2022
Integrated Annual Report

CO-OPERATIVE BANK
We are you

www.co-opbank.co.ke

Asanteni Saana! Because of you, we did it again.

Once more, and for the third time in 5 years, Co-operative Bank has been recognized as the Overall Winner of this year's Sustainable Finance Catalyst Awards, organised by the Kenya Bankers' Association.

As a bank that is anchored in the 15-million-member Co-operative Movement which is the face of Kenya, we reiterate our commitment to deliver shared prosperity today, while engaging in business practices that recognize that we are only custodians of this earth for the generations to come.

We convey our sincere appreciation to you, our customers, and other stakeholders, for walking this journey with us. ***Asanteni.***

OVERALL WINNER
Sustainable Finance Catalyst Awards

FB Co-op Bank Kenya(Official) Twitter @Coopbankenya
Co-operative Bank is regulated by the Central Bank of Kenya

CO-OPERATIVE BANK
We are you

About this Integrated Report

This report has been prepared as per the International Integrated Reporting Council (IIRC) framework. It shows how our sustainable business model has led to long-term value creation for all our stakeholders. The report assesses our strategic focus, key capital trade-offs, and highlights material risks and opportunities that have arisen in our operating environment. The Environmental, Social and Governance (ESG) section of the report covers the material matters highlighting the risks, opportunities, our response/strategies and the stakeholder engagements undertaken. The ESG section assesses our activities under each sustainability pillar. This report showcases our Corporate Governance and Risk management practices.

Our Scope & Reporting Boundary

This report covers the period from 01 January 2022 to 31 December 2022. We have referred to other periods for comparison purpose. The report covers Co-operative Bank of Kenya Ltd, Co-operative Bank of South Sudan Ltd, Co-op Consultancy & Bancassurance Intermediary Ltd, Co-op Trust Investment Services Ltd, Kingdom Securities Ltd and Kingdom Bank Ltd. By extension, we have covered some areas of our associate companies CIC Insurance Company Ltd and Co-op Bank Fleet Africa Leasing Ltd. We have included both financial and non-financial facets of our business to communicate how we create long-term stakeholder value.

The targeted readers of this report are our shareholders who need to make informed decisions about our stock for short, medium or long-term investment. This report is also meant for all our other stakeholders who include but are not limited to our customers, staff members, the Co-operative Movement, strategic partners, suppliers, regulators & policy makers, Media and the communities within which the Group operates in.

Framework & Reporting Boundary

This report has been prepared as per the International Integrated Reporting Council (IIRC) framework. It has also been prepared in accordance with the requisite regulatory requirements as prescribed by the Central Bank of Kenya, the Capital Markets Authority and Nairobi Securities Exchange, Kenya Companies Act 2015, the Code of Corporate Governance 2015, and the Banking Act of Kenya. An assurance relating to the annual financial statements has been provided by the independent external auditor and is incorporated in this report.

Key concepts

- Integrated approach: At Co-op Bank we incorporate an integrated approach in all our decision making through the careful consideration of the relationship between our six capitals and all our units in the group to secure optimum value creation in the short, medium and long term.
- Capitals: These are our stocks of value which we use as inputs in our business model and are increased, decreased or transformed by our business activities to create output that eventually becomes economic, social and environmental outcome for our various stakeholders. We categorize our Capital as financial, human, manufactured, intellectual, social & relationship and natural capitals.
- Material matters: We consider matters that could substantively affect our ability to create value in the short, medium or long term. These matters are determined and managed through our material matters management process that is enterprise wide.
- Value Creation: This is an integrated process that shows how we turn our 6 capital inputs into short, medium and long term value for our stakeholders through our business activities, the 'soaring eagle' transformation initiatives as enablers, at the same time carrying out enterprise risk management.

Board Support

The board acknowledges its responsibility to ensure professionalism, compliance and integrity of this report. The Board believes that the report fairly presents the Group's integrated performance and has been prepared according to the key regulatory requirements.

Mr. John Murugu, OGW
Chairman

Dr. Gideon Muriuki, CBS, MBS
Group Managing Director & CEO

Kindly engage us through investorelations@co-opbank.co.ke. We encourage our stakeholders to share their views on this report, our performance and our strategic roadmap for delivering sustainable value.

About this Integrated Report | Our Leadership | Co-op Bank Model | Our Capitals | Operating Environment | Strategic Focus Review | Environmental, Social and Governance (ESG) | Financial Statements

Table of Content

About this Integrated Report | Our Leadership | Co-op Bank Model | Our Capitals | Operating Environment | Strategic Focus Review | Environmental, Social and Governance (ESG) | Financial Statements

How to read this report

The report cross-references various concepts across different sections utilizing icons indicating linkages for the reader. Cross-referencing and mapping affirm our integrated approach to messaging to present an all-rounded view of the Group's activities.

Glossary of Icons

Icons used throughout this Report

Our Capitals

(For more information on our Capitals see page 52)

- Financial Capital
- Manufactured Capital
- Social & Relationship Capital
- Human Capital
- Intellectual Capital
- Natural Capital

Our Strategic Focus

(For more information on our Corporate Strategic Plan see page 60)

- Aggressive deepening of our dominance in the Kenyan market.
- Dominant provider of financial services to the Co-operative Movement in Kenya and the region.
- Customer experience that is seamless across all our touch points.
- Operating efficiency driven by digitization, innovative products & Processes, efficient business models, and staff productivity.
- Optimal Enterprise Risk and Compliance in the dynamic environment.
- Positive impact on Economy, Society & Environment.

