

Co-operative Bank of Kenya Ltd

Group Financial Results | Q12022

1

Key Highlights

We are Growing | We are Resilient | We are Agile

A Transformational **Bank**

Largest Co-operative Bank in Africa 15 Million Members

9.0 Million Direct Account Holders

Successful Universal Banking Model, **Increased Dominance** in Kenya

Growth, Resilience and Agility in a pandemic environment

Kshs.597 Billion in Total Assets

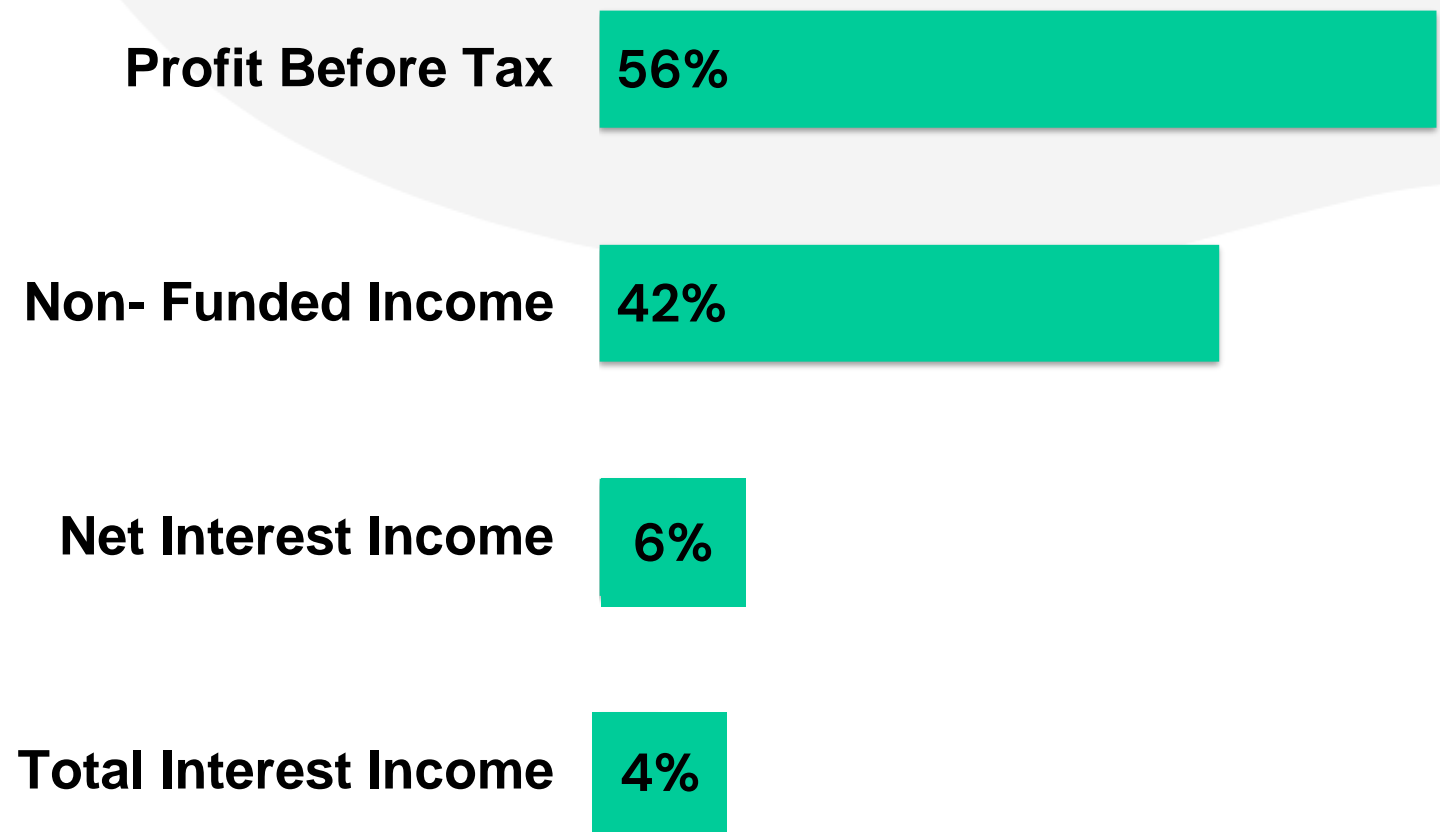
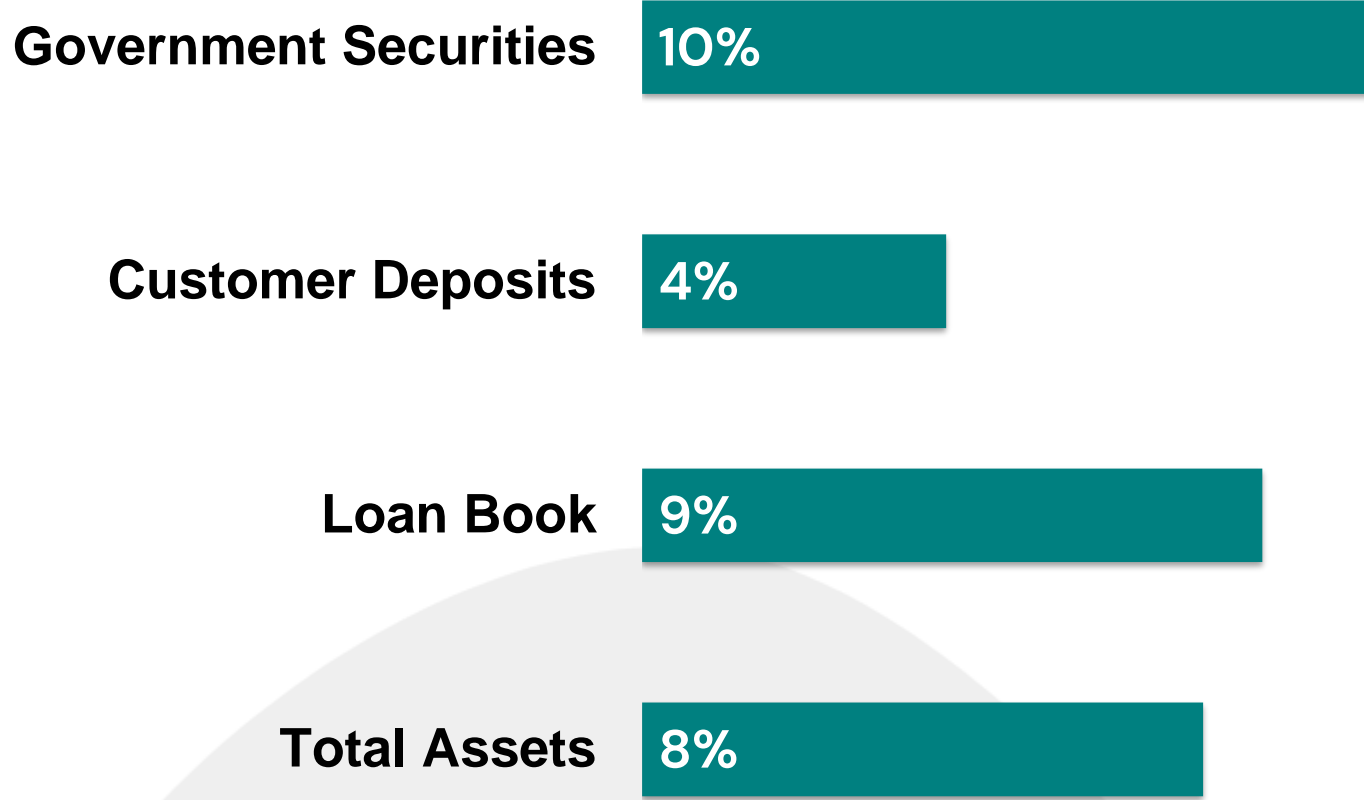
4483 Skilled, Motivated Staff Members





We are Growing: Creating Value

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




We are Resilient: Protecting Value



 Efficient operations. Cost-to-income ratio 45% (49% Q12021)

 Strong Capital Buffers

 Proactive Enterprise Risk Management Framework.

 Proactive provisioning for NPL: Kshs. 1.5B in Q12022 (-32.3% YoY). NPL Coverage now at 73% from 64% (Q12021)

 Continuous support to our customers, staff and all our other stakeholders.

Low relative exposure in high-risk sectors like Tourism (1%) and

 Manufacturing (3%). Up to **50% of our loan Book** is in Consumer banking which is performing well.

 **Optimal risk spread** with a 10.4% growth on T-bills and T-bonds.

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

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.
- Project Connect & Build (CB) – focused on co-creating solutions with our customers to grow the loan book and increase product holding.

Operational efficiency with
94%
of our transactions in alternative
channels. We have been able to offer
uninterrupted services on these
channels.

- Successful migration of all customers to the Omnichannel Platform
- 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

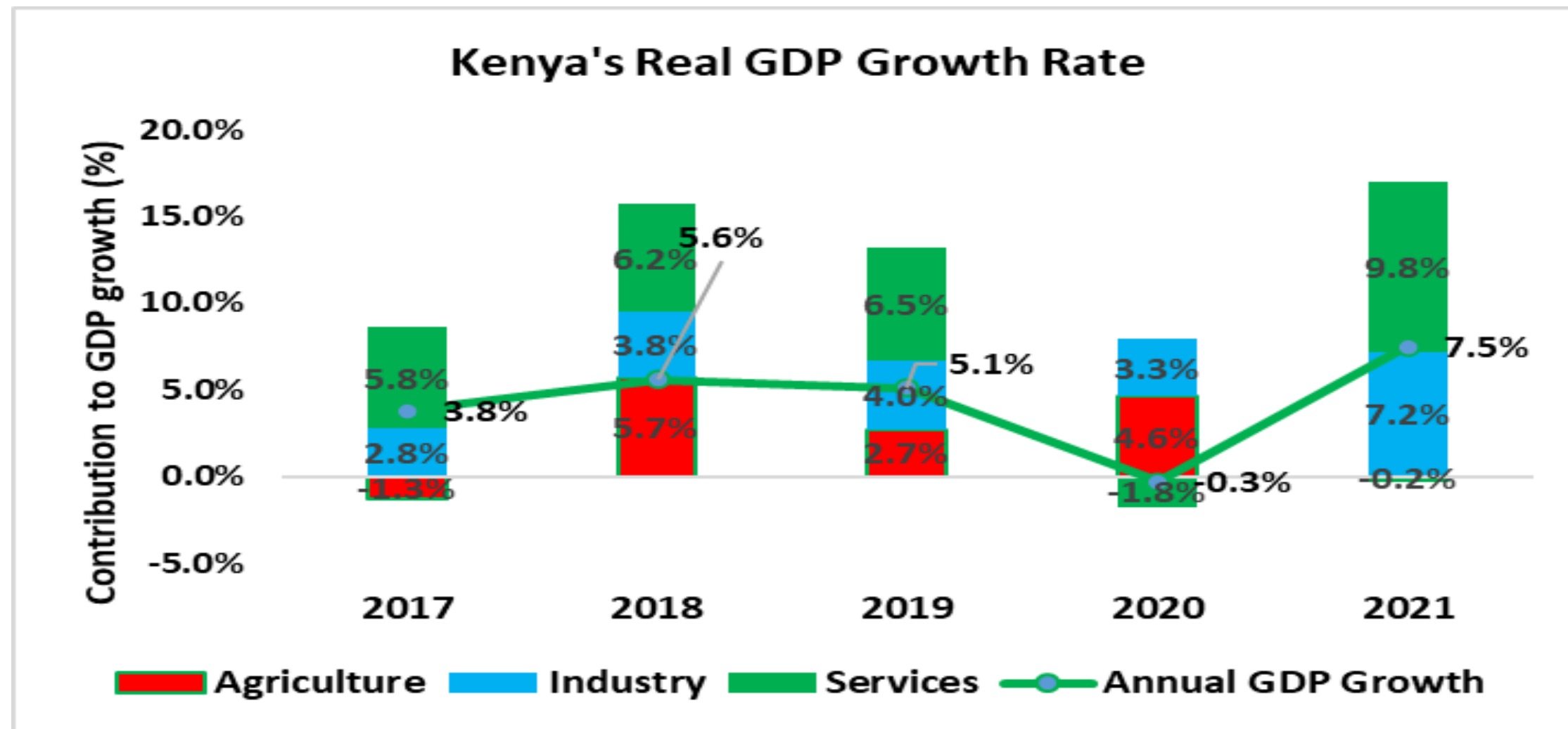
- Supporting new ways of working – Digital Workforce
- **+31%** Pre-provision return per staff.

Macroeconomic Highlights

- Economic growth
- Short Term Interest Rates
- Exchange Rate
- Inflation Rate
- Credit growth

Economic Growth

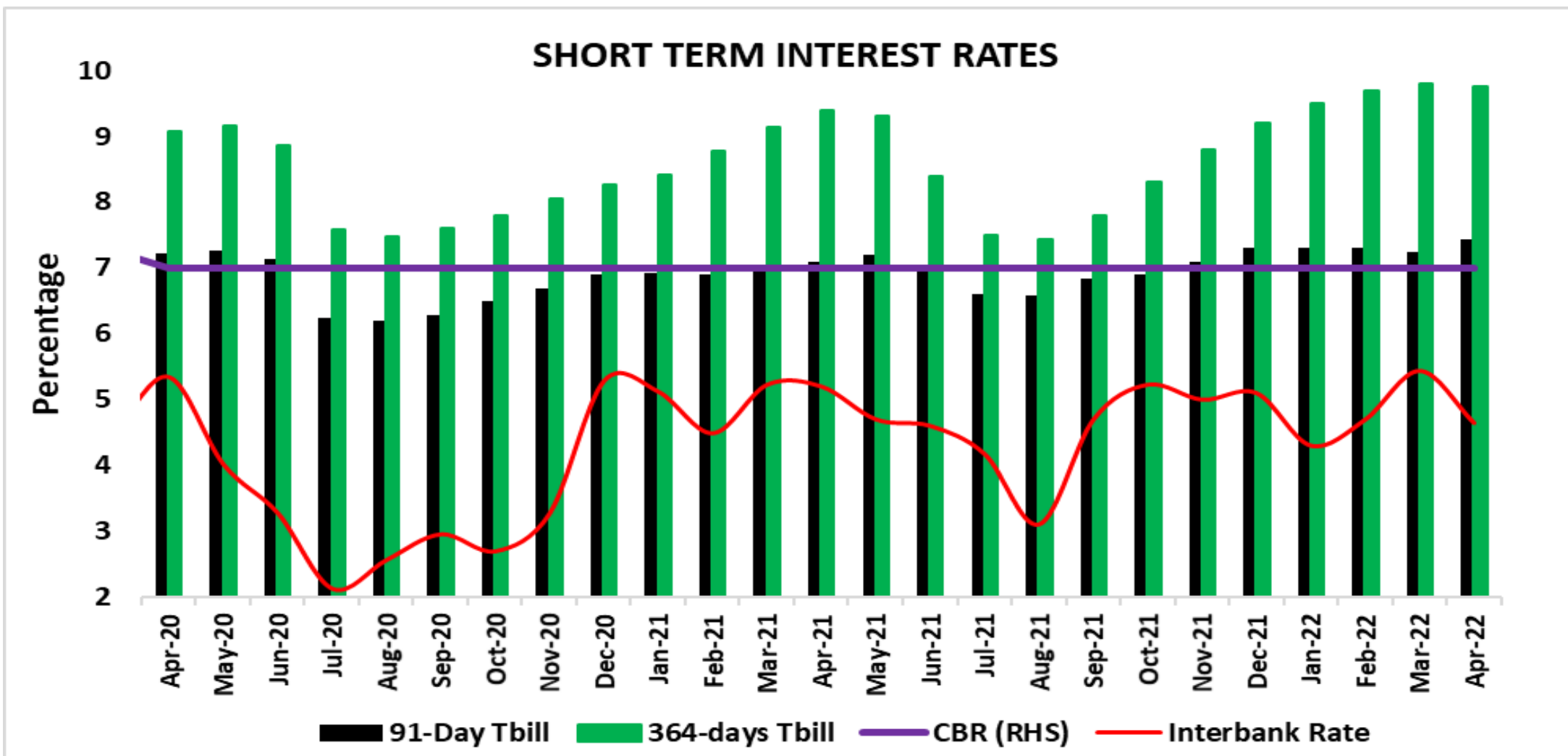
- The economy rebound in 2021 by growing at 7.5% following easing of COVID-19 restrictions.
- This growth was supported by recovery in manufacturing, wholesale & retail trade, education, transport & storage, financial and insurance sectors.



- For the rest of 2022;
 - Performance of the services sector is projected to hold at a relatively high growth rate.
 - The industrial sector is expected to continue expanding given that some projects delayed or postponed in 2020/2021 are currently running.
 - However, performance of the agriculture sector will be subdued due to unfavorable weather conditions in most parts of the country.
 - Aggregate demand levels will remain challenged due to the current high consumer prices.

Short Term Interest Rates

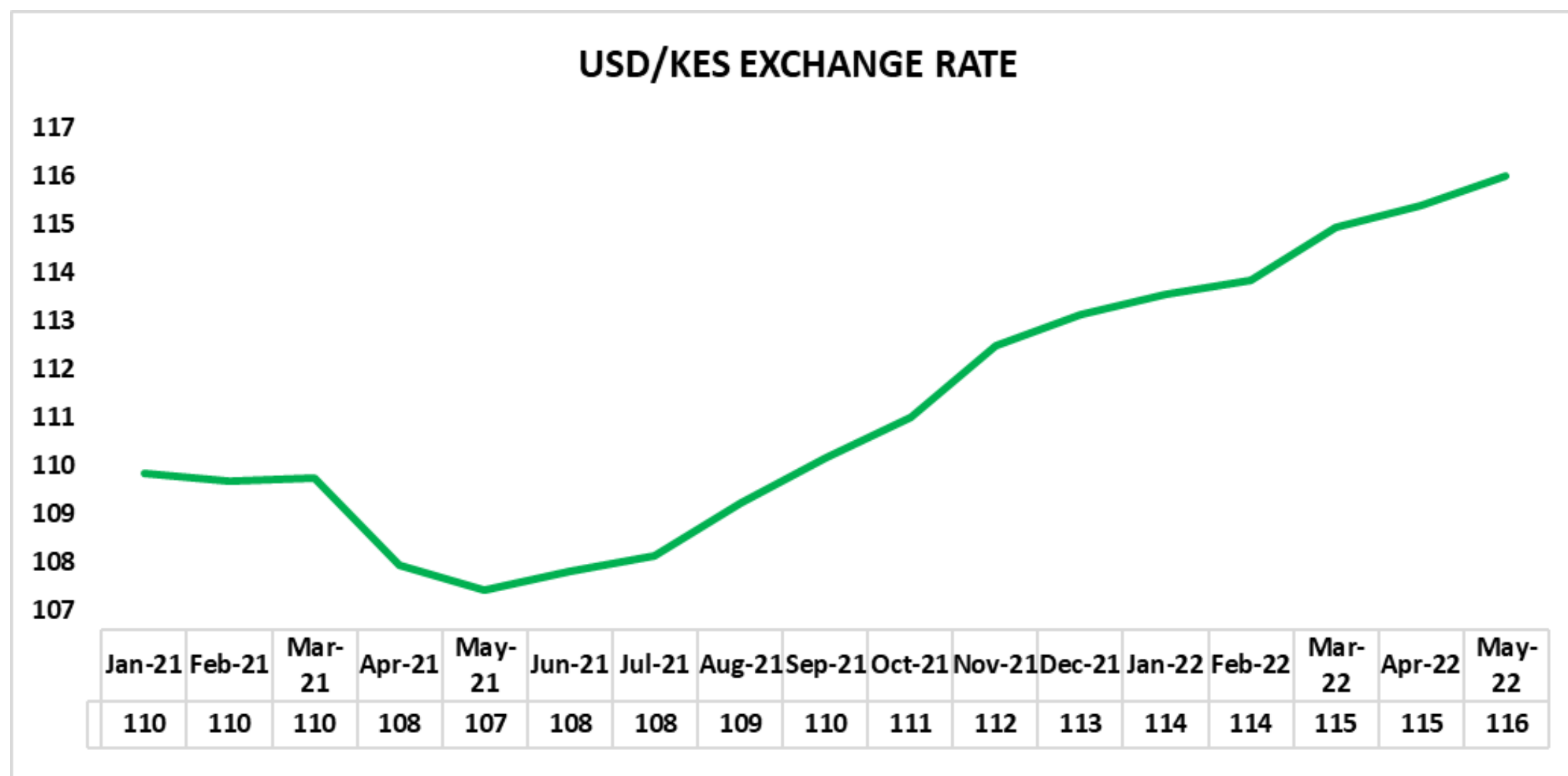
- The money market remained broadly stable in 1Q 2022. Yields on short-term government securities have registered marginal change.



- The average interbank rate has remained low at 4.5% at the end of Q1 2022 compared to 4.5% at the beginning of the year, further indicating continued high liquidity in the banking sector.
- Into the month of May and June, the Government is expected to auction attractive bonds to enable it redeem KES 6B and KES 67B worth of bonds maturing in May and June, respectively.
- Investors are likely to re-invest or rollover the KES 30.2B and KES 45.5B maturities of 91-days and 182-days in May and June, respectively.

Exchange Rate

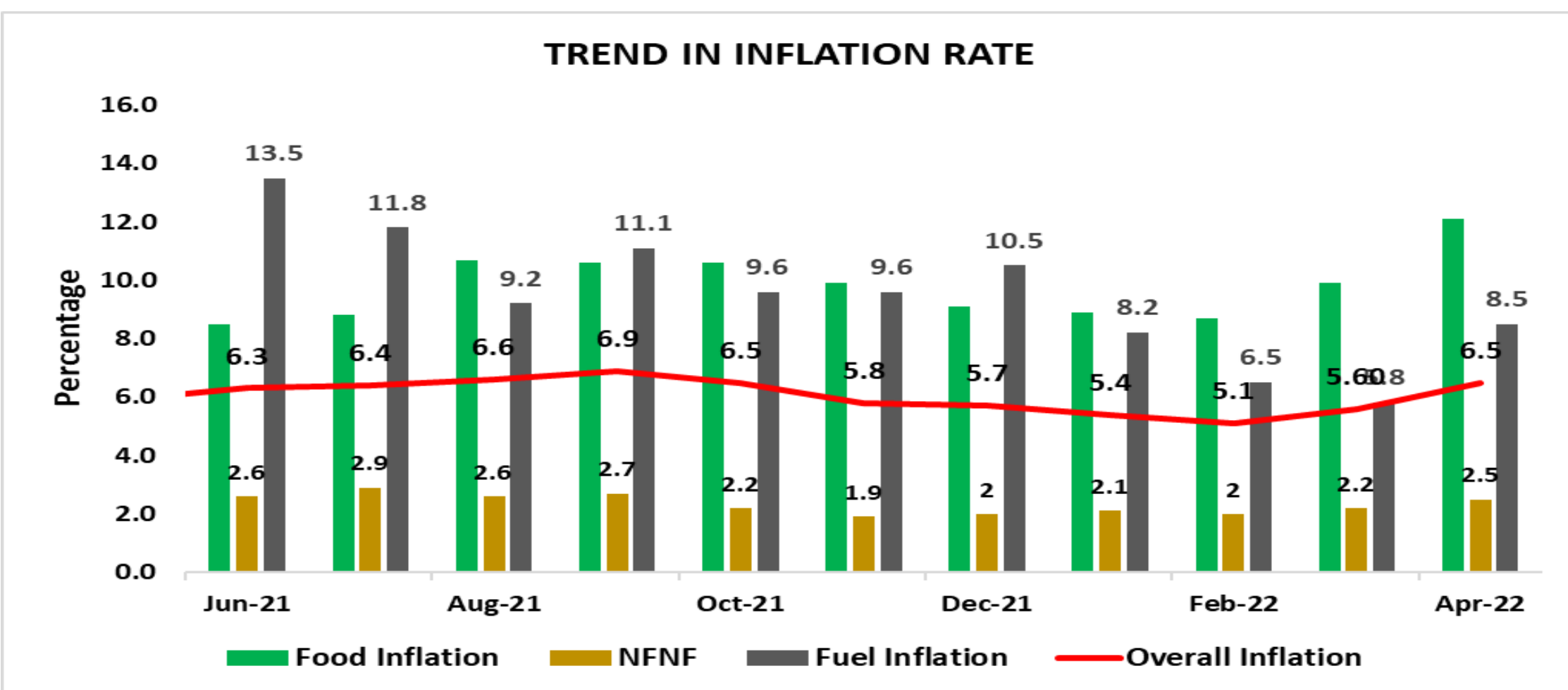
- The KES has weakened to stabilize around Kshs 116 in early May against the USD.



