

# Co-operative Bank of Kenya Ltd

## Group Financial Results | Q22022

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## Key Highlights

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We are Growing | We are Resilient | We are Agile

# *A Transformational* **Bank**

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**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. 603.9 Billion** in Total Assets

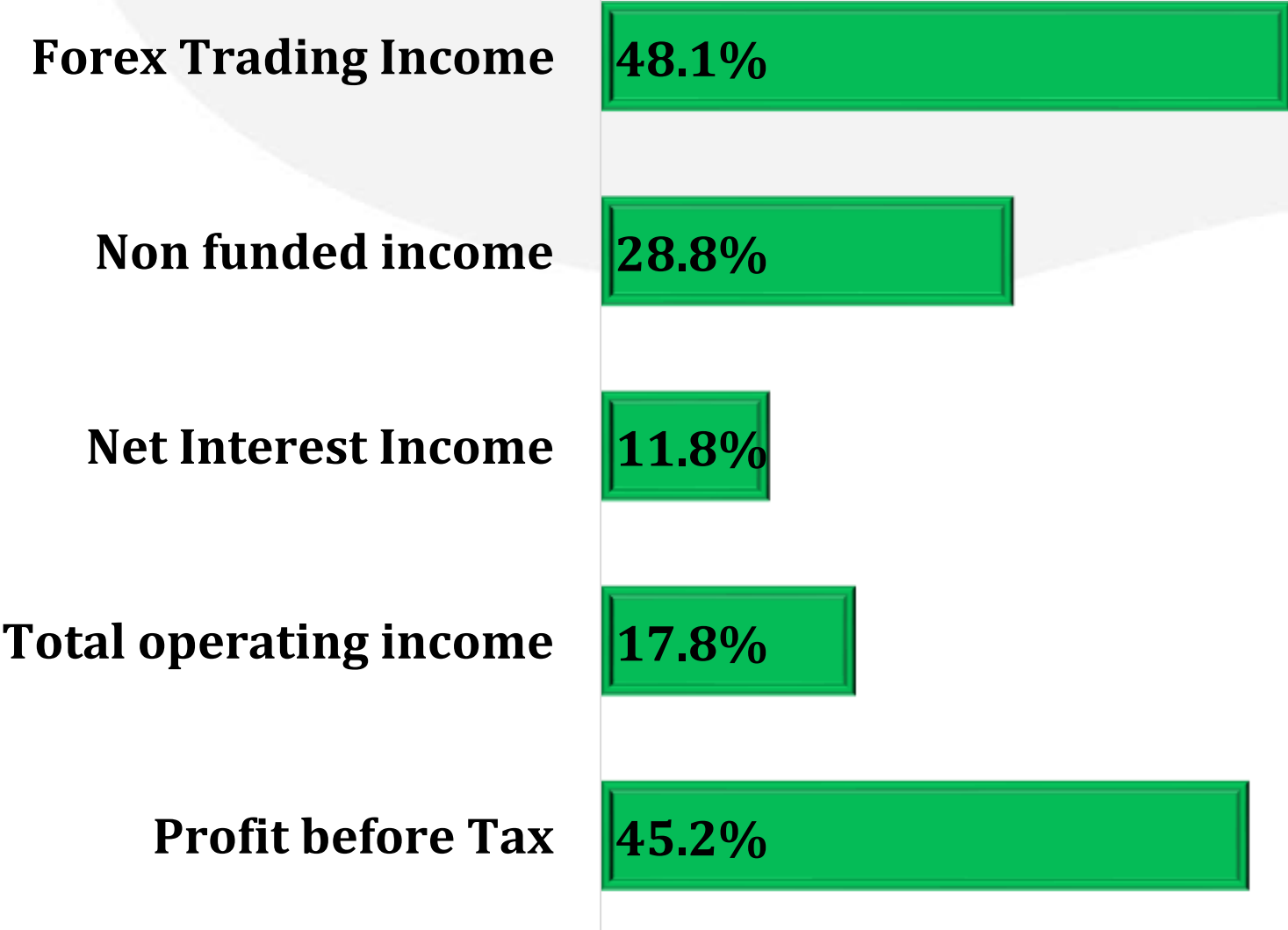
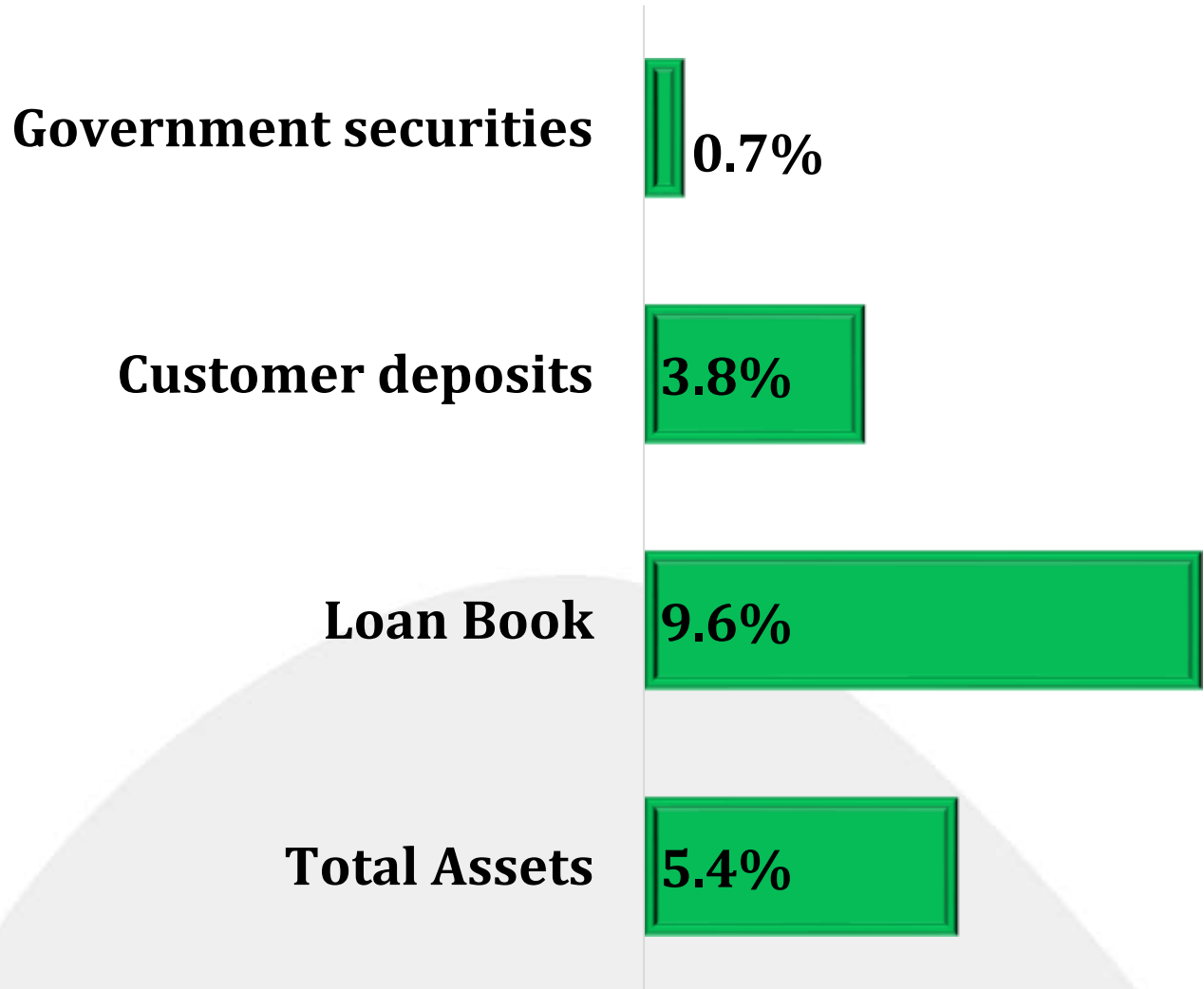
**4741 Skilled, Motivated** Staff Members



# 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



Profitable Bank Kshs. **15.3 Billion**



Strong Capital Buffers 16.6% (Regulator 14.5%)



Proactive Enterprise Risk Management Framework.



Proactive provisioning for NPL: Kshs. 3.3B in Q22022. NPL Coverage now at 74% from 68% (Q22021)



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



Low relative exposure in high-risk sectors like Tourism (0.7%) and Manufacturing (2.5%). Up to **50.5% of our loan Book** is in Consumer banking which is performing well.



**Optimal risk spread** with a 183Bn in government securities.



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



Dedicated ESG unit. We have appointed ESG Champions in all business units

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

# We are Agile

Fast | Adaptable



Operational efficiency with

# 94%

of our transactions in alternative 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
- Successful customer migration to **Omnichannel**: Integrates accessibility and User experience

## Staff Productivity

- Supporting new ways of working – Digital Workforce
- **+24%** Pre-provision return per staff.

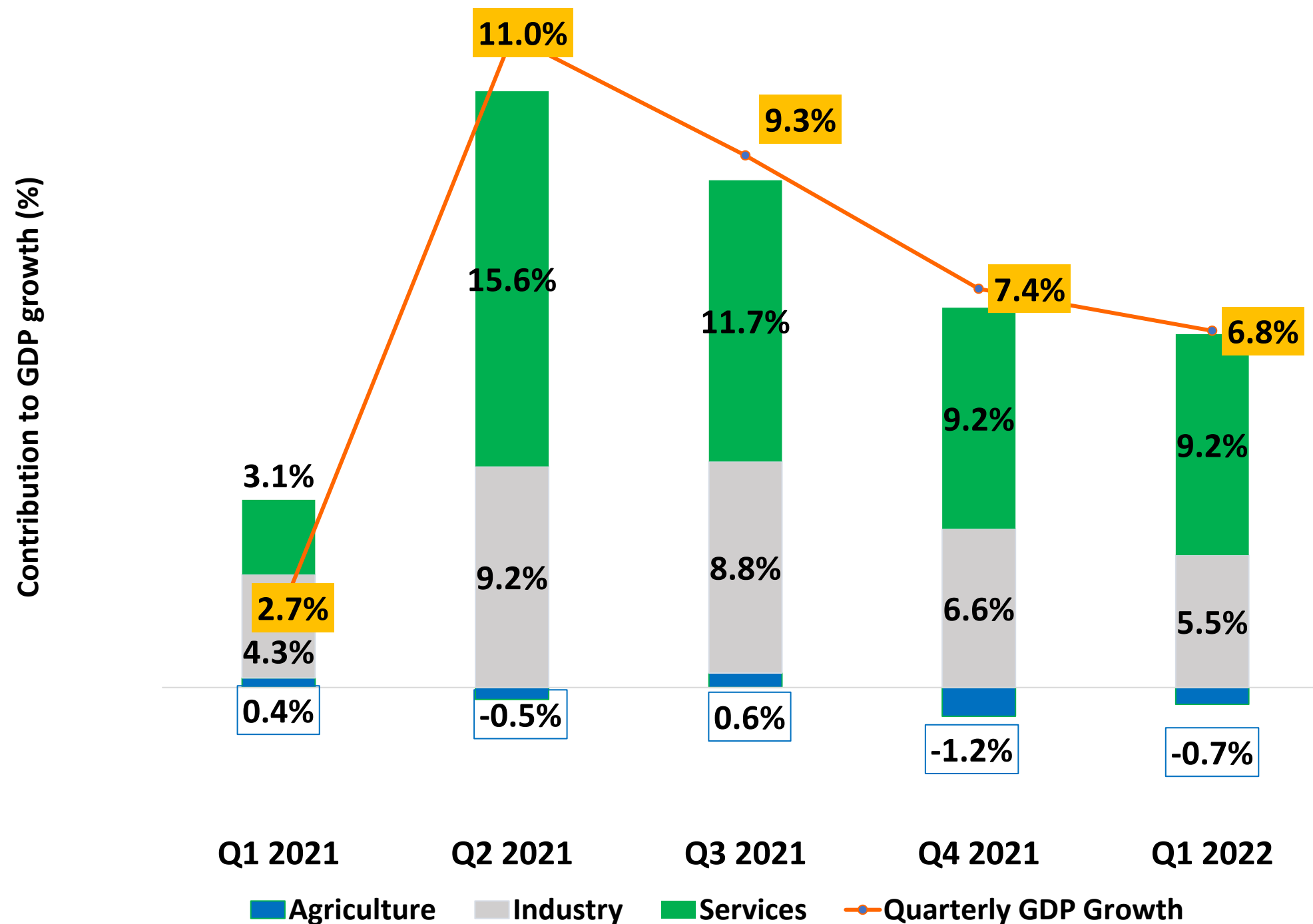
# Macroeconomic Highlights

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

# Kenya's Economic Growth

KENYA'S REAL GDP GROWTH RATE

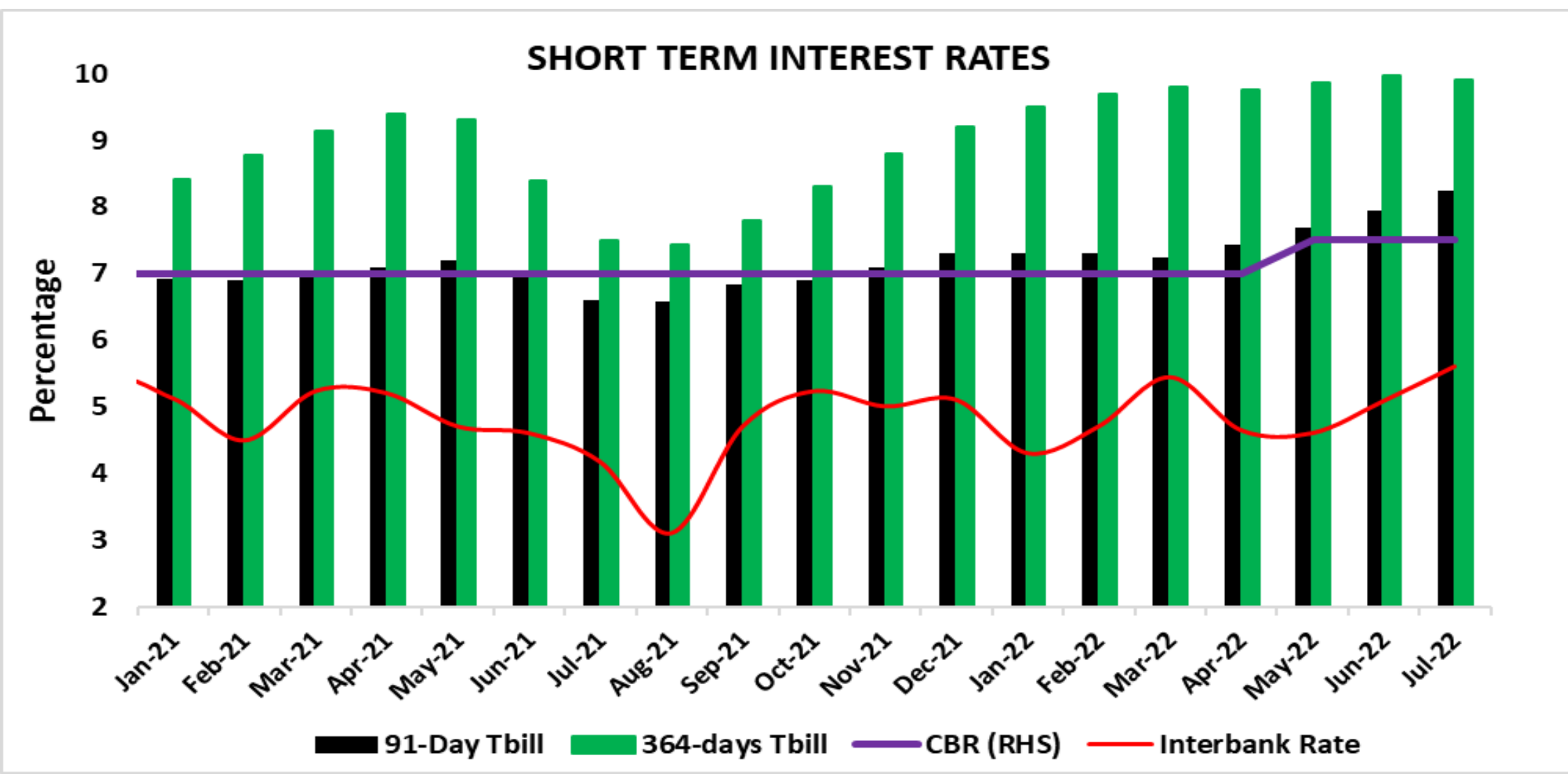


- ❖ The most recent official GDP growth numbers for Kenya indicate that the economy grew by 6.8% in 1Q2022 compared to 2.7% in 1Q2021.
- ❖ This reflects continued recovery in a wide range of sectors including construction, government spending, ICT, export flows and transport.
- ❖ The July 2022 surveys by the MPC indicated sustained optimism about business activity and economic growth in the remainder of 2022.
- ❖ The surveyed CEOs showed optimism due to an expected return to normal operations after the conclusion of the general elections, continued government expenditure on infrastructure and sector-specific growth opportunities.
- ❖ However, into the 2H2022, Kenya still faces external financing challenges for its budgetary needs, high inflation rate and adverse weather conditions.



# Short Term Interest Rates

❖ The money market remained fairly-stable in 1H 2022. Short-end market rates registered marginal movement.

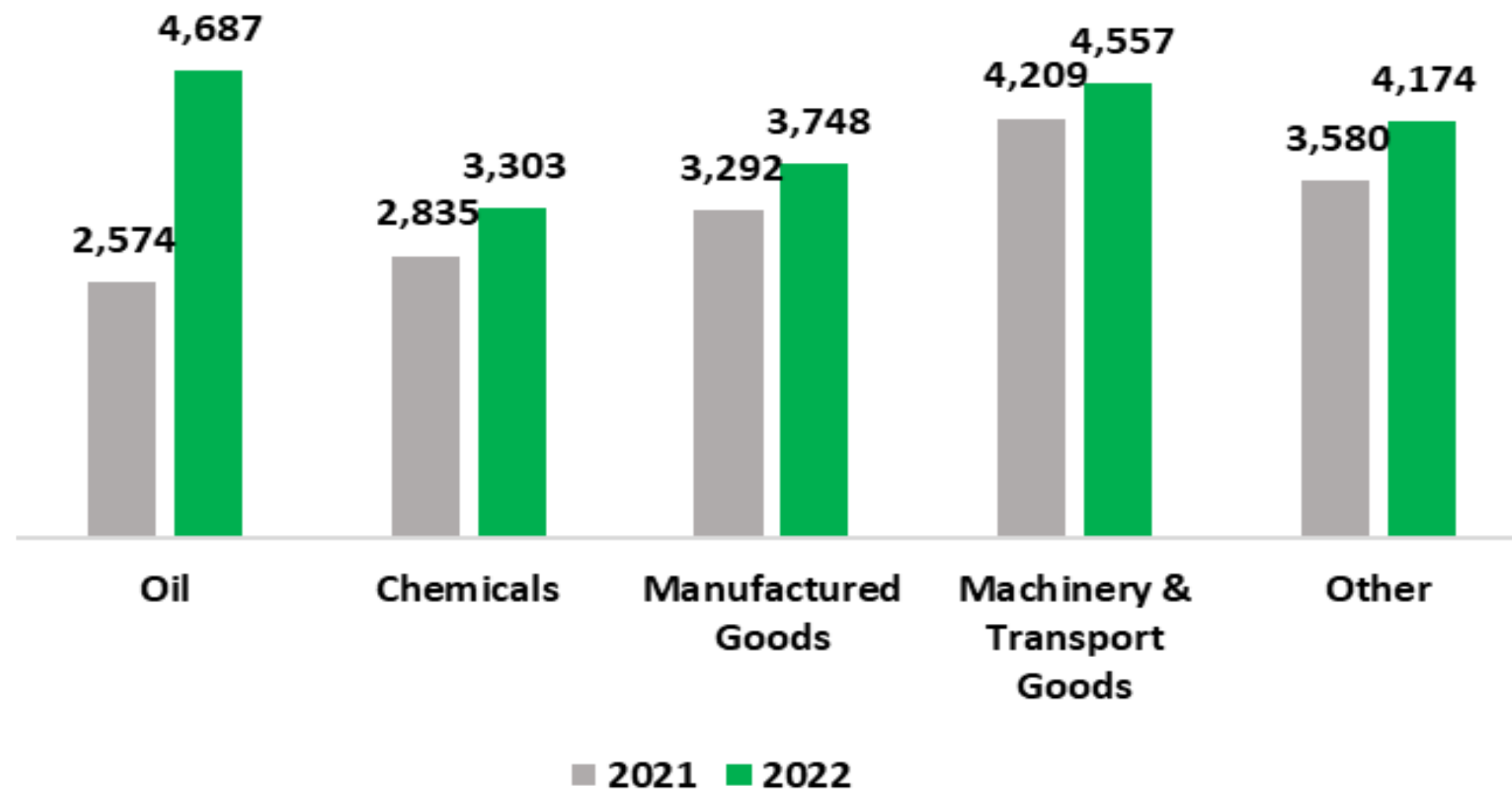


❖ At close of July 2022, interest rate on 91-days, 182-days and 364-days Treasury bills were at 8.7%, 9.4% and 10%, respectively compared to 7.5%, 8.4% and 9.8%, respectively in April 2022.

# Exchange Rate

- ❖ Growth in the value of imports for the 12-months to June 2022 has continued to put pressure on the demand for USD in the local market.

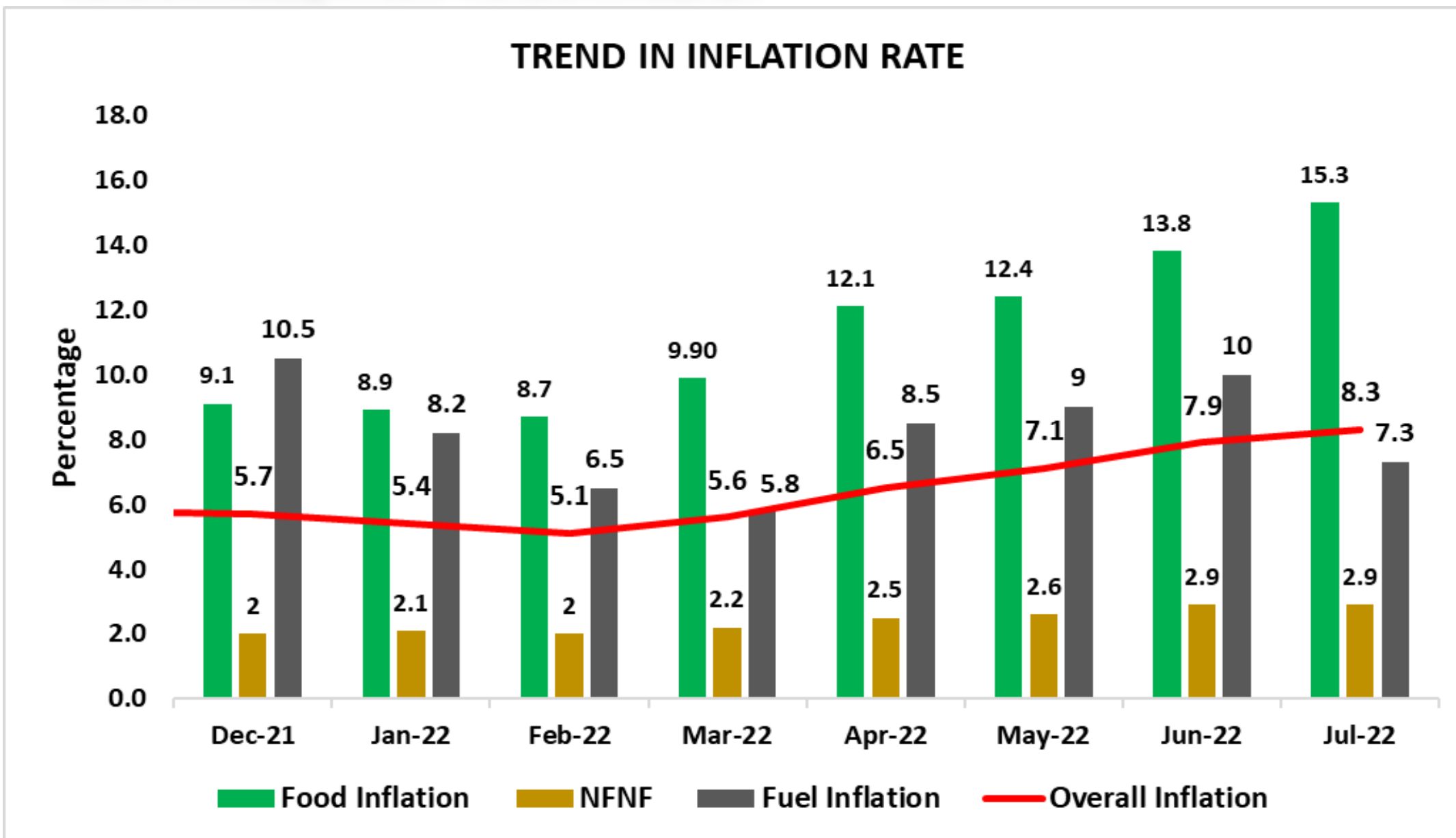
**IMPORTS FOR 12 MONTHS TO JUNE (USD Million)**



- ❖ Compared to a similar period a year ago, the amount of foreign exchange required for importation is significantly higher today.