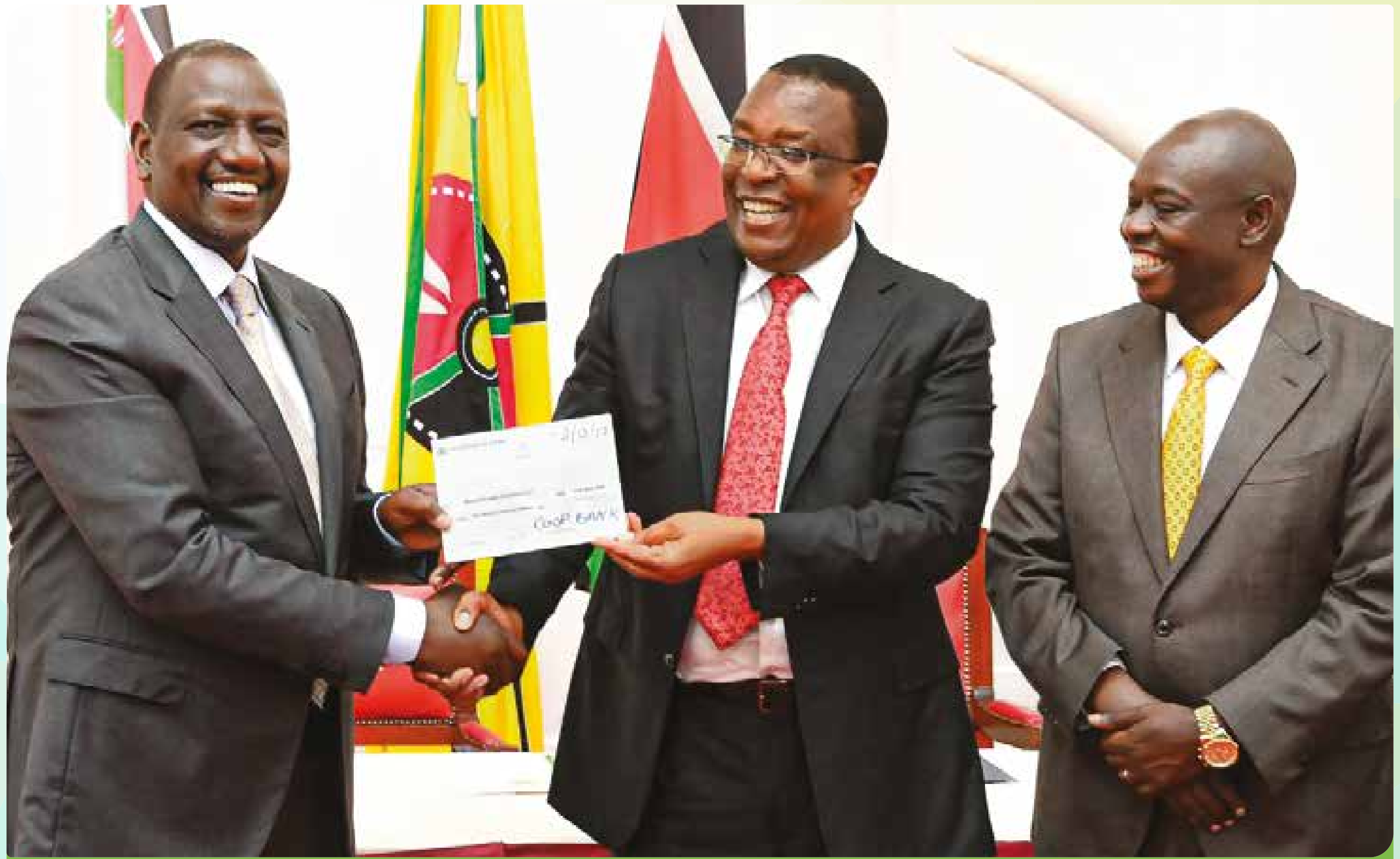
Our Stakeholders

(For more information on our Stakeholders see page 77)

- **Customers** Innovative universal banking model.
- **Shareholders** Optimal return on investment.
- **Employees** Effective performance and reward mechanism and wellness.
- **Co-operative Movement** Unique value proposition.
- **Strategic Partners** Long term credit lines for specific purpose
- **Government** Partnership for socio-economic development
- **Regulators & Policy Makers** Compliance to all regulations and policies
- **Suppliers** Responsible engagement
- **Industry Associations** Collaboration and benchmarking
- **Community** Positive economic, social and environmental impact from all our activities

Sustainable Development Goals

(For more information on ESG, see page 66)



His Excellency Hon. William Samoei Ruto, PhD, C.G.H. President of The Republic of Kenya, and His Excellency Hon. Rigathi Gachagua, E.G.H Deputy President of The Republic of Kenya, receive a KShs. 150 Million contribution to the National Hunger Response Fund from The Co-op Bank Group Managing Director and CEO, Dr. Gideon Muriuki, CBS, MBS, at State House, Nairobi, on Friday 2nd December 2022.