- Diaspora remittances have stabilized at KES 40 Billion per month in 1Q 2022.
- Increasing oil prices putting pressure on the import bill.

Inflation Rate

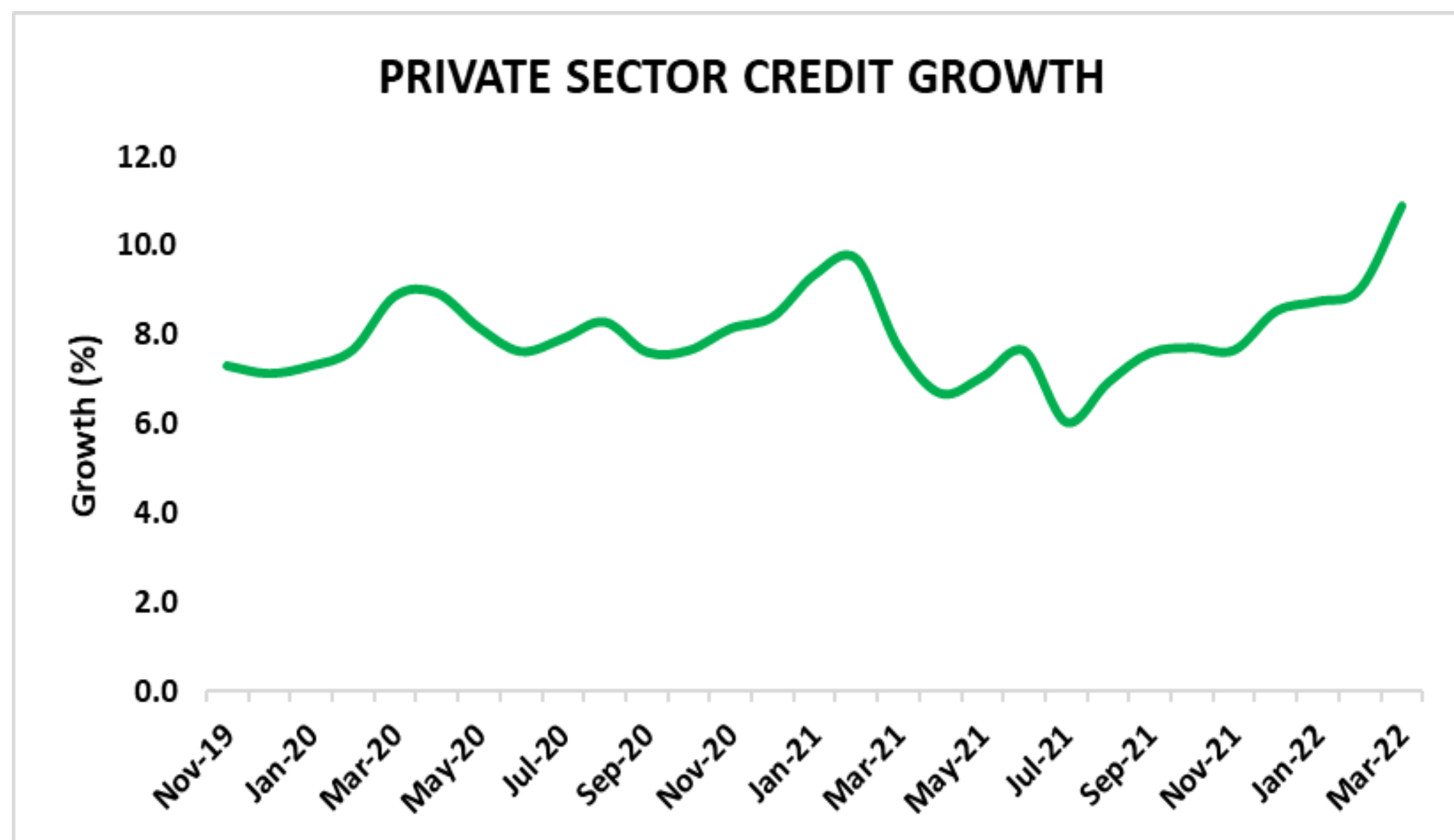
- Overall inflation rate increased to 6.5% in April 2022 from 5.4% in January, due to higher fuel and food prices.



- However, inflationary risk abounds in the near-term;
- Kenya Meteorological department has revised the March-April-May rainfall forecast downwards noting a delay in onset and reduced levels.
- Uganda and Tanzania (Kenya's traditional food import markets) experienced an unusually dry period in March 2022.
- Export restrictions by some major food commodity producers is expected in Q2 and Q3 of 2022, hence increasing price levels further.

Credit Growth

- Growth in private sector credit has improved in in 2022 to hit a rate of 10.9% in March 2022 compared to 7.7% in March 2021.



- The increment is attributed to lending to manufacturing, trade, transport and households.
- Good catalyst for economic recovery

Strategic Focus

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. Positive impact on Economy, Society & Environment.

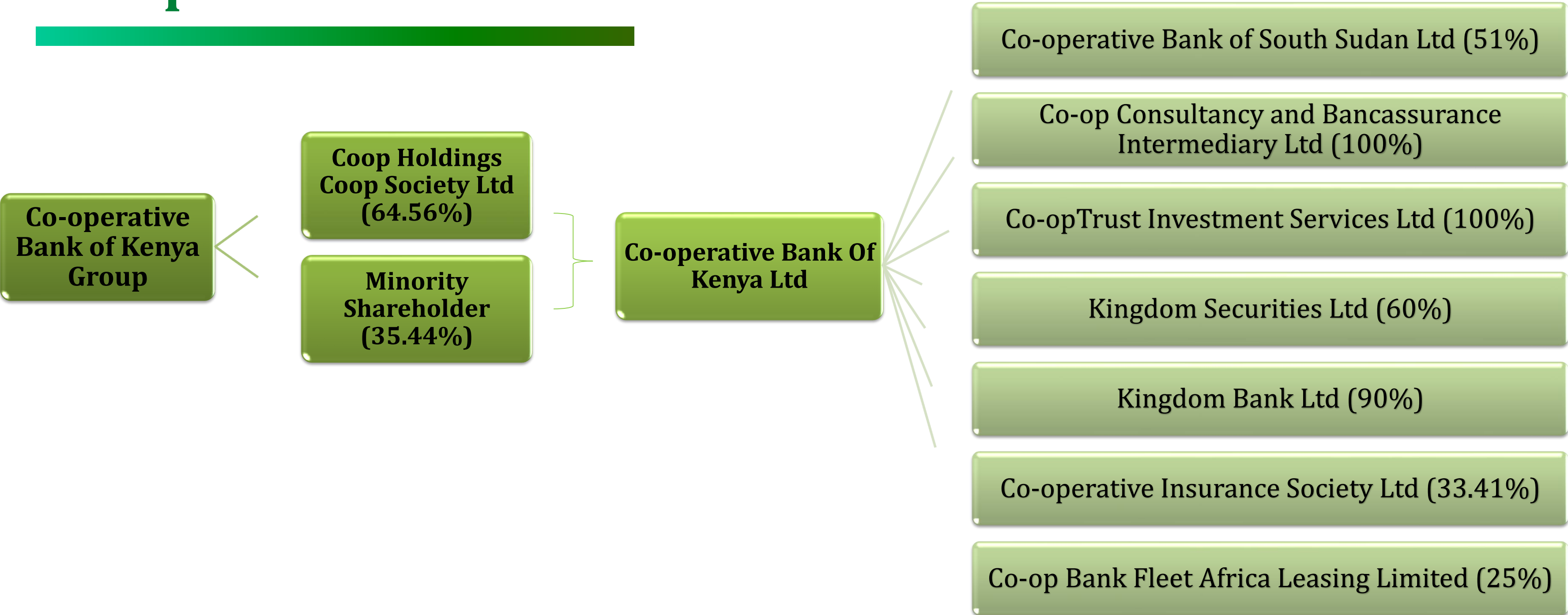
Vision

To be the dominant bank in Kenya and the region, riding on the unique Co-operative Model providing innovative financial solutions for distinctive customer experience.

Mission

To offer a wide range of innovative financial solutions leveraging on our heavy investment in multi-channels, national and regional presence and with a focus on excellent customer experience by a highly motivated and talented team.

Group Structure



A Successful Universal Banking Model

Retail and Business
Banking (Kshs. 223.5
Billion Loan Book)



Co-operatives Banking (Kshs.
33.3 Billion Loan Book)



Funds under management
(Kshs. 190.2 Billion
(Q12021 Kshs. 128.4 Billion))



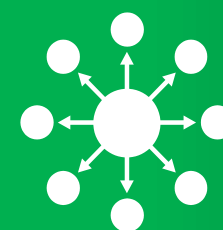
Consultancy and
capacity building
3093



Stock Brokerage
• Share trading
services
• Online Share
Trading



Insurance Brokerage 25.7%
(YoY) growth in Insurance
Commission



Corporate Government &
Institutional Banking (Kshs.
92.9 Billion Loan Book)



Leasing:
Coop Bank Fleet
Africa Ltd



Our Presence



180
Branches



9.0M Account
holders



88K+ Internet
banking
Customers



19K Diaspora
Banking Customers



Over 5M Mcoopcash
Customers



464 Sacco Front
Offices Branch
network



541
ATMs



24hr Contact
Centre



27K+ Co-op Kwa
Jirani Terminals

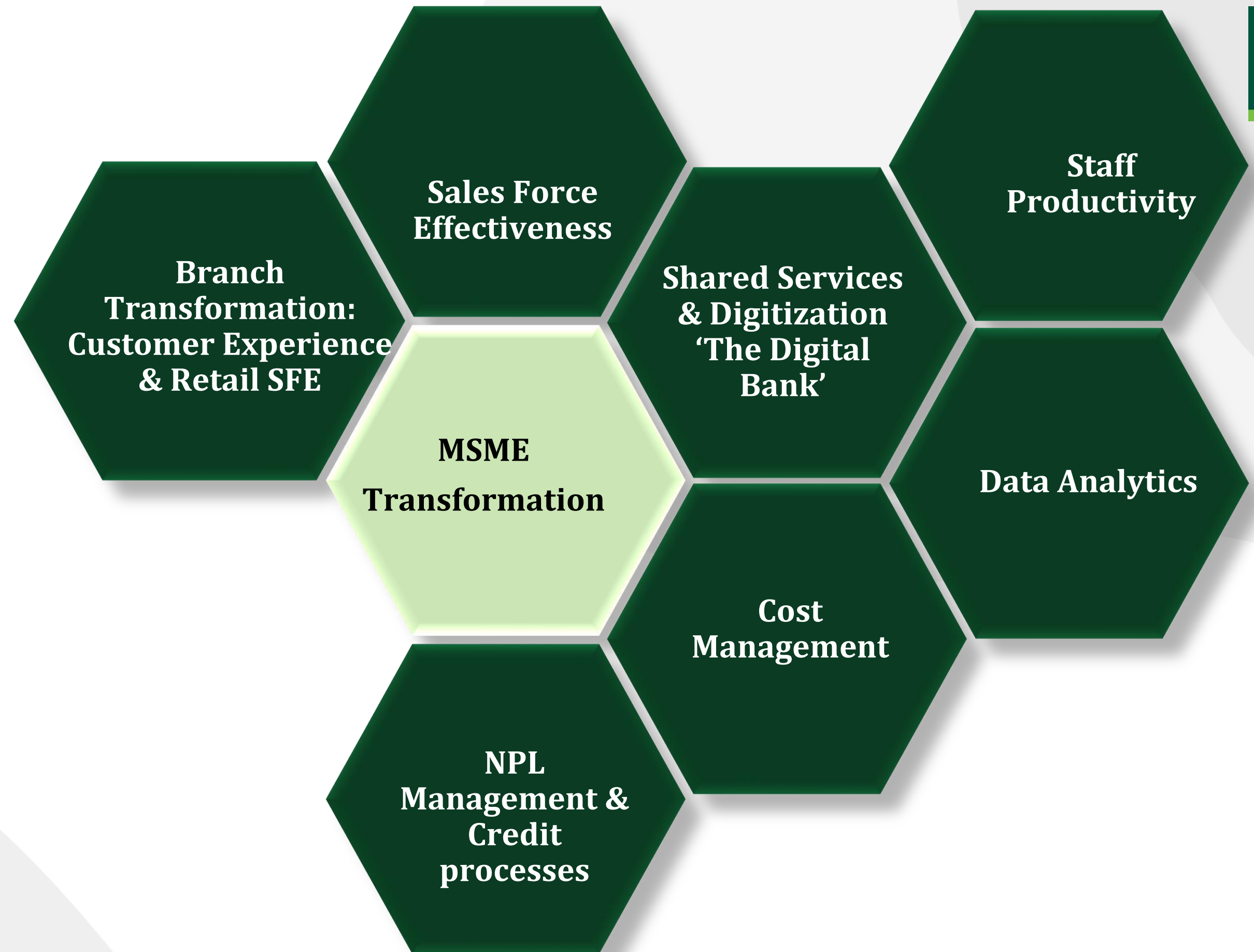


4483 Staff

Key Pillars

“Soaring Eagle” Transformation Initiatives

- Growth
- Efficiency



E-Credit Focus: Kshs.212.6B Disbursed so far

- 1.Short term tenor
- 2.Average disbursement of Ksh.6.6B per month.
- 3.Consumer Based that is mainly on salary checkoff deductions.
- 4.Low credit risk

-
- ✓ *Average queue time of 8.6 Minutes.*
 - ✓ *94% transactions on alternative channels.*

Proactive credit management through;

- ✓ Continuous Process improvement for enhanced End to End Turn Around Time on all loan applications.
- ✓ Proactive early delinquency & NPL management through Connecting with our customers, collecting and offering customer centric solutions.
- ✓ Credit Review Implementation Project “*Project Kilele*”, *Project Connect & Build*

MSME Transformation:

- 1.23,363 trained customers.
- 2.151K+ 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):231 NFS clinics, 13 Networking forums, 3 international business trips.
5. Government of Kenya Credit Guarantee Scheme.
6. Year to date, we have disbursed Kshs. 4.3 Billion to MSMEs through our Mobile E-Credit solution.

“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 for digital co-operatives

- ✓ **Digitization:** Core Banking System (ongoing), Omnichannel, Business Process Management System, Master Card.

- ✓ **Advanced data analytics** – Supporting Data-led sales, reporting and decision making

- ✓ **Staff productivity and enablement** – Pre-provision productivity grew by 31% YoY

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.

Driving Sustainable Business: ESG Integration



As a leading financial institution, our sustainability agenda is deeply embedded into our core business, allowing us to offer financial services in a responsible & sustainable manner. Our approach therefore aims to balance economic, social, environmental & governance pillars to harness sustainable opportunities and manage risk.

We have adopted the Kenya Bankers Association Sustainable Finance guiding principles and minimum standards in totality.



ECONOMIC

" We create channels for sustainable economic opportunity by ensuring strong financial performance and financial inclusivity "



SOCIAL

"The bank operates as a responsible corporate citizen by investing in staff welfare, co-operatives sector support & community engagement."



ENVIRONMENTAL

" We run our business in a way that ensures that our growth is sustainable in the long term and leaves minimal adverse impact on natural resources and the environment for the future generations."



GOVERNANCE

" Sustainability through Policy and Governance in Co-op Bank is deep rooted and is driven from the Board level Strategic theme no.6 :

Positive impact on Economy, Society & Environment



Economic Value

- ✓ Local Economic Impact
 - Ksh.324.5 Billion Loans & Advances
 - Ksh.15-Million-member Co-operative Movement Banking.
 - Ksh.183.4 Billion Government Securities.
 - 1378 Local Suppliers
- ✓ Financial Inclusion -Universal Banking Model.
- ✓ KShs.2 Billion corporate Taxes

Governance

- ✓ Progressive governance framework
- ✓ Business Ethics
- ✓ Proactive Environmental & Social Policy
- ✓ Strategic Organizational Structure
- ✓ Compliant Reporting & Disclosure
- ✓ Board structure, policies & procedures

Social Impact

- ✓ Co-op Consultancy & Bancassurance Intermediary Limited, 3093 Consultancies.
- ✓ Co-op foundation: 8368 Bright & Needy Students Supported.
- ✓ Partnership with IFC & Phillips: support smaller businesses in Africa's health sector (USD 300 Million)
- ✓ Private sector-led Covid-19 Emergency Response Fund. Donated Kshs. 100 Million to support critical medical supplies and equipment such as ventilators.
- ✓ First Lady's Beyond Zero Campaign Kshs. 20M (2020)
- ✓ 74% Employees below 40yrs
- ✓ Robust HR policy framework to guide optimal human resource engagements and staff support.
- ✓ Attracting and retaining talent: 95% retention rate.
- ✓ Skills development & career progression through training, e-learning & coaching.

Environment

- ✓ Ongoing implementation of the CBK Guidance on Climate- Related Risk Management and NSE ESG disclosure guidance.
- ✓ Screening of loans & advances for environmental risk as laid out in the Environmental & Social Policy (E&S). Corporate, Co-operatives (Above USD 1M), MSME (Above USD 50K)
- ✓ Renewable Energy and Energy Efficiency investments
- ✓ Continuous digitization of customer journeys and bank processes.
- ✓ Ongoing rehabilitation of 259.5Ha, Lusoi forest in Laikipia (5000 trees, plan to do 10,000 more)
- ✓ Signatory to the United for Wildlife's (UfW) Financial Taskforce

Championing Social Economic Empowerment

Co-op Foundation
**Total Students Sponsored on
Scholarship Program**
8368

Additional Programs

Empowerment of Youth in Transport Sector

(Boda-Boda) GIZ grant funded program in Eastern, Central and Coastal Program.

Education USA

A University Scholarship Program funded by USAID.

Jijali Program

A Career /Work Readiness Program or Entrepreneurship targeting all our University Scholarship Beneficiaries.

Community Service Program for University Scholarship Beneficiaries.

Co-op Consultancy & Bancassurance Intermediary Limited

3093 Business advisory mandates.

- ✓ 20 Dedicated Consultants
- ✓ 464 FOSA- Financial Inclusion Deepening

Award Winning Brand

A bank continuously feted for its commitment to drive sustainable impact



AFRICAN BANKER AWARDS 2022
Best Regional Bank – East Africa



EMEA FINANCE AFRICAN BANKING AWARDS 2021
CEO of the year – Pan Africa
Best Bank – Kenya
Financial inclusion – Pan Africa
Best Asset manager, Co-optrust Investments Services - Kenya



GLOBAL SME FINANCE AWARDS 2021
Honorary Mention - Product innovation of the year 2021



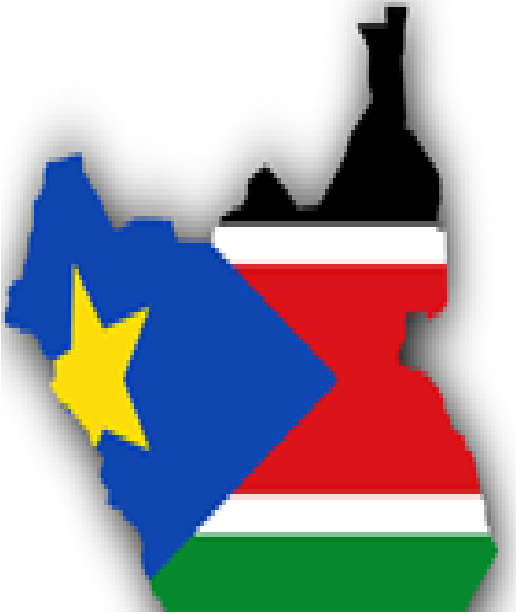
VISA AWARDS 2021
Best SME acquirer solution roll out
Best contactless champion - issuing
Most financially inclusive bank



KENYA BANKERS ASSOCIATION: SUSTAINABLE FINANCE CATALYST AWARDS 2019
Overall, Winner

The Group GMD & CEO awarded a 2nd honorary doctorate from the Co-operative university of Kenya

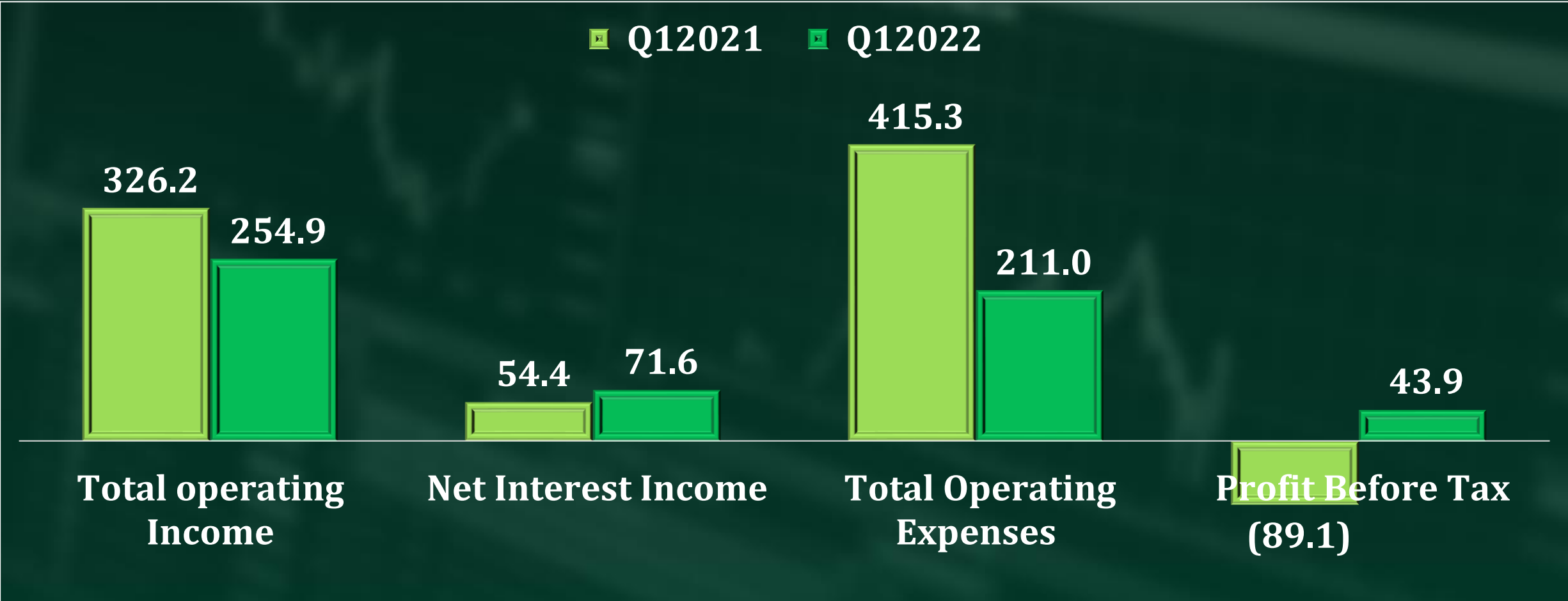
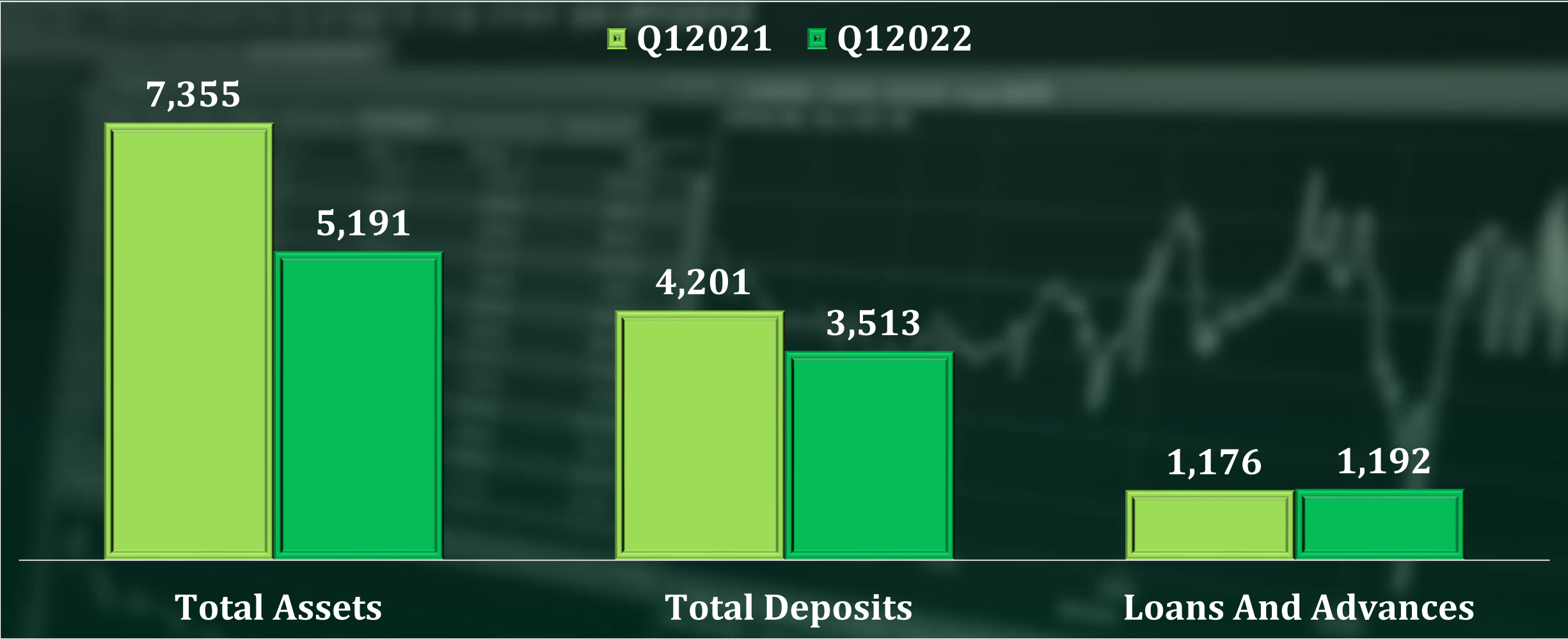
Regional Business (Kshs. Million)