# Inflation Rate

- ❖ Headline inflation increased to 8.3% in July from 7.9% in June 2022, due to significant increases in food prices. Food inflation increased to 15.3% in July from 13.8% in June.

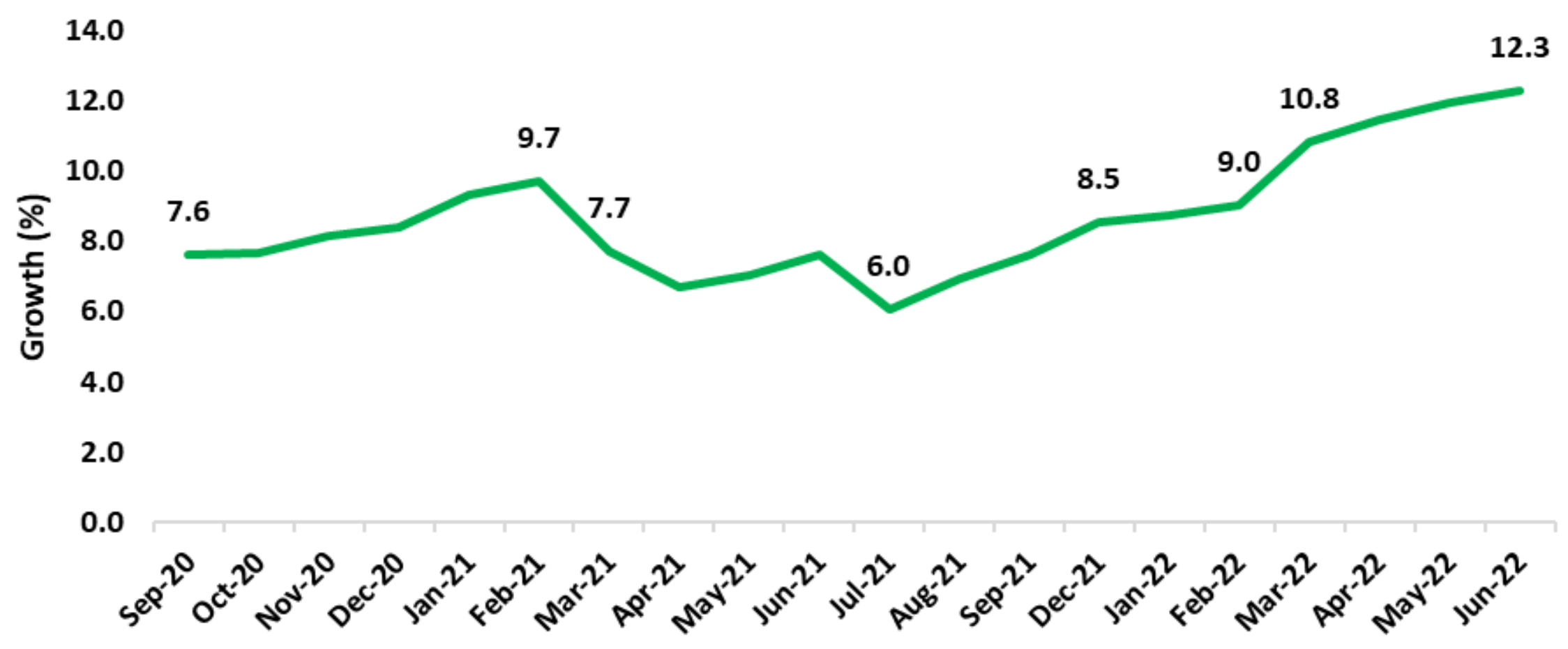


- ❖ Inflationary risk abounds in the near-term, but the momentum has started to moderate due to a decline in some global commodity prices and the projected harvest of cereals in some parts of Kenya in September.

# Credit Growth

- ❖ Growth in private sector credit in the 12-months to June 2022 improved to 12.3% from 7.7% a year earlier and 10.9% in March 2022.

**PRIVATE SECTOR CREDIT GROWTH (YOY, %)**



- ❖ This growth was mainly driven by manufacturing, trade and consumer durables.

# 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.

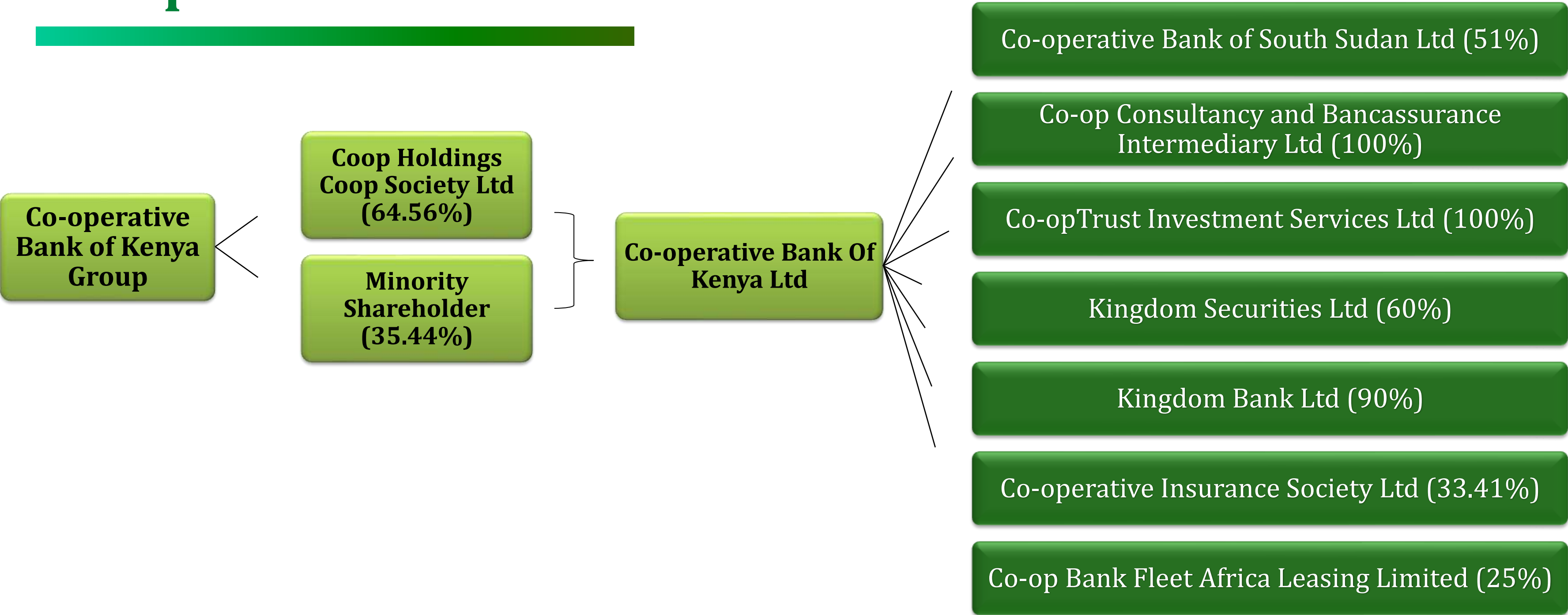
### Vision

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

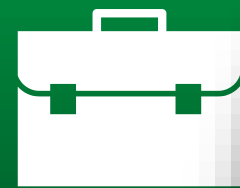
To offer a wide range of innovative financial solutions leveraging on our heavy investment in multi-channels, national and regional presence and with a focus on excellent customer experience by a highly motivated and talented team.

# Group Structure



# A Successful Universal Banking Model

**Retail and Business  
Banking (Kshs. 230.1  
Billion Loan Book)**



**Co-operatives Banking (Kshs.  
32.0 Billion Loan Book)**



**Funds under management  
(Kshs. 196.4 Billion  
(Q22021 Kshs. 179.4 Billion))**



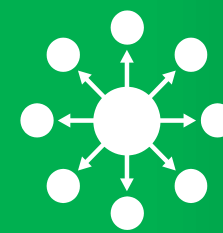
**Consultancy and  
capacity building  
3167**



**Stock Brokerage**  
 • Share trading  
 services  
 • Online Share  
 Trading



**Insurance Brokerage 24.6%  
(YoY) growth in Insurance  
Commission**



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



**Leasing:  
Coop Bank Fleet  
Africa Ltd**



## Our Presence



181  
Branches



9.0M Account  
holders



88K+ Internet  
banking  
Customers



19K Diaspora  
Banking Customers



Over 5M Mcoopcash  
Customers



466 Sacco Front  
Offices Branch  
network



558  
ATMs



24hr Contact  
Centre



Co-op Kwa Jirani  
Agents



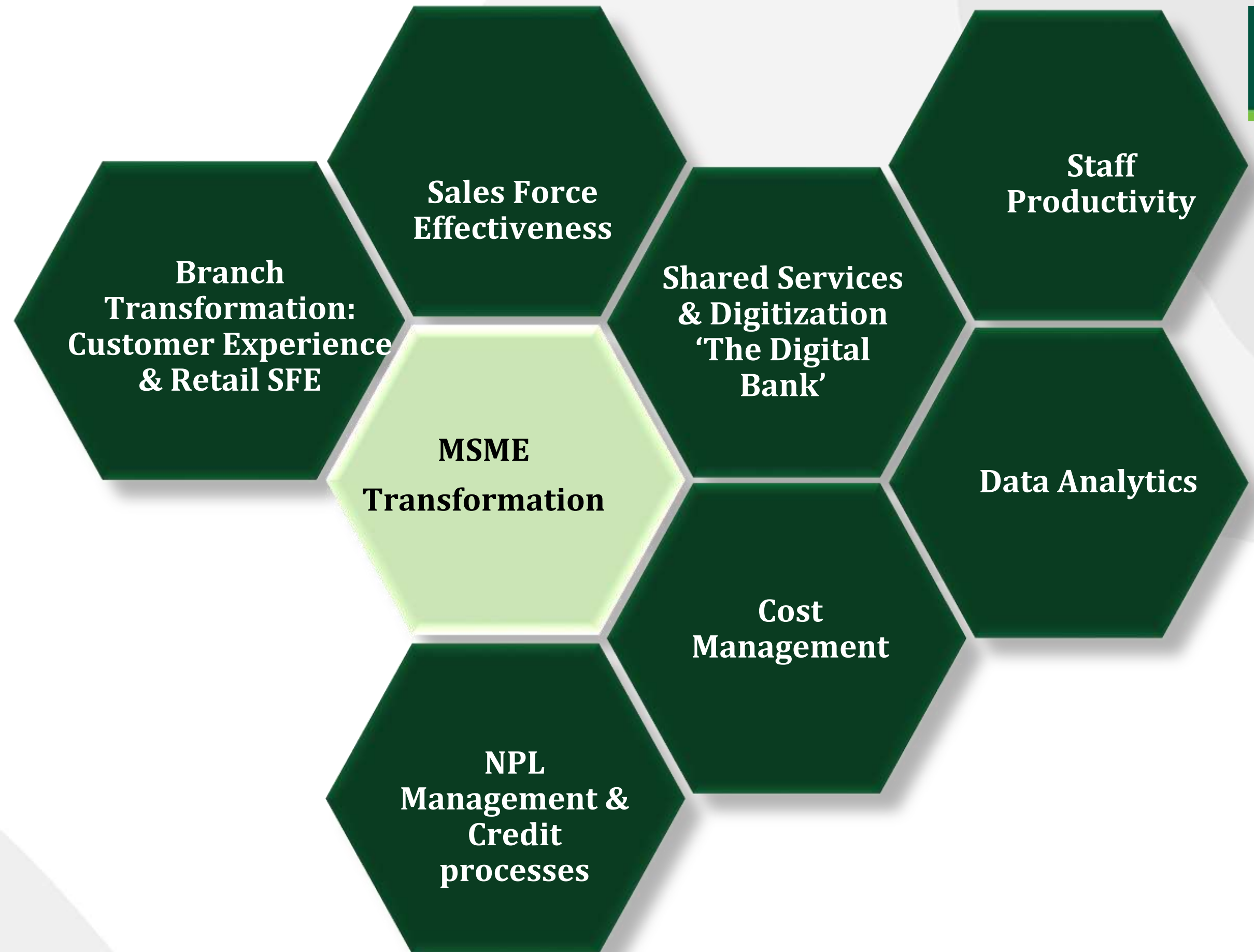
4741 Staff



## Key Pillars

# *“Soaring Eagle”* Transformation Initiatives

- Growth
- Efficiency



## **E-Credit Focus: Kshs.233.5B Disbursed so far**

- 1.Short term tenor of maximum 6 months .
- 2.Average disbursement of Ksh.6.8B per month.
- 3.Consumer Based that is on salary checkoff deductions at source.
- 4.Low credit risk

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

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## **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 3Cs (Connect, Collect, Cure), Project Connect & Build*

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## **MSME Transformation:**

- 1.26,943 trained customers.
- 2.162K+ on boarded on the new packages (Gold, Silver, Bronze).
- 3.Supply chain financing
4. Non-Financial Services (NFS):238 NFS clinics, 19 Networking forums, 3 international business trips.
5. Government of Kenya Credit Guarantee Scheme.
6. Year to date, Kshs.12.6 Billion to MSMEs through e-credit.

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

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### **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
  
- ✓ **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 24% 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.

# Our ESG Framework

Our aim is to have positive impact on the economy, society, and the environment.





# Our ESG Focus Areas

## Environmental

### Environment & Climate Change

- Supporting the transition to a low-carbon economy and reduce the impact of climate change on our business.
- Identifying and measuring our financed emissions.
- Limiting our exposure to climate risk.
- Developing targets to reduce our contribution to climate change.
- Enabling climate mitigation and adaptation by financing access to sustainable energy sources.

### Responsible Resource Use

- Encourage the responsible and efficient use of resources through the Bank's operations.
- Focusing on reducing waste
- Efficient use of energy and water.
- Digitization of processes

## Social

### Financial Inclusion

- Enable access to financial solutions that support economic development and reduce inequality.
- Increase convenience and access to financial products and services.
- Provide relevant financial education and advice.
- Increase access to credit.
- Addressing segment/sector specific needs including medium & small enterprises (MSMES)

### Economic Inclusion

- Financial intermediation in the economy.
- Provide investment capital and/or loans to initiatives that support the Big 4 Agenda.
- Facilitate trade and investment flows between countries and key global markets.
- Paying and facilitating collection of taxes to contribute to the prosperity and stability of our country.

### Social Inclusion

- Enabling members of community, especially the underserved to become economically empowered and resilient.
- Employee health & Wellbeing.
- CSR & Philanthropy.
- Supporting and increasing access to inclusive quality education.

## Governance

### ESG Integration

- Strong business ethics & integrity – doing the right thing by our customers, community, and the planet.
- Integrating an ESG operating model for the Bank.



# Our ESG Performance

## Governance

### Diversified Board Skillset

**3.8B (Q22022)**

Amount of taxes paid (in billions)

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

## Social Inclusion

**9553**

Students sponsored by the Bank

**3167**

CCBI mandates (consultancies)

**162,200 MSME** on boarded on the new MSME packages (Gold, Silver, Bronze).

**26,943** trained MSME customers

**88%** local suppliers

## Financial & Economic Inclusion

**233.5B**

E-credit in disbursement

Innovative digital channels

**330.1B**

Net loans and advances (in billions)

**39.6B**

Economic value distributed (in billions – FY2021)

## Employee Welfare

**74%**

Employees below 40yrs

**52M**

Training spend (in millions)

**7.1 B**

Staff remuneration

## Environment & Climate change

Ongoing implementation of the CBK Guidance on Climate- Related Risk Management and NSE ESG disclosure guidance.

Ongoing rehabilitation of 259.5Ha, Lusoi forest in Laikipia

Signatory to the United for Wildlife’s (UfW) Financial Taskforce

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)

Continuous digitization of customer journeys and bank processes.

18th KAM ENERGY MANAGEMENT AWARDS (EMA) 2022 – Best new entrant



# Co-op Foundation

Total Students Sponsored on Scholarship Program

9553

## 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.

## Community Service Program

for University Scholarship Beneficiaries.

## Jijali Program

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



# 18th ENERGY MANAGEMENT AWARDS (EMA) 2022

## Electricity Savings Award – Small Consumers - **1st Runners UP**

This category recognizes institutions with the most savings under the Low Consumption sector as per KPLC billing structure. These are commercial consumers metered by KPLC at 240V or 415V and their consumption are not more than 15000 units monthly.

Leadership and Management Centre facility was awarded as the 1st Runners up

## Service Sector Award - **1st Runners Up**

This category recognizes institutions offering services and have embraced energy management practices in their daily operations.

## Best New Entrant Award - **Winner**

This award welcomes entries both in industrial, commercial, and service enterprises that have demonstrated excellence in energy efficiency and conservation.

# Award Winning Brand

A bank continuously feted for its commitment to drive sustainable impact



## 18th ENERGY MANAGEMENT AWARDS (EMA) 2022

Electricity Savings Award – Small Consumers - 1<sup>st</sup> Runners UP  
Service Sector Award-1<sup>st</sup> Runners Up  
Best New Entrant Award-Winner



## 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



**WINNER**  
BEST REGIONAL BANK – EAST AFRICA  
Co-Operative Bank of Kenya



## VISA AWARDS 2021

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

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

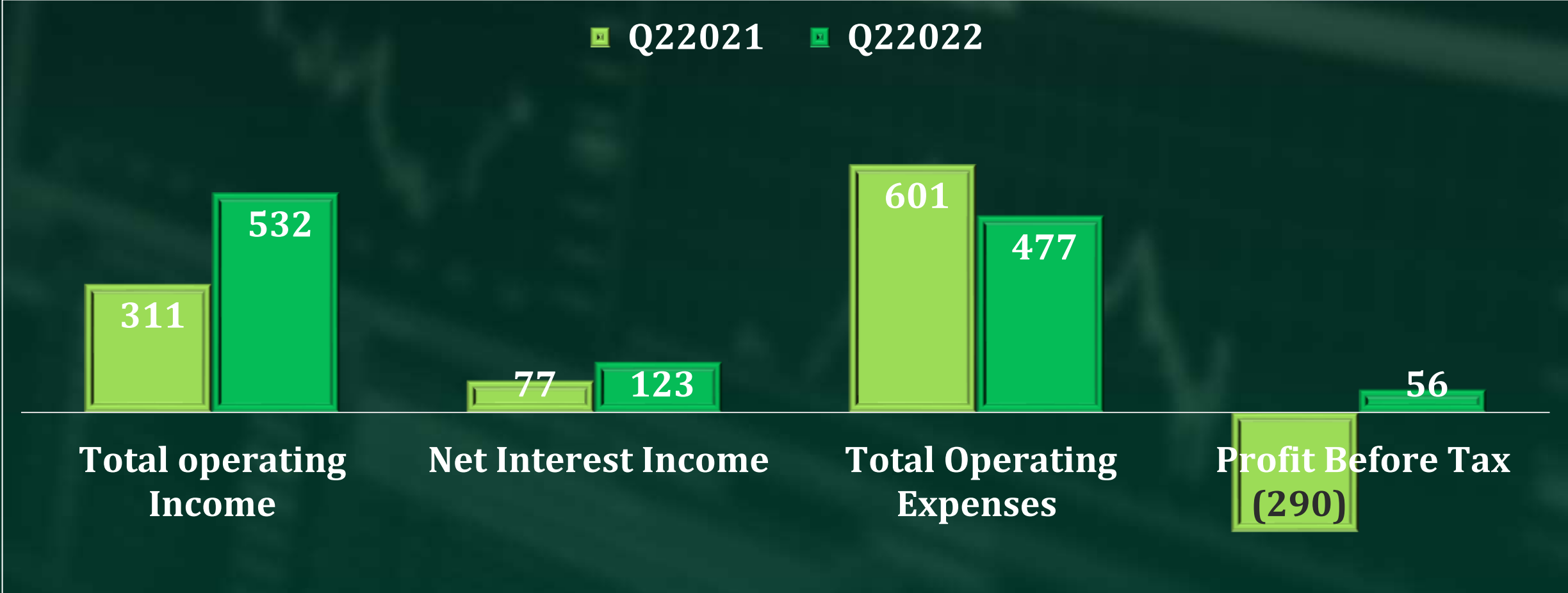
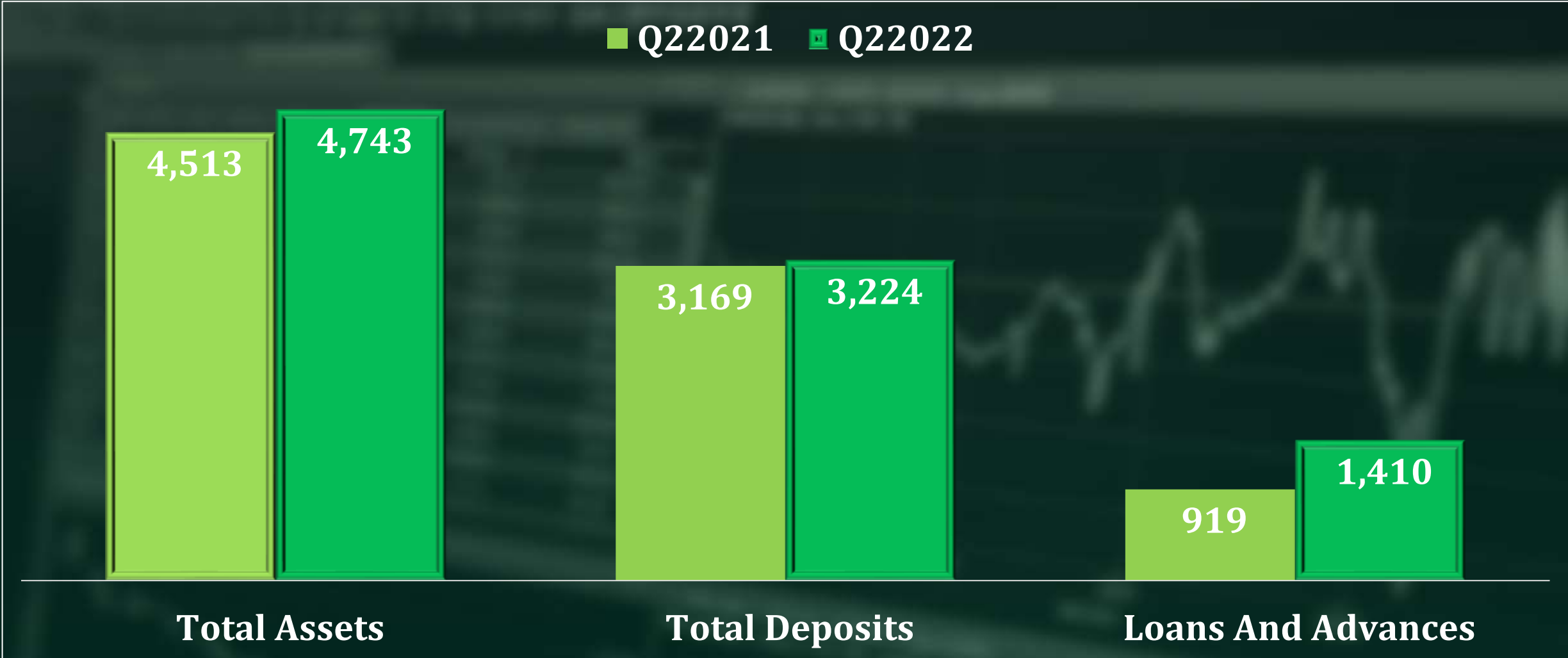
# Regional Business (Kshs. Million)