About this Integrated Report | Our Leadership | Co-op Bank Model | Our Capitals | Operating Environment | Strategic Focus Review | Environmental, Social and Governance (ESG) | Financial Statements

Co-op Bank Overview

Group Structure

Co-operative Bank of Kenya Group

- Co-op Holdings Co-operative Society Ltd: 64.6%
- Minority Shareholders: 35.4%

Co-operative Bank of Kenya Ltd

- Co-optrust Investments Services Ltd: 100% Ownership
- Co-op Consultancy & Bancassurance Intermediary Ltd: 100% Ownership
- Kingdom Bank Ltd: 90% Ownership
- Kingdom Securities Ltd: 60% Ownership
- Co-operative Bank of South Sudan Ltd: 51% Ownership
- Co-operative Insurance Society Ltd: 33.4% Ownership
- Co-op Bank Fleet Africa Leasing Ltd: 25% Ownership

Shareholder Profile

Top 10 shareholders

Shareholder	No. of Shares	Shareholding
Co-opholdings Co-operative Society Limited	3,787,715,404	64.56%
Dr. Muriuki, Gideon Maina (CBS, MBS)	102,528,400	1.75%
NIC Custodial Services A/C 077	56,166,543	0.96%
Standard Chartered Nominees Resd A/C Ke11443	53,011,370	0.90%
Kenya Commercial Bank Nominees Limited A/C	46,564,339	0.79%
Patel, Baloobhai; Patel, Amarjeet Baloobhai	40,694,399	0.69%
Stanbic Nominees Limited R6631578	27,908,042	0.48%
Equity Nominee Ltd A/C00132	20,957,560	0.36%
Stanbic Nominees Ltd A/C Nr1030682	20,877,638	0.36%
ICEA Lion Life Assurance Company Limited-Pooled	20,643,585	0.35%
Other Shareholders	1,690,112,823	28.80%

Total Issued and fully paid Shares: 5,867,174,695
% Shareholding: 100

About this Integrated Report | Our Leadership | Co-op Bank Model | Our Capitals | Operating Environment | Strategic Focus Review | Environmental, Social and Governance (ESG) | Financial Statements

Shareholder Profile

Foreign and Local Ownership

Local Companies
No. of Shares: 4,833,095,776
No. of Shareholders: 3,070
82.38% Shareholding

Local Individuals
No. of Shares: 980,543,247
No. of Shareholders: 96,866
16.71% Shareholding

Foreign Companies
No. of Shares: 41,268,219
No. of Shareholders: 16
0.70% Shareholding

East African Companies
No. of Shares: 8,126,803
No. of Shareholders: 28
0.14% Shareholding

Foreign Individuals
No. of Shares: 3,624,743
No. of Shareholders: 197
0.06% Shareholding

East African Investors
No. of Shares: 521,315
No. of Shareholders: 76
0.01% Shareholding

Shareholder Distribution

Shares (Range) 1-500
No. of Shares: 3,020,898
No. of Shareholders: 16,139
0.05% Shareholding

Shares (Range) 501-5,000
No. of Shares: 75,191,989
No. of Shareholders: 37,141
1.3% Shareholding

Shares (Range) 5,001-10,000
No. of Shares: 250,237,993
No. of Shareholders: 30,894
4.3% Shareholding

Shares (Range) 10,001-100,000
No. of Shares: 340,047,914
No. of Shareholders: 14,978
5.8% Shareholding

Shares (Range) 100,001-1,000,000
No. of Shares: 250,907,608
No. of Shareholders: 864
4.3% Shareholding

Shares (Range) Above 1,000,000
No. of Shares: 4,947,773,701
No. of Shareholders: 237
84.25% Shareholding

Top 10 Co-op Holdings Shareholders

Harambee Cooperative Savings & Credit Society Ltd
No. of Shares: 144,929,400
3.83% Shareholding

Kenya Police Sacco Society Ltd
No. of Shares: 129,885,226
3.43% Shareholding

H & M Cooperative Savings & Credit Society Ltd
No. of Shares: 125,247,471
3.31% Shareholding

Afya Cooperative Savings & Credit Society Ltd
No. of Shares: 111,395,592
2.94% Shareholding

Kipsigis Teachers Coop Savings & Credit Society Ltd
No. of Shares: 101,495,520
2.68% Shareholding

Masaku Teachers Coop Savings & Credit Society Ltd
No. of Shares: 98,137,033
2.59% Shareholding

Co-operative Bank Coop Savings & Credit Society Ltd
No. of Shares: 96,103,831
2.54% Shareholding