4 branches in Juba

5 Non-oil collection centers.

Owns 31% of CIC Africa Ltd-South Sudan



Channel Performance

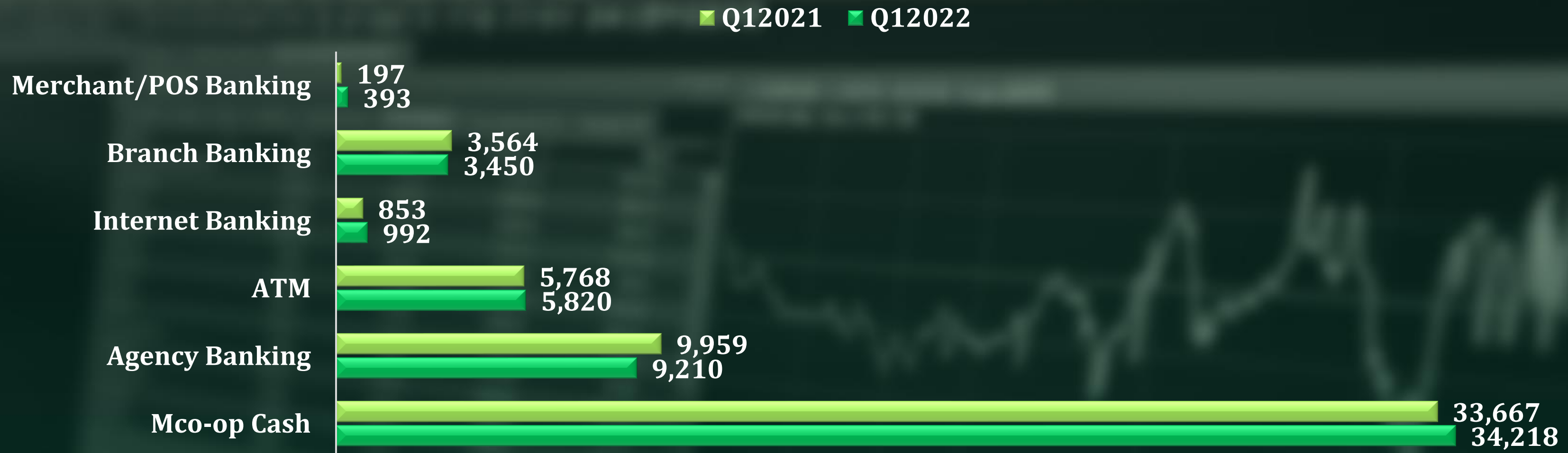
Growing Digital Channels



94% of our Transactions are on alternative Channels providing opportunities for efficiency.

- Mobile
- Internet
- ATM
- Agency

8% growth in Alternative Channels' Transactions, year on year.



Mco-op Cash Mobile Wallet

A unique Offering



MCo-op Cash is an all-telco, all products mobile banking service that enables customers to enjoy access to a variety of banking services, money transfer and payment services. It's a virtual account with a simple menu where the customers mobile number acts as the account number and can be opened and operated end-to-end from the phone without having to visit the branch. Mco-op cash has continued to reach many customers who would have remained unbanked and underbanked.

Mco-opcash main features includes;

- ✓ Full access to other wallets in the market
- ✓ Affordable pricing compared to Brick & Mortar
- ✓ Payment of goods and services directly to Telco Paybill/Till number
- ✓ Cardless withdrawal at the bank's agent and ATM network
- ✓ External and Internal funds transfer
- ✓ E-Credit - Access to the mobile based loans offered by the bank.

Digital lending focus

E-credit

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

- ✓ A key focus area, Kshs.212.6B disbursed to Date.
- ✓ Kshs.6.6 Billion disbursed per month on average.
- ✓ Consumer based salary checkoff hence lower credit risk.
- ✓ Short term tenure.

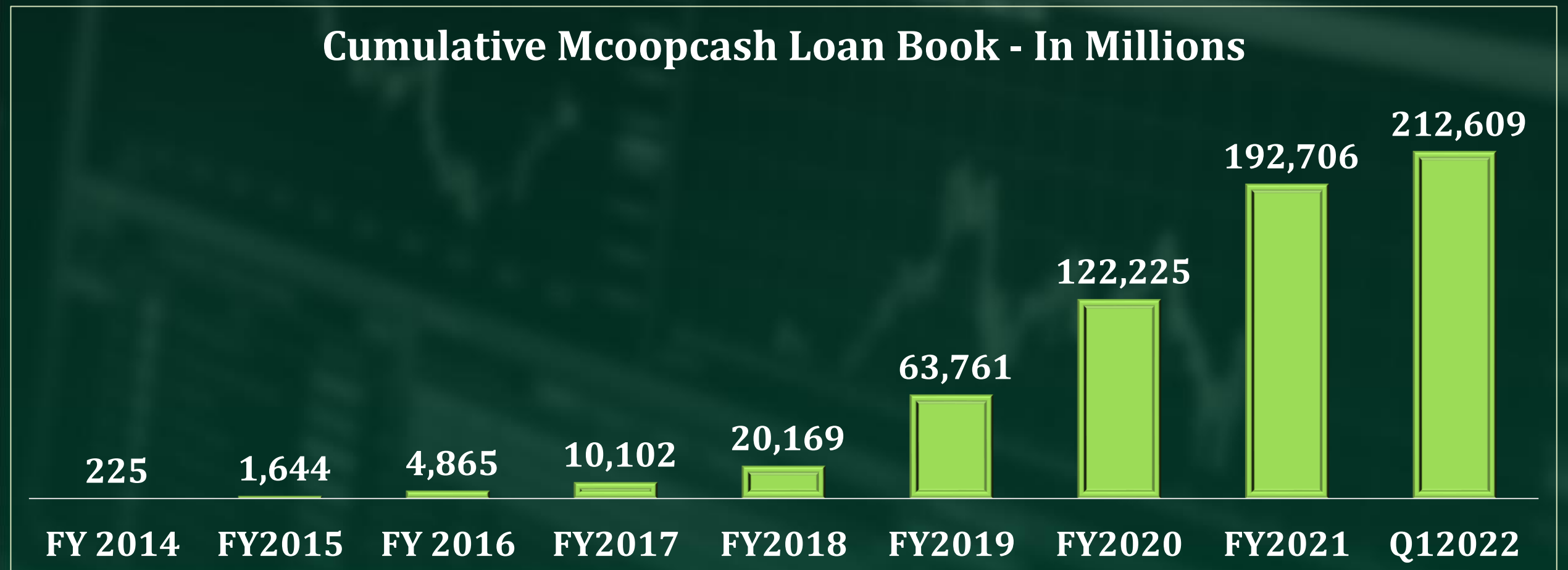
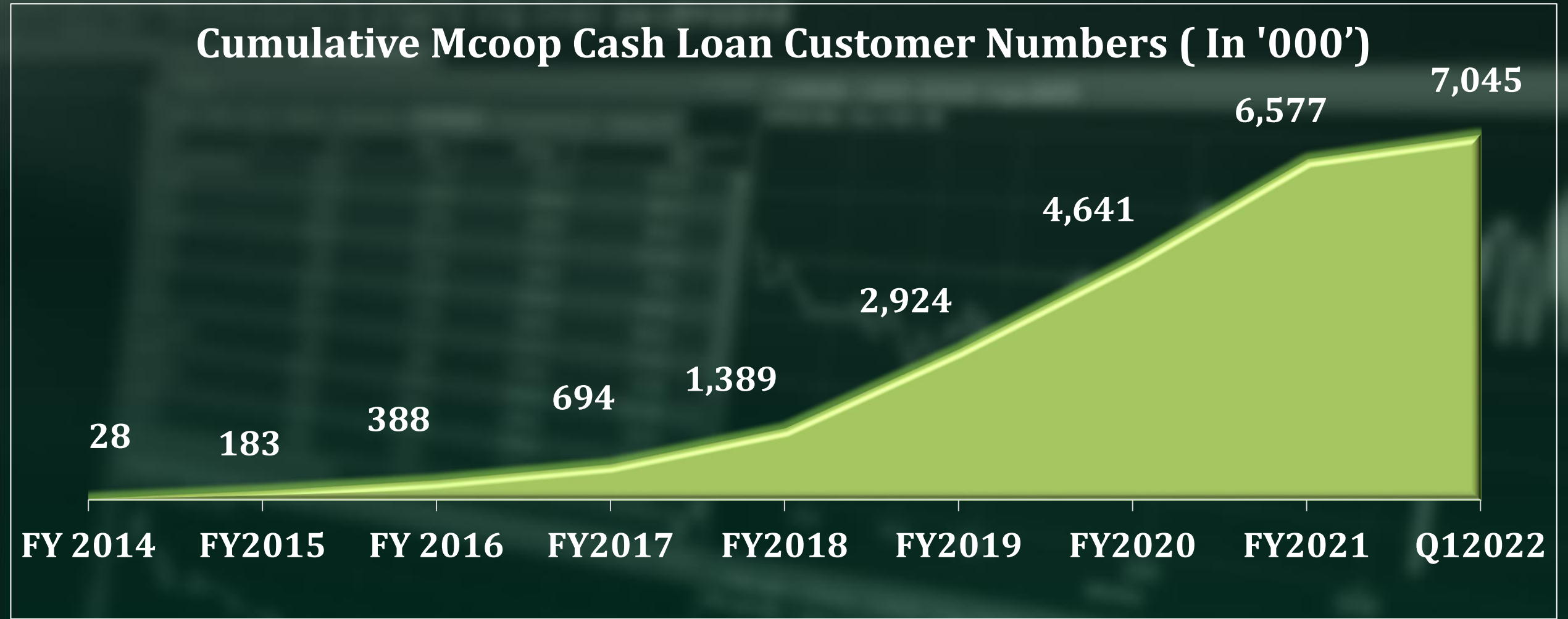


Get an instant relief from cash worries by applying for a Flexi Cash Salary Advance Loan

E-Credit

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

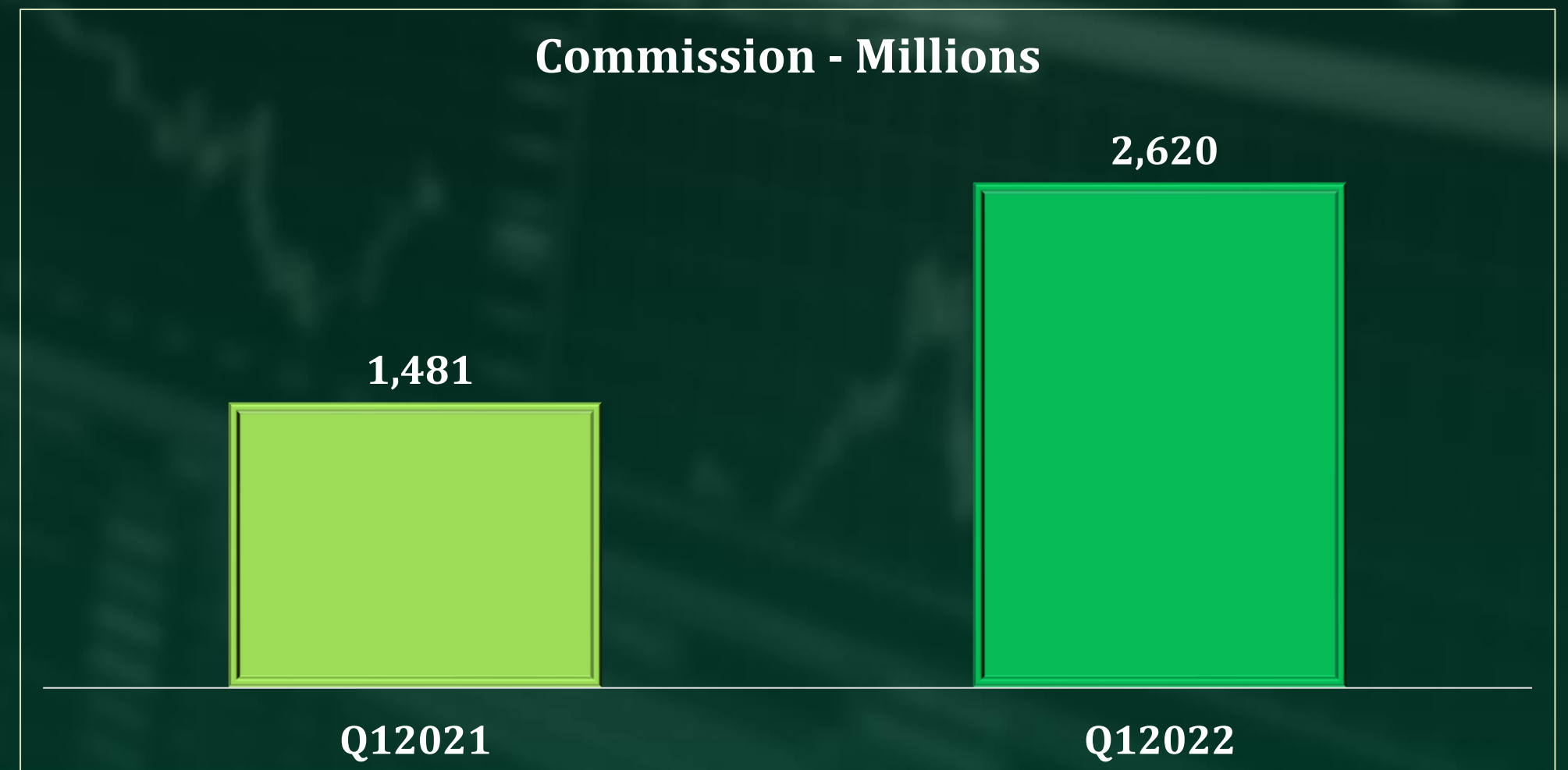
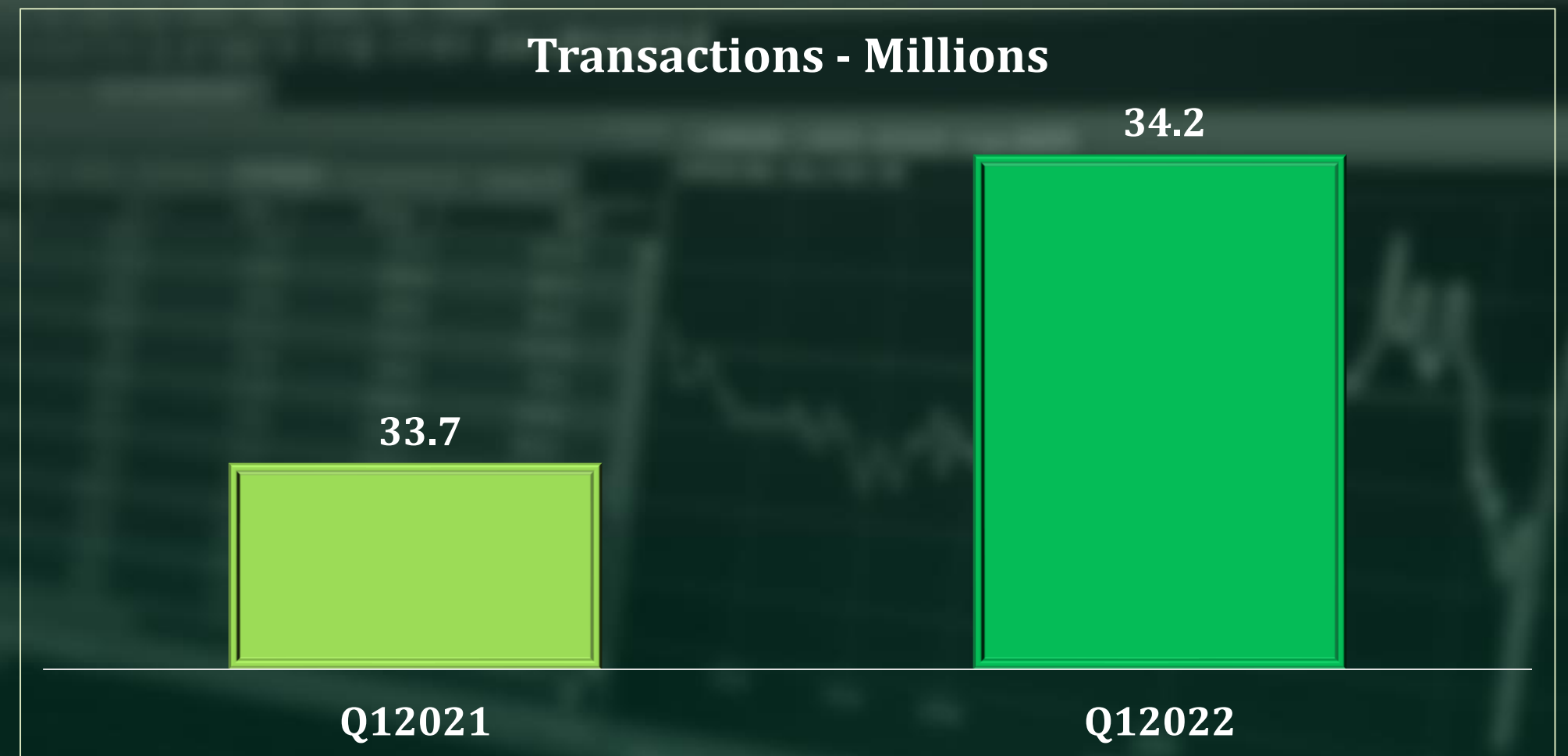
- **Kshs.19.9B Disbursed in Q12022**
- **Kshs. 6.6 Billion per month**