4 branches in Juba

5 Non-oil collection centers.

Owns 31% of CIC Africa Ltd-South Sudan



# Channel Performance

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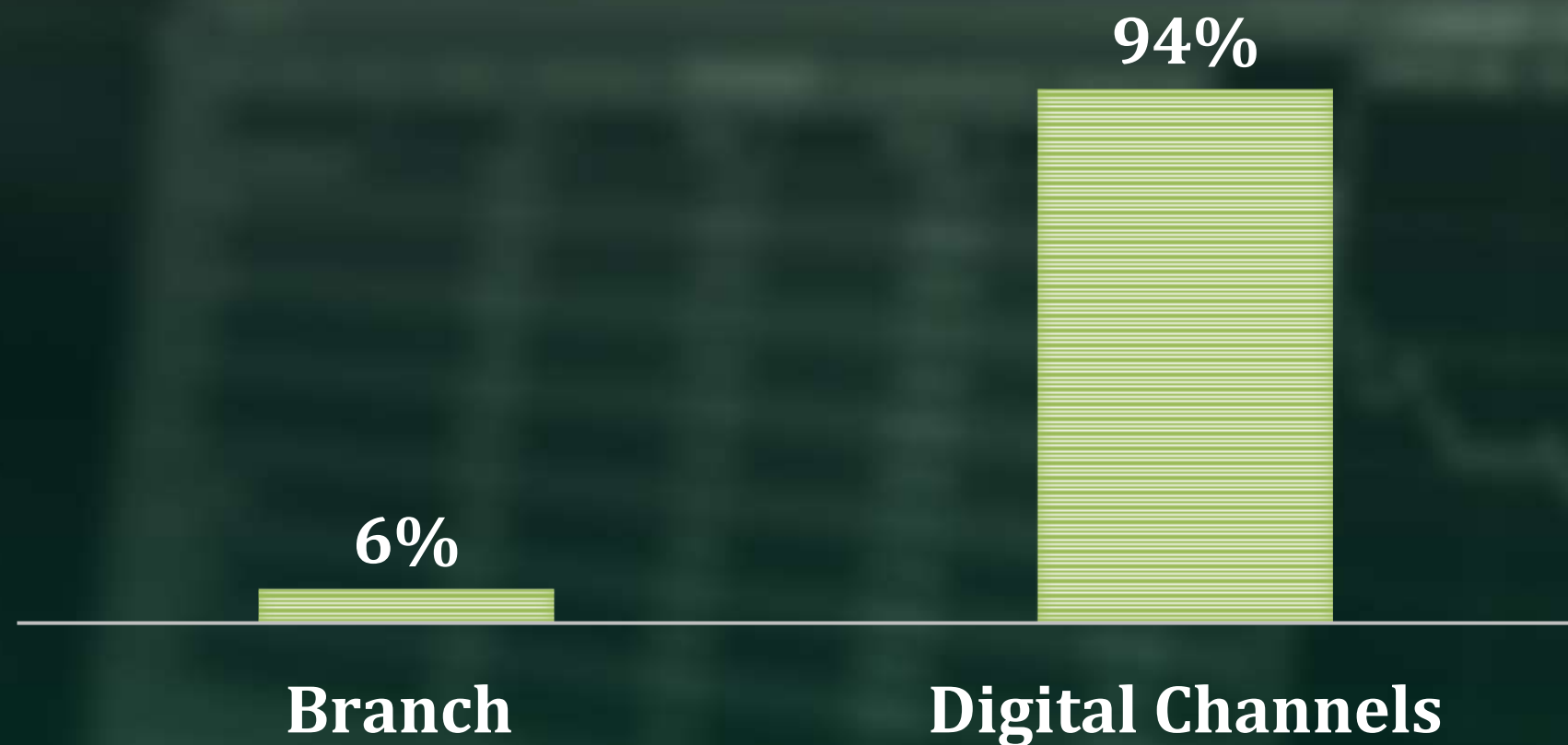
# Growing Digital Channels



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

- Mobile
- Internet
- ATM
- Agency

## Digital Channels Vs Branch (%)



# 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.

# Omnichannel Banking

We have successfully migrated our customers to the Omni-channel, integrating accessibility and user experience.

Our omnichannel interfaces online banking through personal computers, mobile phones and USSD availing our services to all customers through their preferred channel yet retain the same experience from wherever they are.

## Welcome to the new Internet Banking

Your banking team is at your fingertips

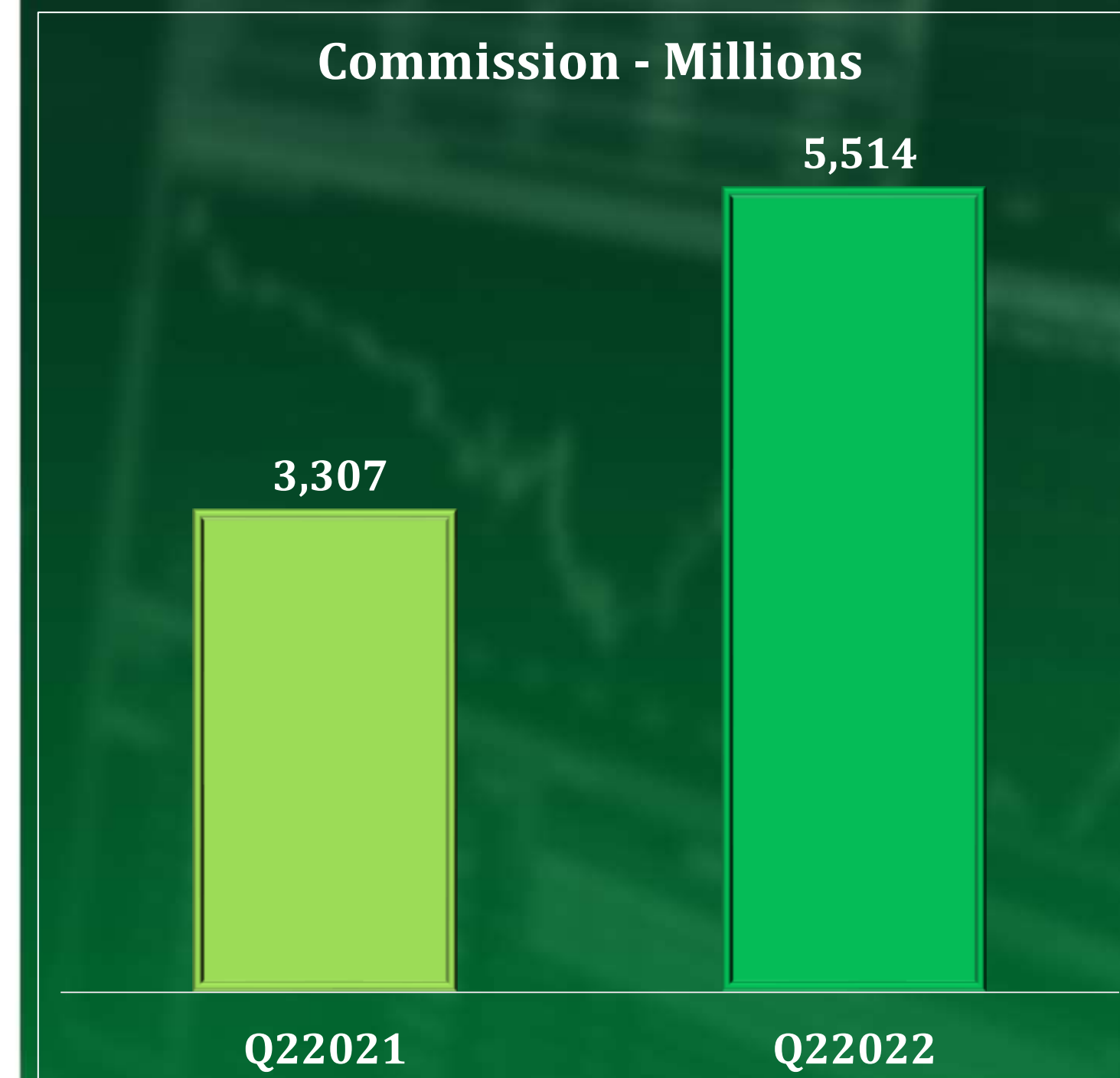


Personal Internet Banking



Corporate Internet Banking

Successful offering continues to scale:



# 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.233.5B disbursed to Date.
- ✓ Kshs.6.8 Billion disbursed per month on average.
- ✓ Consumer based salary checkoff hence lower credit risk.
- ✓ Short term tenure of maximum 6 months.



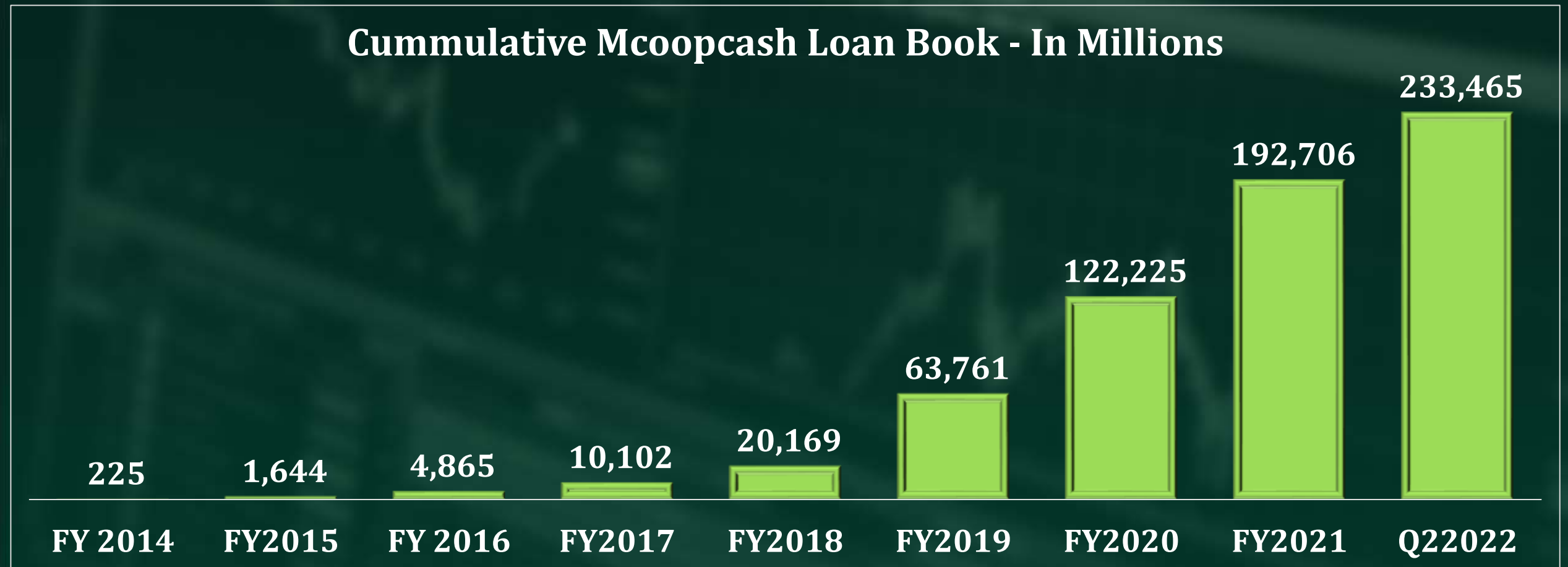
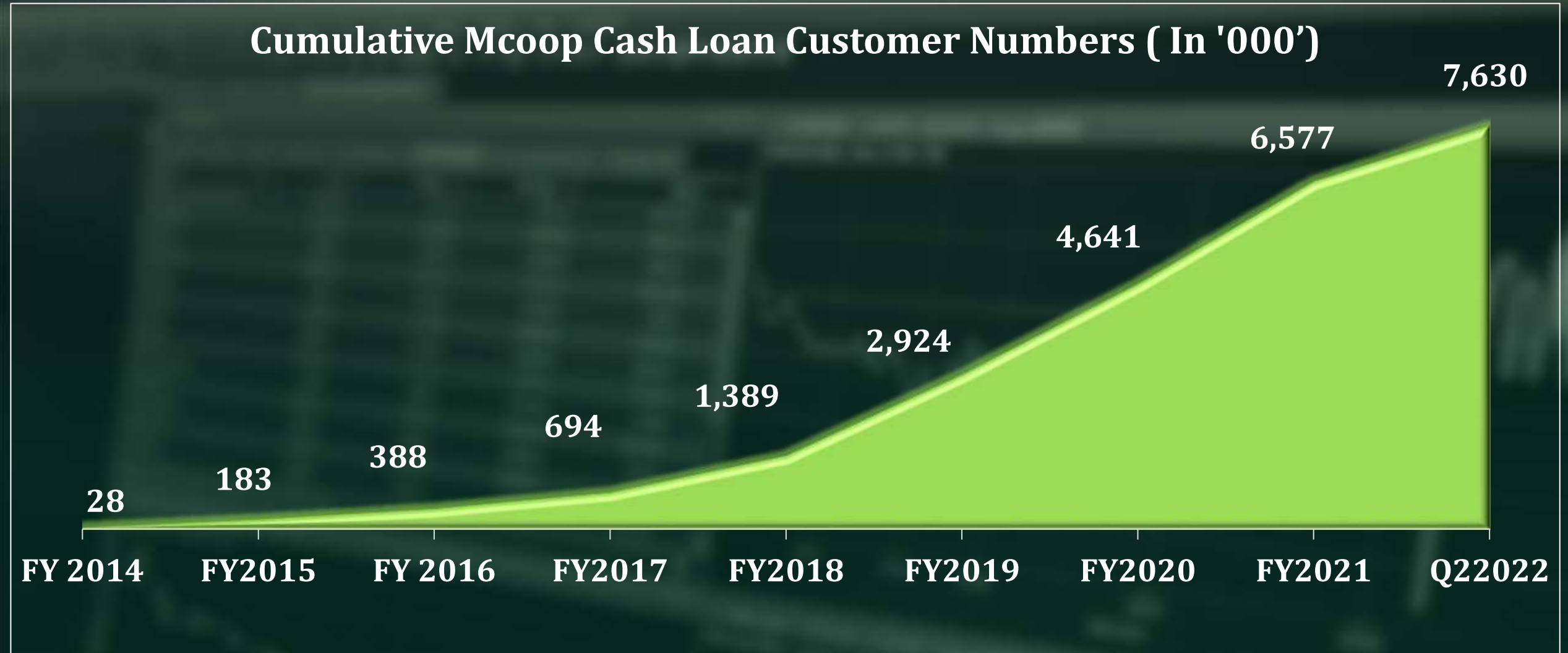
Get an instant relief from cash worries by applying for a Flexi Cash Salary Advance Loan



# E-Credit

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

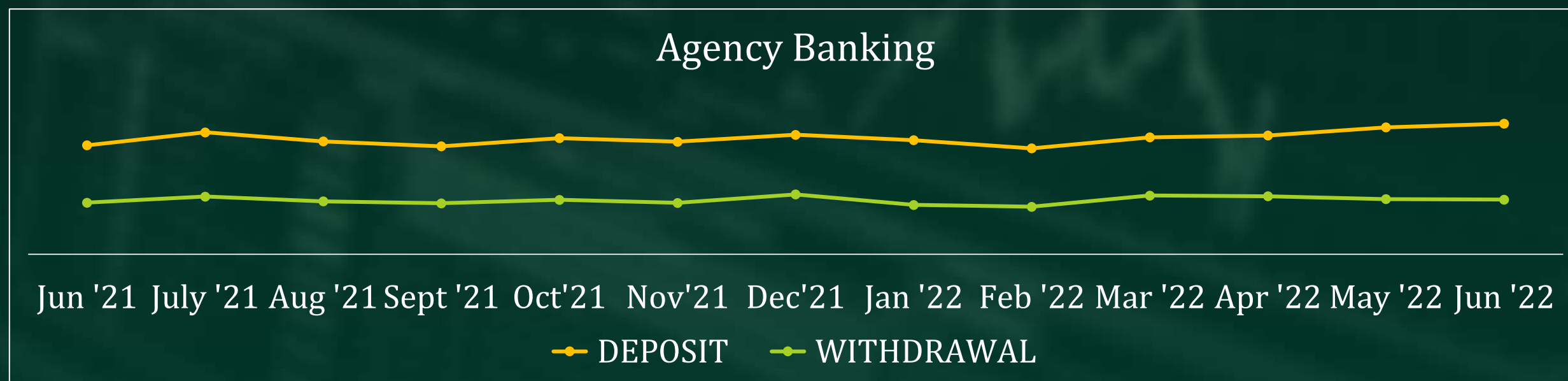
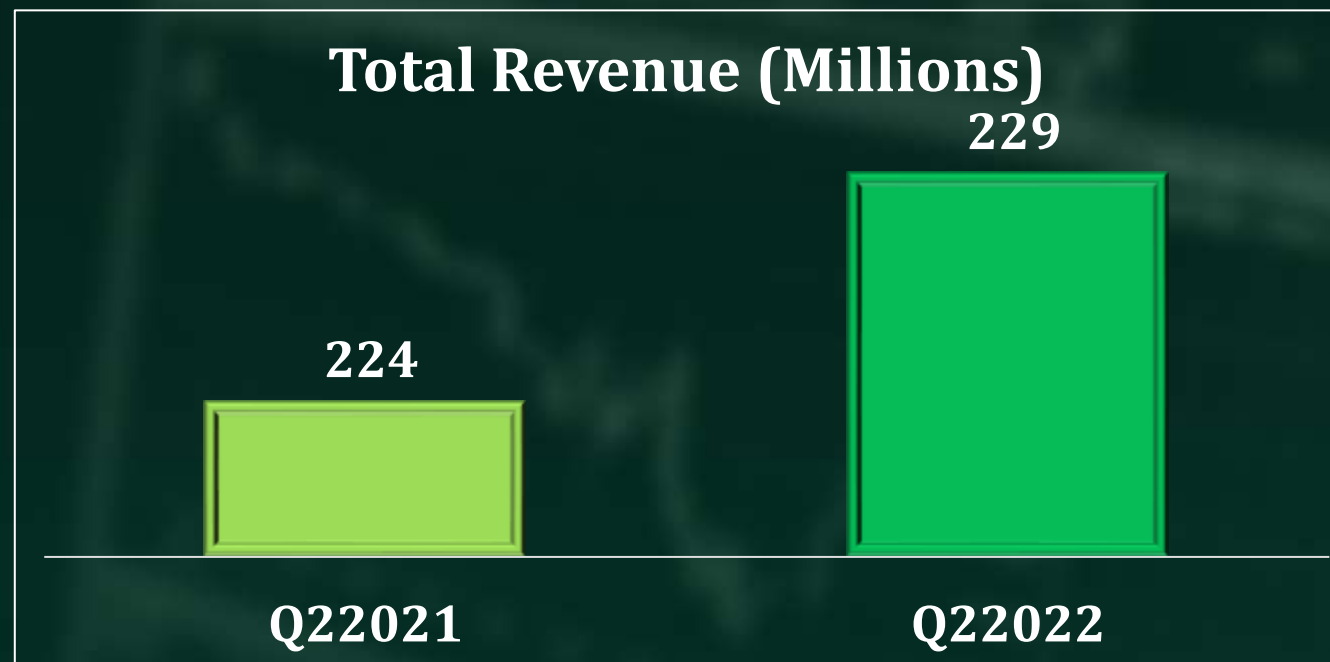
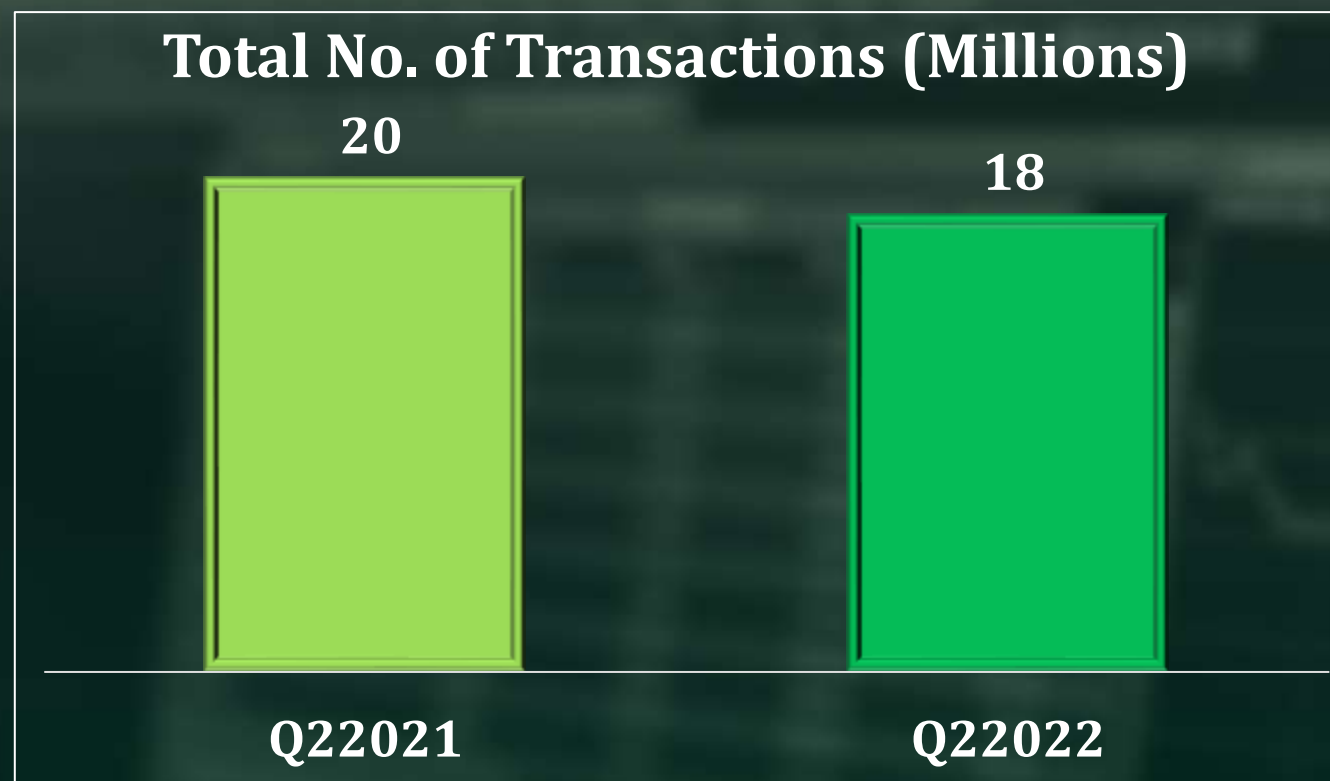
**Kshs.40.8B Disbursed YTD**