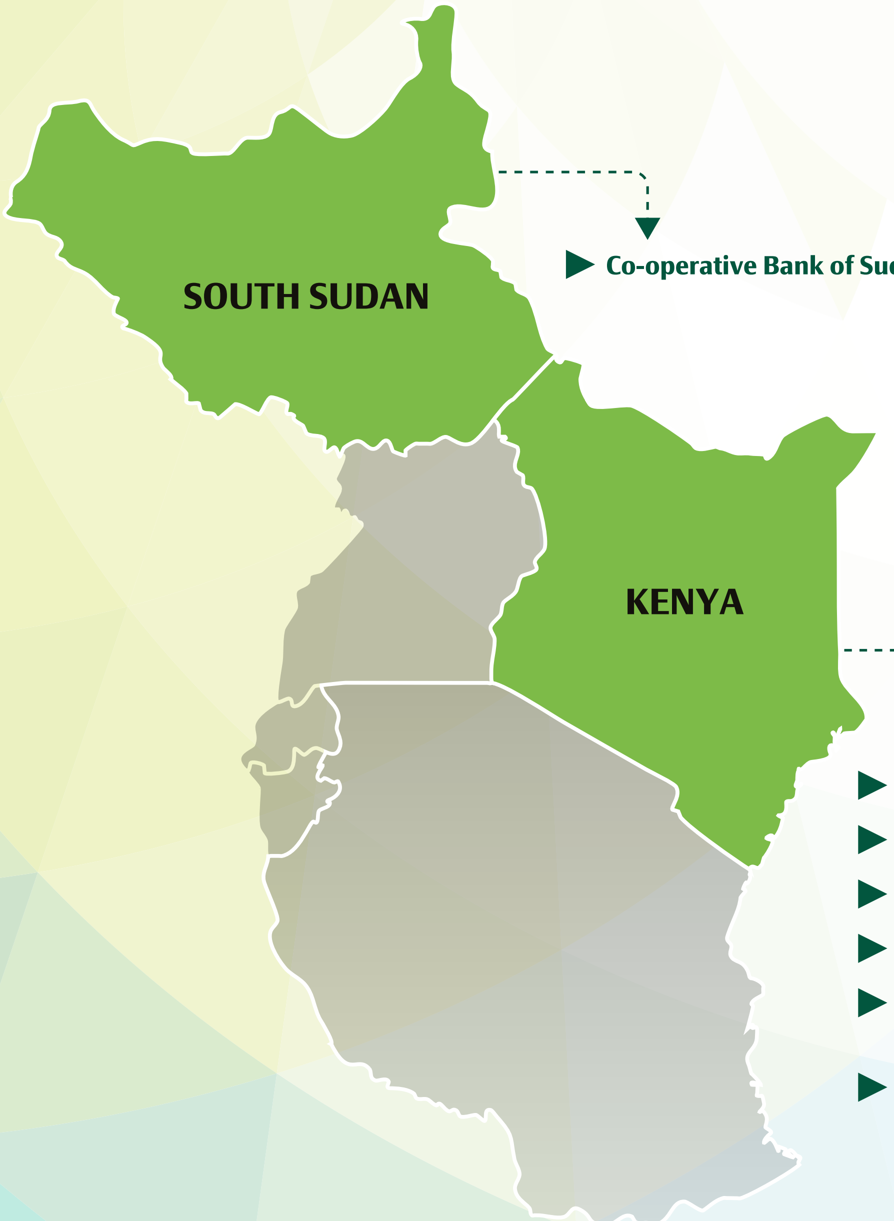
K-Unity Savings and Credit Co-operative Society Limited
No. of Shares: 91,162,633
2.41% Shareholding

Telepost Co-operative Savings & Credit Society Limited
No. of Shares: 71,432,771
1.89% Shareholding

Nawiri Savings and Credit Co-operative Society Ltd
No. of Shares: 69,453,216
1.83% Shareholding

Total Shares: 1,039,242,693
% Shareholding: 27.45

Regional Presence



- Co-operative Bank of Sudan Ltd.

- Co-operative Bank of Kenya Ltd.
- Kingdom Bank Ltd.
- Co-op Trust Investment Services Ltd.
- Kingdom Securities Ltd.
- Co-op Consultancy and Bancassurance Intermediary Ltd.
- Co-op Bank Fleet Africa Leasing Ltd.

184
Branches

5 Million
Omni registered Customers (Mobile and Internet)

17,000+
Co-op Kwa Jirani Agents

542
ATMs

484
Sacco Front Offices Branch Network

21,000+
Diaspora Banking Customers

4864
Staff

Milestones

We have been transforming lives for over 50 years.

1966 ~ 1968
The Co-operative Bank of Kenya is established and opens its doors in year 1968

1994
Converts into a full-fledged Commercial Bank to bank other customers beyond Co-operatives including individuals, corporates, and other institutions

1998
The Bank's Head Office is hit by a terror attack aimed at the adjacent US Embassy. Operations are moved to various hired premises in town.

2000
The bank makes a huge loss of KShs. 2.3 Billion

2002
Returns to profitability reporting KShs. 103 Million profit. The bank reoccupies the renovated Cooperative House Building

2005
Doubles its share capital from KShs. 1.2 Billion to KShs. 2.3 Billion through share capital injection of KShs. 1.1 Billion.

2007 ~ 2008
Records a complete turnaround by reporting a KShs. 2.3 Billion Profit Before Tax. Successfully listed in the Nairobi Securities Exchange in 2008.

2009 ~ 2013
The Bank undergoes its most rapid expansion by opening 77 branches. Customer accounts grow from 700,000 to 4.1 Million.