Mobile Banking

Leveraging Mobile Banking to grow commissions

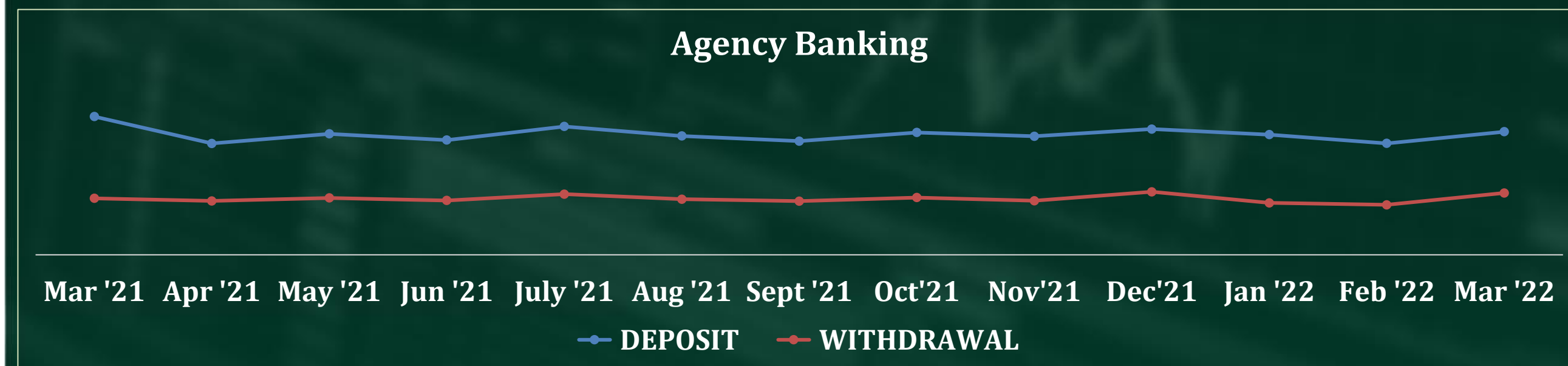
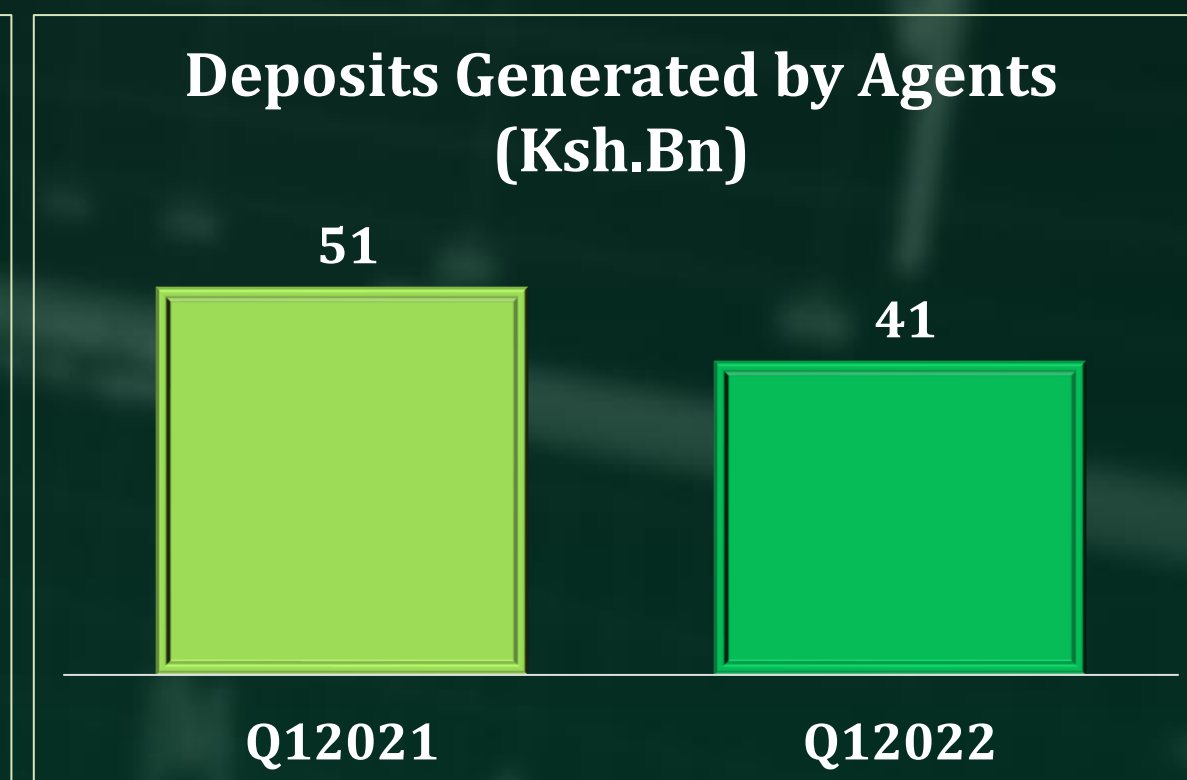
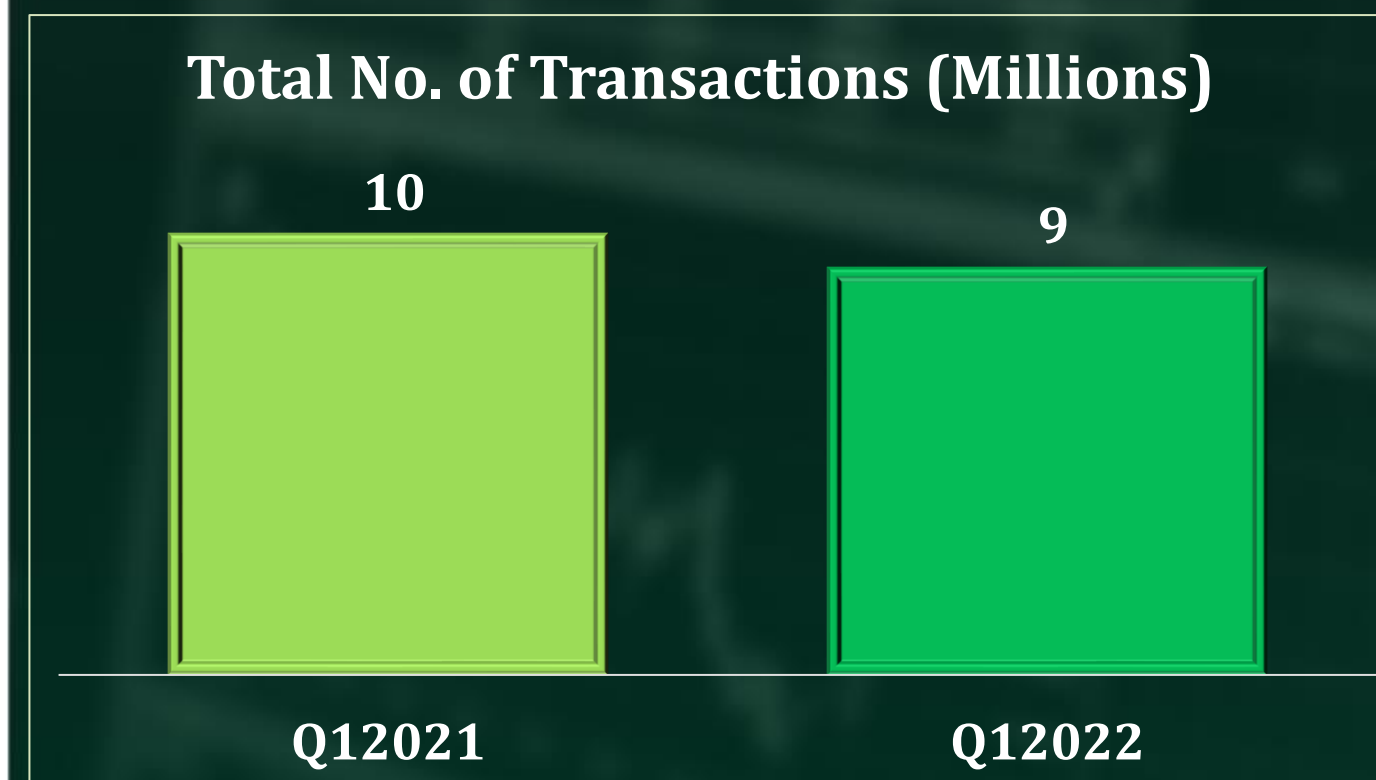
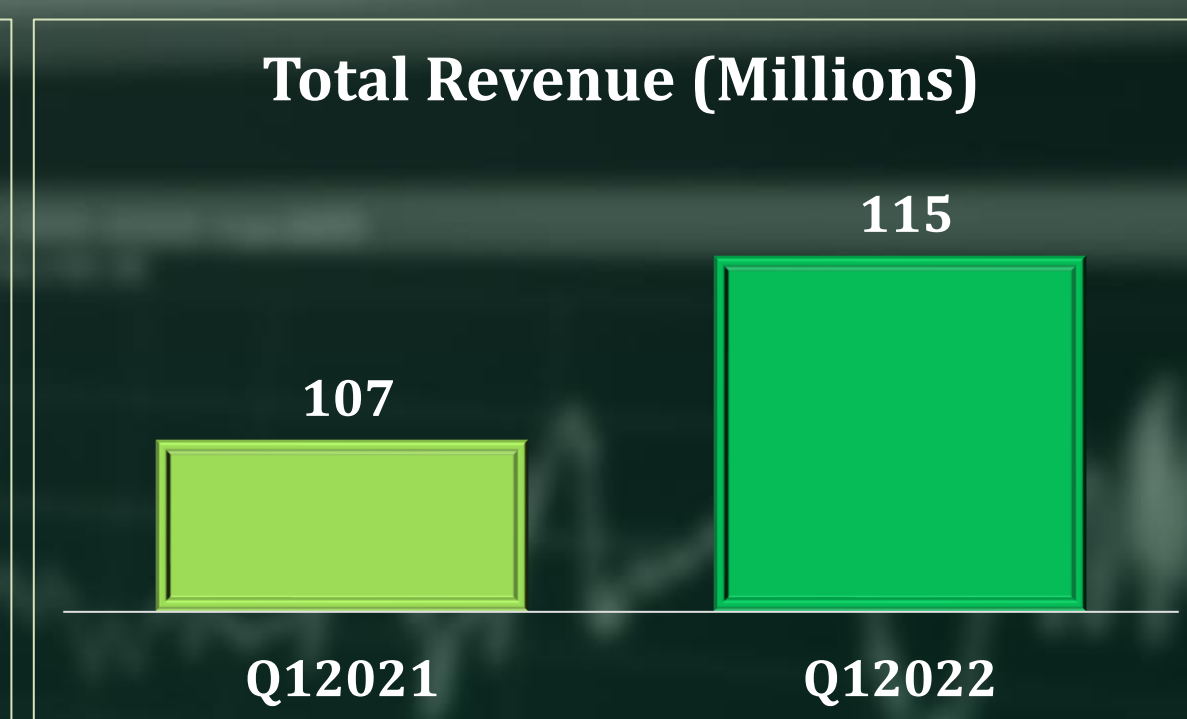
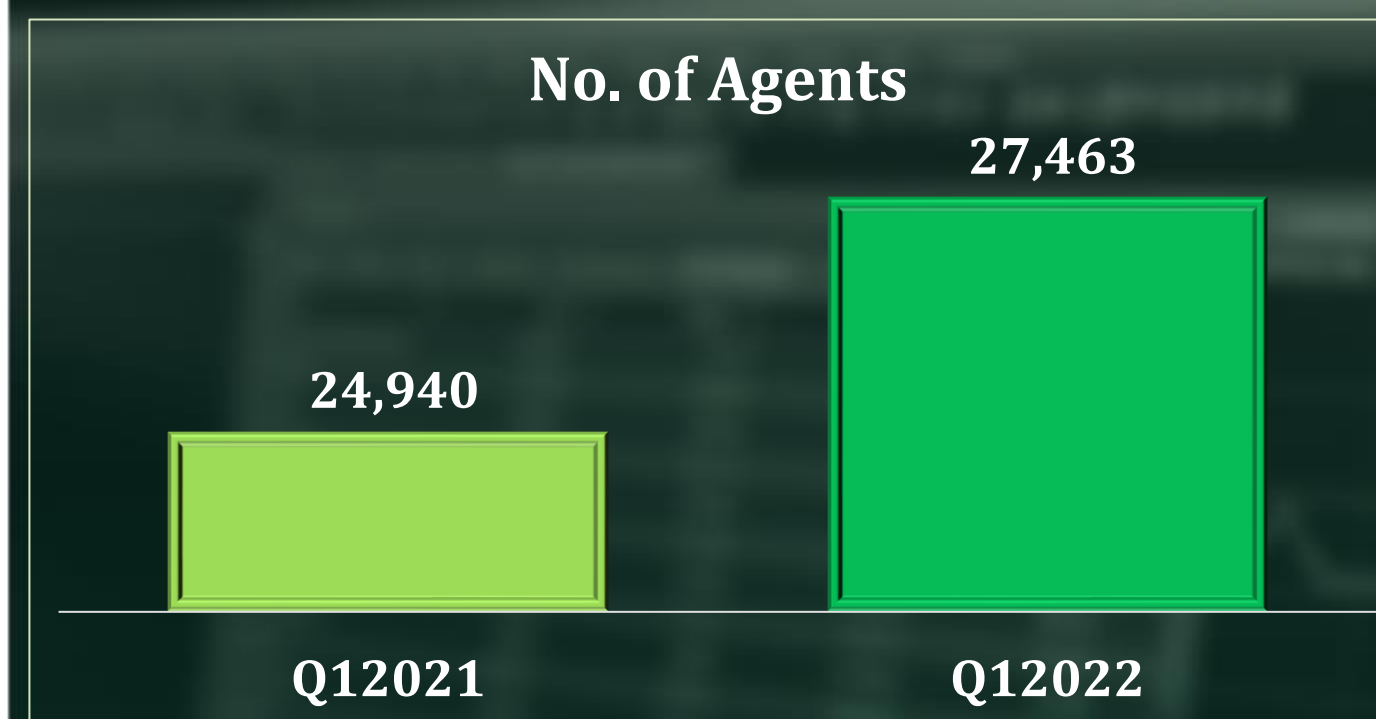
- 2% increase in Transactions.
- 77% growth in commissions
- **Kshs. 48.7 Billion** deposits through mobile in Q12022



Agency Banking

Growing Co-op Kwa Jirani Agency Banking

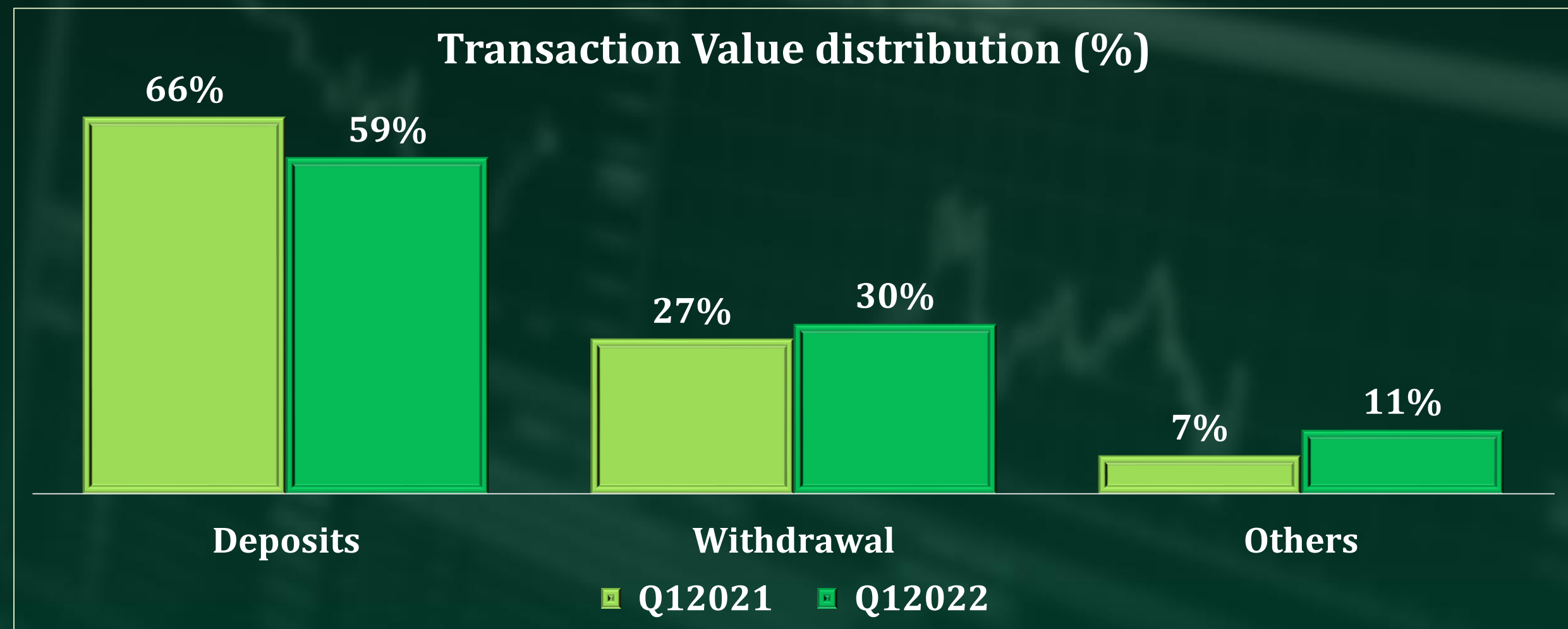
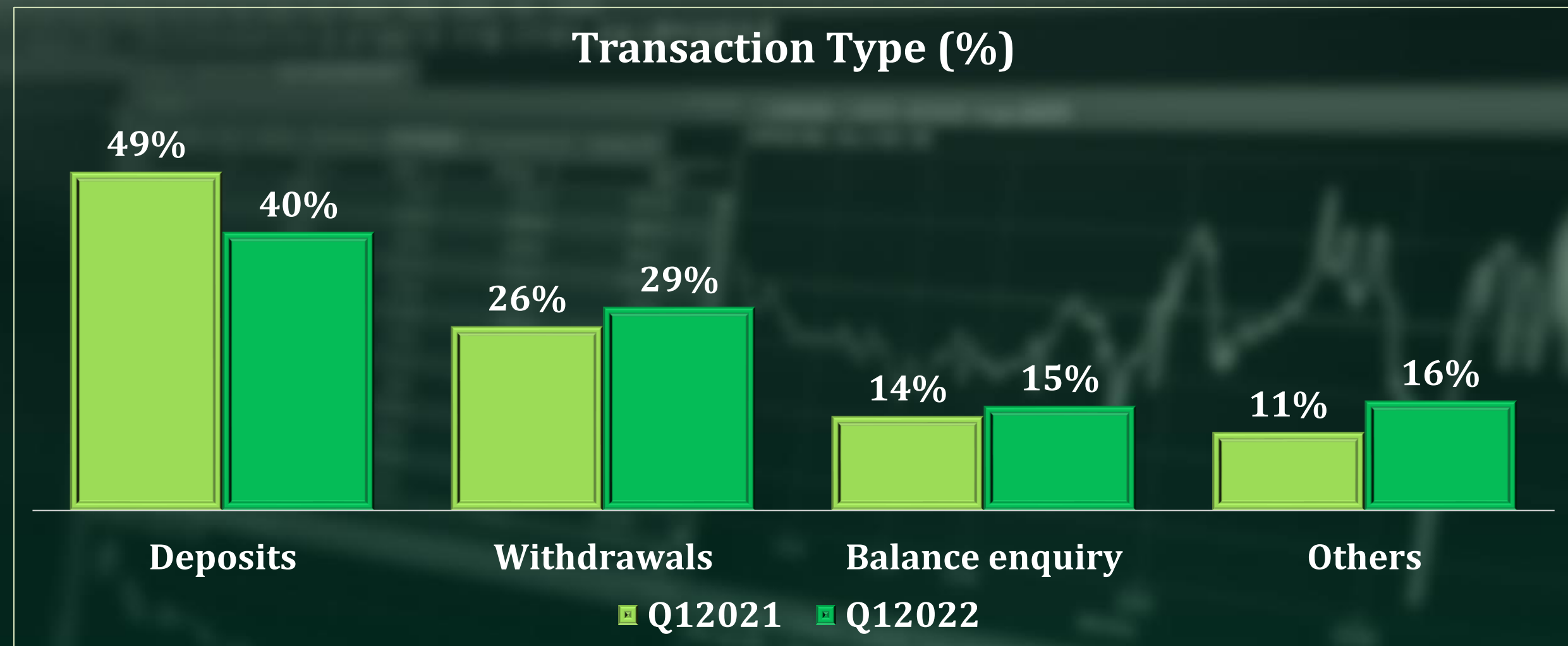
- Agents' terminals up by 10%
- Revenue up by 8%



Agency Banking

Growing Co-op Kwa Jirani Agency Banking

- Key deposit mobilization channel
- Higher deposit than withdrawal

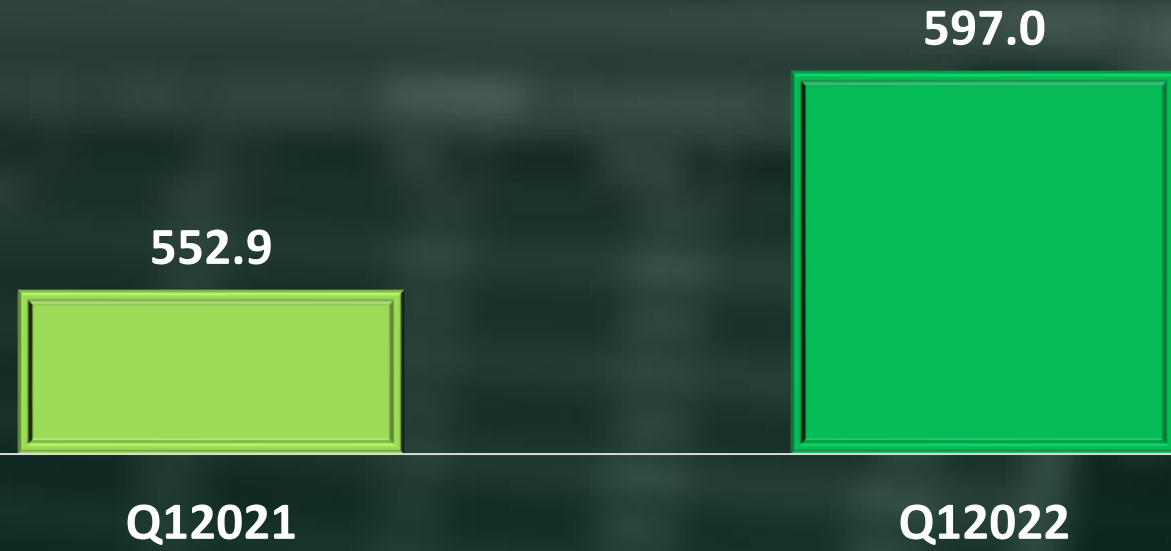


Financial Highlights

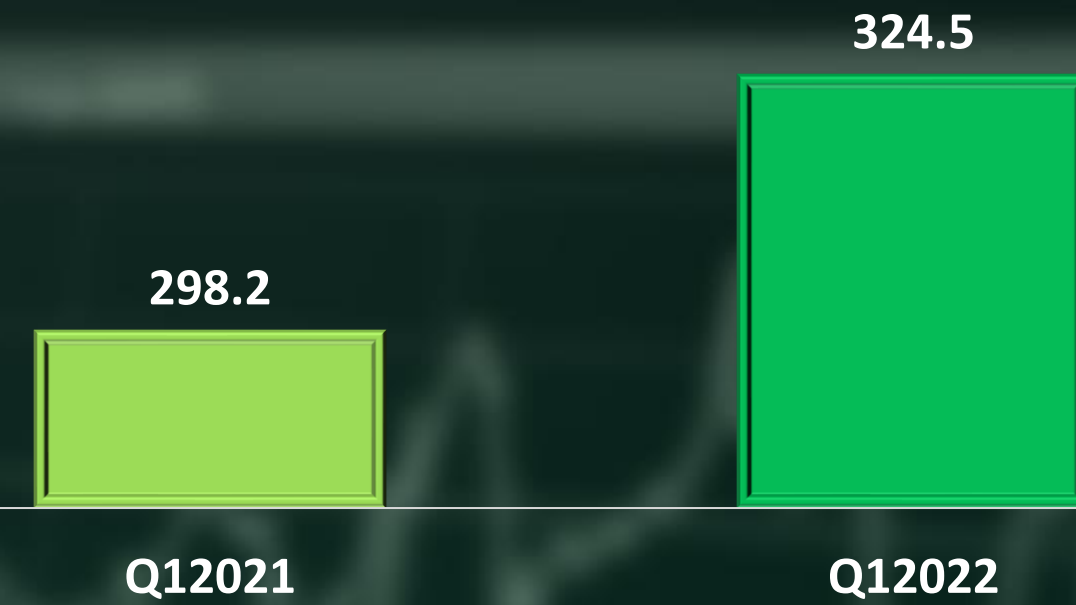
Strong Financial Position (Kshs. Billion)



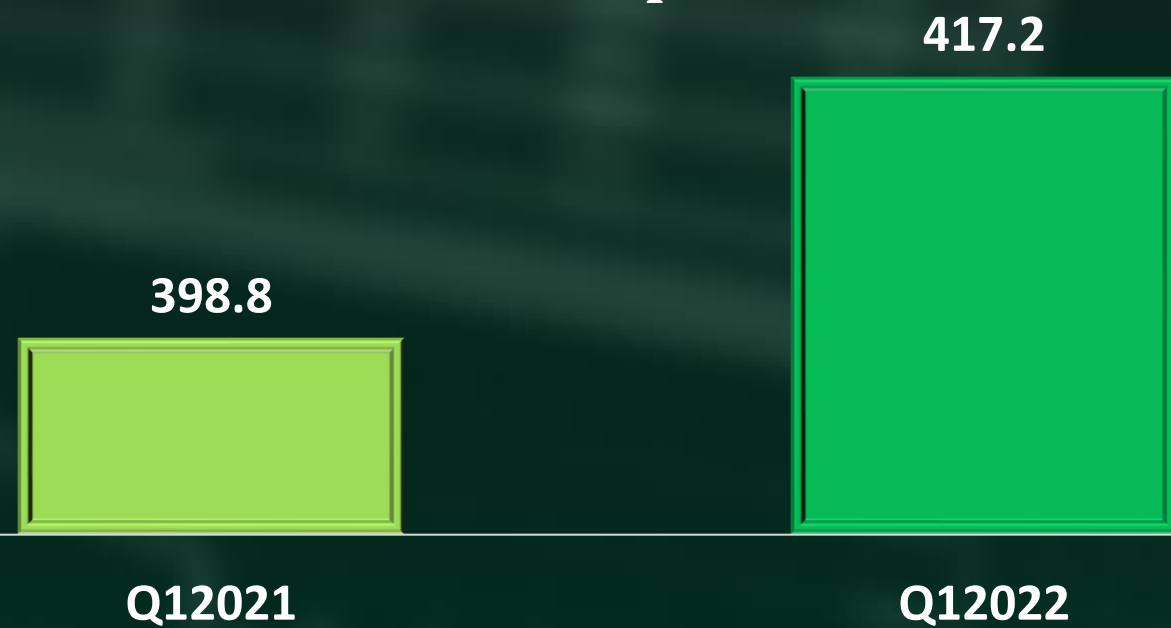
Total Assets



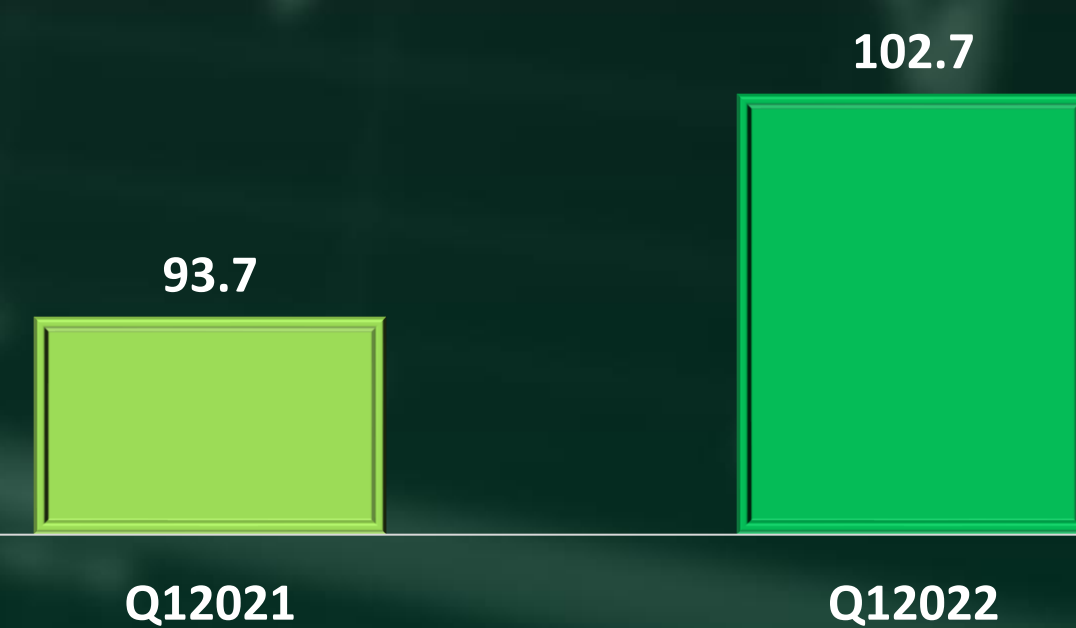
Net Loan book



Total Deposits



Shareholder's Funds

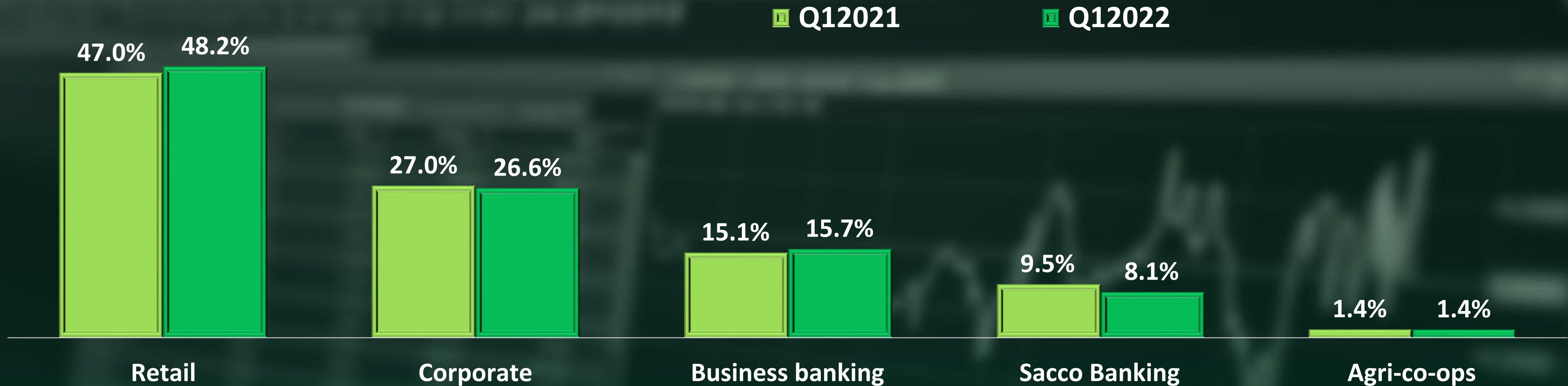


Strong Financial Position (Kshs.Billion)