# Agency Banking

Growing Co-op Kwa Jirani Agency Banking

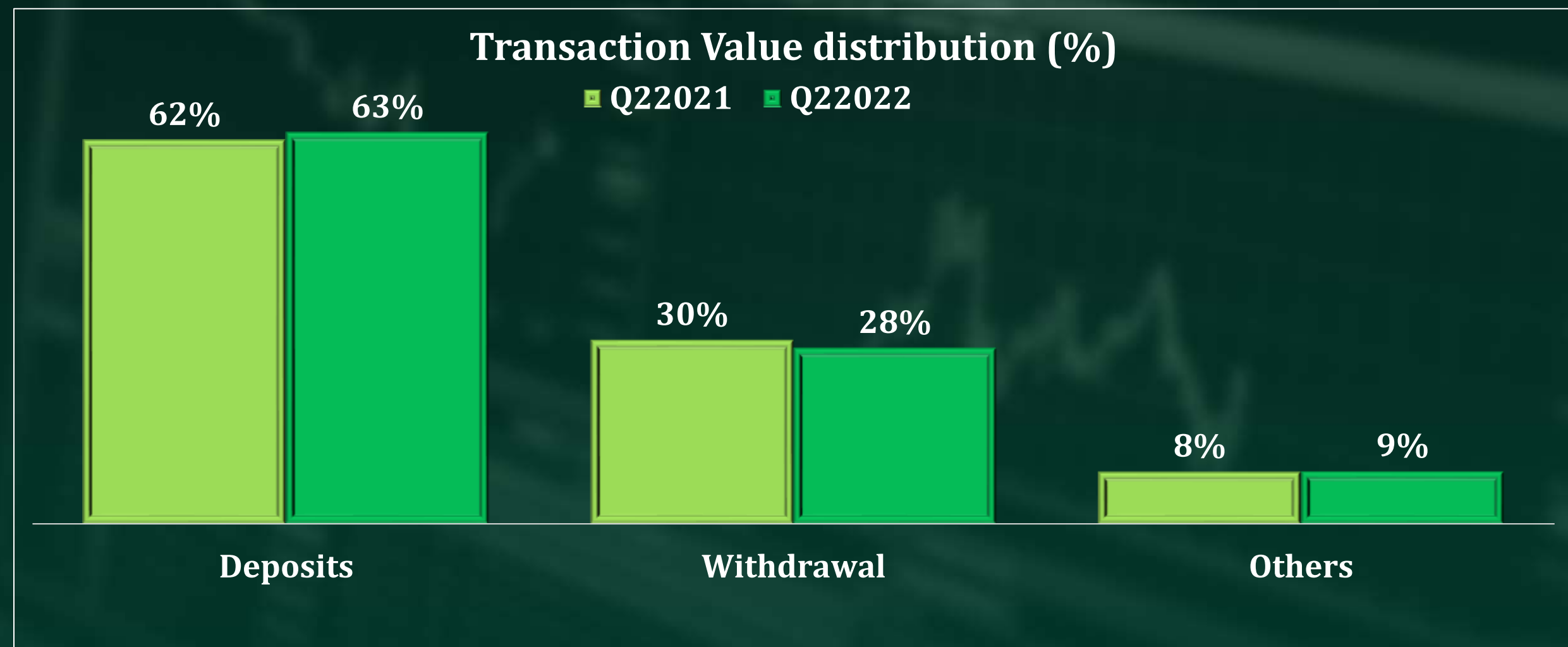
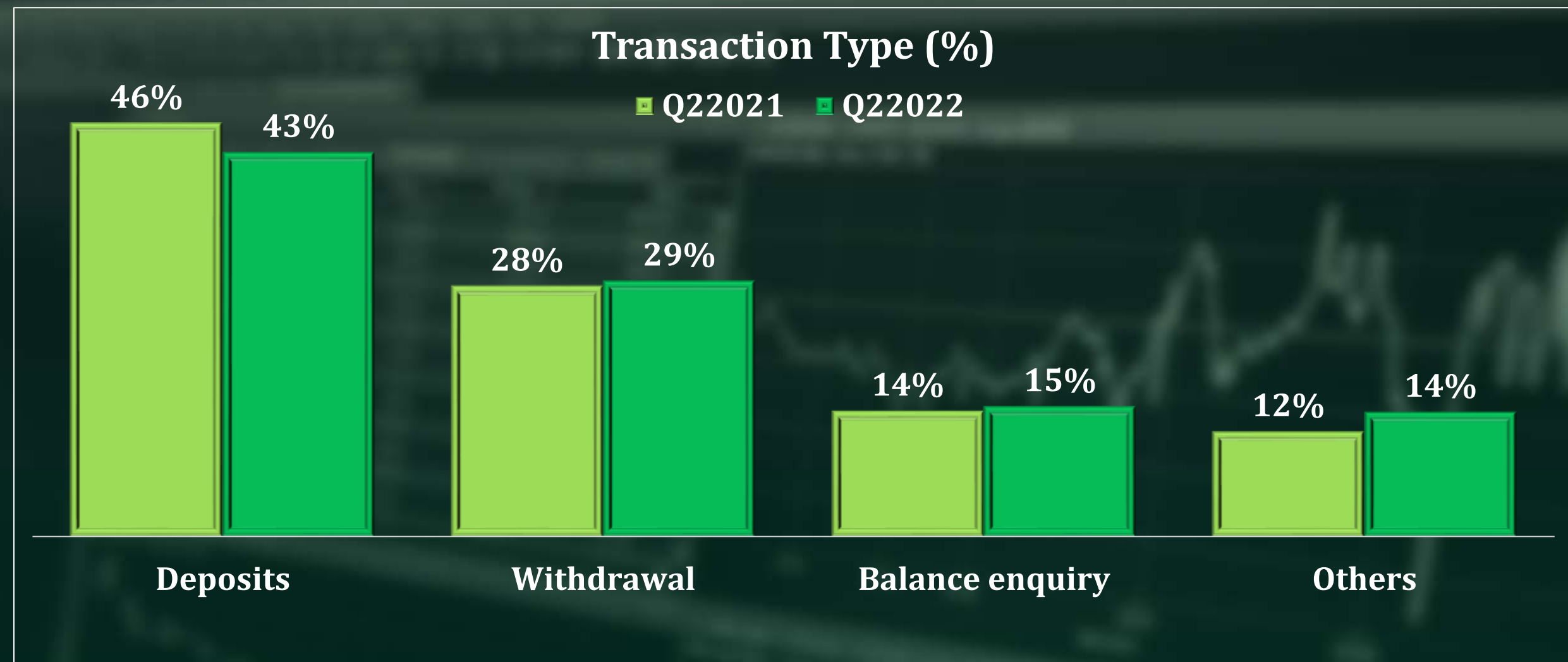
- Deposits mobilized through Agency banking up by 8%
- Revenue up by 2.4%



# Agency Banking

Growing Co-op Kwa Jirani Agency Banking

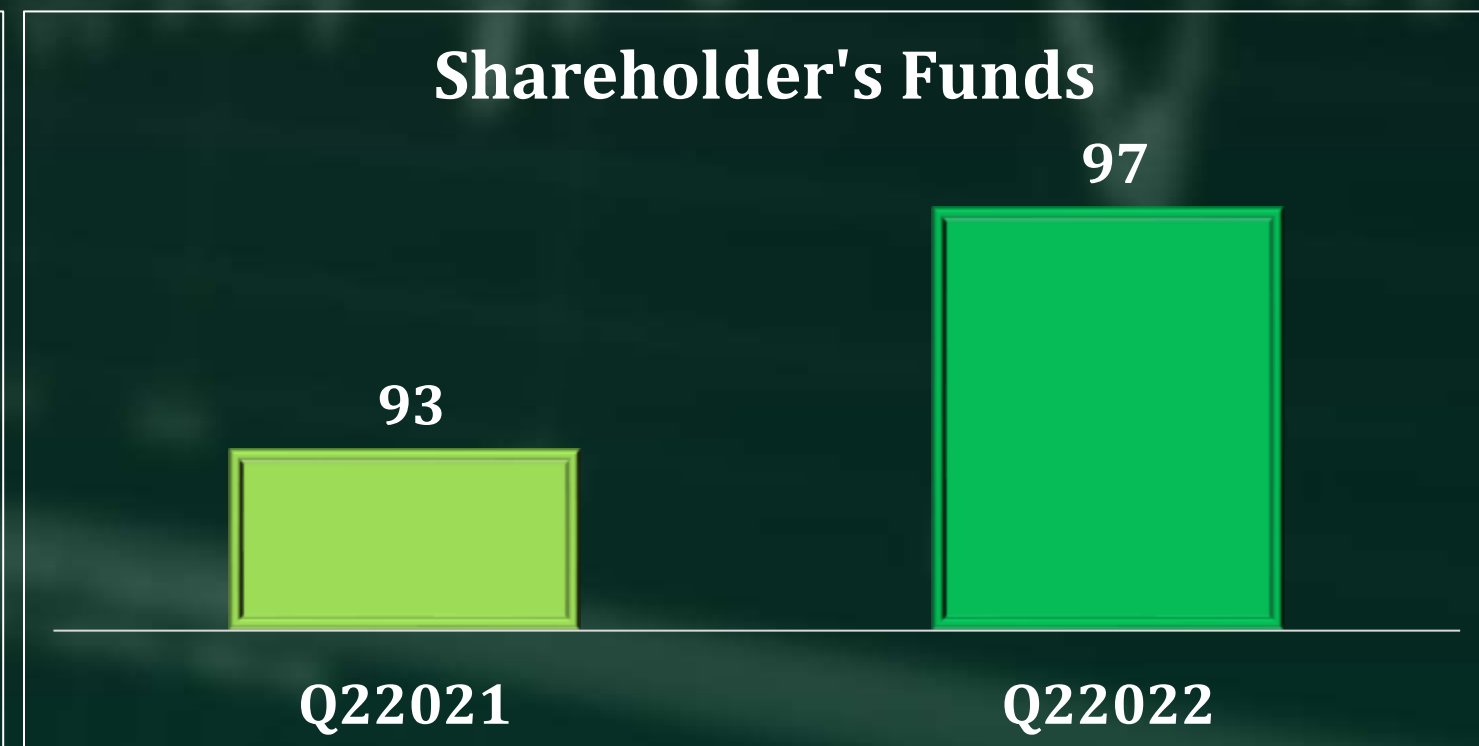
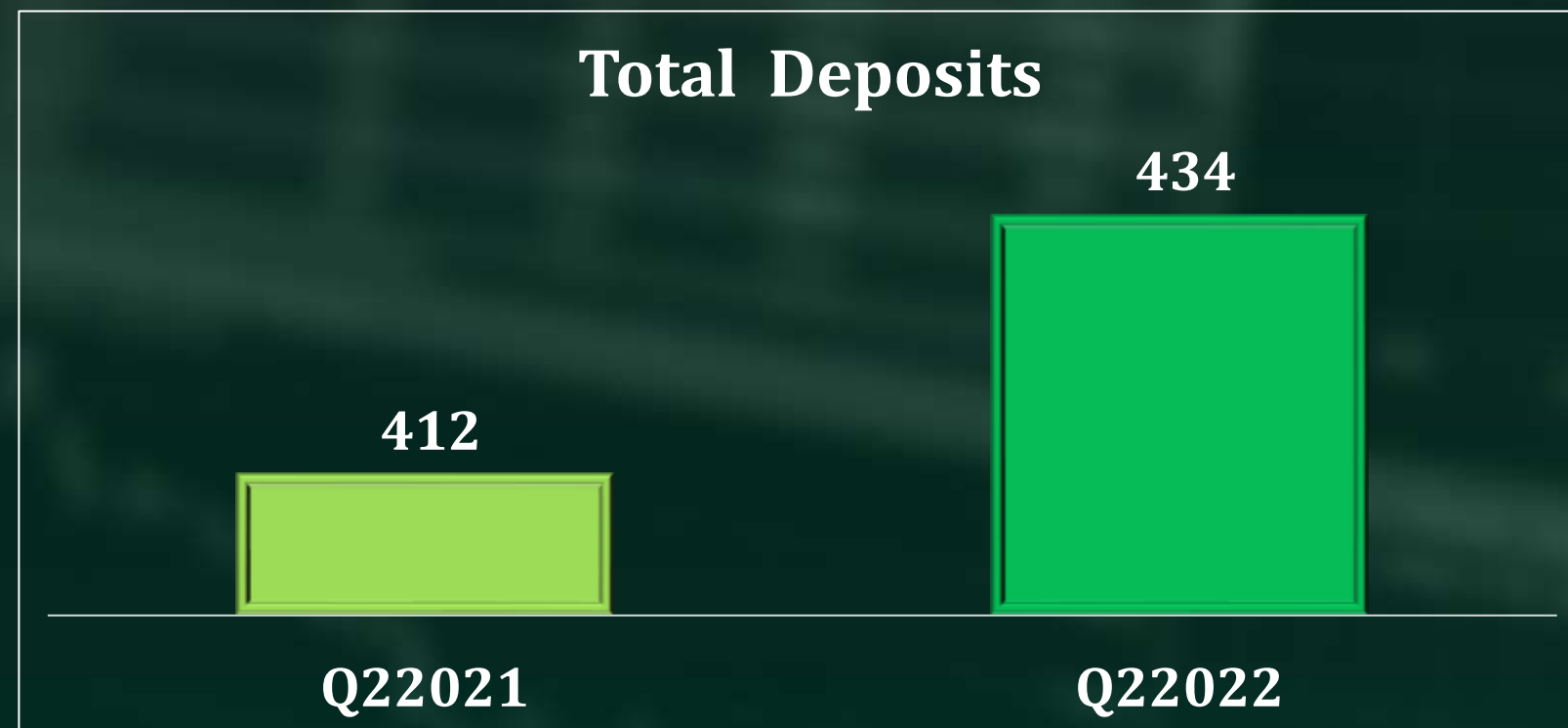
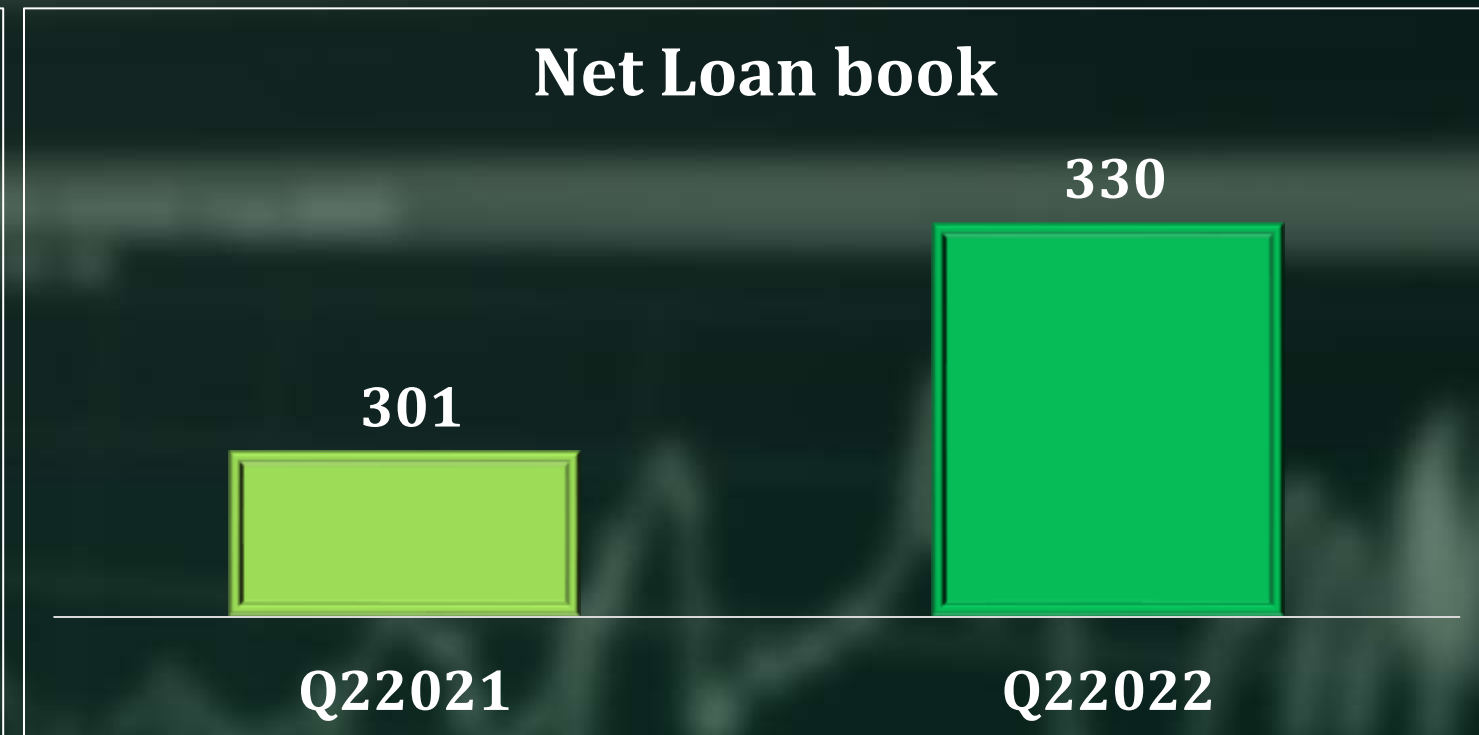
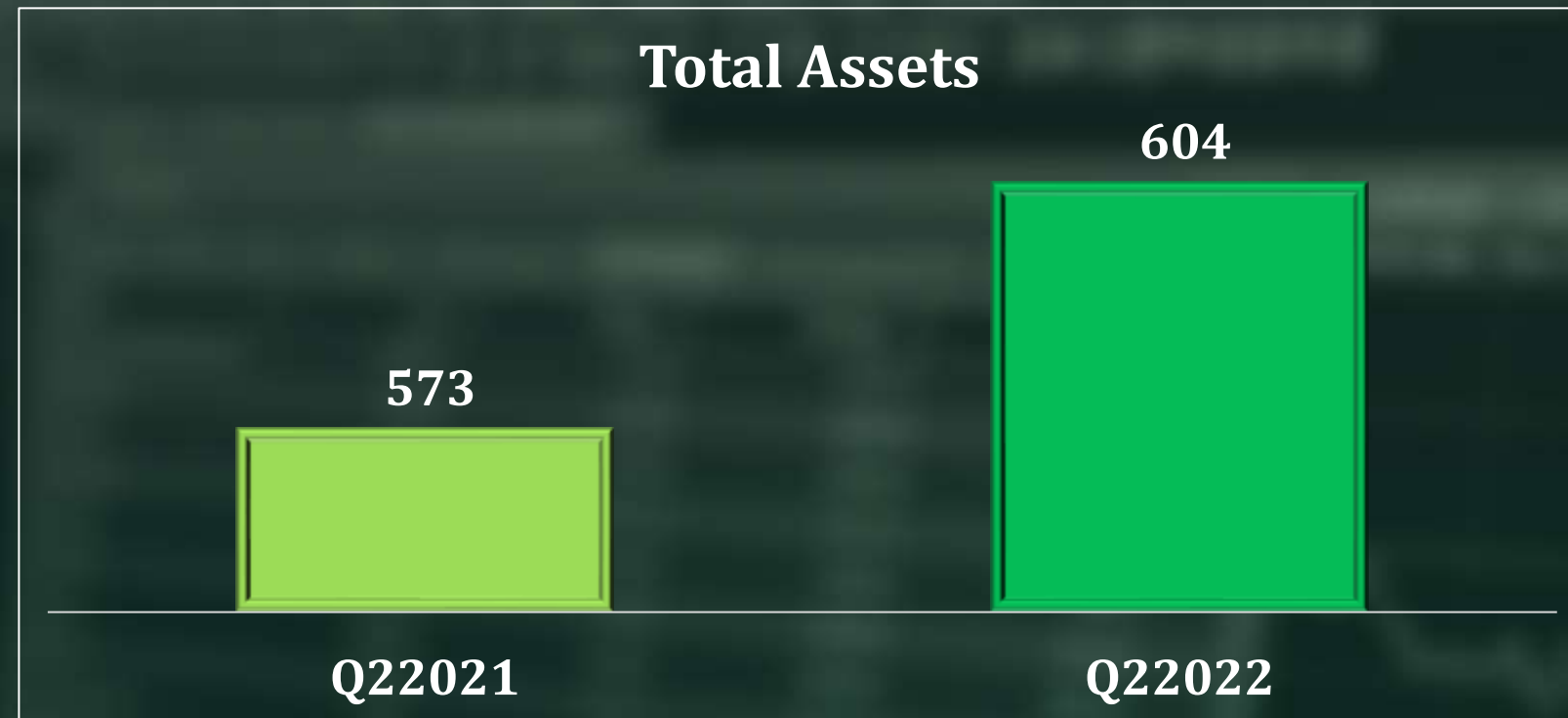
- Key deposit mobilization channel
- Higher deposit than withdrawal



# Financial Highlights

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# Strong Financial Position (Kshs. Billion)



# Strong Financial Position (Kshs.Billion)

	Q22022	Q22021	YoY Change	
Total Assets	603.9	573.0	5.4%	↑
Net Loan book	330.1	301.2	9.6%	↑
Government Securities	183.2	182.0	0.7%	↑
Total Deposits	433.9	411.9	5.3%	↑
Borrowed Funds	41.4	44.4	-6.9%	↓
Shareholder's Funds	96.7	92.6	4.4%	↑

# Diversified loan book

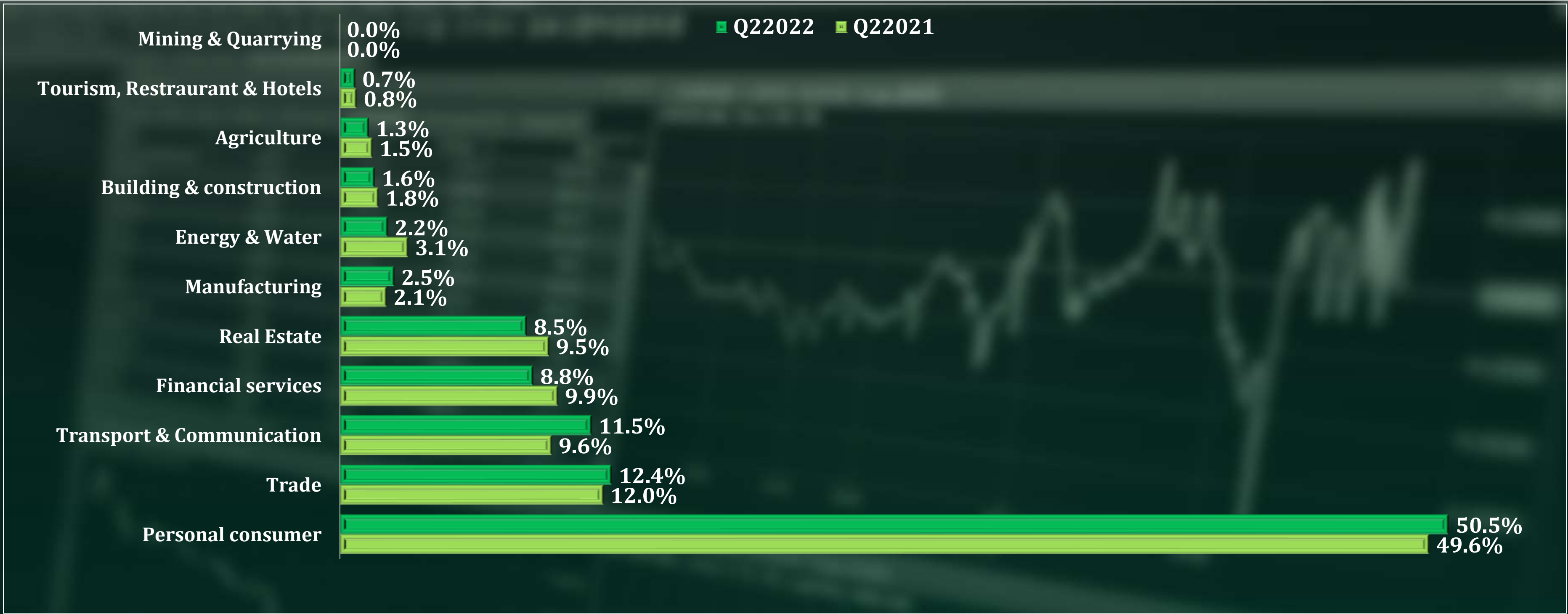
- Diversified across segments.
- Highest book is in Personal Banking;

- ✓ 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 across sectors

50.5% in Personal consumer which is well performing  
 Low relative exposure in high-risk sectors  
 Tourism and Hotels <1%  
 Manufacturing 2.5%.