2014 ~ 2015
Embarks on the bold 'Soaring Eagle' Transformation Agenda to scale greater frontiers serving over 5.9 Million account holders.

2016
The Group registers continued growth with a PBT of KShs. 17.7 Billion and an asset base of over KShs. 351.8 Billion.

2017
The Group records a PBT of KShs. 16.4B, a commendable performance against the backdrop of a tight operating environment; Interest rates capping and general economic slowdown.

2018
The Group continues to soar higher recording a PBT of KShs. 18.16 Billion, 11% higher than KShs. 16.4 Billion in 2017.

2019
The Group continues to perform well, recording a PBT of KShs. 20.7B, a 14% growth. The Bank disburses KShs. 43B through e-credit, a key lending focus area.

2020 ~ 2021
The Group demonstrates resilience during the covid-19 pandemic; restructures KShs. 49 billion to support customers through the pandemic. Group acquires Kingdom Bank Ltd (Formerly Jamii Bora Bank – Niche MSME Bank). The Group reports KShs. 22.6 billion in PBT for FY2021.

2022
The Group registers a PBT of KShs. 29.4 billion, a growth of 30% year on year. Continued support to customers recovering from the effects of the pandemic through credit and innovative financial solutions. The Bank enhances its ESG focus and introduces a dedicated ESG Unit and Committee to increase positive impact to the Economy, Society and Environment.

About this Integrated Report | Our Leadership | Co-op Bank Model | Our Capitals | Operating Environment | Strategic Focus Review | Environmental, Social and Governance (ESG) | Financial Statements

Who we are:

Our Purpose
Transforming Lives

Key Enablers

Corporate Strategic Plan

- Operating Environment
- Our Business Model
- Our Capitals
- Transformation Culture
- Environment, Social & Governance (ESG)

ESG at heart of Co-op Bank

- ESG Framework
- Stakeholder Engagement
- Material Topics
- Corporate Governance
- Risk Management

'We are you':

We are all our stakeholders. We seek to meet the needs of all our stakeholders through our sustainable business model.

Our Purpose

A financial institution predominantly owned by the Kenyan Co-operative movement transforming lives.

Our Mission

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

Our Vision

To be the dominant Bank in Kenya and in the Region riding on the unique Co-operative Model providing innovative financial solutions for distinctive customer experience

About this Integrated Report | Our Leadership | Co-op Bank Model | Our Capitals | Operating Environment | Strategic Focus Review | Environmental, Social and Governance (ESG) | Financial Statements

Strategic Focus

We operate in the Region using the co-operative model to ensure that we socially and economically transform our stakeholders by the innovative financial solutions that we offer and the positive engagements that we have *(For a detailed analysis refer to The Strategic Focus Review section of this report page 60)*

- Aggressive deepening of our dominance in the Kenyan market.
- Dominant provider of financial services to the Co-operative Movement in Kenya and the region.
- Customer Experience that is seamless across all our touch points.
- Operating efficiency driven by digitization, innovative products & Processes, efficient business models, and staff productivity.
- Optimal Enterprise Risk and Compliance in the dynamic environment.
- Positive impact on Economy, Society & Environment.

Our Key Business

	WHAT WE DO
Retail and Business Banking Division	Providing financial solutions to individual customers, Micro, Small and Medium Enterprises.
Corporate and Institutional Banking Division	**Providing financial solutions to:** • Corporates • Institutions • Government • Parastatals • Non- Governmental Institutions • International Financial Institutions
Co-operatives Banking Division	**Providing financial solutions to:** • Large Saccos • Housing Saccos • Agricultural and other Co-operatives • PSV/Transport Saccos • Investment Saccos • Housing Saccos
Kingdom Bank Ltd	A niche MSME Bank providing financial services.
Co-optrust Investment Services Ltd	Fund Management Services
Coop Consultancy & Bancassurance Intermediary Ltd	• Banc-Assurance Services • Consultancy and capacity building services to Co-operative Societies
Kingdom Securities Ltd	Stock Brokerage Services
Co-op Bank Fleet Africa Leasing Limited	Leasing Solutions to Retail, MSME's, Corporates, PSVs, Government and Non-Government