	Q12022	Q12021	YoY Change	
Total Assets	597.0	552.9	8%	↑
Net Loan book	324.5	298.2	9%	↑
Government Securities	183.4	166.2	10%	↑
Total Deposits	417.2	398.8	5%	↑
Borrowed Funds	43.3	46.9	-8%	↓
Shareholder's Funds	102.7	93.7	10%	↑

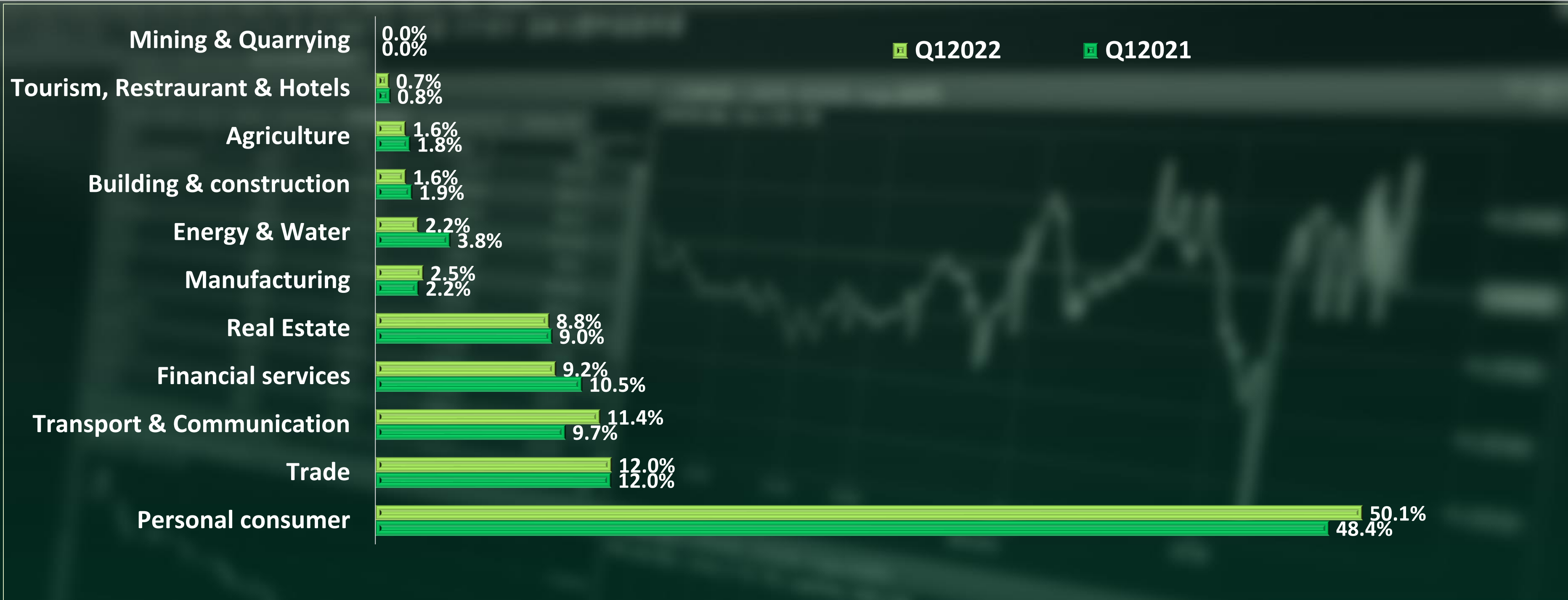
Diversified loan book

- 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 across sectors

50% in Personal consumer which is performing well
 Low relative exposure in high-risk sectors
 Tourism and Hotels <1%
 Manufacturing 2.2%.



Improving Non-Performing Loan Book

The Bank's NPL has improved from 13.4% in Q12021 to 12.0% in Q12022



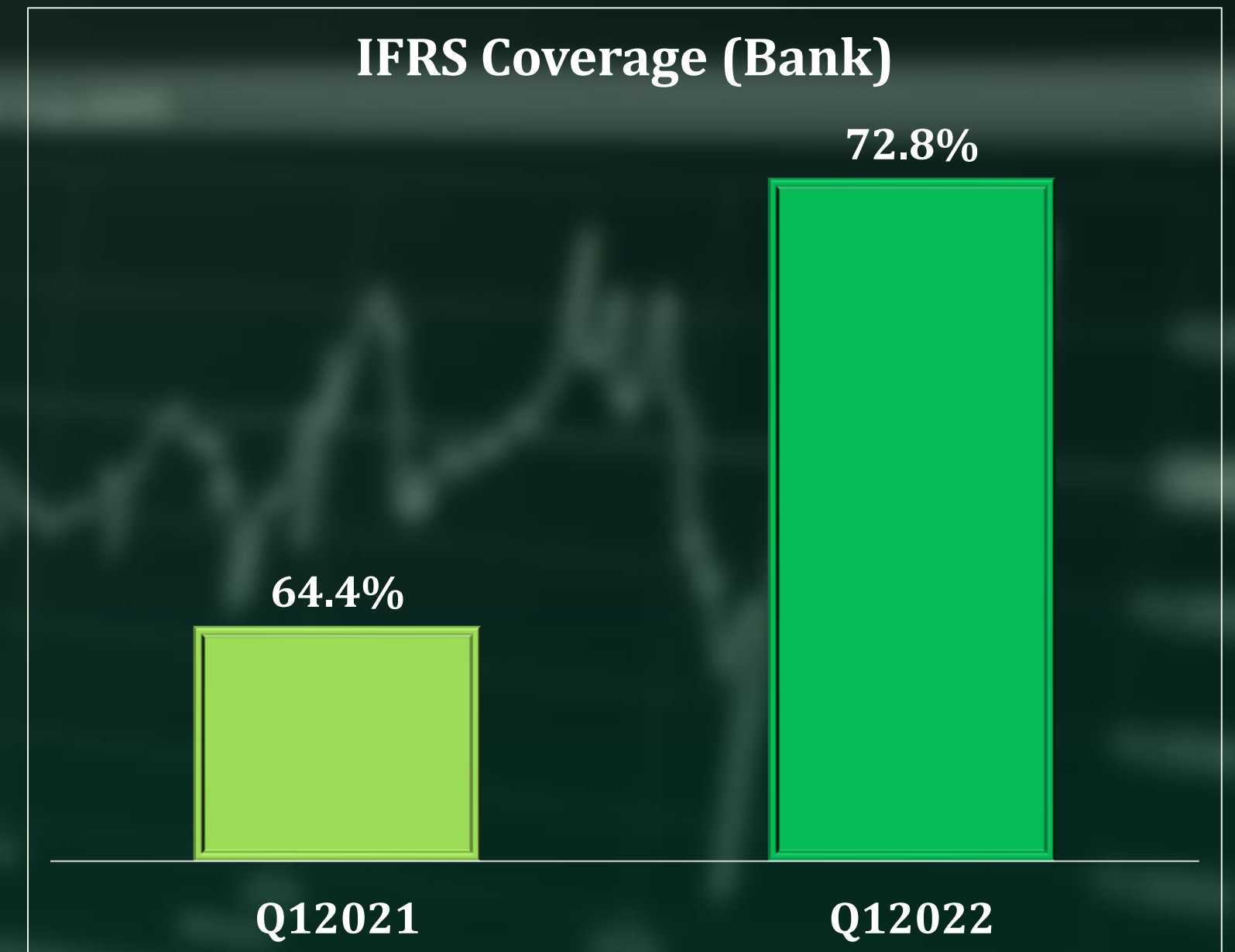
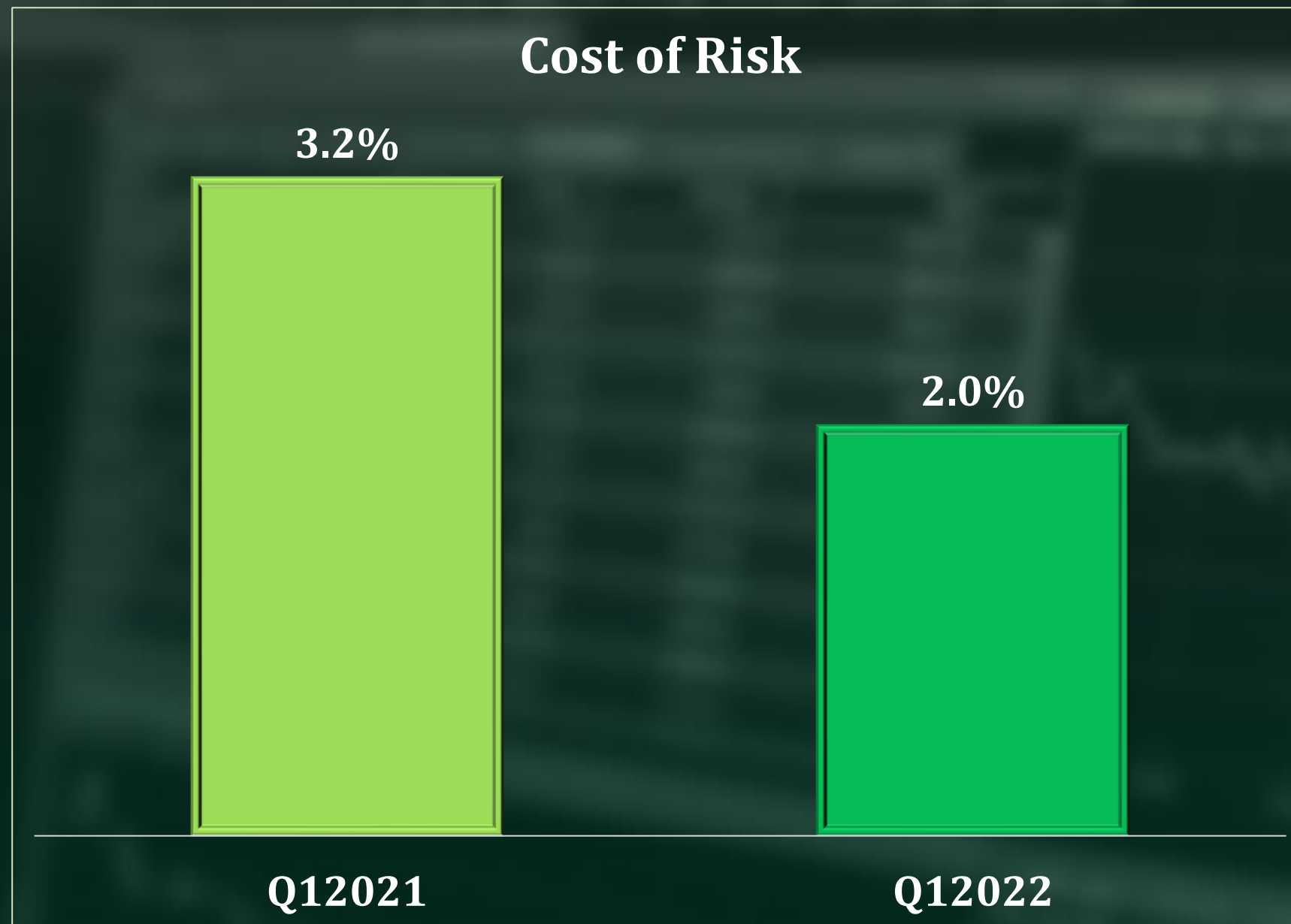
Below Industry NPL Level

Supported by;

- ✓ Proactive Credit Management Strategies.
- ✓ Business Growth.
- ✓ Consumers and Businesses continued recovery from the impact of Covid 19 Pandemic.

Adequate Coverage

Kshs. 1.5 Billion loan loss provisions in Q12022 (Kshs. 2.3 Billion in Q12021) indicating improving quality of our asset book as businesses and households continue to recover from the impact of Covid-19 pandemic.