# Improving Non-Performing Loan Book

The Bank's NPL has improved from 13.1% in Q22021 to 12.5% in Q22022



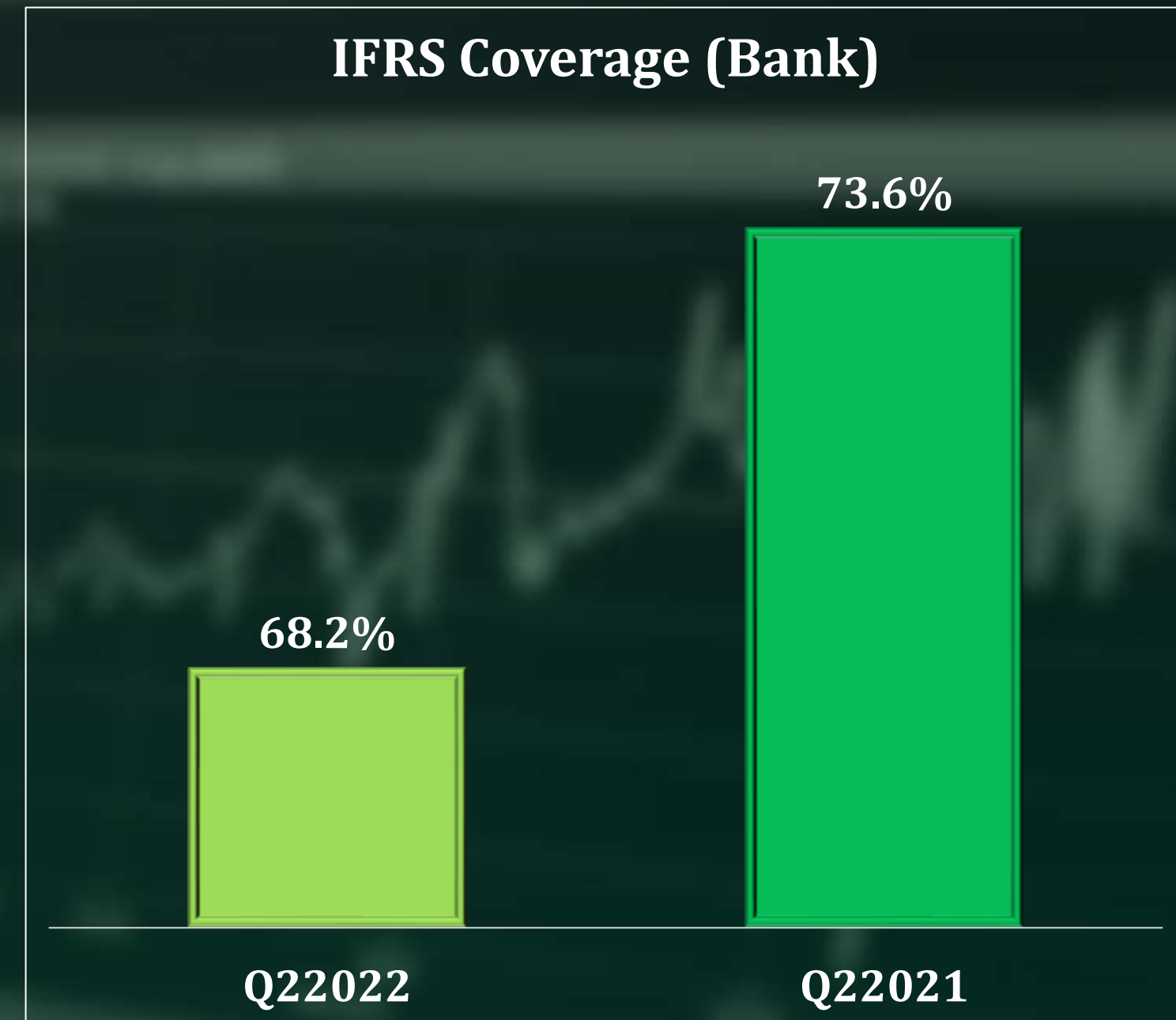
## Below Industry NPL Level

Supported by;

- ✓ Proactive Credit Management Strategies.
- ✓ Business Growth.

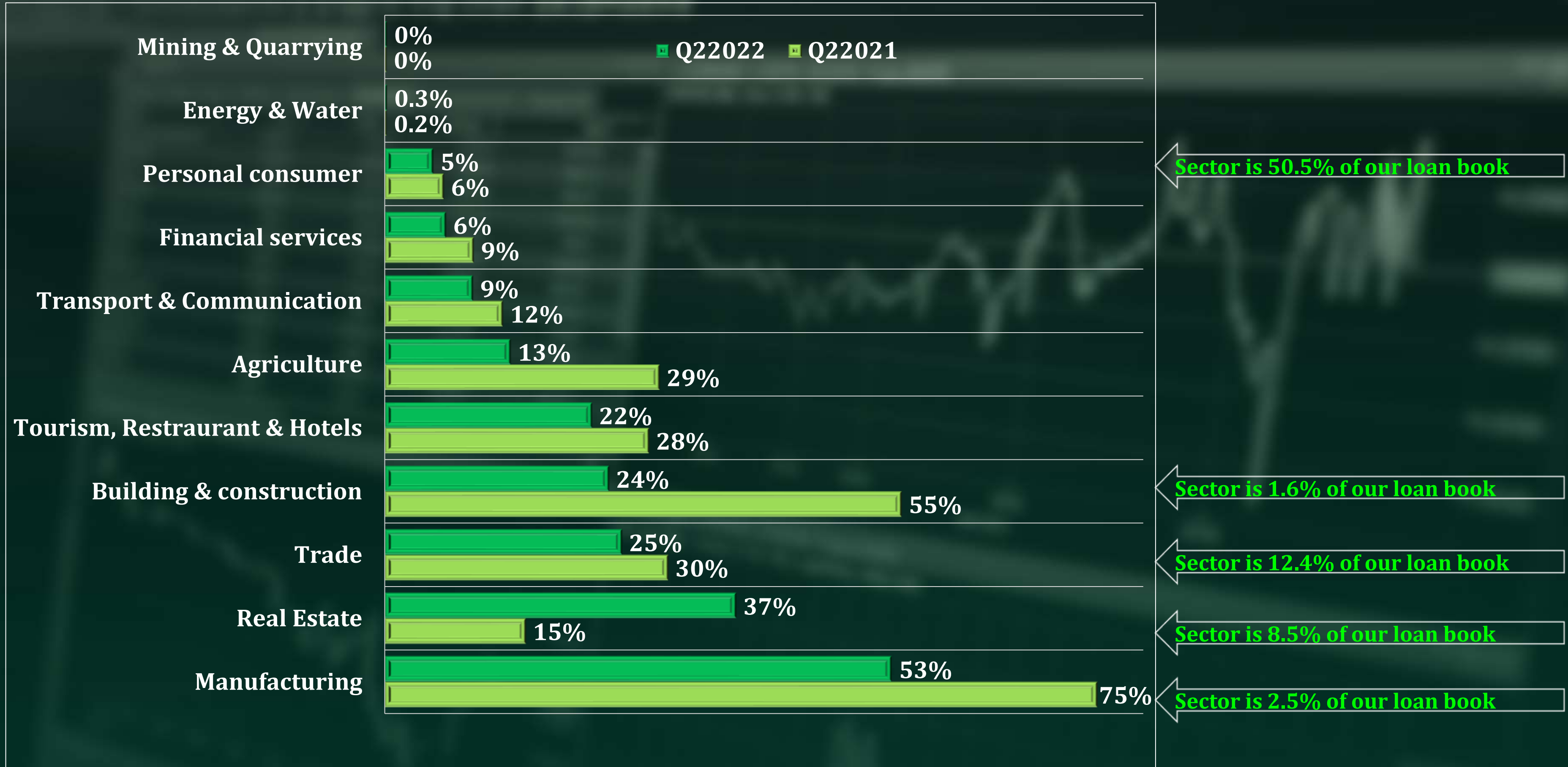
# Adequate Coverage

Kshs. 3.3 Billion loan loss provisions in Q22022 (Kshs. 4.2 Billion in Q12021), indicating improving quality of our asset book.

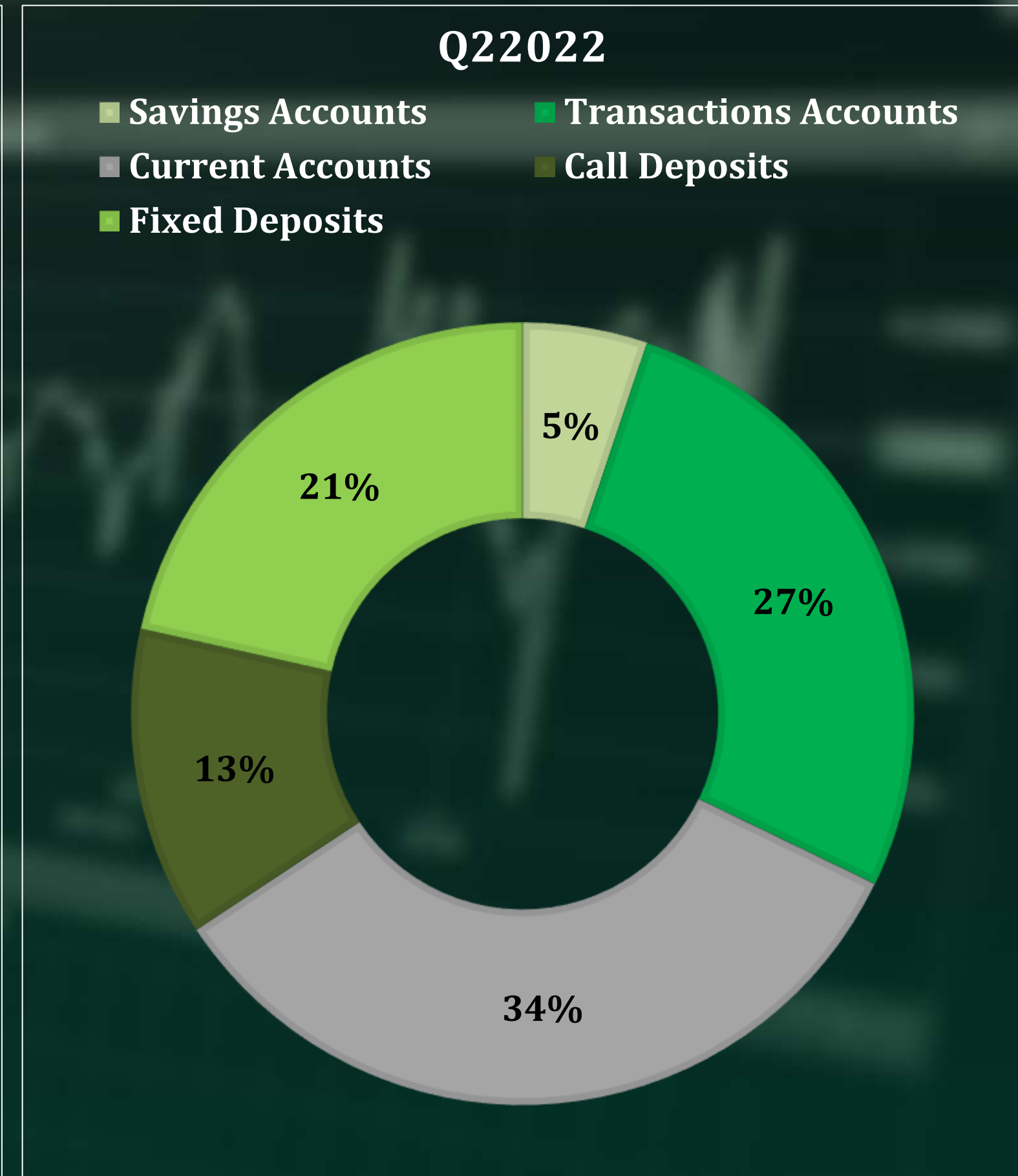
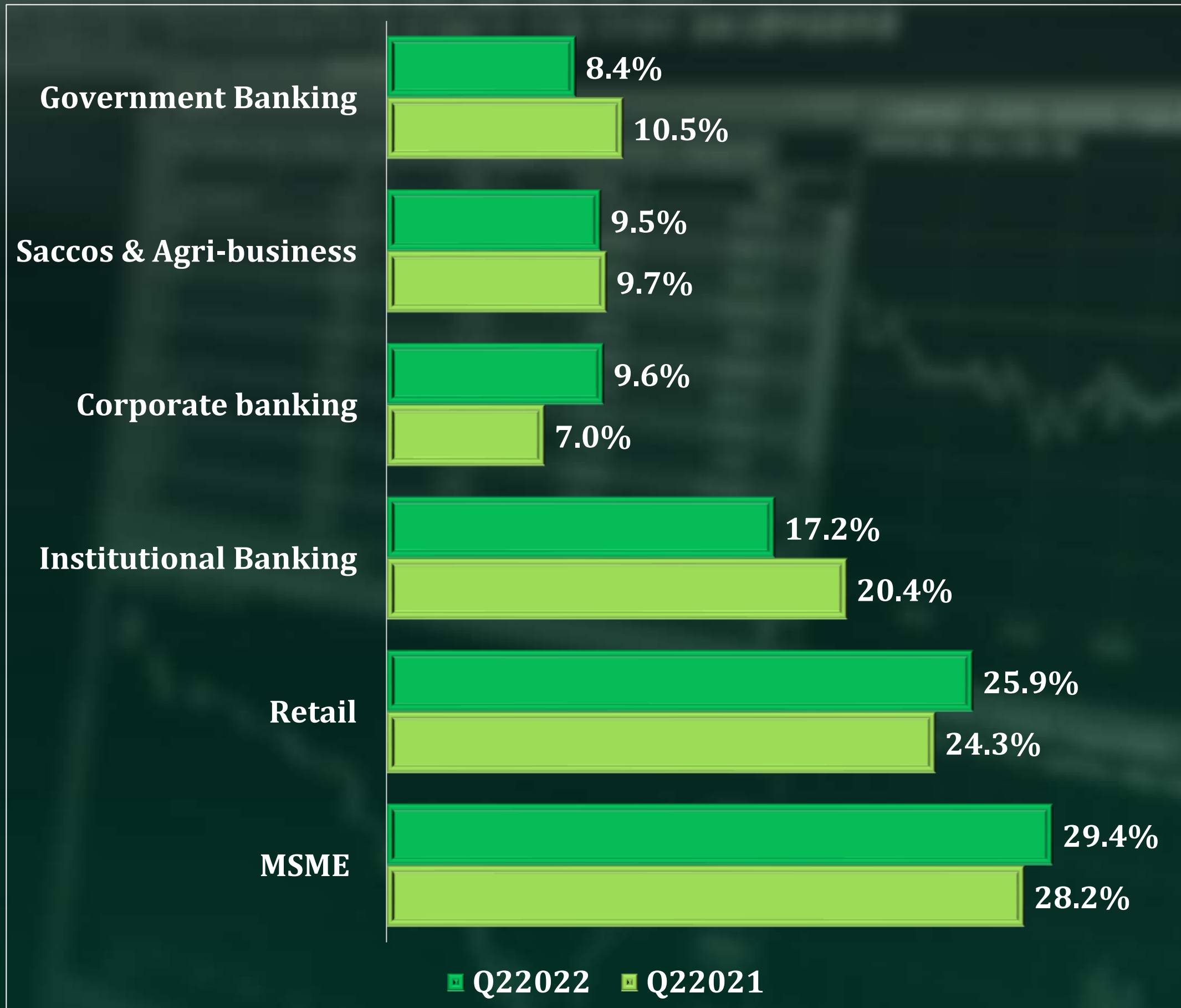