WHAT WE DELIVER

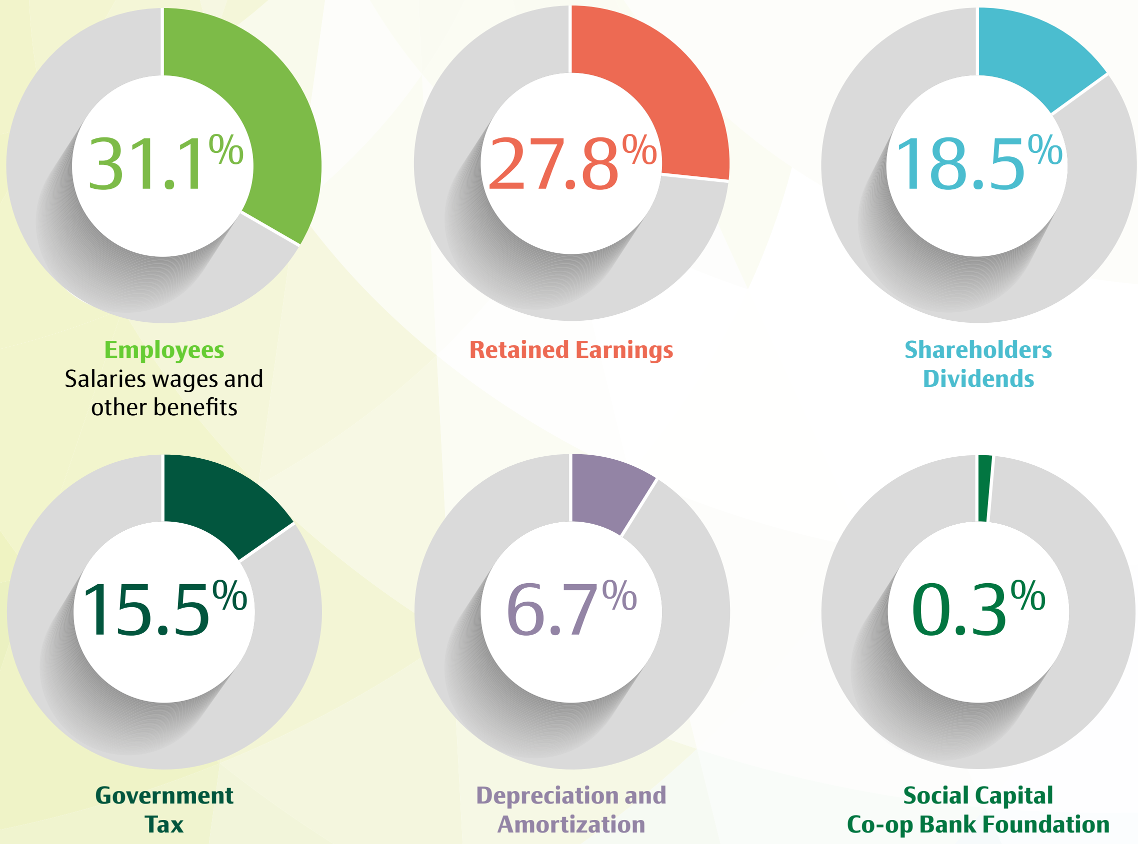
- Deposit/ Instant Access accounts
- Savings Accounts
- Current accounts
- Fixed/Call deposit accounts
- Forex products
- Payment solutions
- Funds transfer
- Funds access across all our channels
- M-Wallet loans
- Trade Finance
- MSME Loans
- Personal/Consumer Loans
- Working Capital Loans
- Asset Finance
- Insurance Premium Financing
- Mortgage Finance
- Investment services
- Banc Assurance
- Consultancy and capacity building
- Stock Brokerage
- Leasing

We enable our customers to

About this Integrated Report | Our Leadership | Co-op Bank Model | Our Capitals | Operating Environment | Strategic Focus Review | Environmental, Social and Governance (ESG) | Financial Statements

Wealth Creation and Distribution

– Economic Value Created KShs. 47.5B (2021 KShs. 39.6B)



From L to R, Group Managing Director and CEO, Dr. Gideon Muriuki (CBS, MBS), Chairman, Co-op Bank, Mr. John Murugu (OGW) and Vice Chairman, Co-op Bank, Mr. Macloud Malonza (MBS, HSC) review the bank financial report during the last Bank Annual General Meeting.

Key performance highlights

Financial (KShs.)

Profit Before Tax
2021: 22.6 B
2022: 29.4 B

Total Assets
2021: 579.8 B
2022: 607.2 B

Loans & Advances
2021: 310.2 B
2022: 339.4 B

Customer Deposits
2021: 407.7 B
2022: 423.8 B

Non-Performing Loans % (Group)
2021: 14%
2022: 13.7%

Non-Performing Loans % (Bank)
2021: 12.7%
2022: 12.96%

Dividend per share
2021: 1.00
2022: 1.50

Market Capitalization
2021: 76B
2022: 73B

Average ROA
2021: 3.0%
2022: 3.7 %

Average ROE
2021: 17.3%
2022: 21.2 %

Debt to Equity
2021: 42.8%
2022: 44.7%

Cost to Income
2021: 49.9 %
2022: 47.1%

Non-Financial

Staff Numbers
2021: 4505
2022: 4864

Training Spend
2021: 52.4 M
2022: 73 M

Wages & Benefits
2021: 13.3 B
2022: 14.8 B

Percent of Digital Channel Transactions
2021: 94%
2022: 92%

Branches
2021: 178
2022: 184

Co-op Foundation Students
2021: 8,368
2022: 9,553

Water Cost
2021: 32.7 M
2022: 33 M

Electricity Cost
2021: 241.2 M
2022: 213 M

Generator Fuel Cost
2021: 14.4 M
2022: 16 M

About this Integrated Report | Our Leadership | Co-op Bank Model | Our Capitals | Operating Environment | Strategic Focus Review | Environmental, Social and Governance (ESG) | Financial Statements

Our Business Model (page 50)

Our Purpose
Our Vision
Our Mission
Our Values

Input

Financial Capital
Manufactured Capital
Social & Relationship Capital
Human Capital
Intellectual Capital
Natural Capital

Value Adding Activities

Pillars:

1. Corporate Governance
2. Corporate Strategic Planning
3. Soaring Eagle Transformation initiatives
4. Enterprise Risk Management
5. ESG/ Sustainability Focus

Output

- Products
- Services

- Lending
- Deposits taking
- Investment/Fund Management
- Advisory
- Payments
- Bancassurance
- Stock Brokerage
- Leasing

- Shared Services
- Stakeholder engagement

Outcome

Financial Capital
Manufactured Capital
Social & Relationship Capital
Human Capital
Intellectual Capital
Natural Capital

Capital Trade off

Co-operative Bank of Kenya signing a KShs. 12.6B long term credit agreement with global institutional investors led by the German fund, Deutsche Investitions – und Entwicklungsgesellschaft (DEG). The fund will strengthen the bank's capital base and support lending to MSME for future growth.