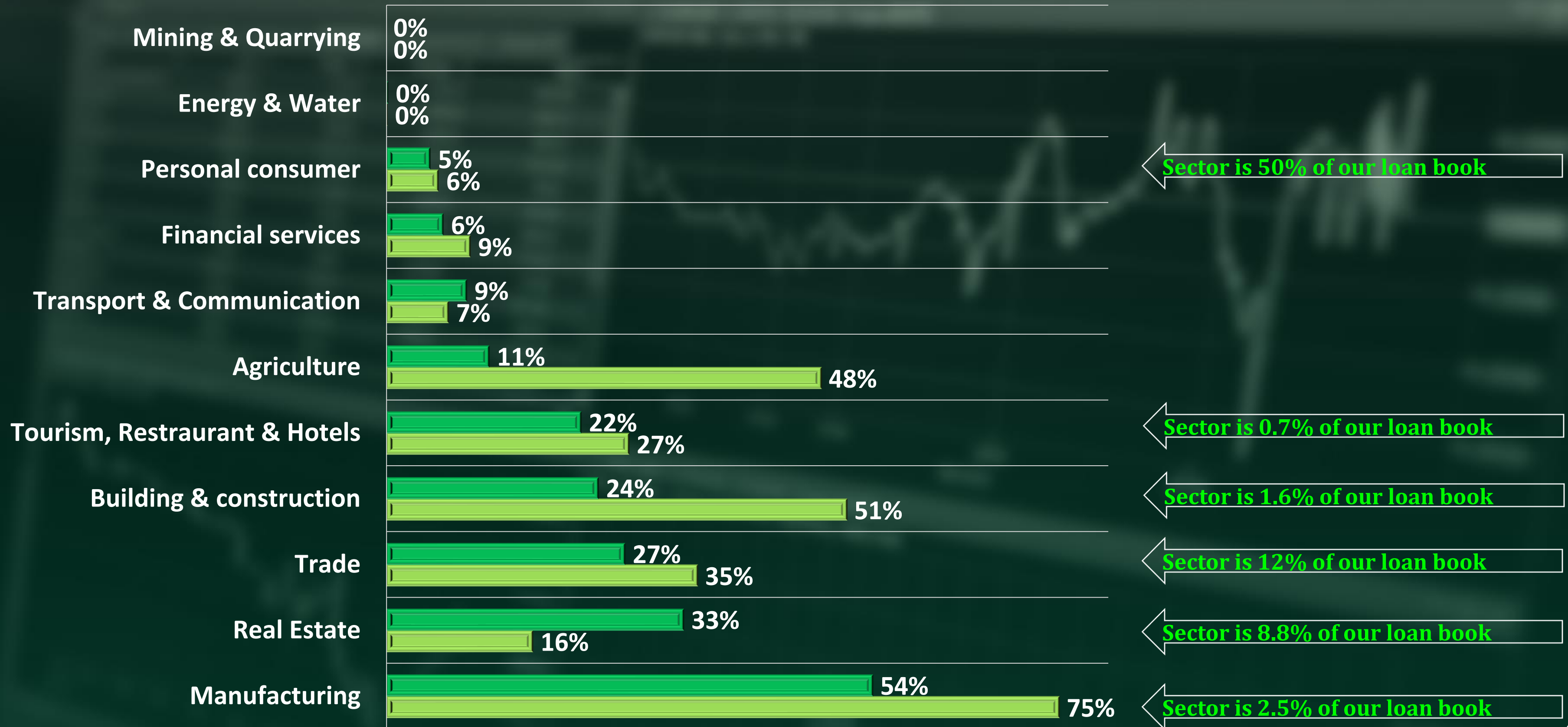


Inclusive of the Discounted Value of Securities, our coverage is at **100.3%**

Portfolio Trends – Sector NPL



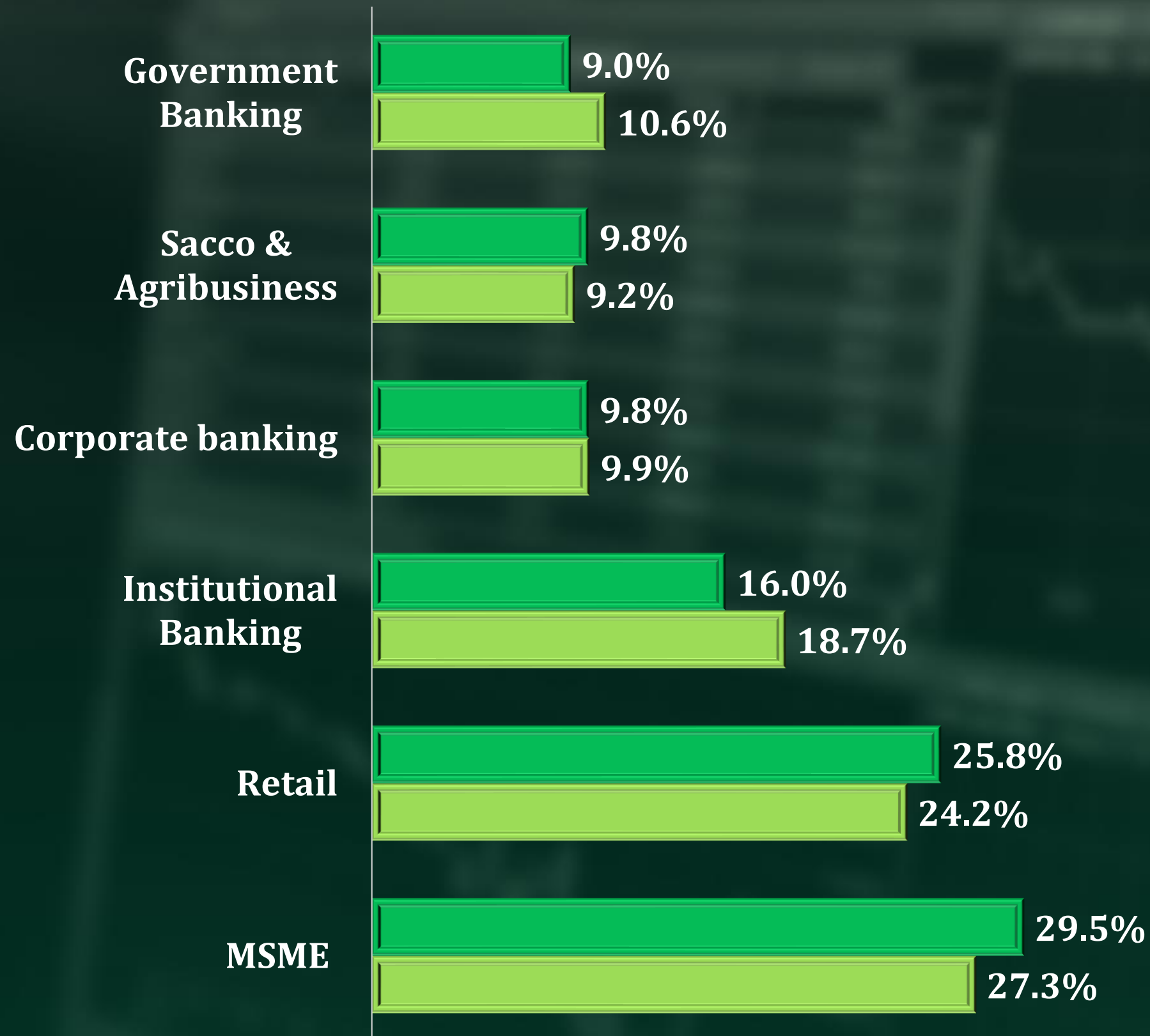
Q12022 Q12021



Well-diversified Liability Portfolio

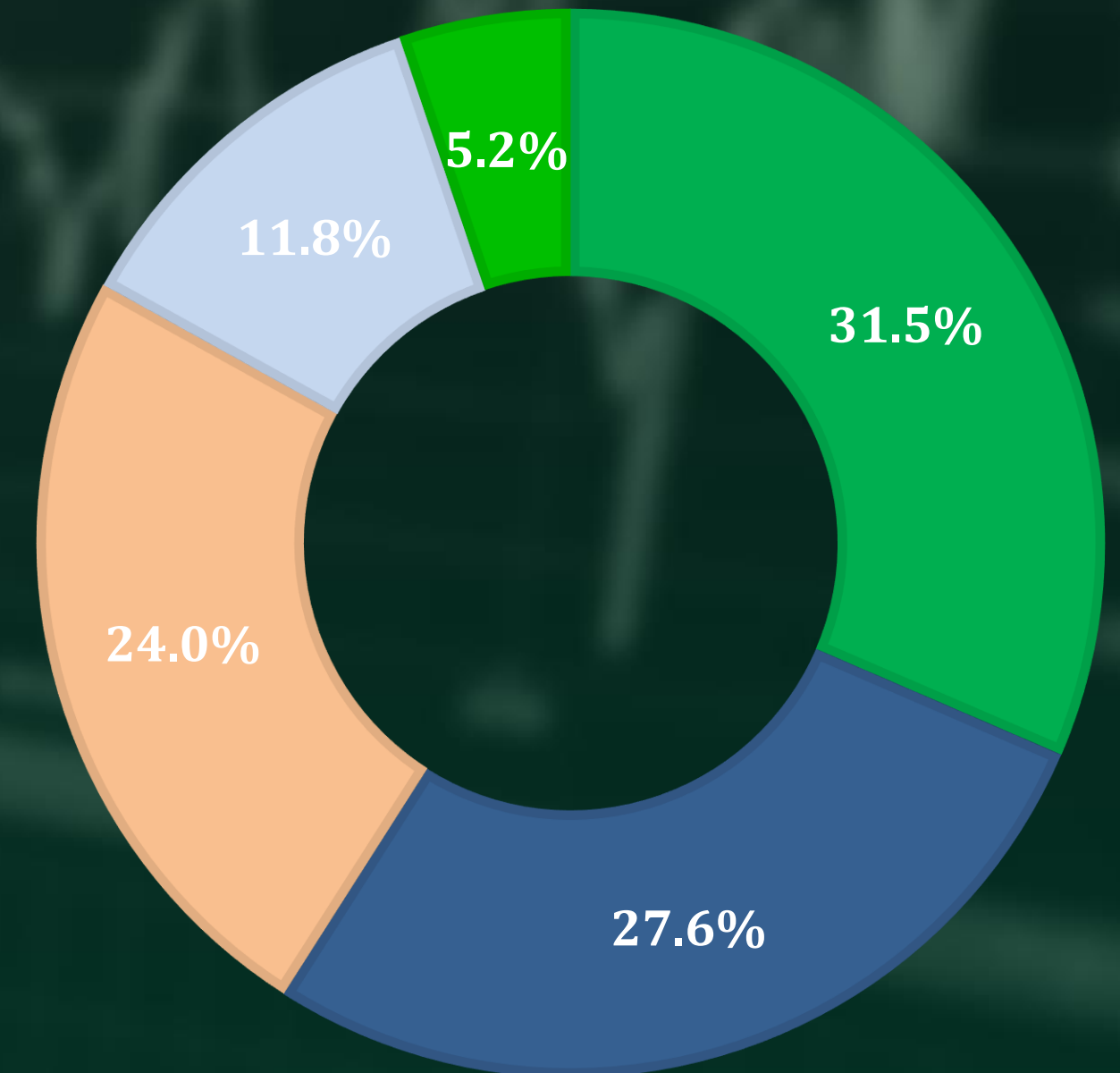


■ Q12022 ■ Q12021



Q12022

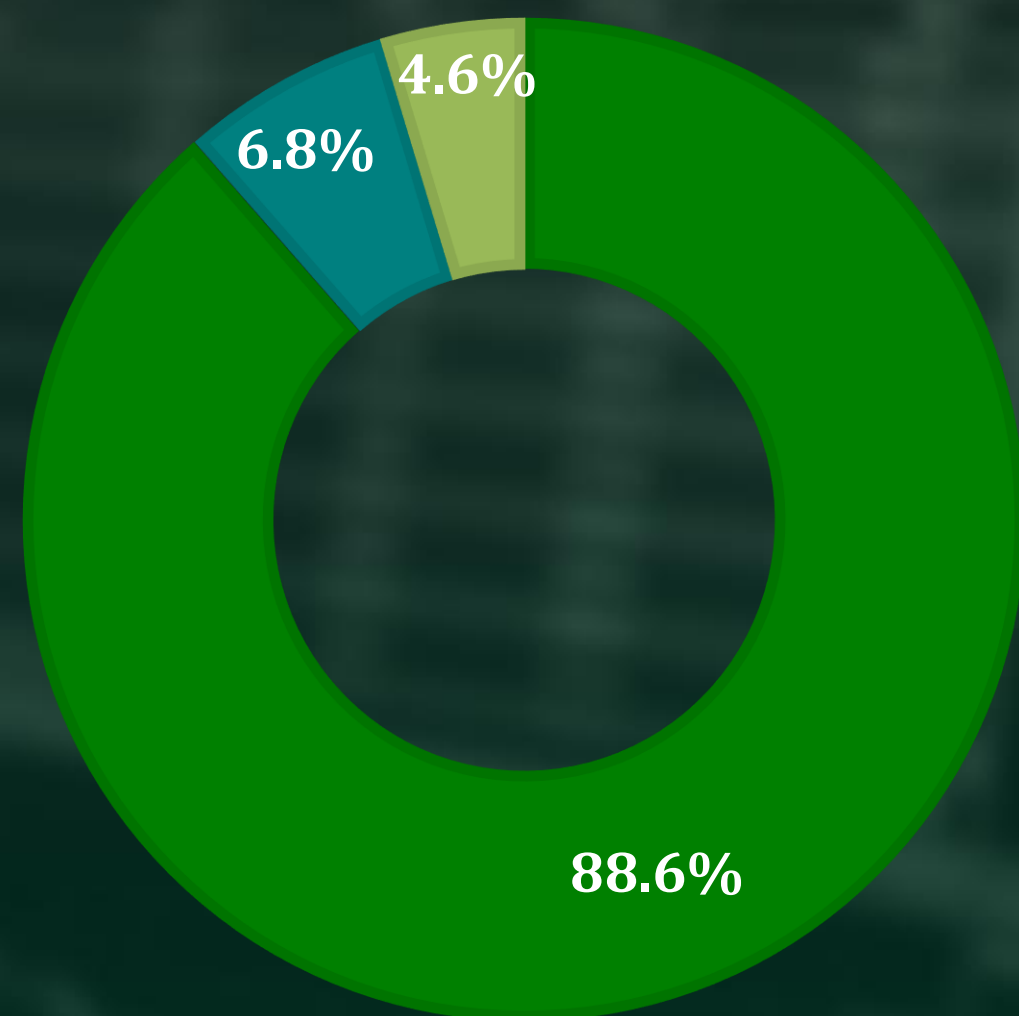
- Current Accounts
- Transactions Accounts
- Fixed Deposits
- Call Deposits
- Savings Accounts



An Optimally balanced Kenya Shilling asset & funding book

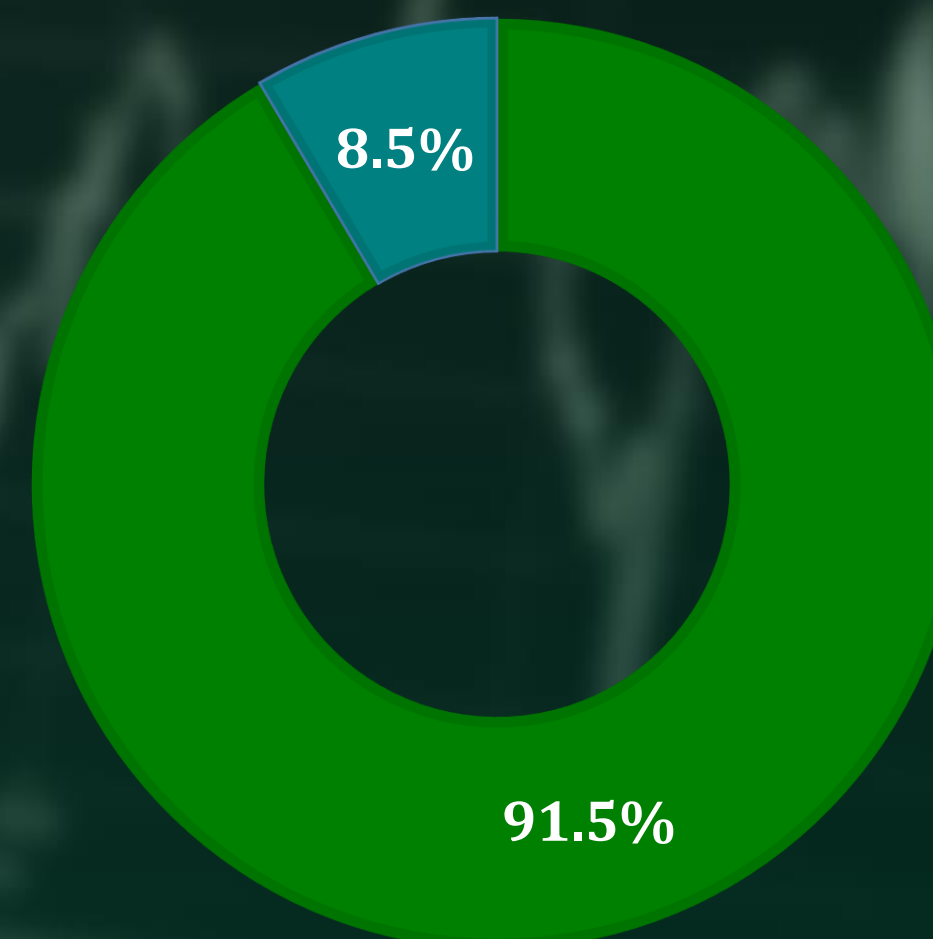
FUNDING: LOCAL VS. FOREIGN CURRENCY

■ LCY Funding ■ FCY Deposits ■ FCY Borrowing



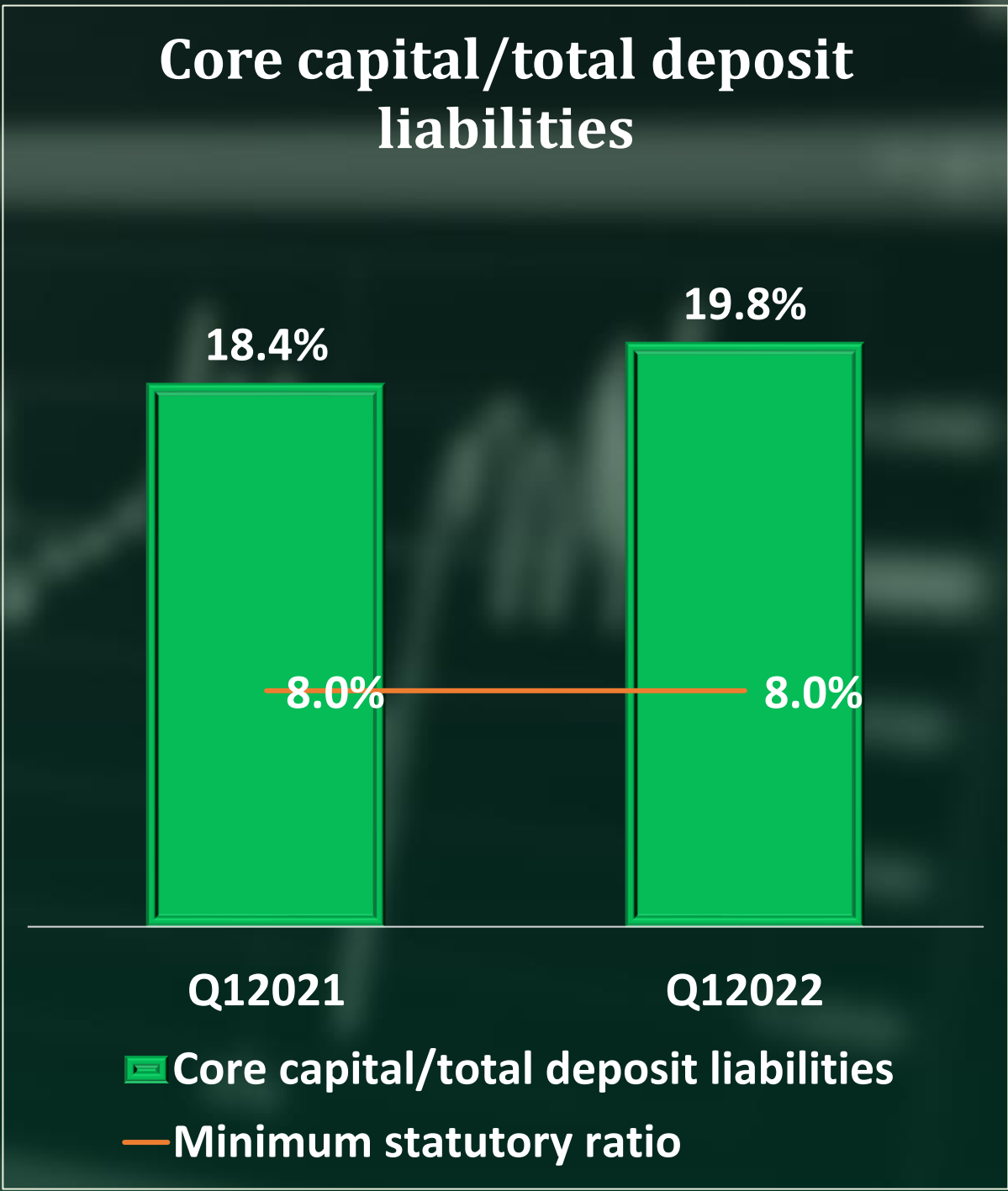
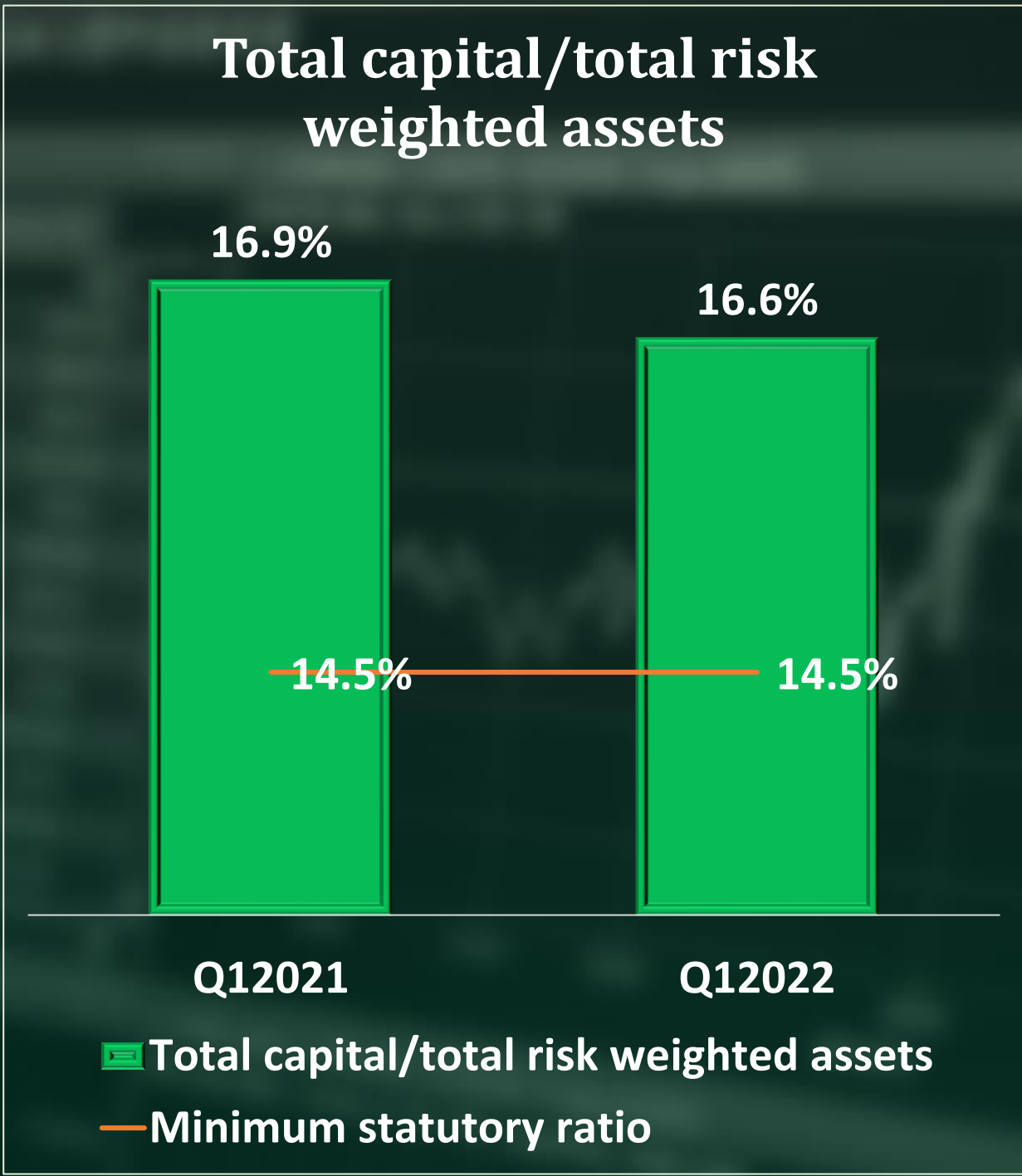
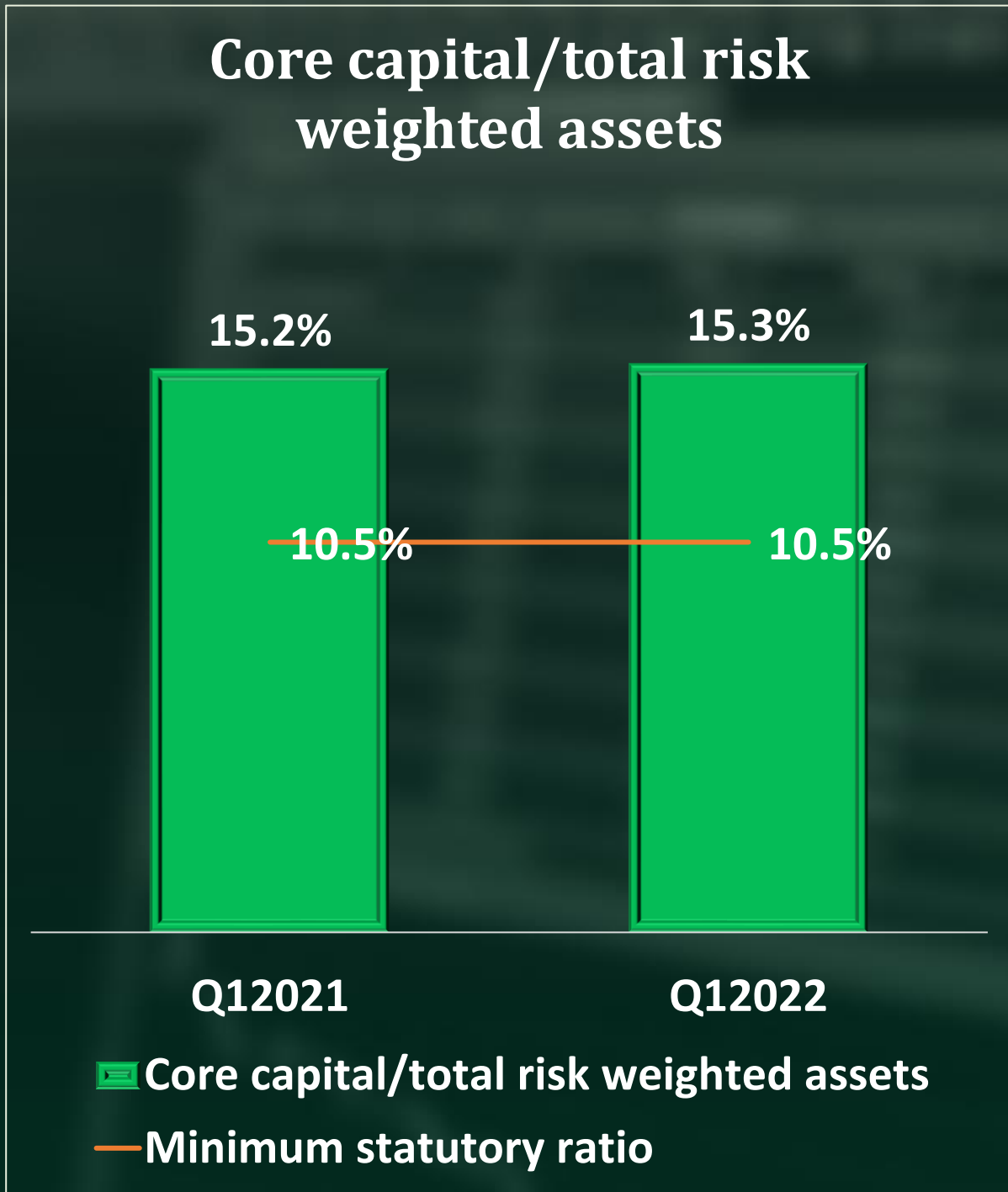
LOAN BOOK: LOCAL VS. FOREIGN CURRENCY

■ LCY ■ FCY



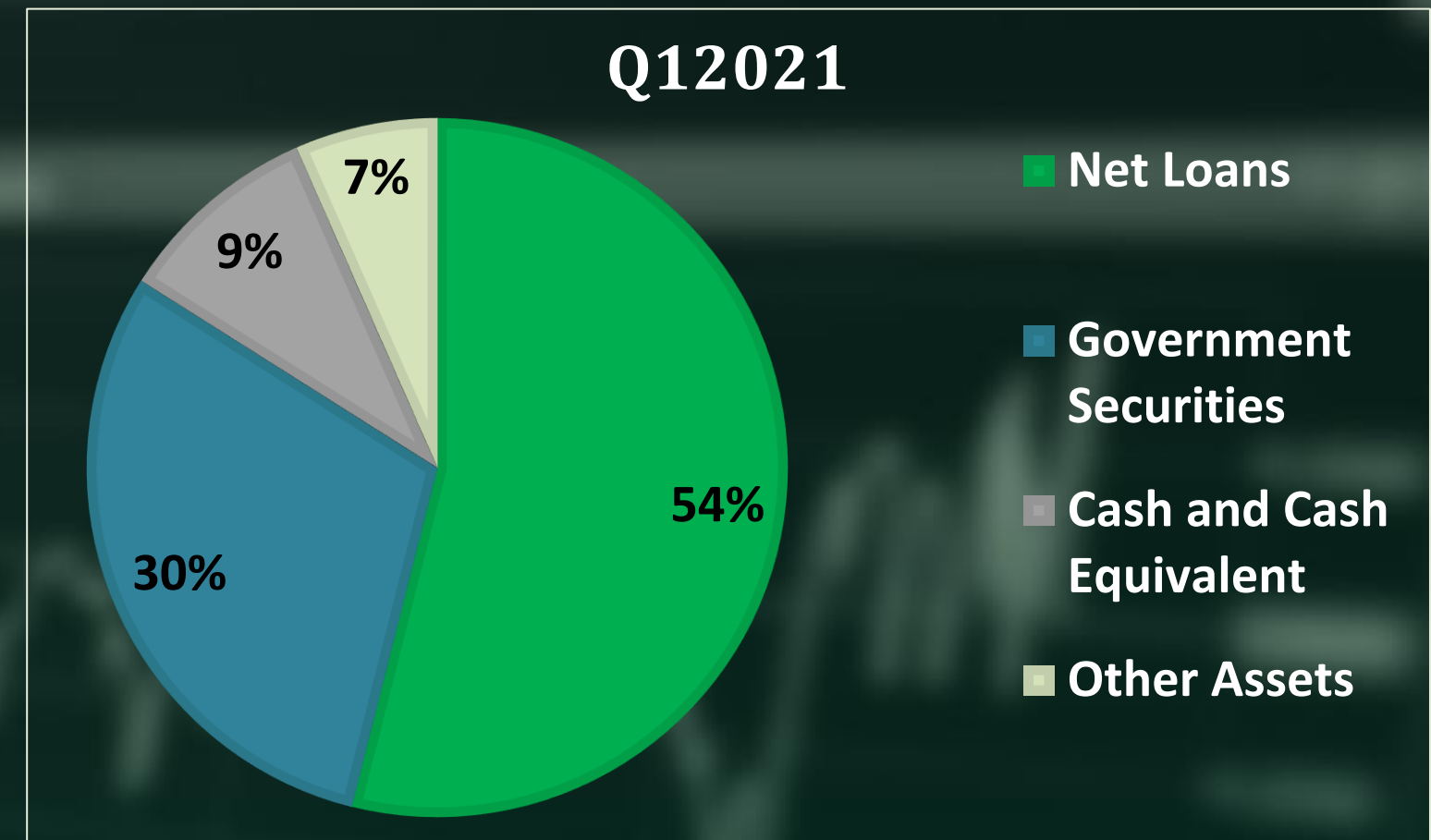
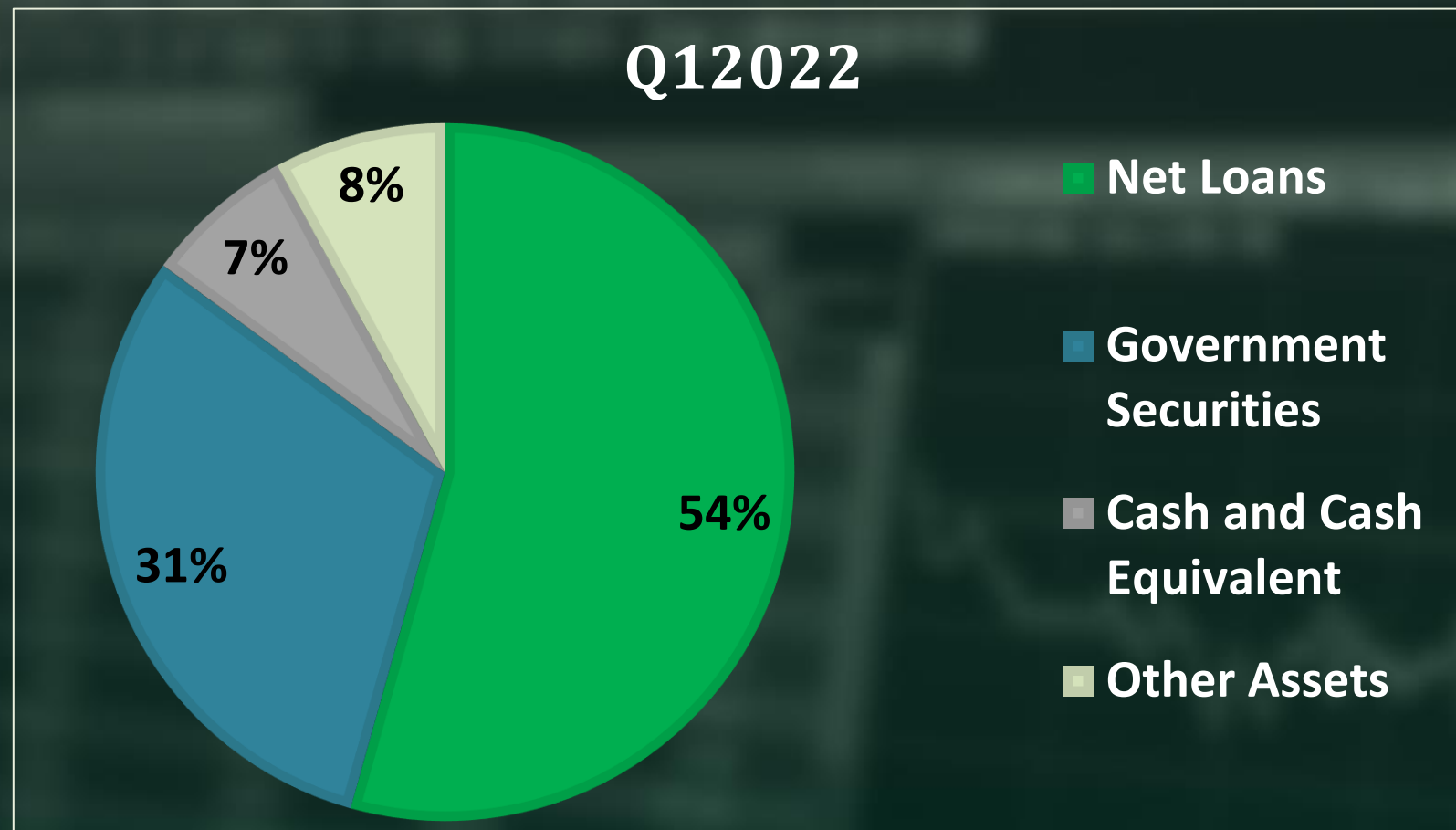
Strong capital to support future growth