Inclusive of the Discounted Value of Securities, our coverage is at **104.9%**

# Portfolio Trends – Sector NPL



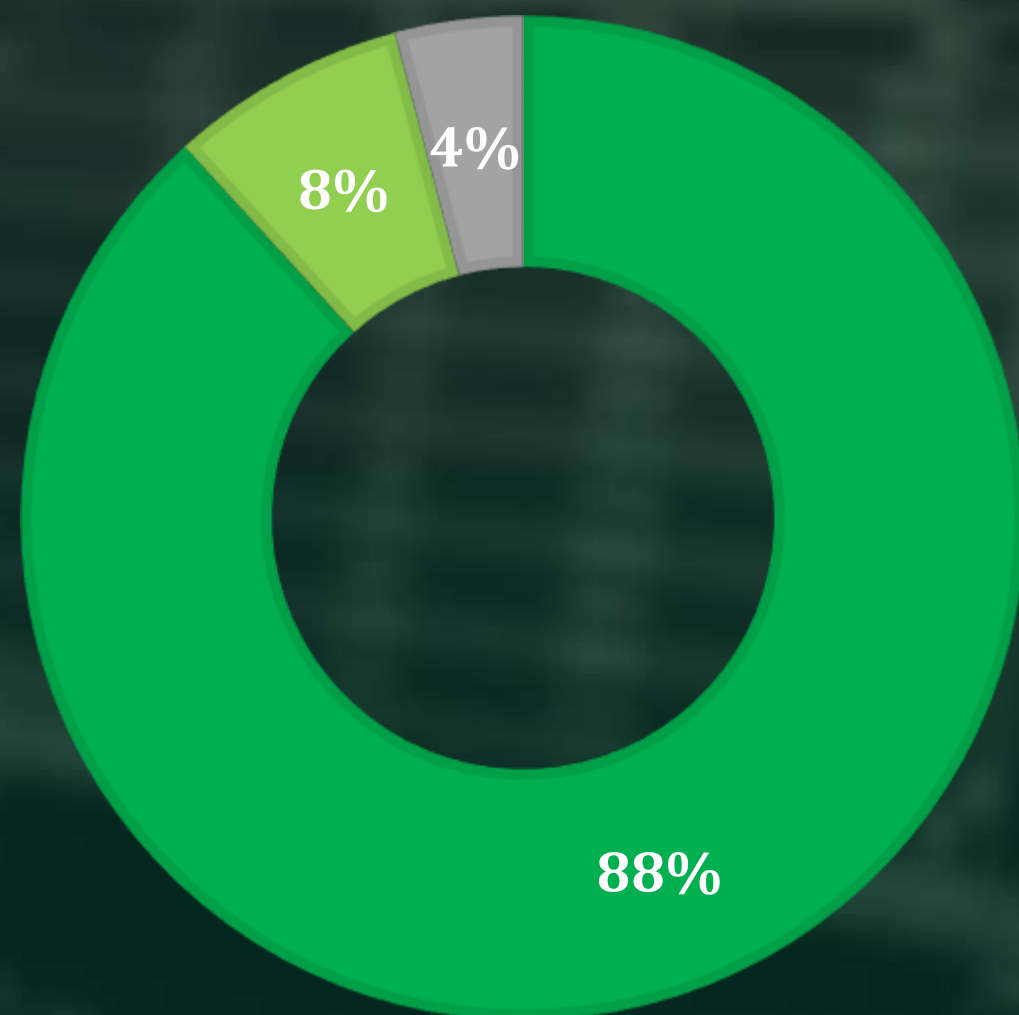
# Well-diversified Liability Portfolio



# An Optimally balanced Kenya Shilling asset & funding book

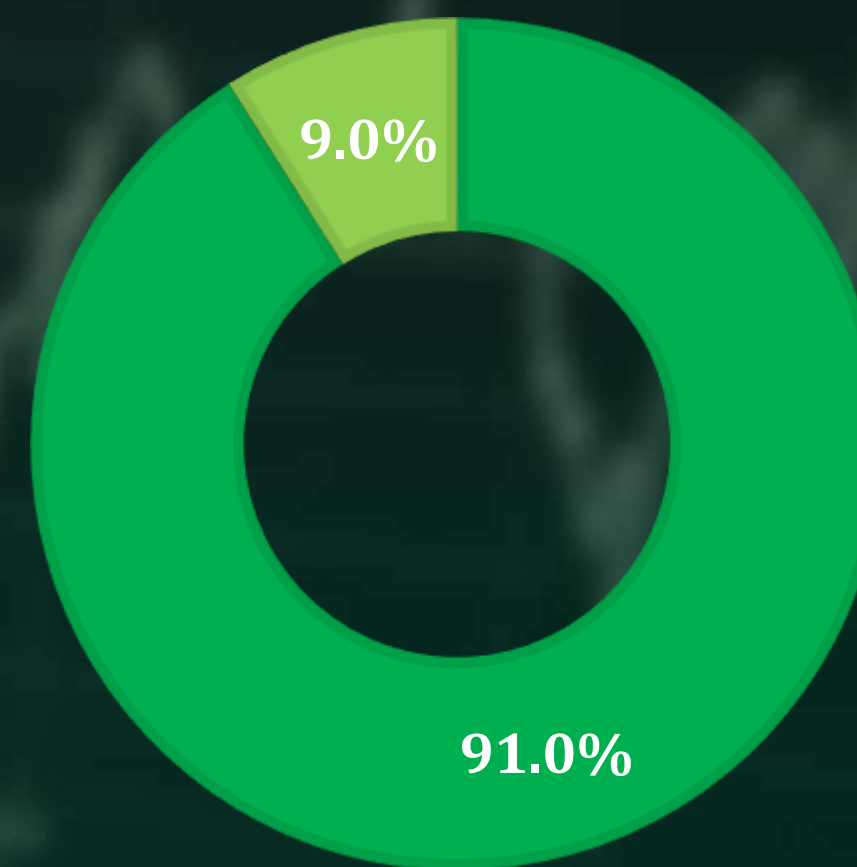
## FUNDING: LOCAL VS. FOREIGN CURRENCY

■ LCY funding ■ FCY Deposits ■ FCY Borrowing



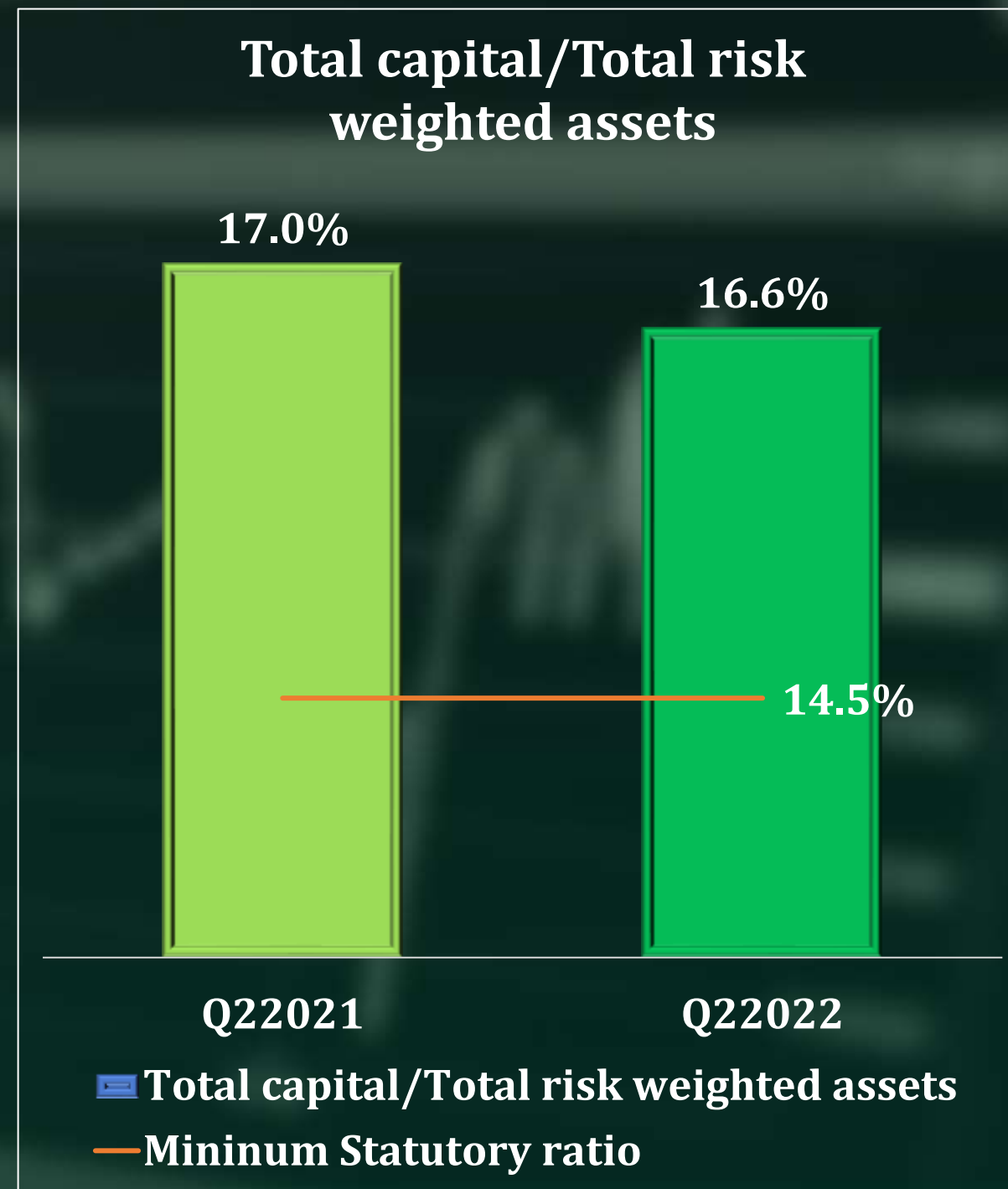
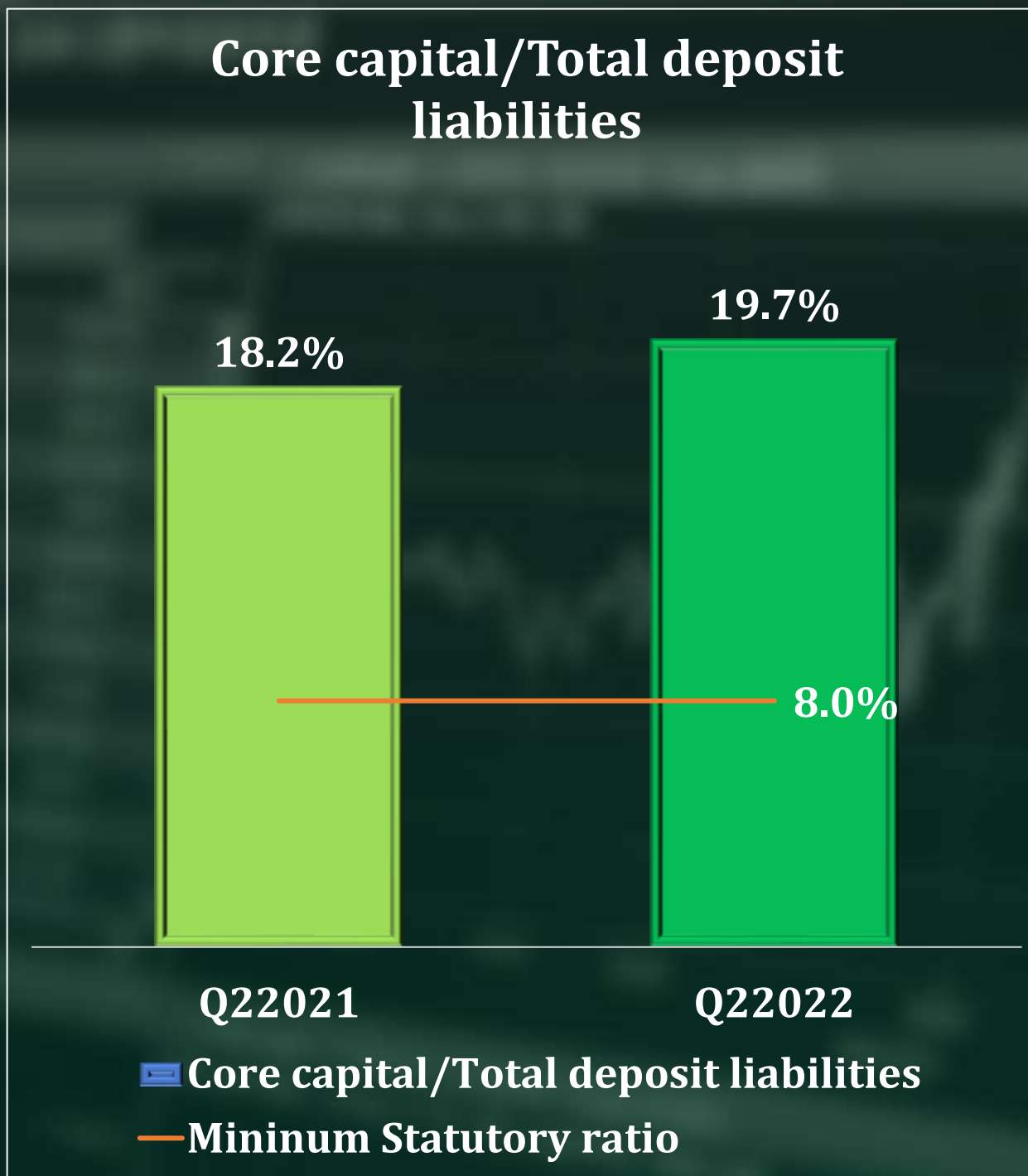
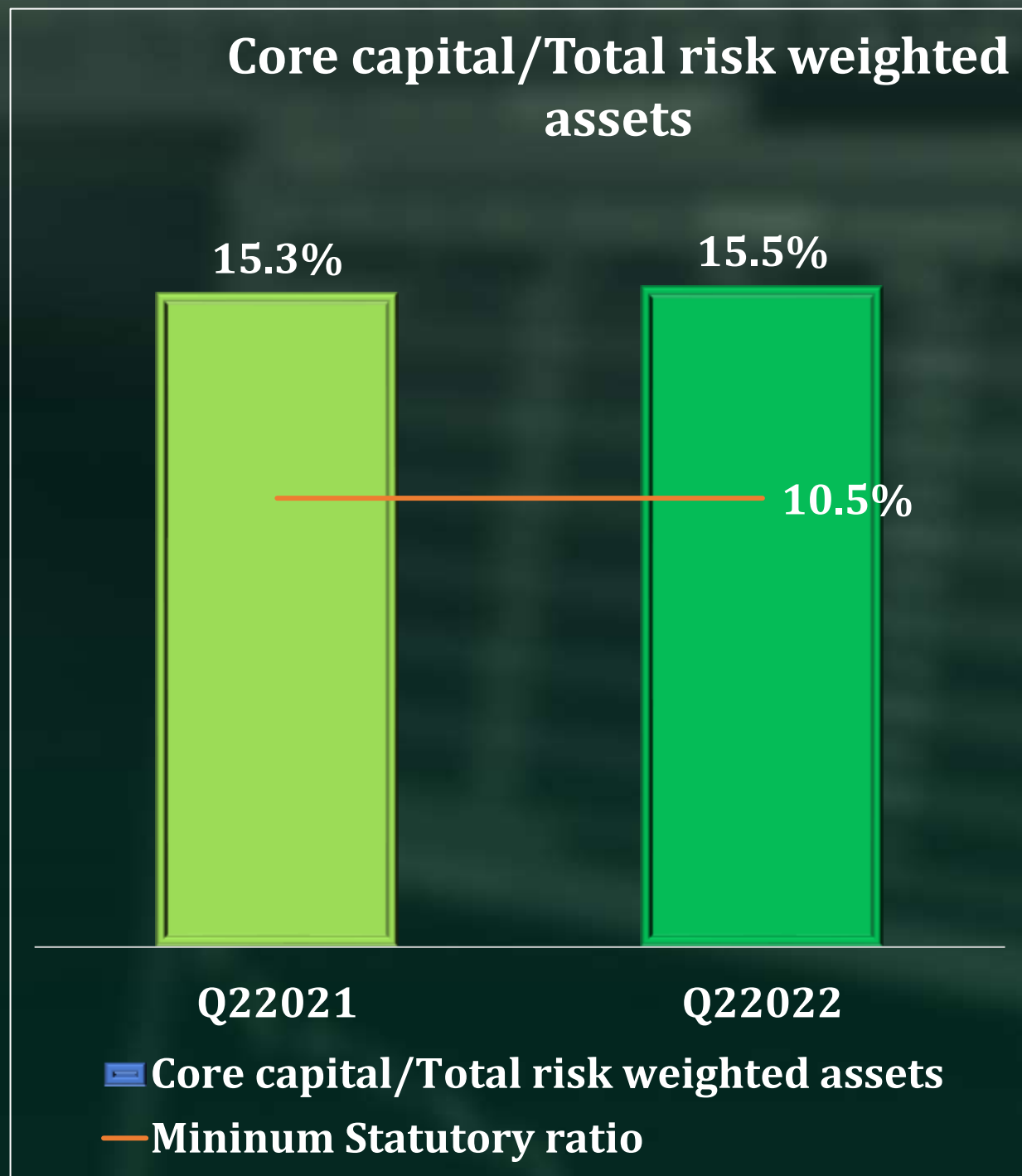
## LOAN BOOK: LOCAL VS. FOREIGN CURRENCY

■ LCY ■ FCY



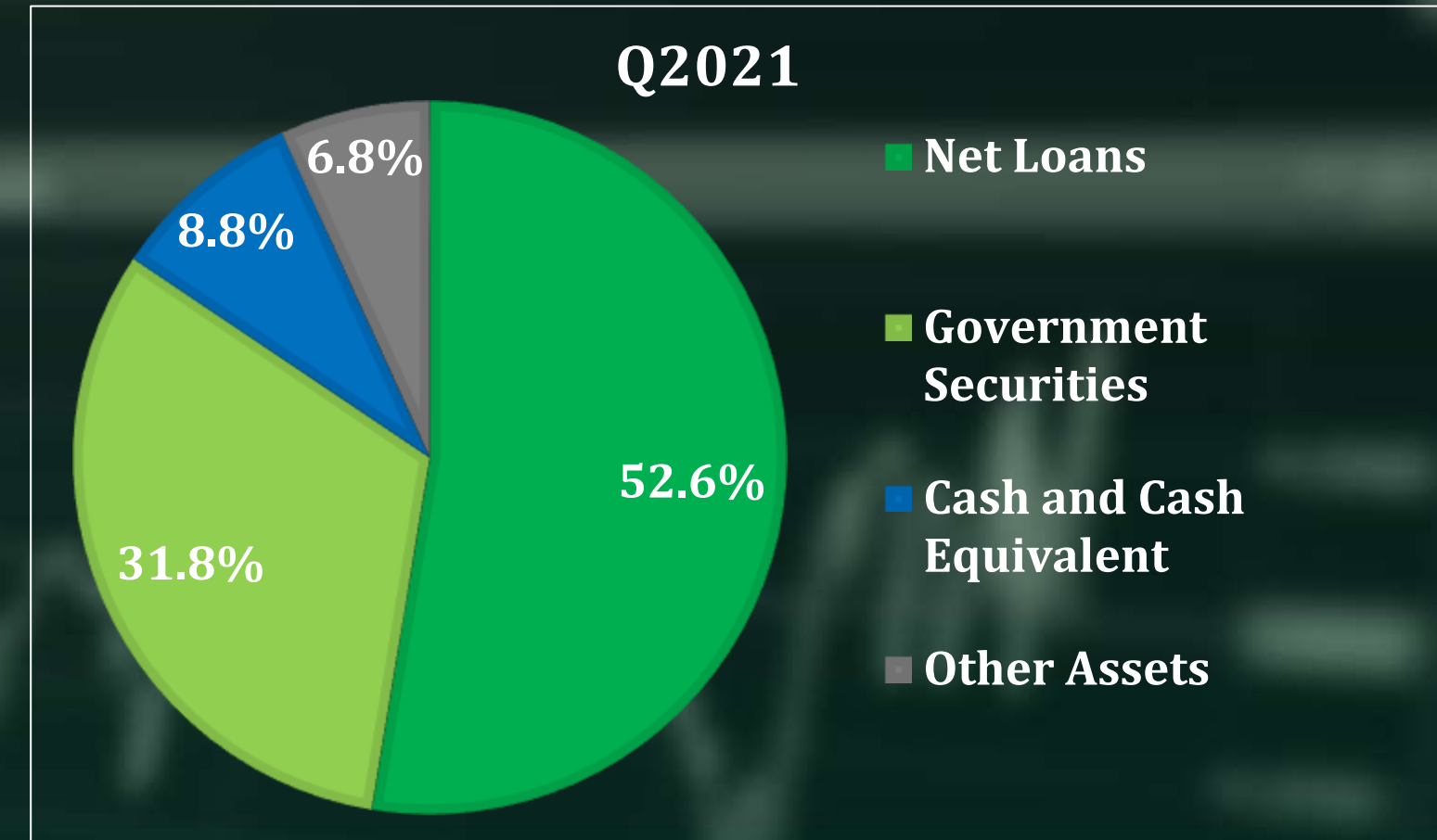
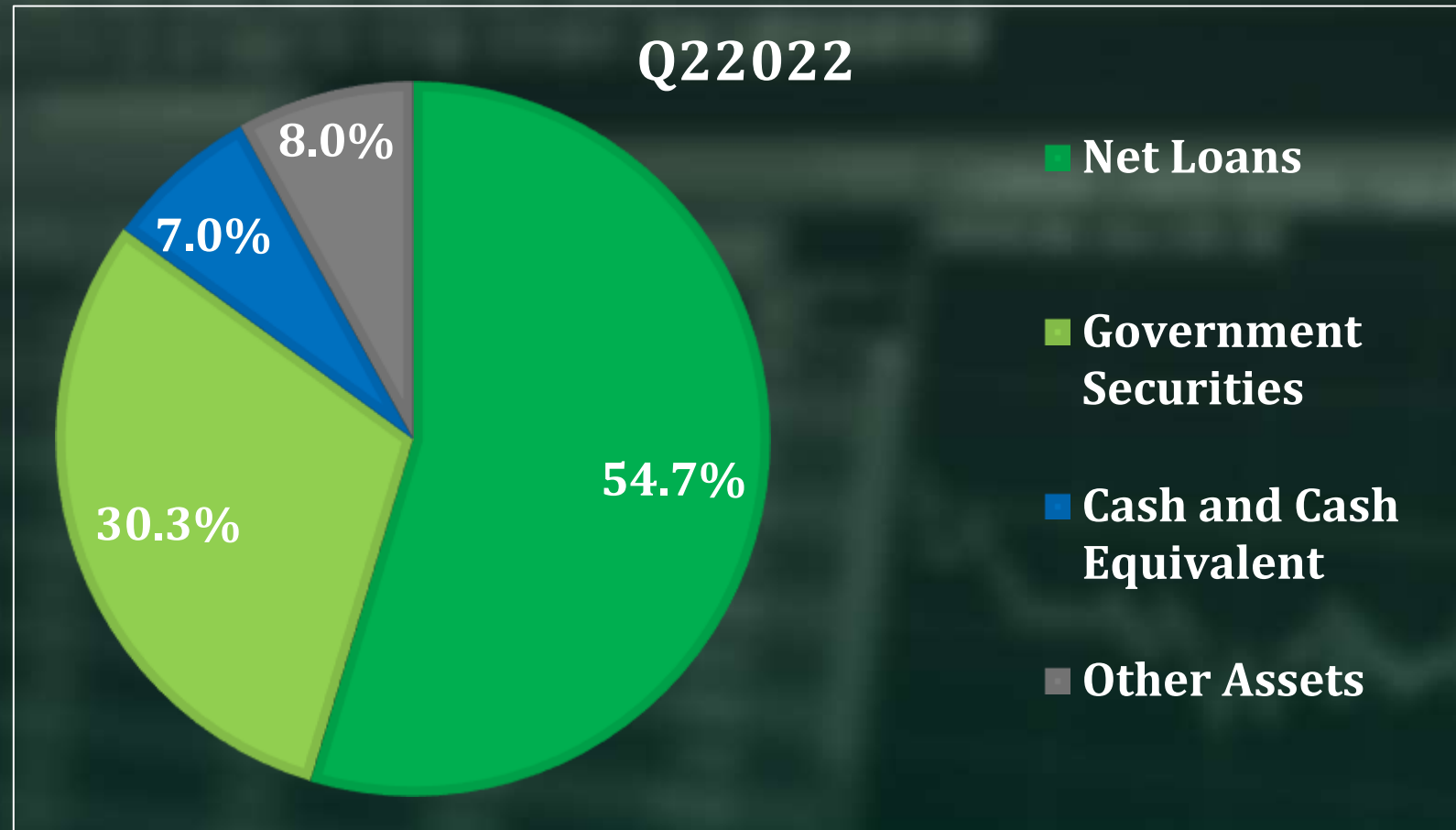
# Strong capital to support future growth

Capital buffers for sustainable growth

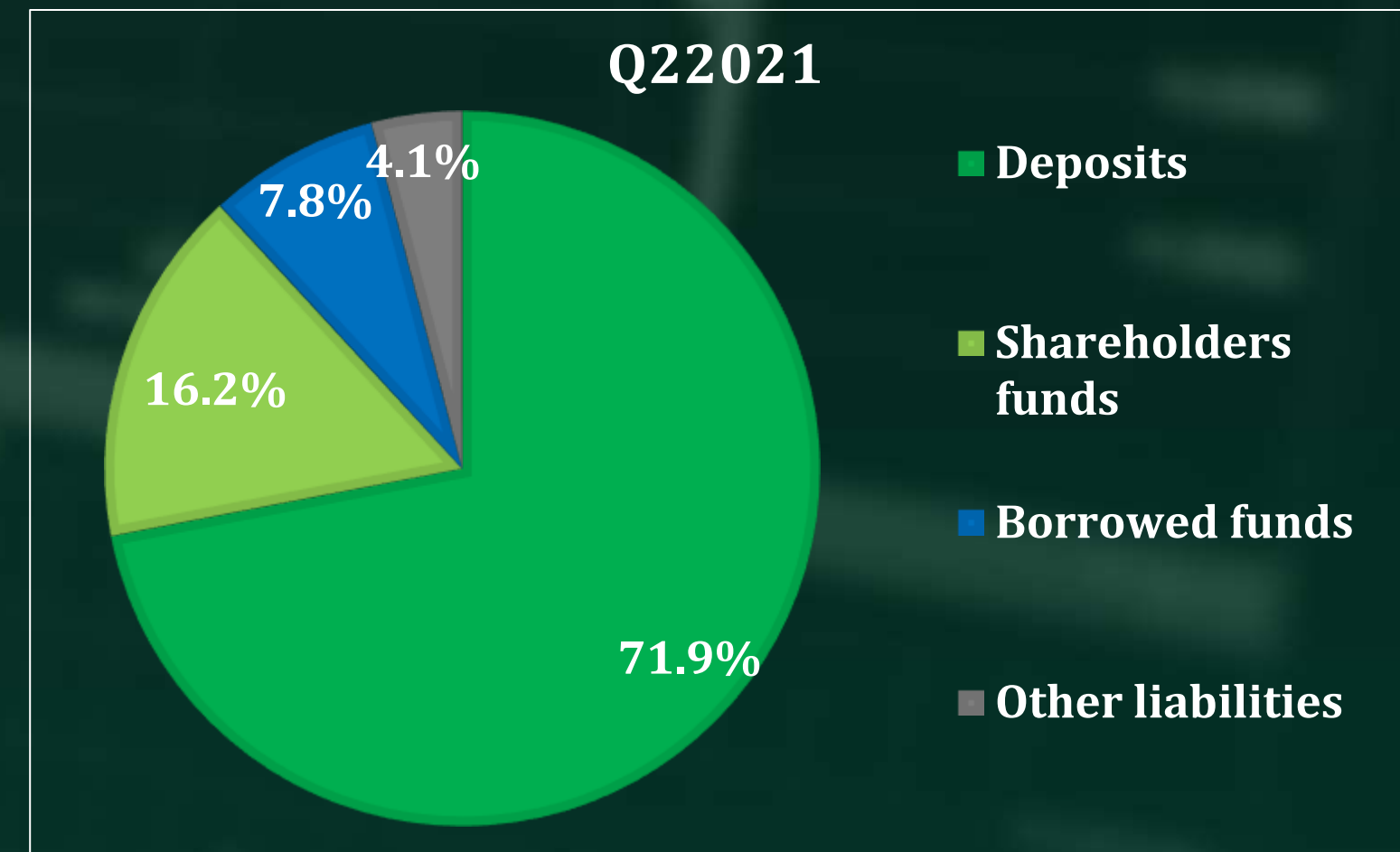
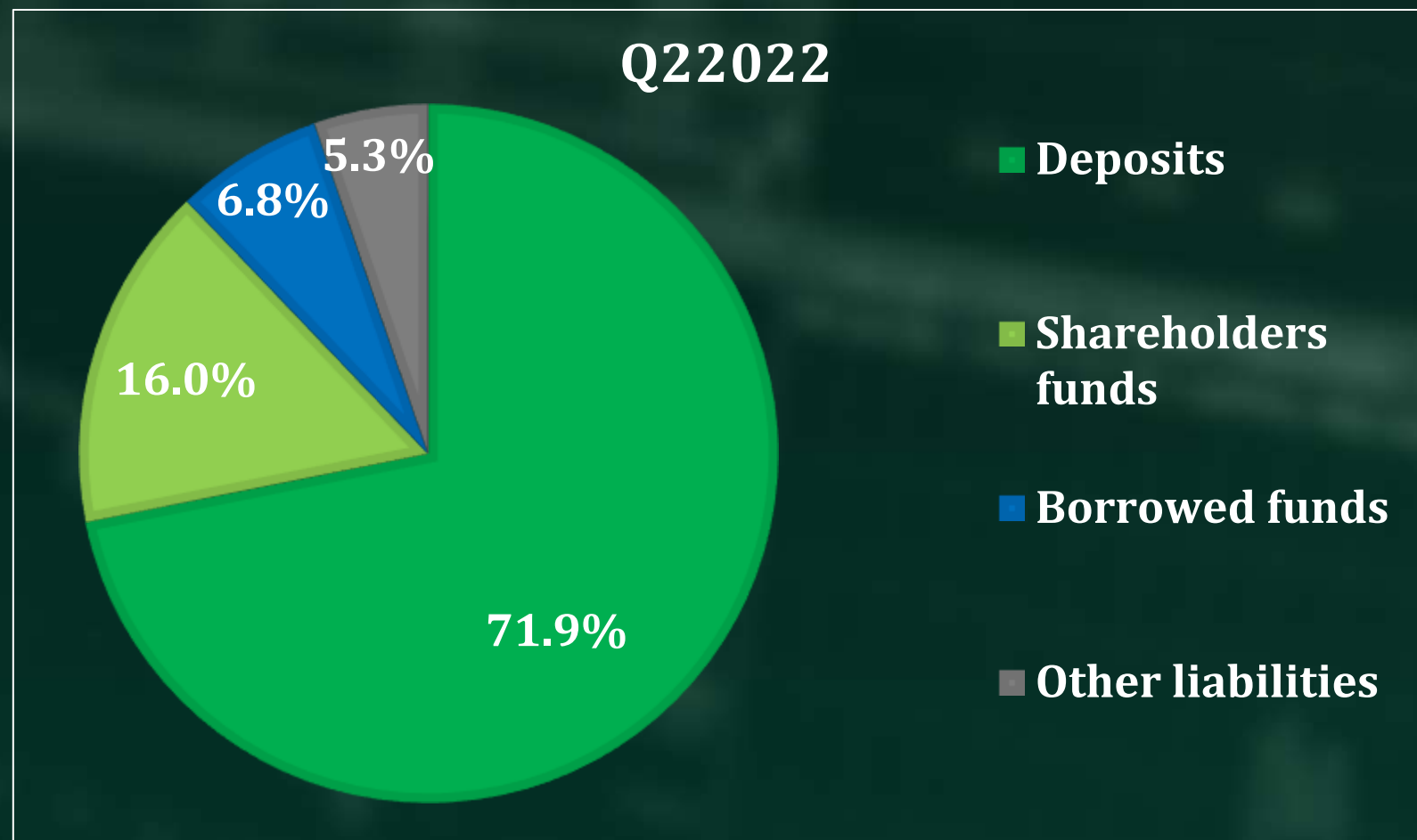