The Chairman Board of Directors, Co-operative Bank, Mr. John Murugu, OGW (center front row) leading the full board for a Strategic Business Planning Retreat in Mombasa, Kenya.

About this Integrated Report | Our Leadership | Co-op Bank Model | Our Capitals | Operating Environment | Strategic Focus Review | Environmental, Social and Governance (ESG) | Financial Statements

Chairman's Statement

John Murugu, OGW

Dear Shareholders,

I am delighted to present to you our Bank's Integrated Report for the period ended 31st December 2022.

Overview of the Operating Environment

Kenya's economy continued to rebound from the pandemic in 2022 with real gross domestic product (GDP) projected to grow at 5.6% in 2022, driven by broad-based increases in services and industry. This recovery was dampened by global commodity price shocks, the long regional drought, and uncertainty in the run up to the 2022 general elections. The agriculture sector is estimated to have contracted by 0.3% in 2022, with the sector contributing almost one fifth of GDP, its poor performance slowed GDP growth.

The ongoing drought and the cost-of-living increases have affected households throughout the country. Most households reported an increase in prices of essential food items. In response to the inflationary pressures, the Central Bank of Kenya (CBK) raised the policy rate thrice since May 2022 by a cumulative 175 basis points to reach 8.75% in November 2022. Supply of food items is expected to increase in the coming months on account of ongoing harvests and the expected duty-free imports which is expected to contribute to the easing in inflation.

The Kenya shilling weakened by 8.6% per cent in the course of 2022 from KShs. 113.14 to KShs. 123.47

This was mainly attributed to growth in the import bill driven mainly by fuel and food imports, both of which saw substantial price increases in the global markets. Imports grew by 5.8 per cent with oil imports alone growing by 60.3 per cent. The rising interest rates in the developed economies, especially the US, led to the capital outflows and currency depreciation being experienced across emerging markets. The exchange rate is expected to stabilize in 2023 supported by a recovery in remittances inflow and tourism revenue as well as the reduced import of capital goods.

The banking sector remained strong and resilient. The ratio of gross non-performing loans (NPLs) to gross loans stood at 13.3 percent in December 2022, compared to 13.1 percent in December 2021. Improved repayments and recoveries were noted in various sectors while banks continued to make adequate provisions for the NPLs. The banking sector asset base grew by 10 percent in the year ended December 31 2022, from KShs. 6 trillion at end of 2021 to KShs. 6.6 trillion. The performance was supported by renewed business models leveraging on technology & innovation, enhanced capital and liquidity buffers and a continued focus on customer-centricity.

Private sector credit increased to 12.5 percent in 2022 compared to 8.6 percent in 2021. Strong credit growth was observed in the following sectors: manufacturing, transport & communication, trade, business services, and consumer durables. The number of loan applications and approvals increased, reflecting improved demand due to increased economic activities.

The recently concluded general elections have set the stage for Kenya's next development chapter. In addition to aligning the country's long-term development agenda to Vision 2030 that aims to transform Kenya into a competitive and prosperous country with a high quality of life, the new government's bottom-up economic model prioritizes agriculture, healthcare, housing, and manufacturing.

Although the economic outlook is broadly positive, it is subject to elevated uncertainty, including Kenya's exposure (as a net fuel, wheat, and fertilizer importer) to the global price impacts of the war in Ukraine.

Regulatory Environment

During the year the Monetary Policy Committee (MPC) met 6 times. In a bid to anchor inflation, the MPC raised the CBR rate to 7.50% and 8.25% in May 2022 and September 2022, respectively and an additional 50.0 bps to 8.75% during their last meeting of the year, in November 2022. the Cash Reserve Ratio was held at 4.25%.

The Central Bank of Kenya has been working to enhance the oversight of digital lenders in the country. Earlier this year, the Central Bank gazetted regulations for digital lenders, which will allow for greater control and supervision over licensing, governance, and lending practices. We welcome this development as it will improve the quality of lending services and ensure that lenders operate in a transparent and responsible manner.

The Central Bank of Kenya also launched the National Payment Strategy to consolidate the gains Kenya has had on mobile money and to support the vision of a secure, fast, and efficient payment system. This development will have a positive impact on financial inclusion and innovation, which will ultimately benefit Kenyans.

Moreover, the CBK has introduced the Credit Repair Framework for financial institutions to support mobile digital borrowers whose loans become non-performing. This guidance allows us to restructure selected mobile facilities where borrowers were adversely affected by the Covid-19 pandemic. We recognize that the pandemic continues to have a profound impact on some of our customers. Therefore, we are committed to supporting them while enhancing their credit standing. Proactive credit management requires that we engage our customers early to support their credit journey, even before non-repayment.