Capital buffers for sustainable growth

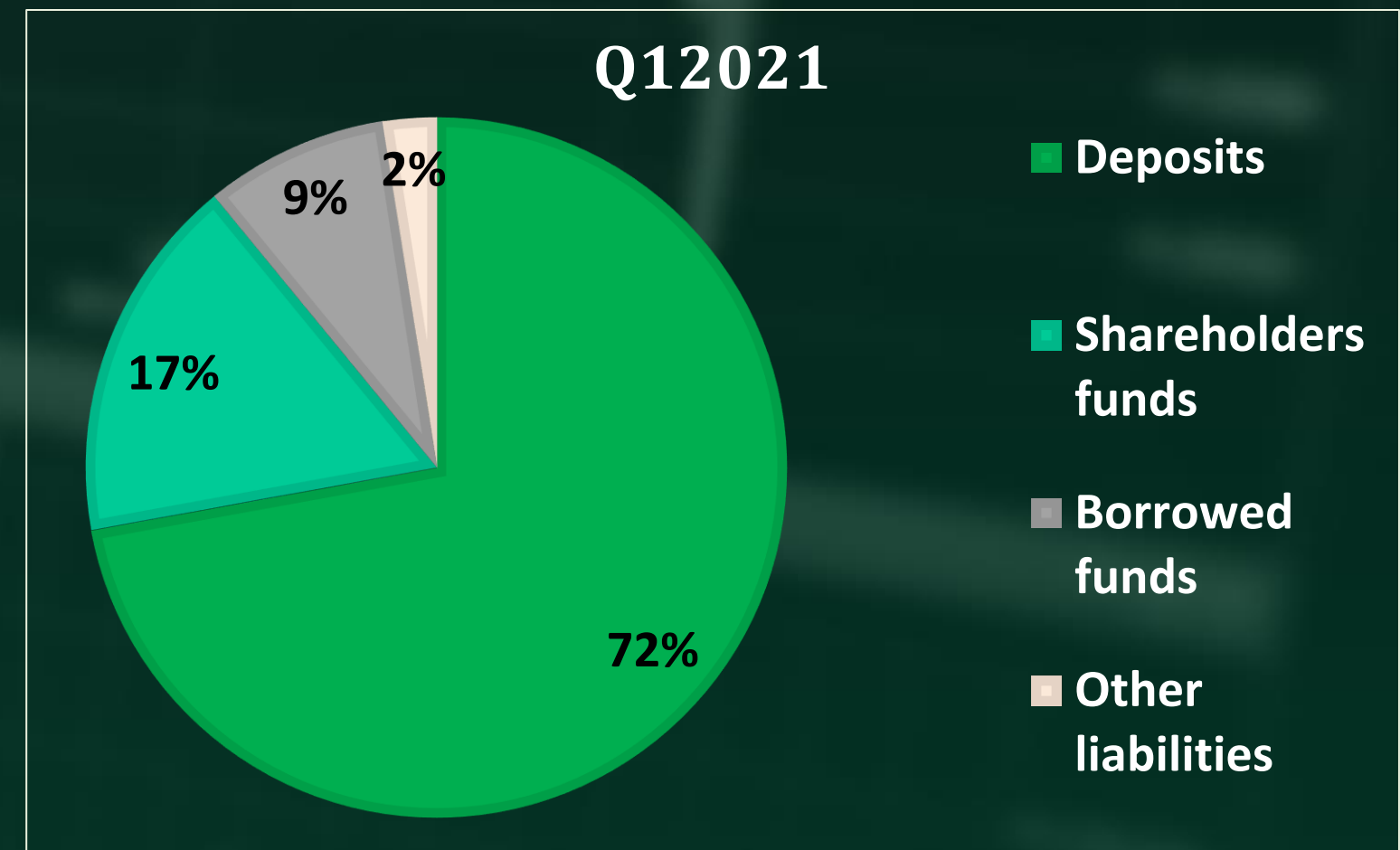
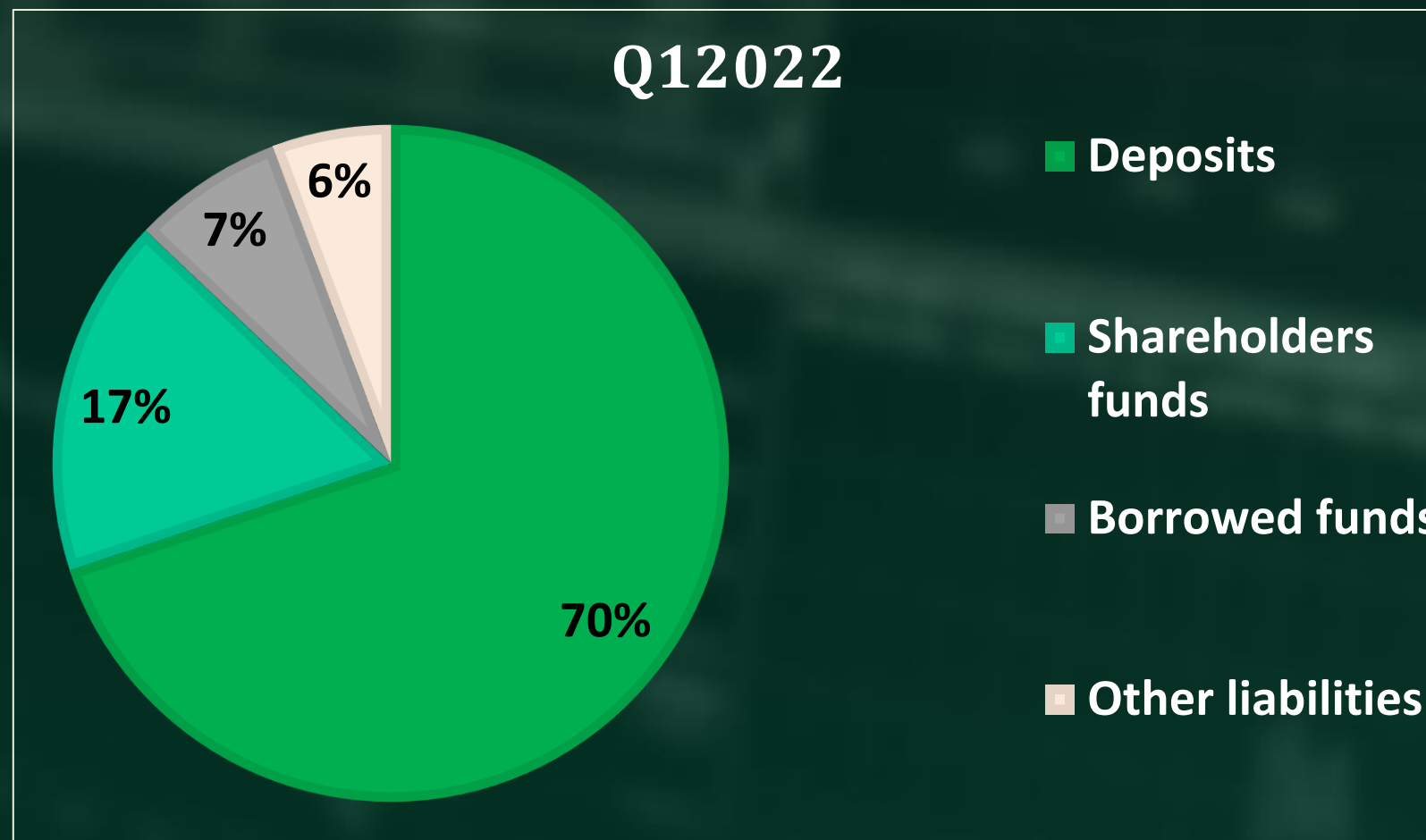


Optimal Asset and Funding Mix

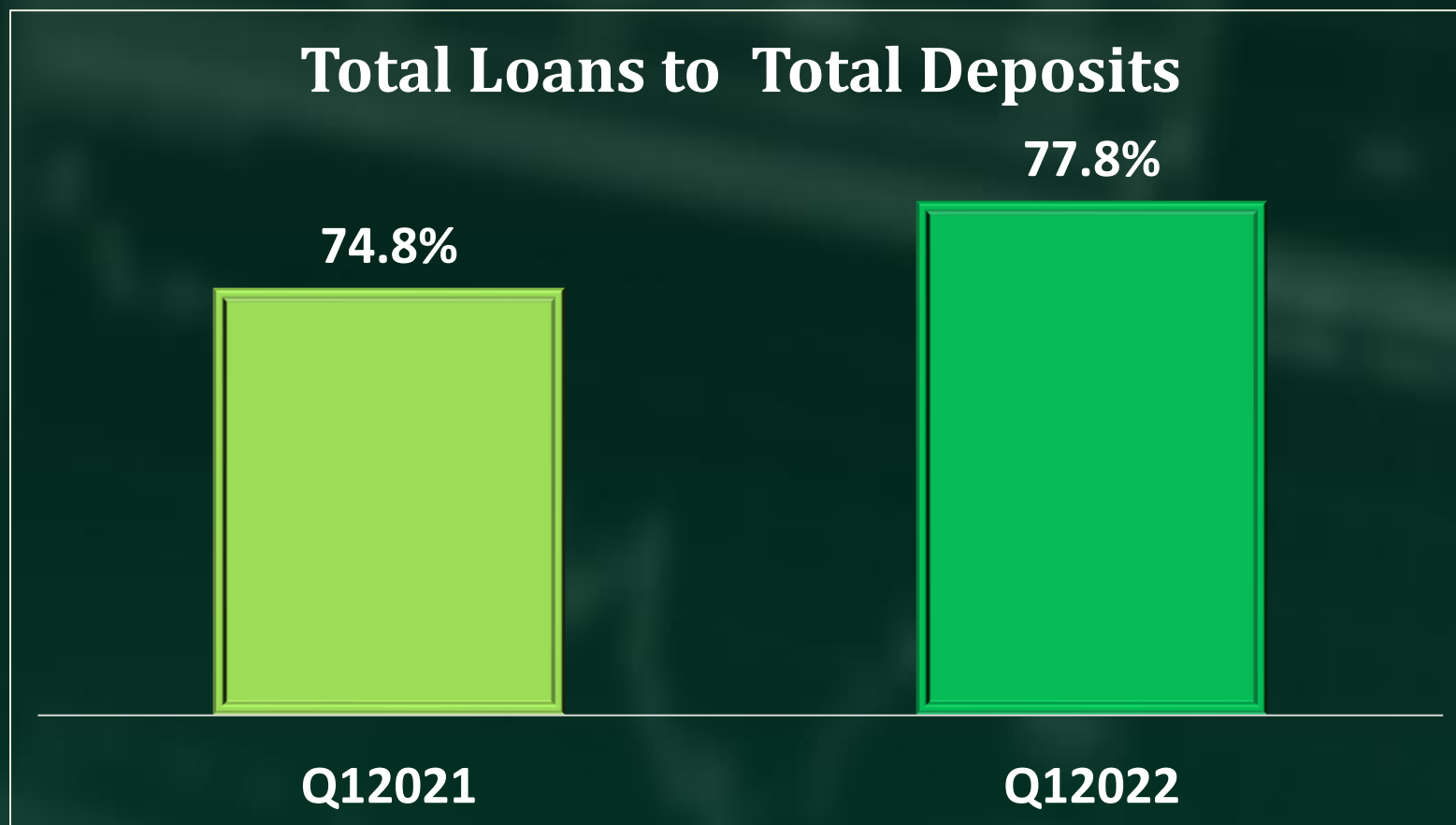
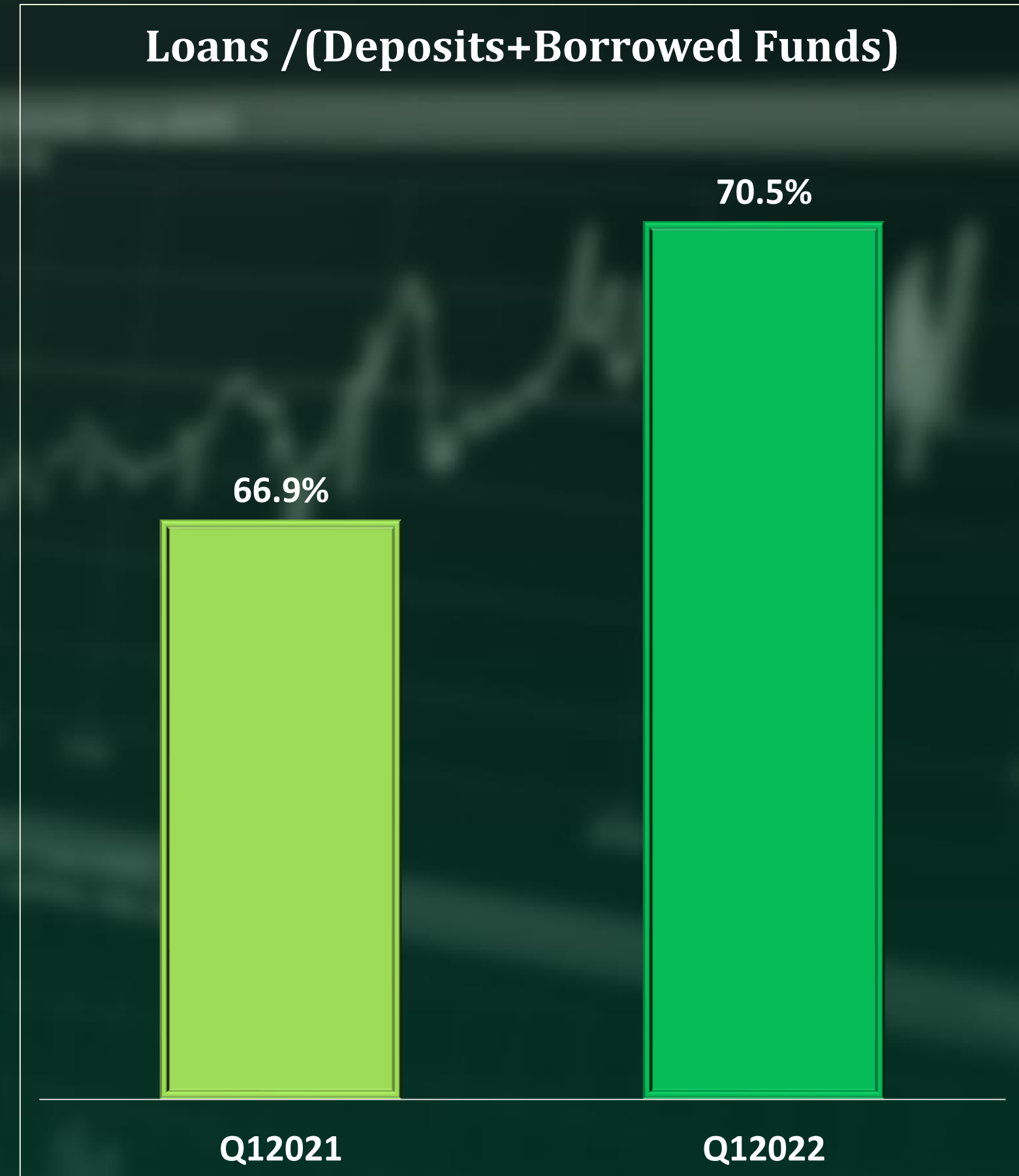
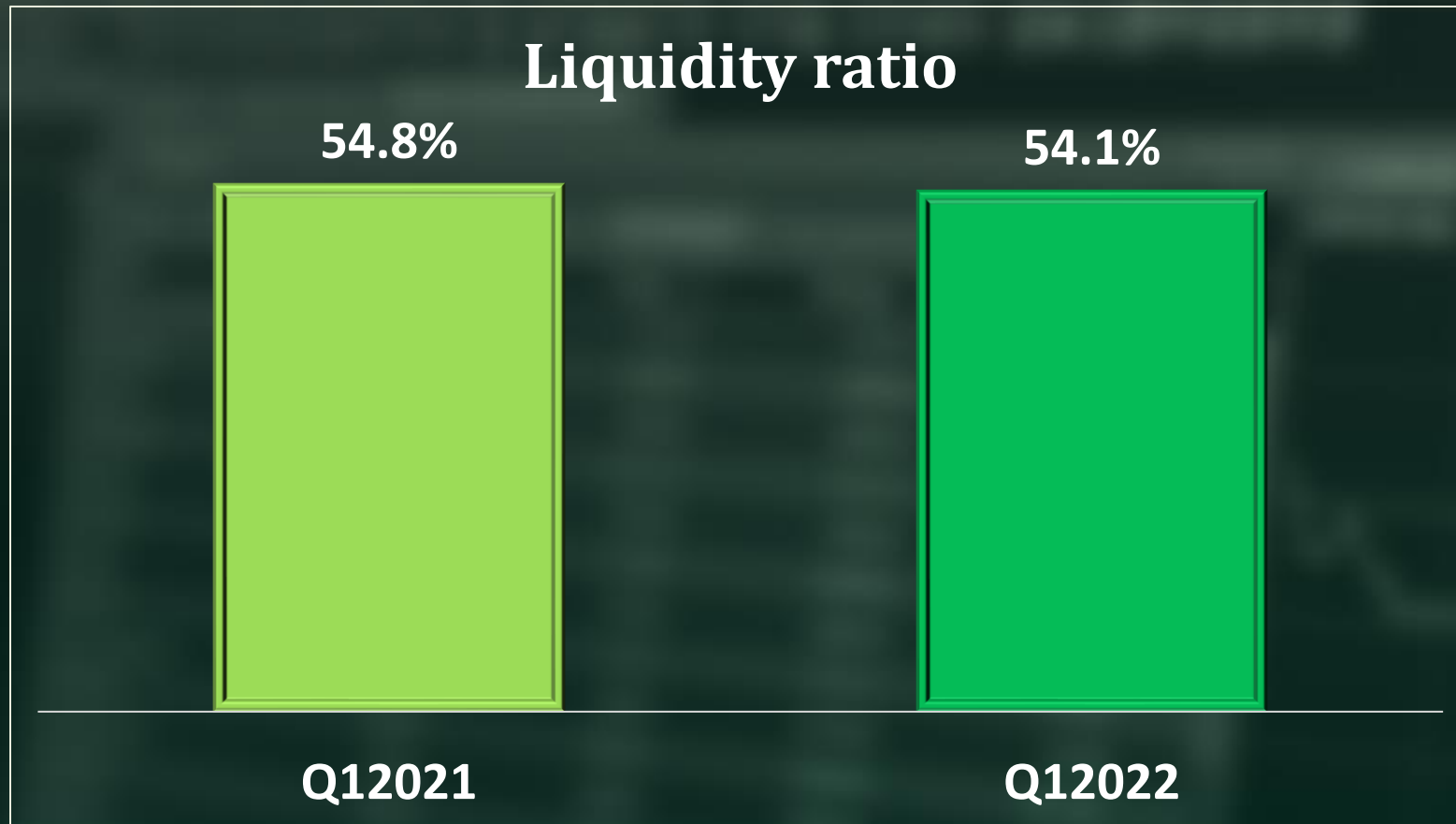
Asset Categories