# Optimal Asset and Funding Mix

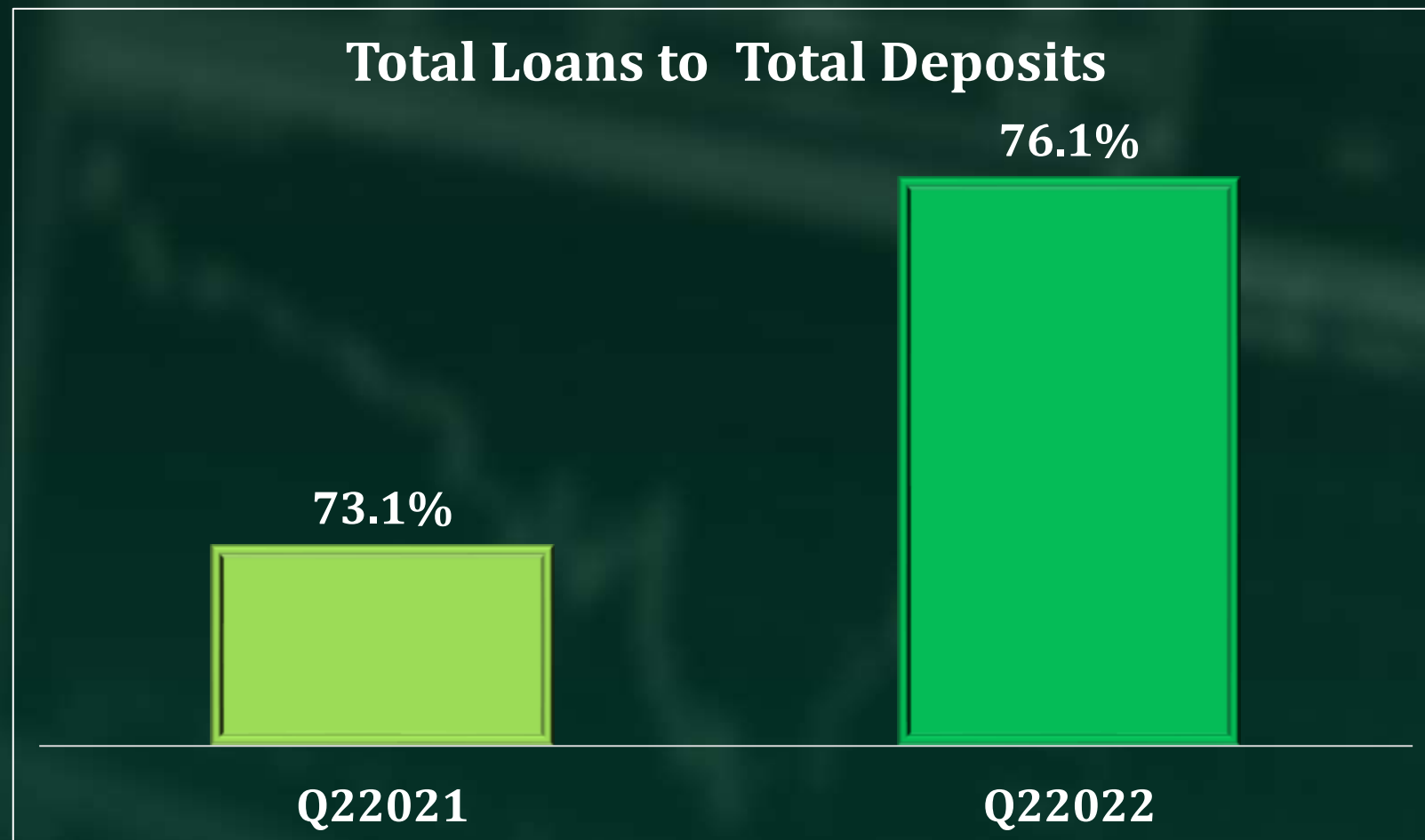
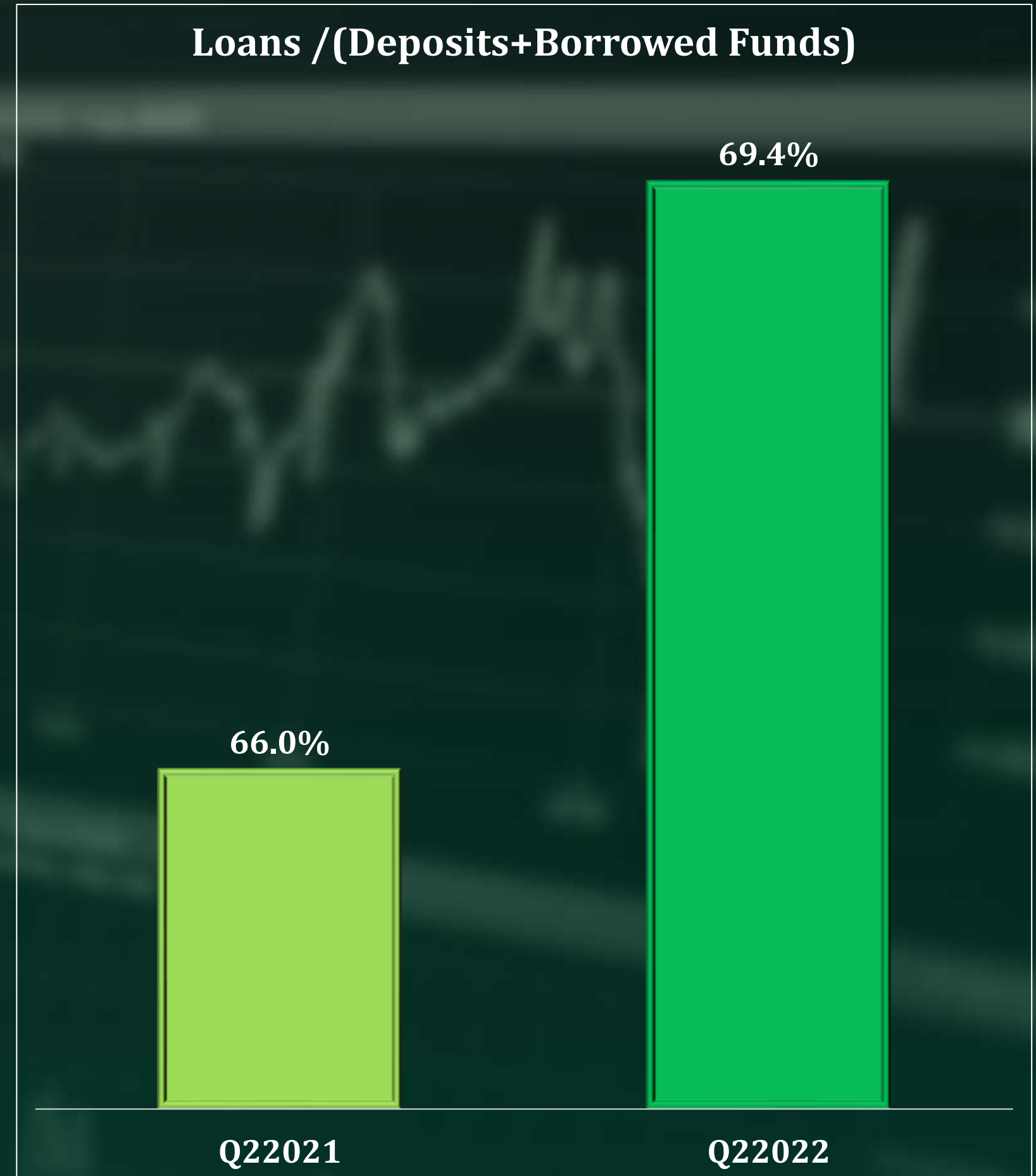
## Asset Categories



## Funding Categories



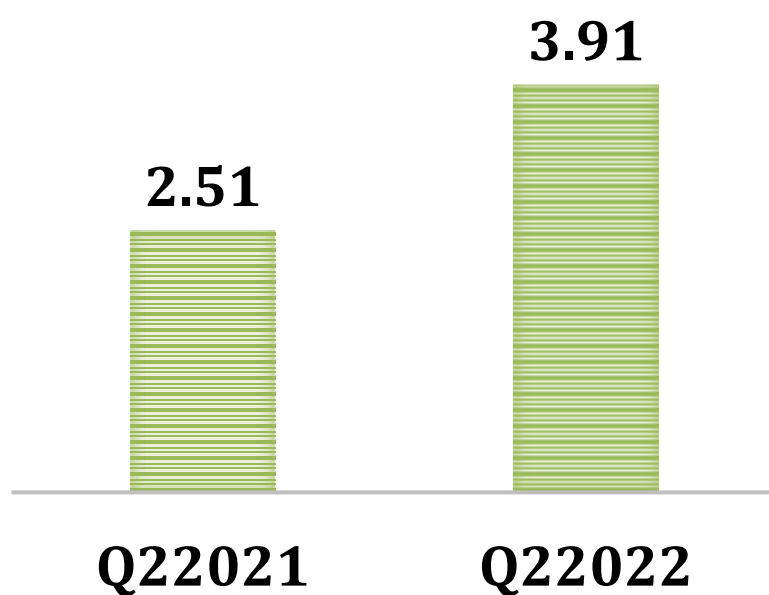
# Strong Liquidity to support investments





## Sustainable Profitability Growth

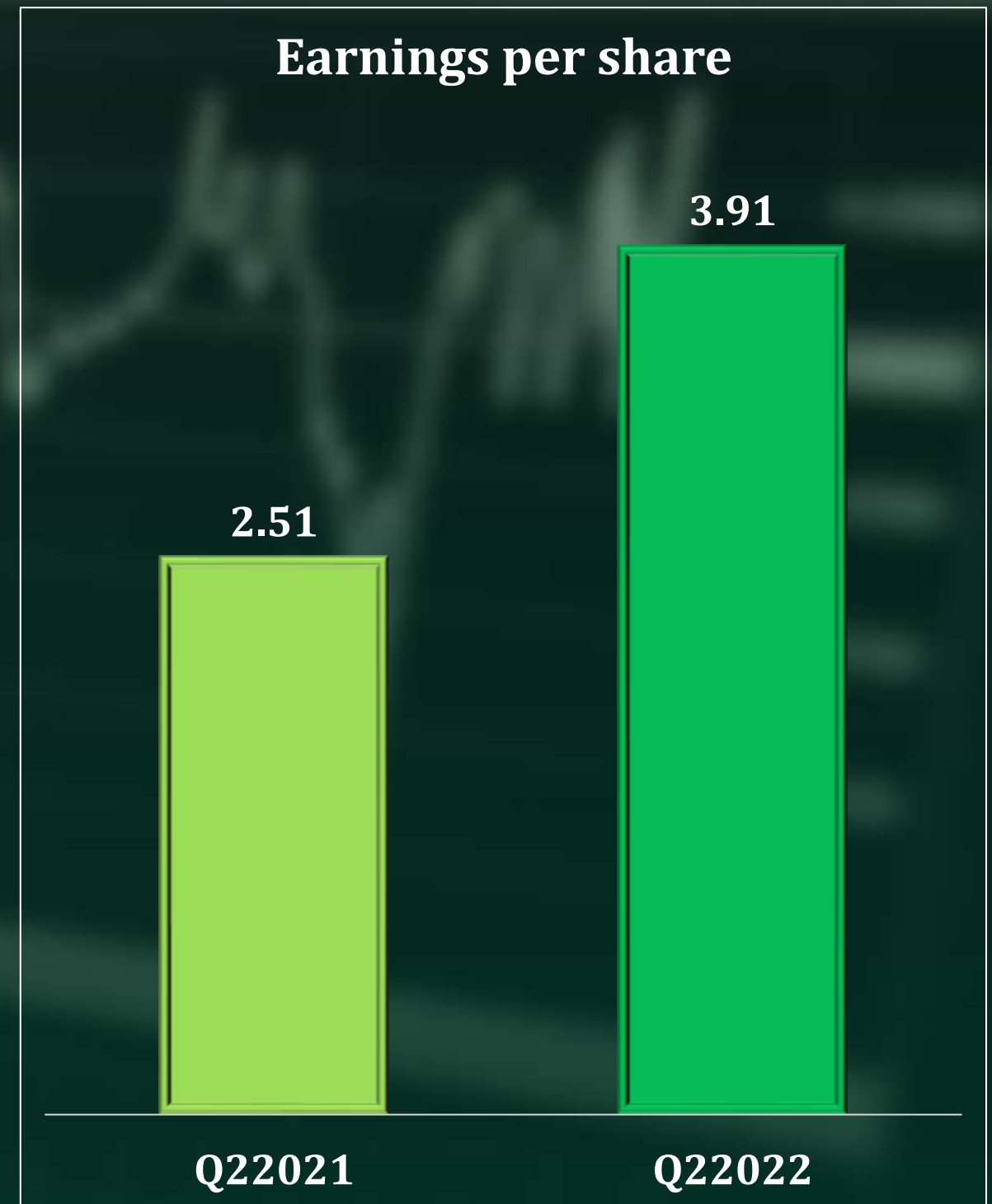
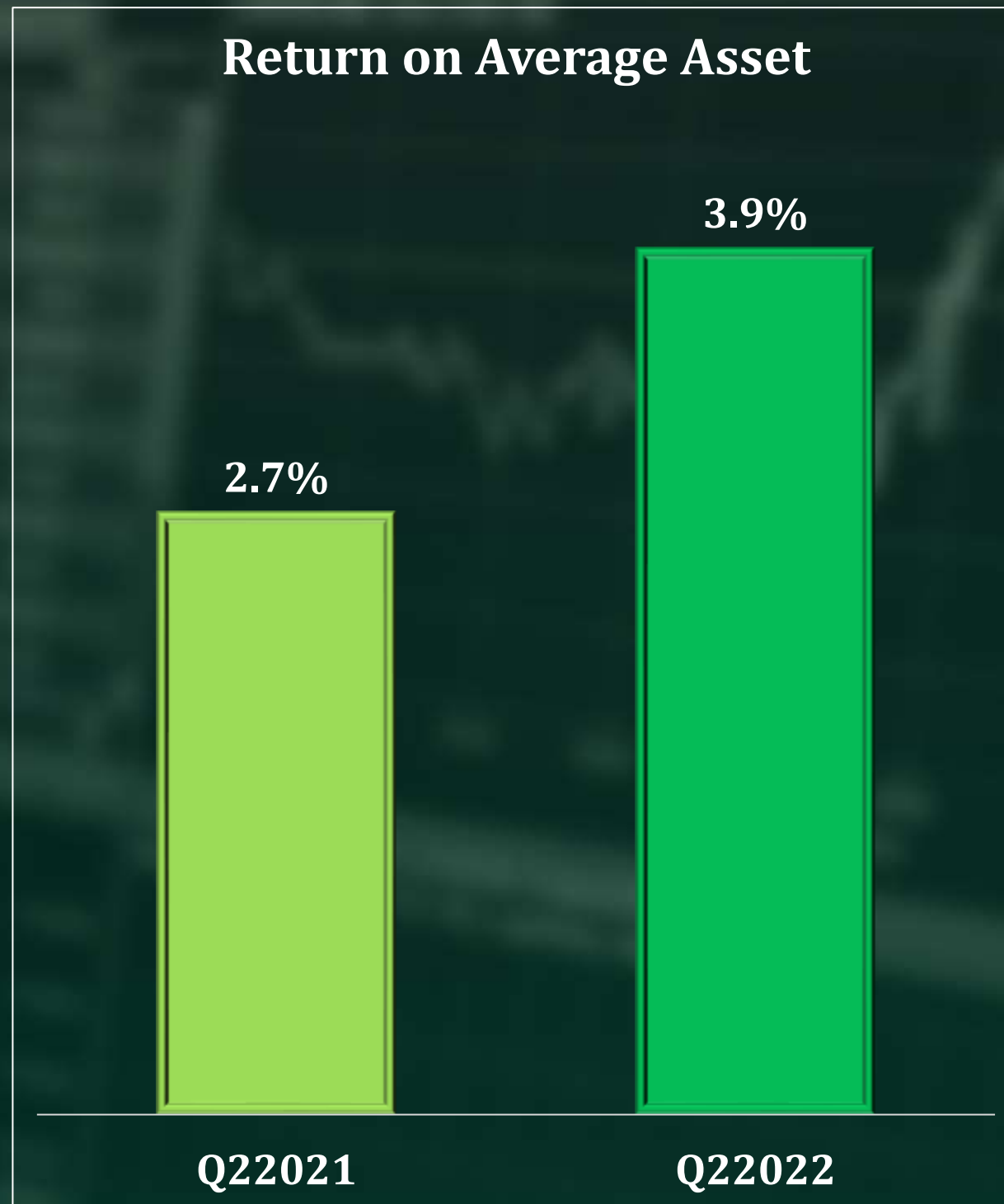
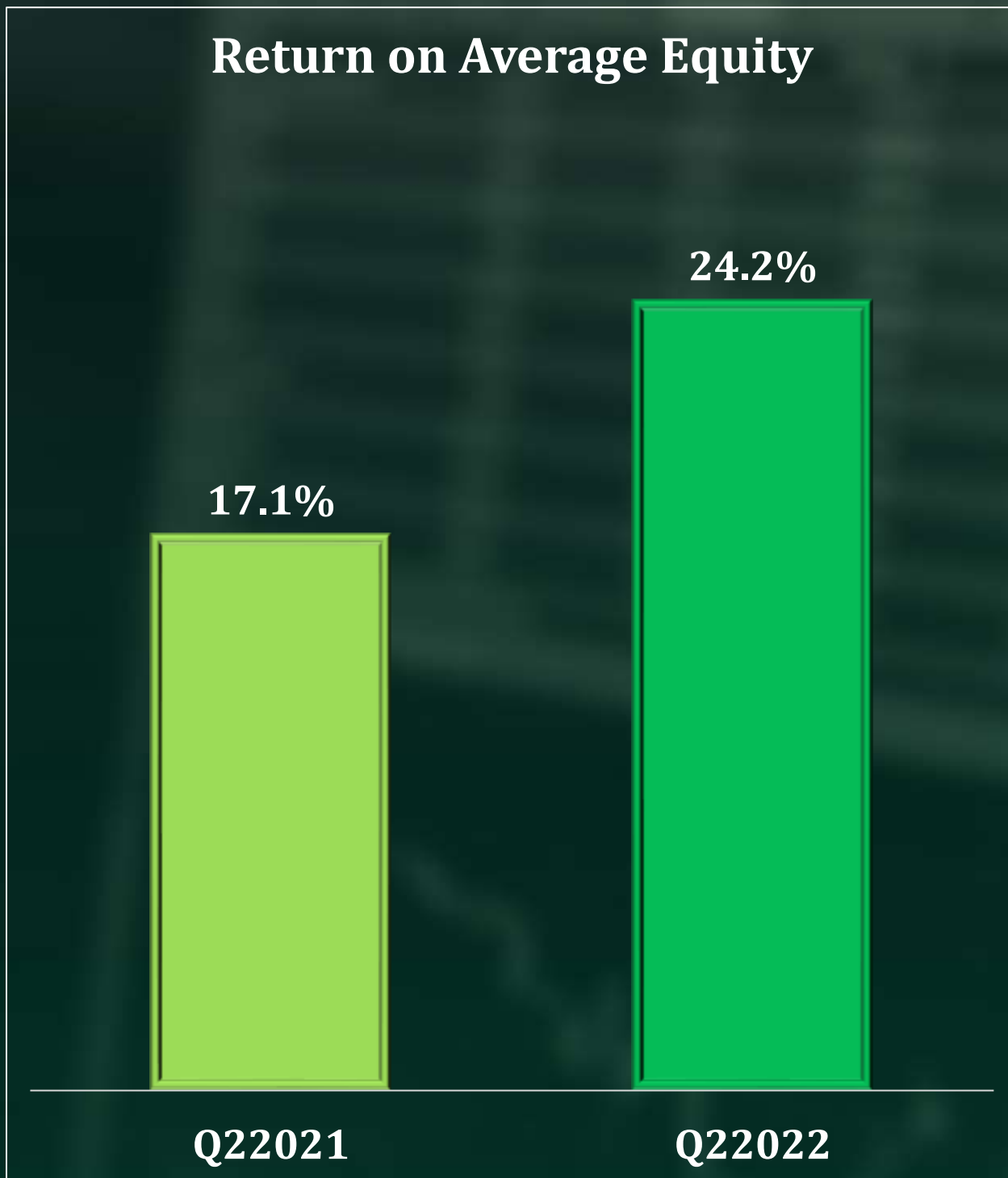
### Earnings per share



