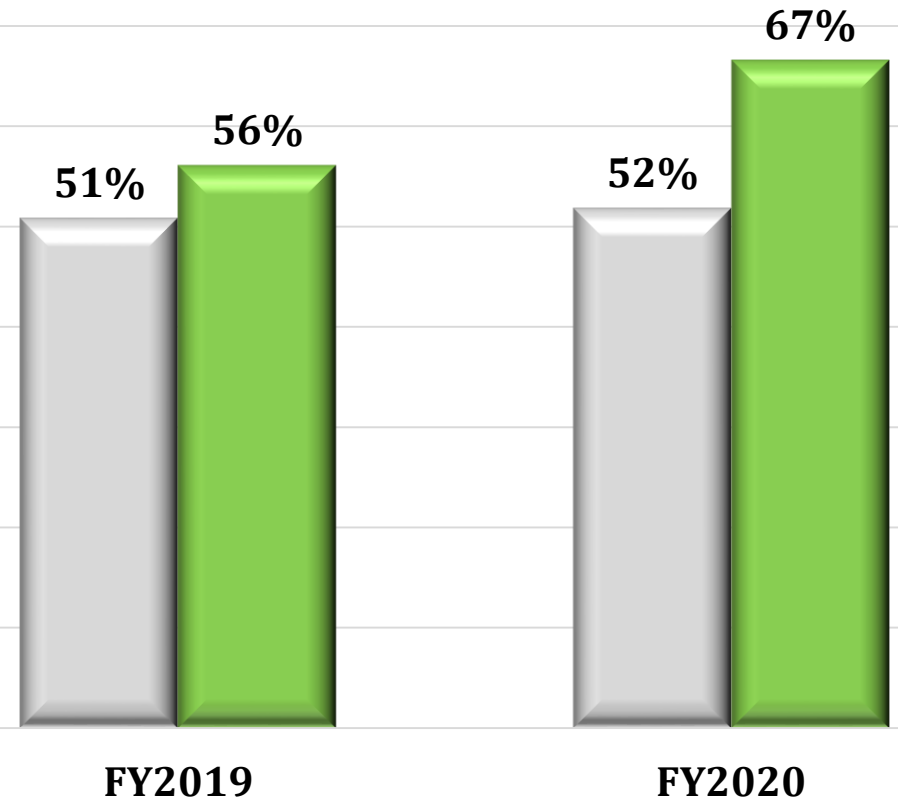


Key Ratio's

■ CIR without provisons - Group
■ CIR with provisions - Group

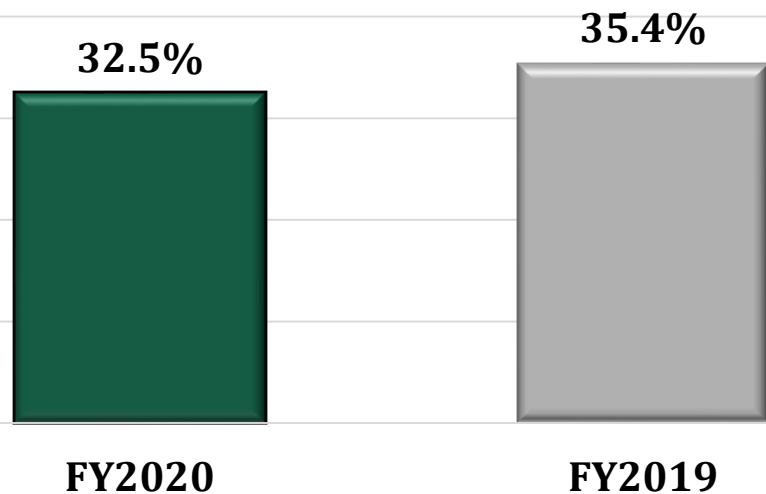


■ CIR without provisons - Bank
■ CIR with provisions - Bank

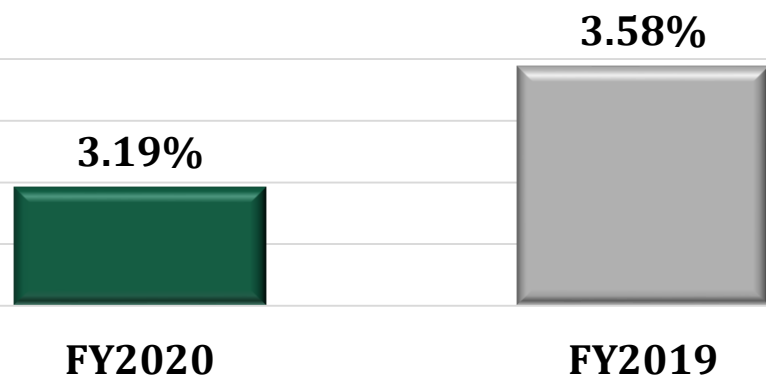


Key Ratio's

Non - Funded to Total Income

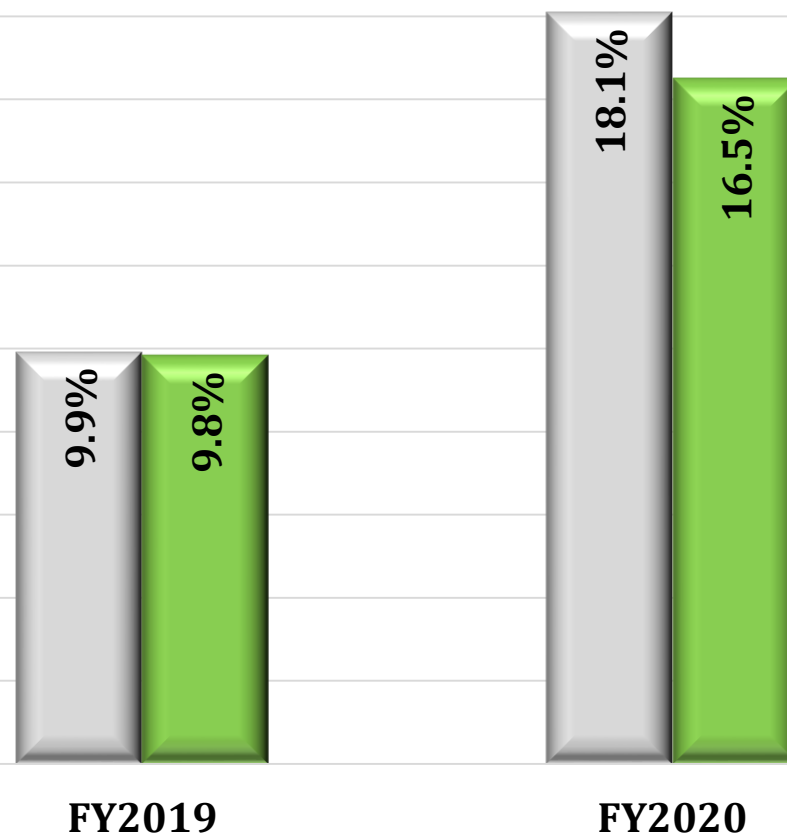


Cost of Funds(deposit+borrowed funds)



■ Non Performing Loans - Group

■ Non Performing Loans - Bank



Dividend Payout

With the adequate capital buffers in the tough operating environment, the Board of Directors, as per Capital Markets Authority guidance vide circular dated 16th April 2020 on Board of Directors Mandate under COVID-19, has approved the payment of Kshs. 1.00 per ordinary share (2019 - Kshs. 1.00) to be paid on or about 14th April 2021 to the shareholders registered on the Bank register at the close of business 31st March 2021. The register will remain closed for one day on 13th April 2021 for the preparation of dividend warrants.

The Kshs. 5.8B Dividend is a much needed relief in a pandemic year to the over 15 Million-member co-operative movement that predominantly owns the Bank

THANK YOU