Funding Categories



Strong Liquidity to support investments



Sustainable Profitability Growth

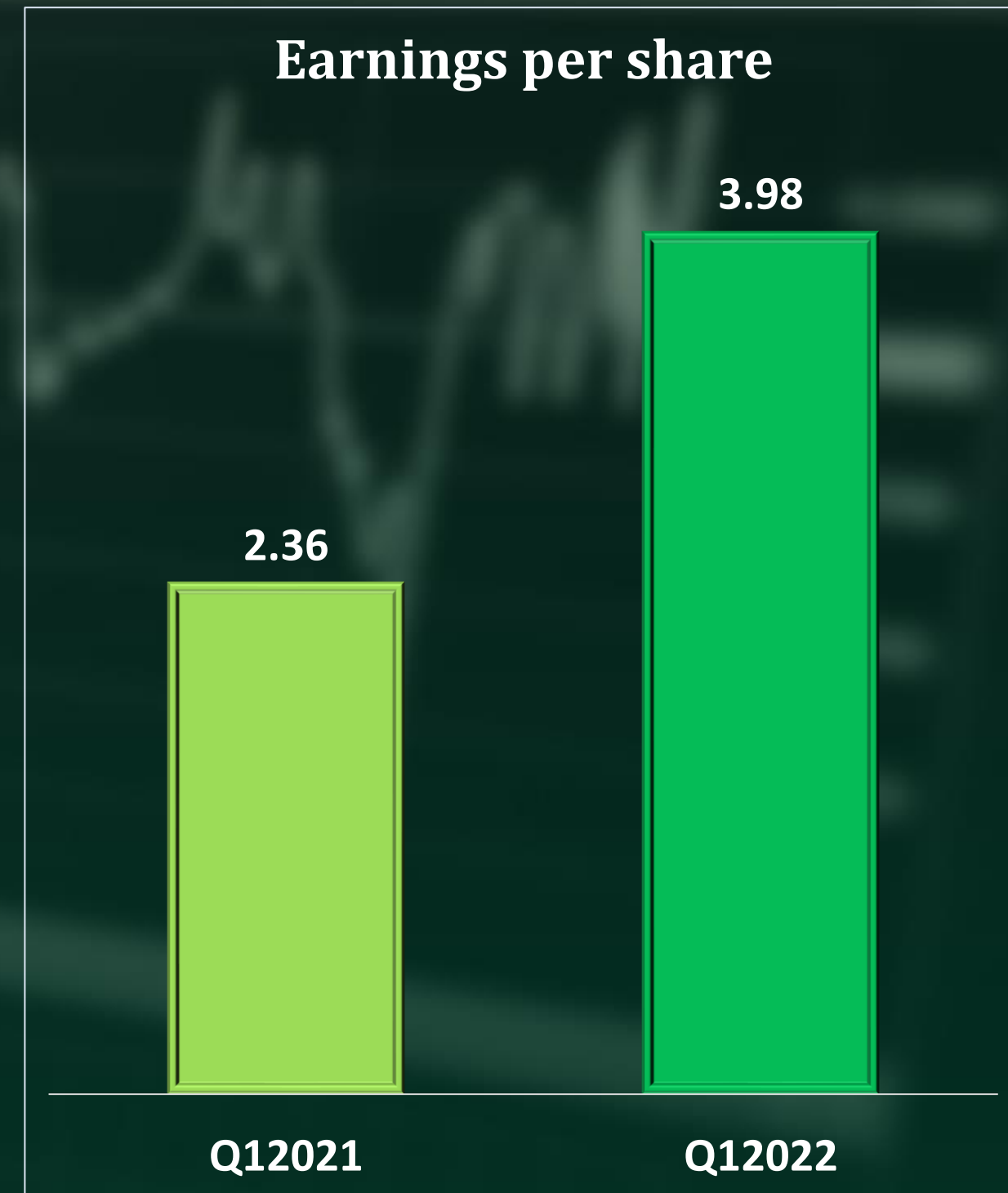
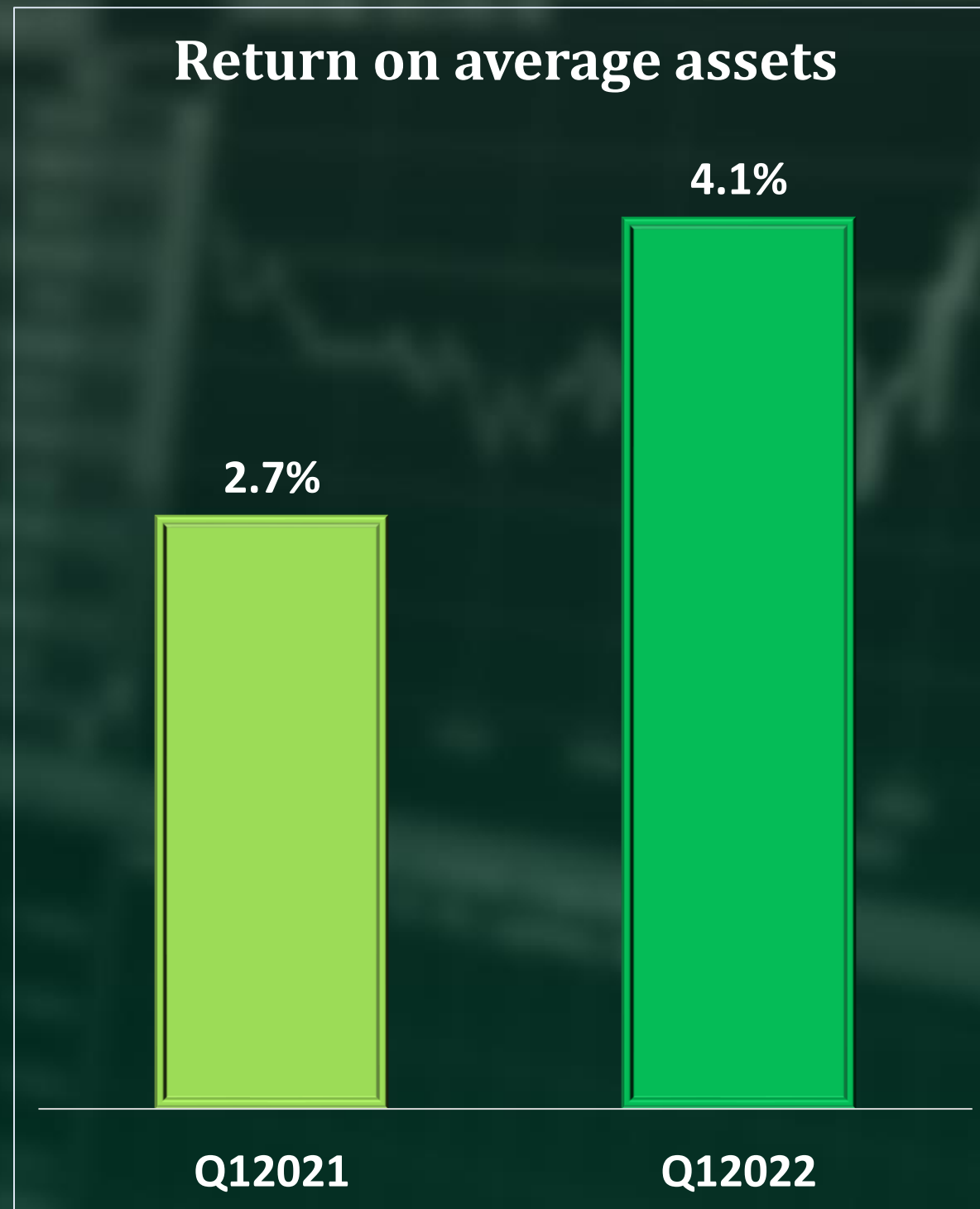
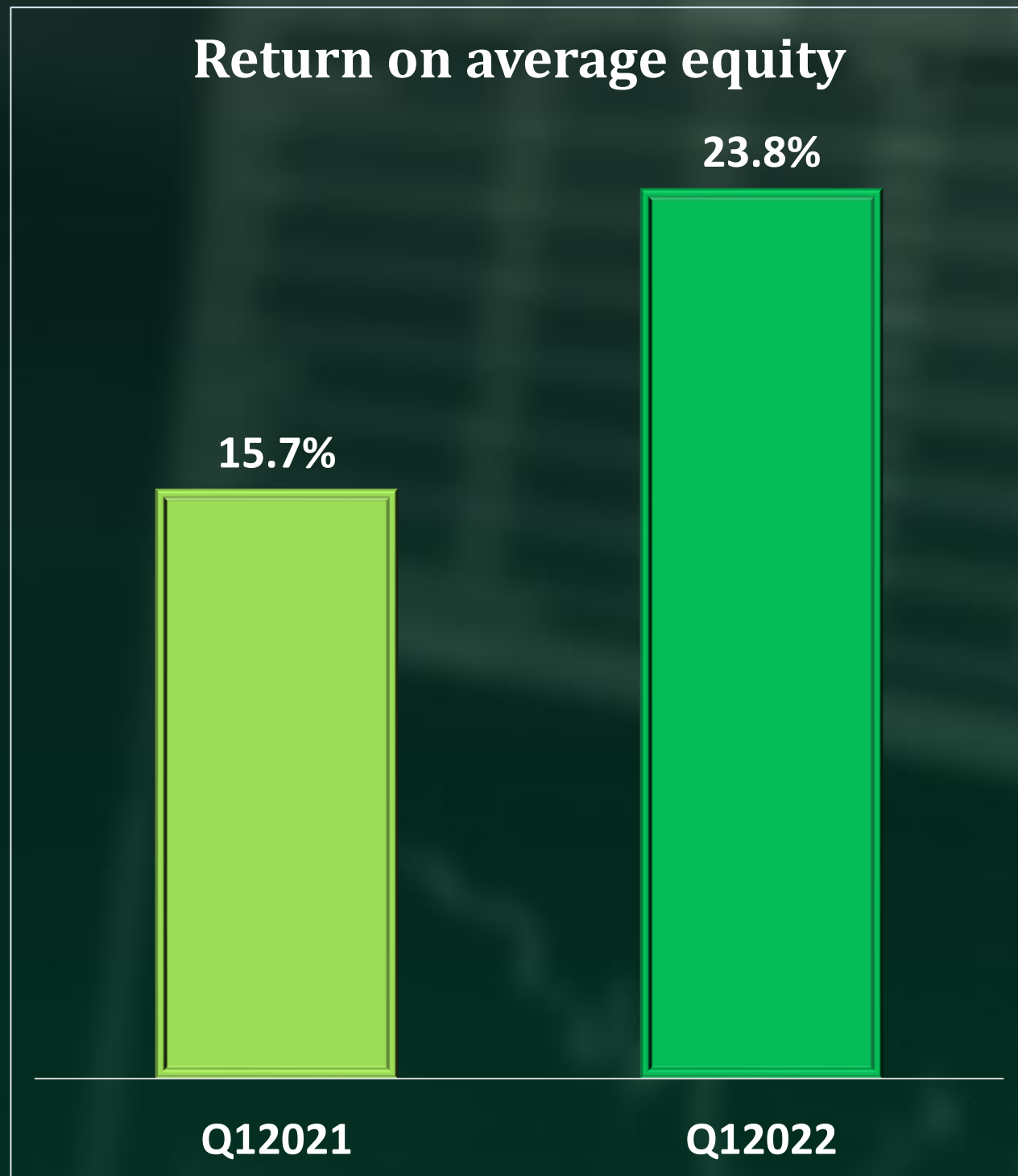


	Q12022	Q12021	YoY Change
Interest Income	14.00	13.45	4.1% ↑
Interest Expense	3.63	3.62	0.3% ↑
Net Interest Income	10.37	9.83	5.5% ↑
Fees and commissions on loans and advances	2.59	1.33	94.4% ↑
Other Fees and commissions	2.78	2.37	17.4% ↑
Forex Income	0.77	0.71	7.5% ↑
Other Income	0.27	0.11	143.1% ↑
Total Operating Income	16.78	14.35	16.9% ↑
Loan Loss Provision	1.54	2.28	-32.3% ↓
Staff Costs	3.51	3.21	9.4% ↑
Other Operating Expenses	3.97	3.76	5.5% ↑
Profit Before Tax and Exceptional Items	7.76	5.10	52.1% ↑
Share of profit of associate	0.03	(0.12)	127.6% ↑
Profit Before Tax	7.79	4.98	56.3% ↑
Tax	1.95	1.53	27.9% ↑
Profit After Tax	5.84	3.46	68.9% ↑

Subsidiary Contribution

	Q12022	Q12021	Growth	Growth
	Kshs. '000'	Kshs. '000'	Kshs. '000'	(%)
Co-operative Bank of Kenya Ltd	7,141,121	4,772,305	2,368,817	50%
Co-operative Bank of South Sudan	43,882	(89,058)	132,940	149%
Co-opTrust Investment Services Ltd	53,724	21,301	32,423	152%
Co-op Consultancy & Insurance Intermediary Ltd	316,906	262,642	54,264	21%
Kingdom Securities Ltd	(8,362)	(3,965)	(4,397)	-111%
Kingdom Bank Ltd	209,792	137,133	72,659	53%
Co-op Bank and Subsidiaries Total	7,757,064	5,100,359	2,656,705	52%
Associates share of profit	32,113	(116,444)	148,558	128%
Group Profit before tax	7,789,177	4,983,914	2,805,263	56%
Income Tax Expense	(1,953,954)	(1,528,192)	425,762	28%
Group Profit After Tax	5,835,223	3,455,723	2,379,501	69%

Competitive Returns to our shareholders



Average Return of Interest Earning Assets



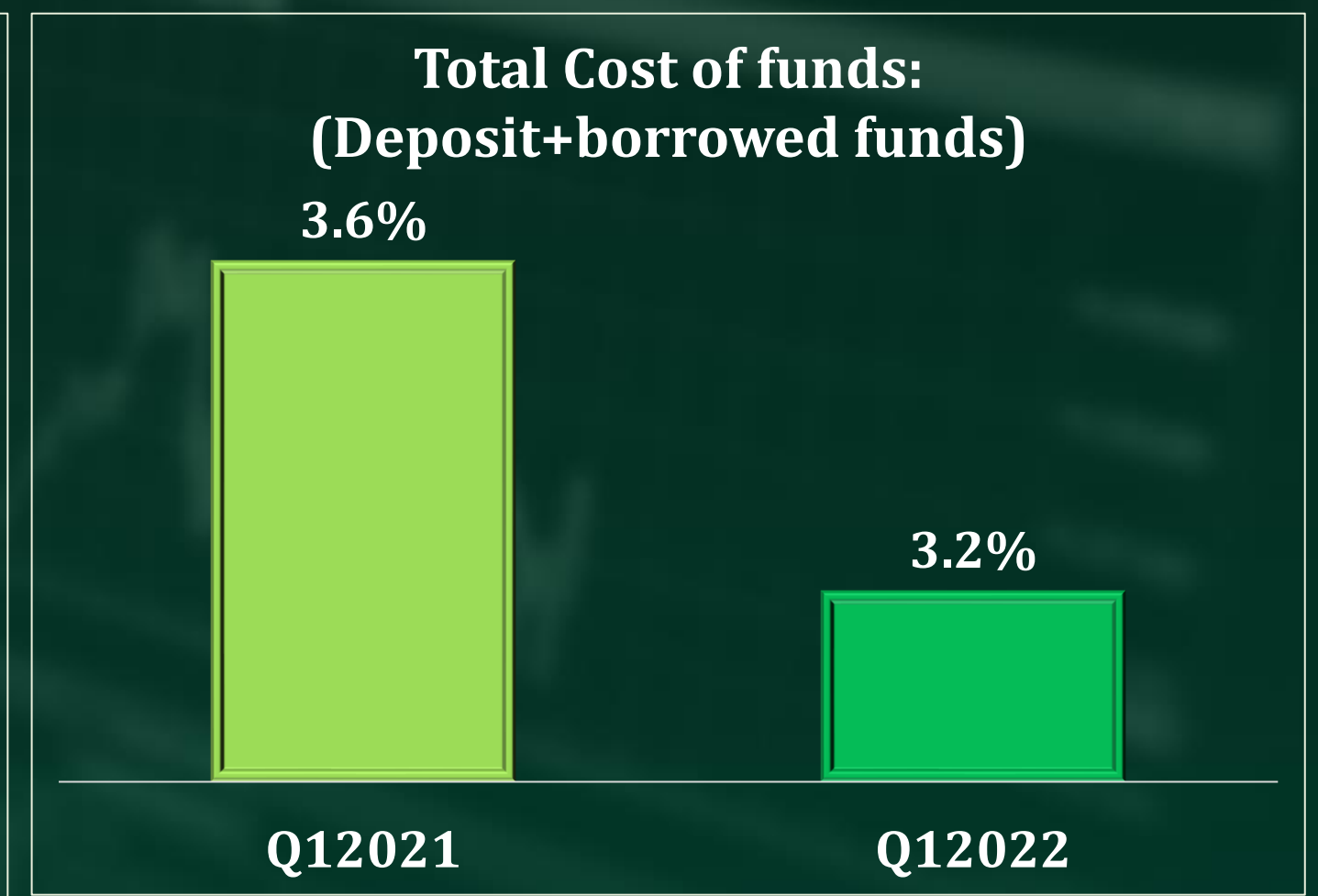
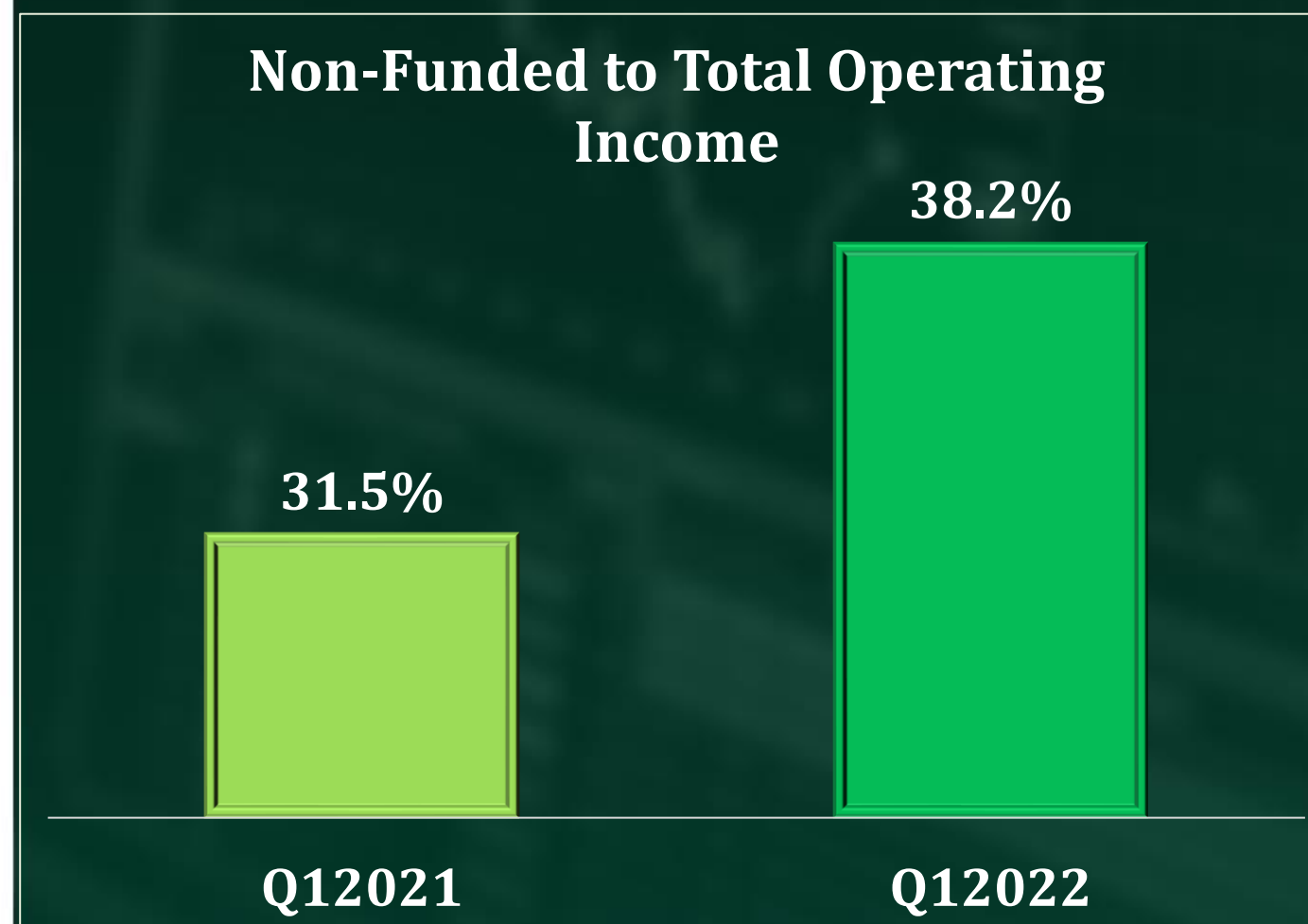
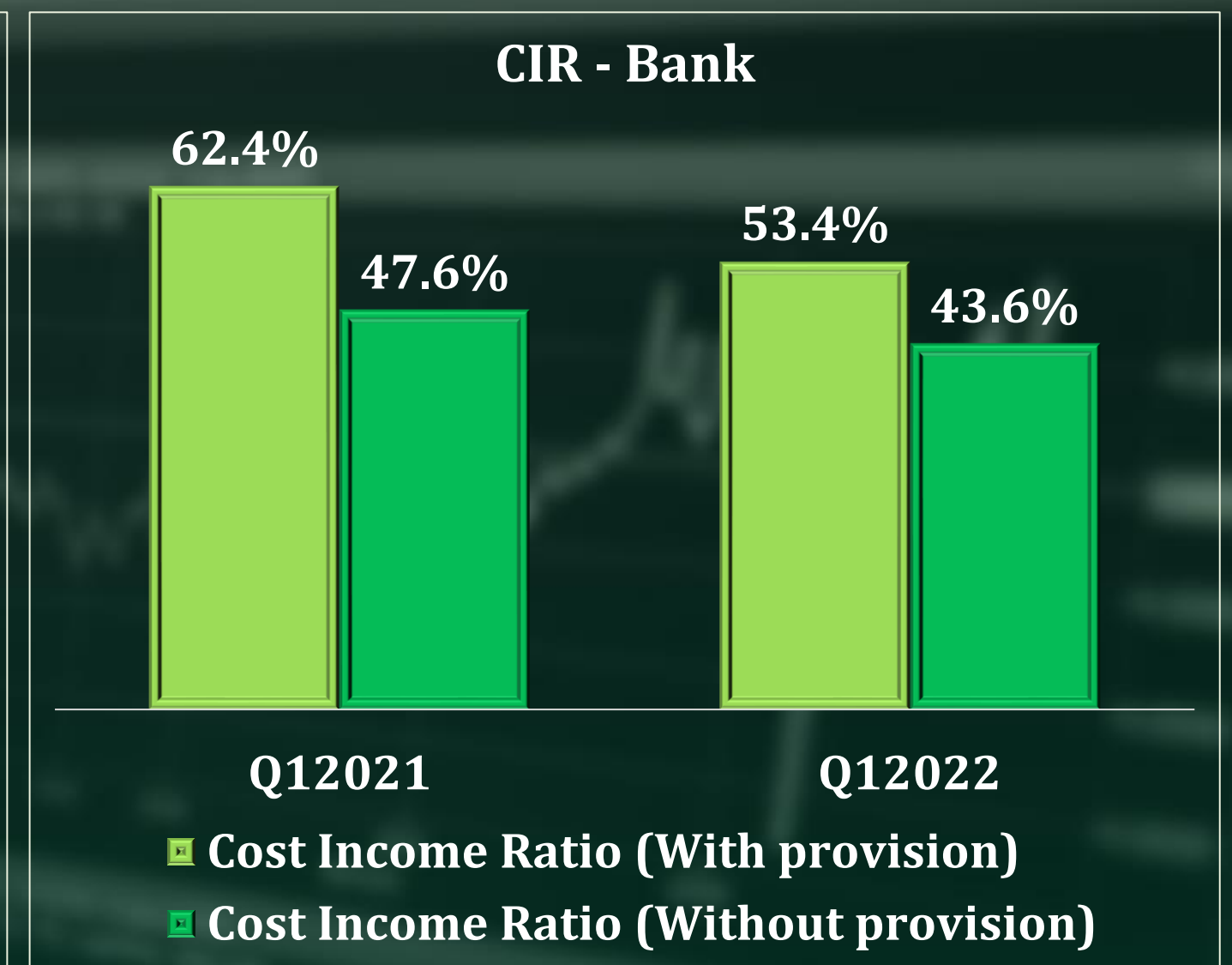
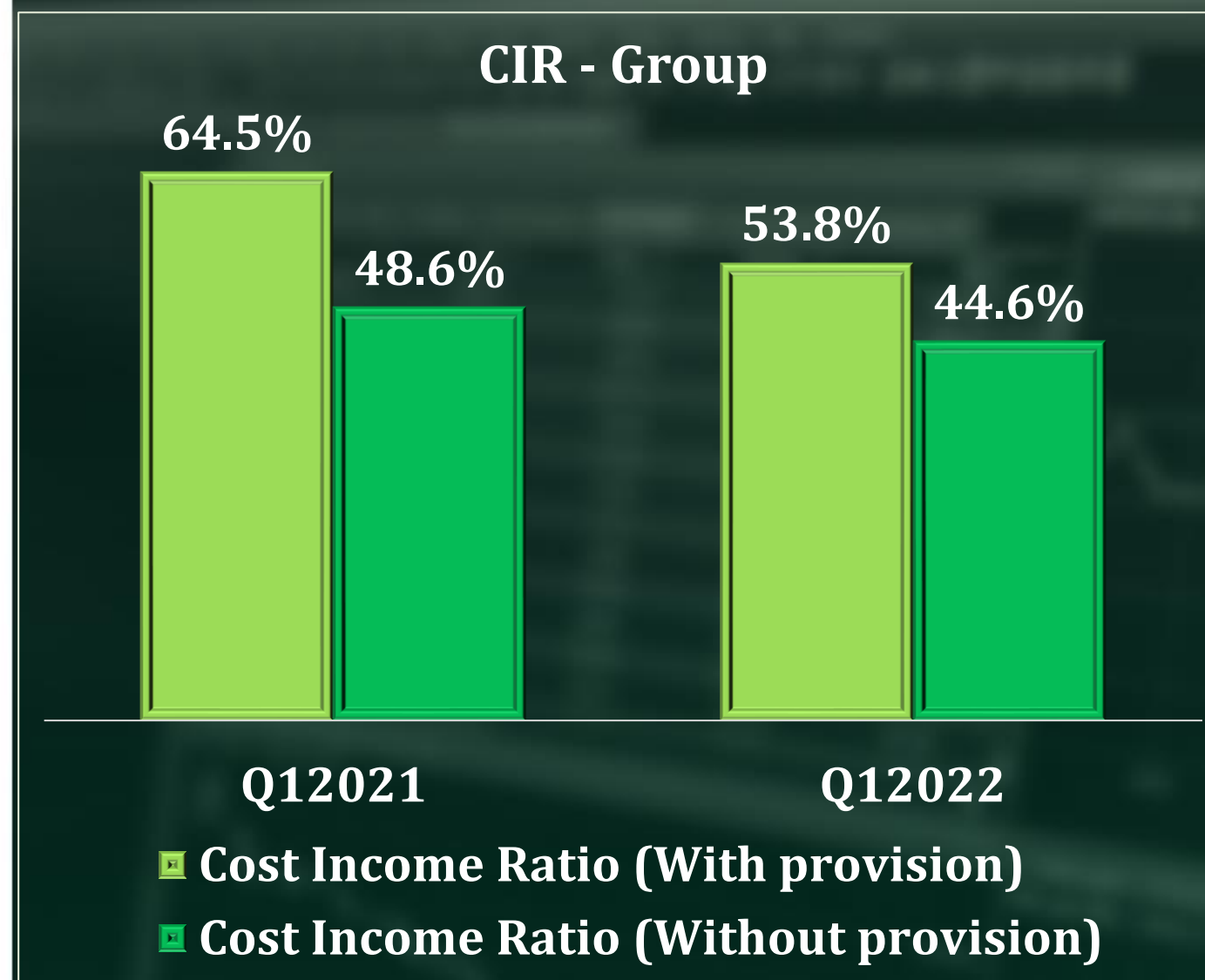
NIM on earning Assets



NIM on Loans



Key Ratios





Thank You

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