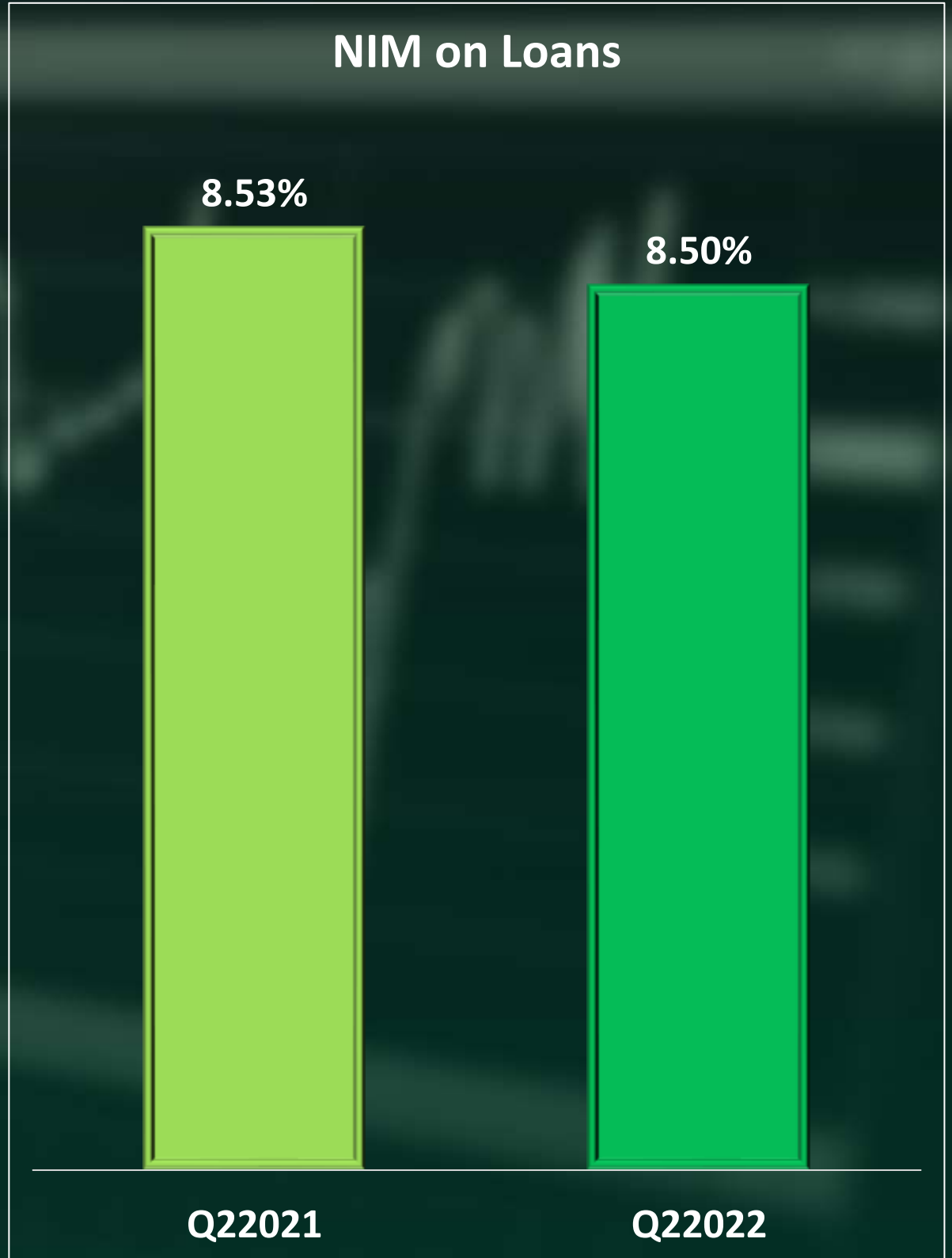
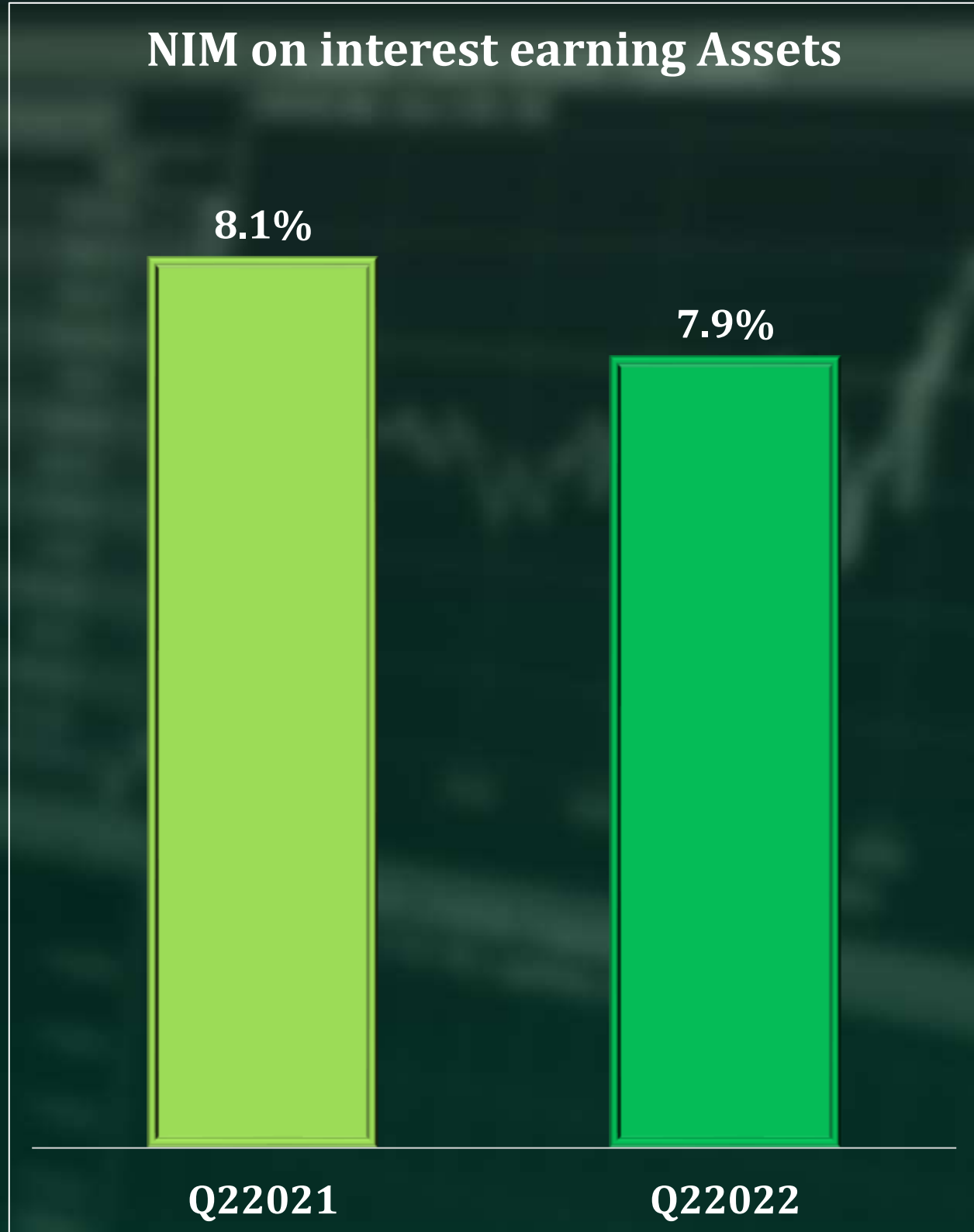
	Q22022	Q22021	YoY Change	
Total Interest Income	28.6	26	10.1%	↑
Total Interest Expenses	7.5	7.1	5.5%	↑
<b>Net interest income</b>	<b>21.1</b>	<b>18.8</b>	<b>11.8%</b>	↑
Fees and commissions on loans and advances	5.5	2.7	103.7%	↑
Other Fees and commissions	5.4	5.3	2.4%	↑
Forex trading income	2	1.3	48.1%	↑
Other income	0.4	1	-57.7%	↓
<b>Total operating Income</b>	<b>34.4</b>	<b>29.2</b>	<b>17.8%</b>	↑
Loan loss provision	3.3	4.2	-19.6%	↓
Staff costs	7.1	6.5	8.6%	↑
Other operating expenses	8.7	8	8.9%	↑
Total Operating expenses	19.2	18.7	2.5%	↑
Profit/(Loss) before tax and exceptional items	15.2	10.5	45.3%	↑
Exceptional items-Share of profit of associate	0.09	0.06	35.5%	↑
<b>Profit before tax</b>	<b>15.3</b>	<b>10.5</b>	<b>45.2%</b>	↑
Current tax	3.8	3.2	20.8%	↑
<b>Profit after tax</b>	<b>11.5</b>	<b>7.4</b>	<b>55.7%</b>	↑

## Subsidiary Contribution

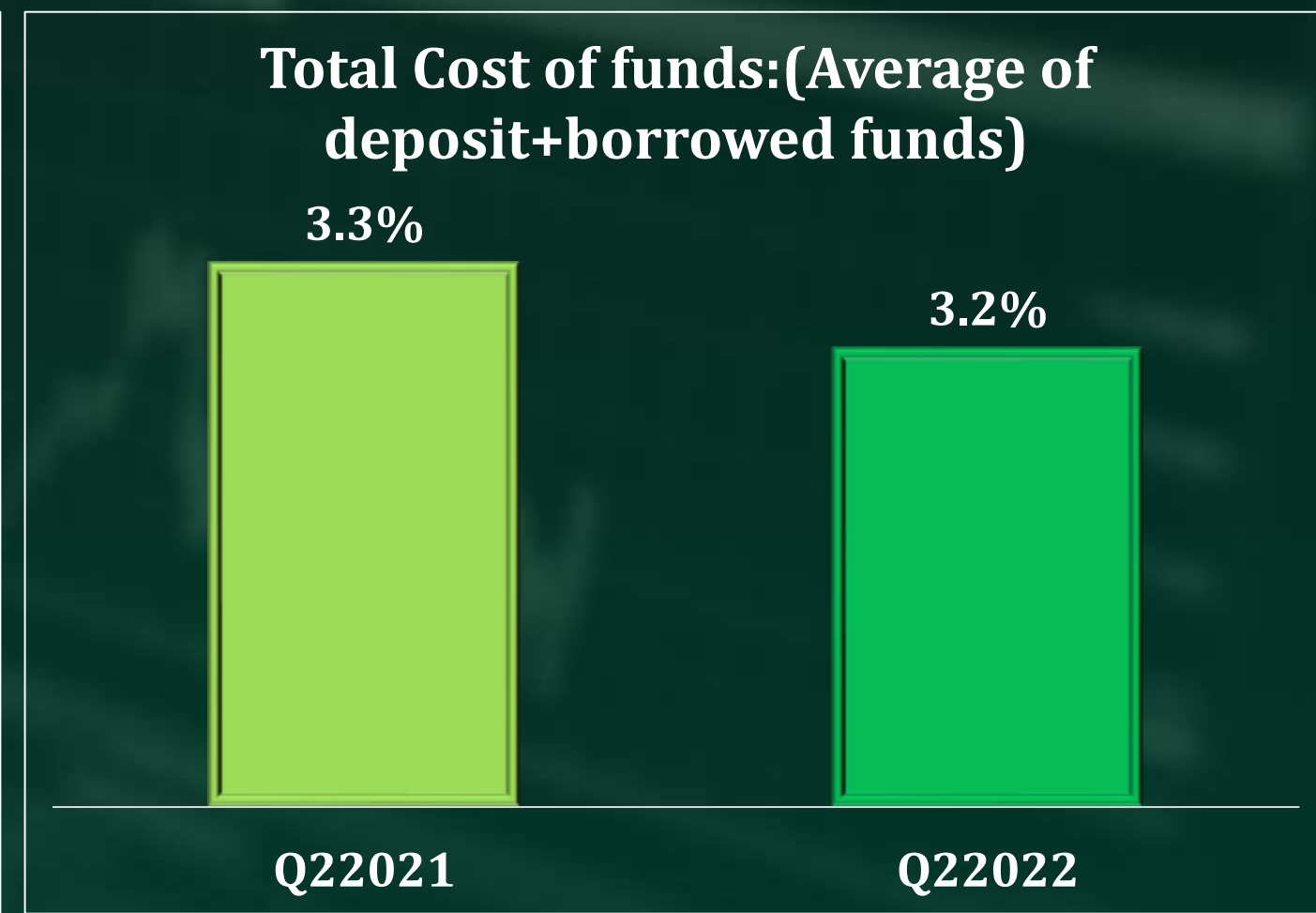
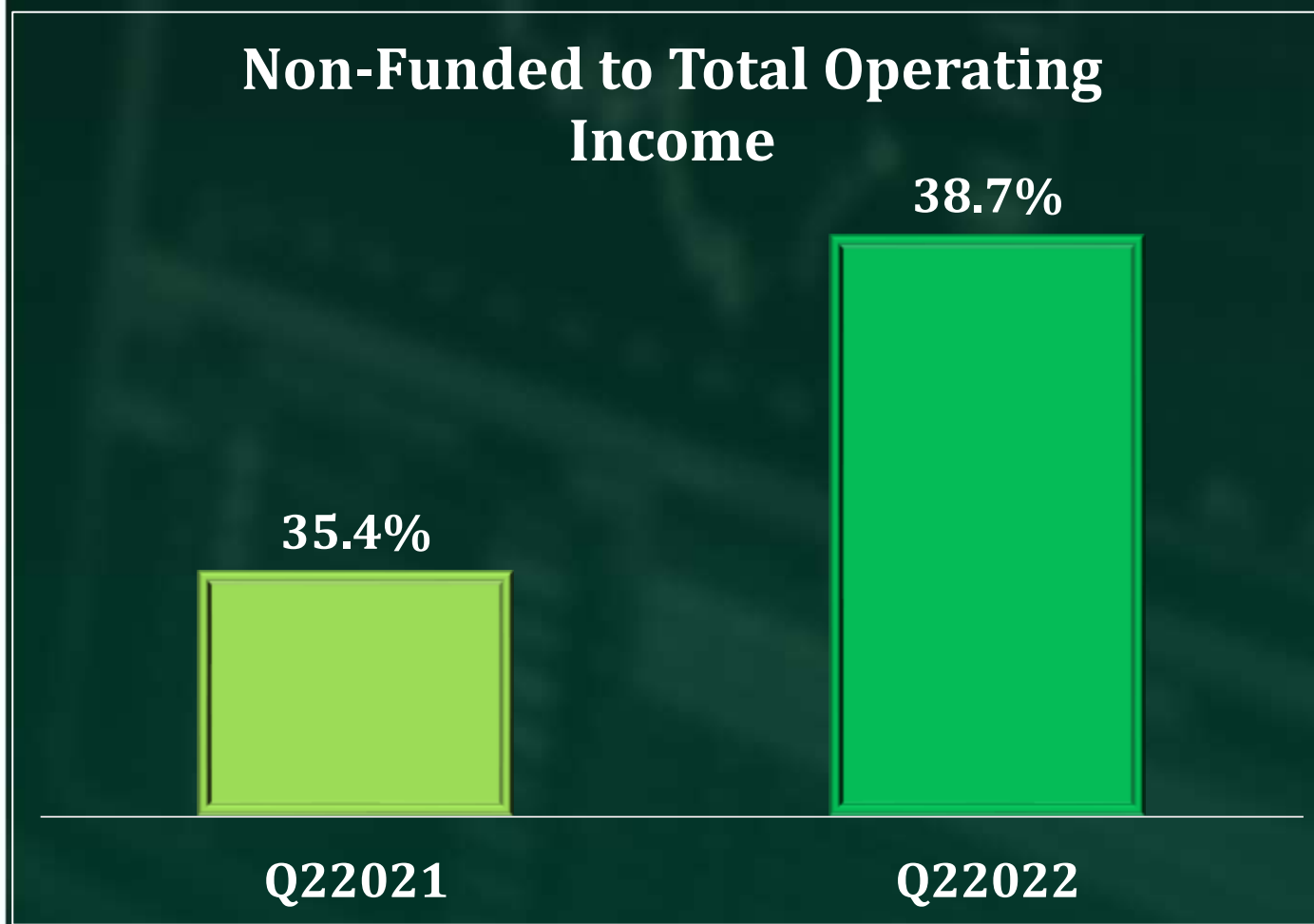
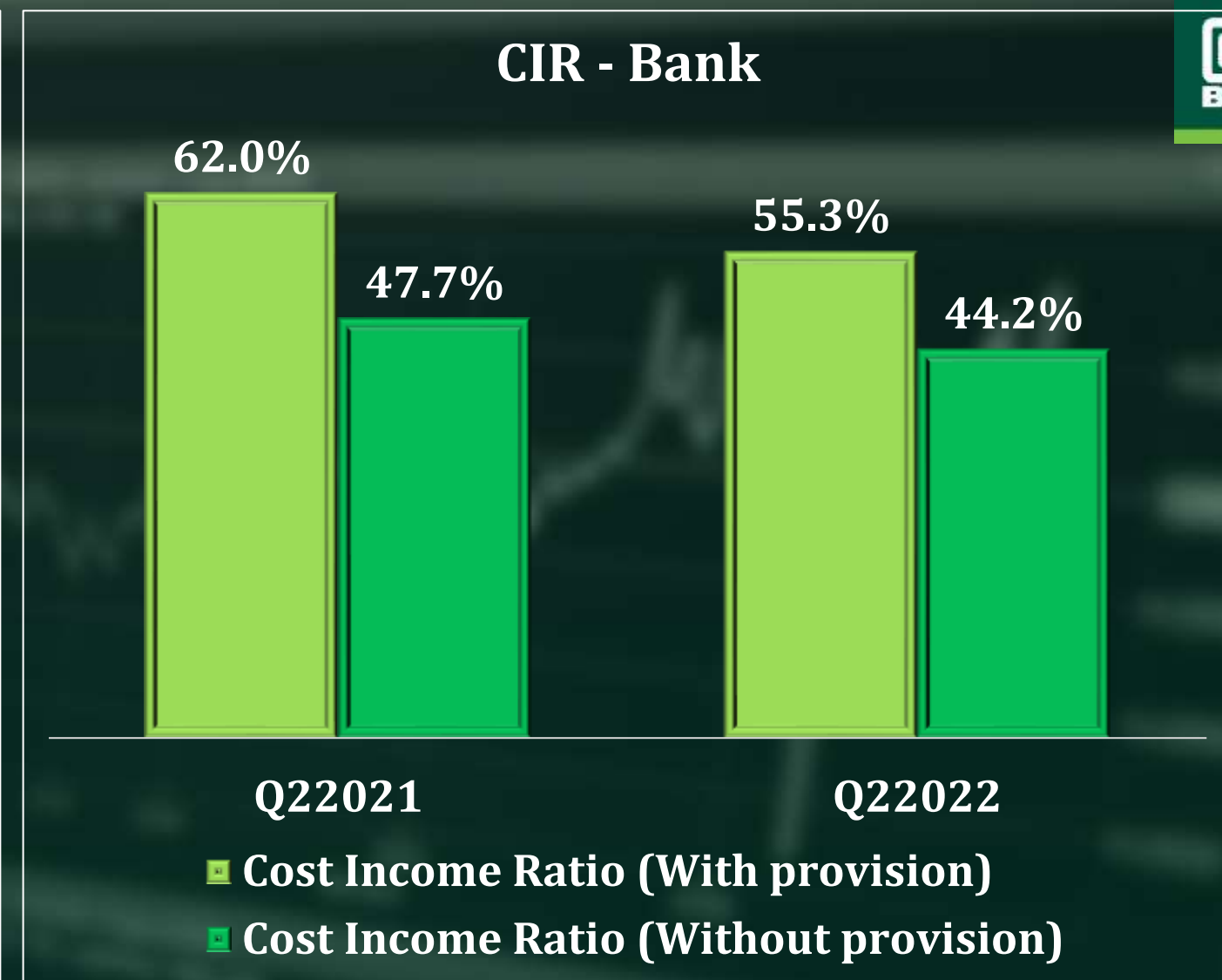
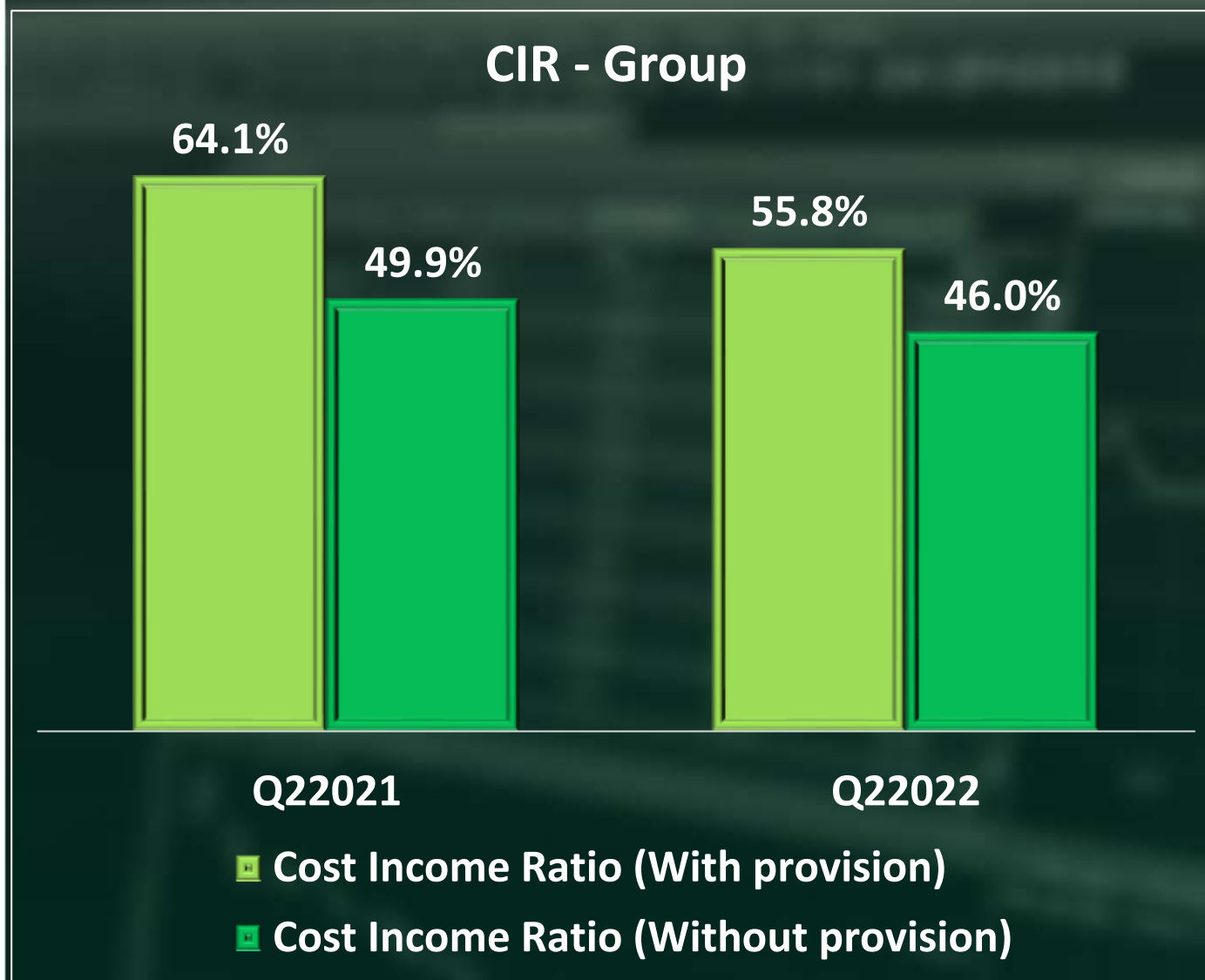
	Q22022	Q22021	Growth	Growth %
	Kshs. '000'	Kshs. '000'	Kshs. '000'	
Co-operative Bank of Kenya Ltd (COBK)	14,032,110	9,972,061	4,060,049	40.7%
Co-operative Bank of South Sudan (COBSS)	55,526	(290,081)	345,607	119.1%
Co-opTrust Investment Services Ltd (CISL)	85,743	47,908	37,834	79.0%
Co-op Consultancy & Bancassurance Intermediary Ltd (CCBI)	593,283	433,782	159,501	36.8%
Kingdom Securities Ltd (KSL)	7,259	(968)	8,228	849.8%
Kingdom Bank Ltd	421,677	296,690	124,987	42.1%
<b>Co-op Bank and Subsidiaries Total</b>	<b>15,195,599</b>	<b>10,459,393</b>	<b>4,736,206</b>	<b>45.3%</b>
Associates share of profit	87,913	64,903	23,010	35.5%
<b>Group profit before Tax</b>	<b>15,283,512</b>	<b>10,524,296</b>	<b>4,759,216</b>	<b>45.2%</b>
Income tax expense	3,815,307	3,158,716	656,591	20.8%
<b>Group profit After Tax</b>	<b>11,468,205</b>	<b>7,365,580</b>	<b>4,102,625</b>	<b>55.7%</b>



# Key Ratios



# Key Ratios





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# Thank You

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