Finally, we note the various mergers and acquisitions in the financial sector that took place in Kenya over the past year. These developments affirm the regional confidence in the untapped potential of the Kenyan market.

Risk and Compliance

We operate in a highly regulated environment. The Co-operative Bank Group is cognizant of the need to adhere to sound local and global compliance practices. The Group maintains a zero-tolerance towards unethical behaviour. The Board of Directors and indeed all our staff regularly undergo training on emerging regulatory issues, compliance, risk, anti-money laundering and countering the financing of terrorism (AML/CFT), to keep them on high alert and abreast of emerging issues in the industry.

The Group has continued to set and implement effective systems and controls that help to detect, prevent, and deter financial crime, corruption, and bribery. Such continuous interventions embed a culture of ethical and responsible banking in the core of our institution.

We strongly believe in compliance and ethical code of conduct. The value of ethics and responsibility is indisputable as stakeholders are now increasingly interested in building sustainable partnerships with businesses and markets which uphold such values. Our underlying corporate objective is thus to be an ethical partner as we pursue business and relationships with our stakeholders.

Performance Overview

Our balance sheet expanded by 4.7% to KShs. 607.2 Billion as at the close of 2022 from KShs. 579 Billion in 2021. We are pleased to report a Profit Before Tax of KShs. 29.4 Billion, a commendable 30% growth compared to KShs. 22.6 Billion recorded in 2021. This represents a strong Profit after Tax of KShs. 22 Billion compared to KShs.16.5 Billion reported in 2021. The performance delivers a competitive Return on Equity of 21.2% to our shareholders.

The strong performance by the Bank is in line with the Group's strategic focus on sustainable growth, resilience, and agility.

Corporate Governance

The Board is responsible for corporate governance practices and embraces its responsibilities to shareholders and other stakeholders. The Boards upholds the highest ethical standards and ensure that the Bank conducts its business in accordance with global best practices.

The Bank recognizes and embraces the benefits of a diverse Board and acknowledges that diversity at the Board level is an essential element in enhancing the decision-making process and the resultant policy and strategy direction. The Board has a balanced mix in the capabilities and competences to remain relevant in a fast changing, dynamic and competitive market environment.

Our Board consists of thirteen directors, with the Managing Director as executive, and twelve non-executive members. The Directors have a variety of skills, experience, and competences in their relevant fields of expertise and are well placed to drive the Bank's business forward.

The directors are committed to excellence in corporate governance and support the principles of Good Corporate Governance as the basis for enhancing credibility and transparency in the financial services industry.

Dividend and the Annual General Meeting

Our strong performance is a clear indication of our commitment to increase our shareholders value and returns. As such, the board of directors is recommending a dividend of KShs. 1.50 per share subject to approval by the regulators and the shareholders. A virtual Annual General Meeting will be held on Friday, 19th May 2023.

Environmental, Social and Governance

The Bank has a renewed ESG focus, and it is being driven from Board Level.

Co-operative Bank Group is committed to transforming lives and being a responsible corporate citizen. The Bank believes that sustainable development and sustainable profit growth are complementary to each other and create a positive impact on the economy, society, and the environment.

We have published our ESG Policy Statement that will guide all our activities: *"We are fully committed to sustainable development and to achieve positive environmental & social outcomes with good governance".*

Accolades

In the year 2022 we received accolades both locally and internationally. The bank was a big winner at the 2022 Kenya Bankers Association Sustainable Finance Catalyst Awards, emerging as the Overall Winner with awards in 6 categories because of entrenching sustainable finance initiatives in our operations and lending practices. The KBA Customer Satisfaction Survey found the bank Best Overall in Satisfactory Customer Experience from 38 member Banks.

In the EMEA African Banking Awards 2022, the bank was named the Best Bank in Kenya and the Best Asset manager in Kenya (Co-optrust Investments Services). During the 18th energy management awards (EMA) 2022, we were recognized in three categories including Electricity Savings Award – Small Consumers, Services Sector Award and Best New Entrant Award. These recognitions re-affirm our believe of the co-operative banking model as the most sustainable model for inclusive growth.

Outlook

Kenya's medium-term growth prospects remain positive with GDP projected to grow by 5.8% on average in 2023 notwithstanding current global and domestic shocks. The baseline assumes robust growth of credit to the private sector, a near term recovery in agricultural production, and high commodity prices favourable to Kenyan exports. These developments are in turn expected to catalyse private investment to support economic growth over the medium term.

This optimism is attributed to the continued resilience of the private sector, and the impact of Government interventions including in the agriculture and MSMEs sectors, both of which are expected to support employment and growth.

Nevertheless, our clients remain challenged by rising food prices, rising fuel prices, disruptions to supply chains and elevated inflation. Overall, we remain cautious with respect to the operating environment in 2023.

Co-operative Bank will continue to support the agricultural sector's resilience and enhanced production, MSMEs, climate and energy efficiency, and working towards a more inclusive society.

Acknowledgement

First, I would like to sincerely thank our customers and shareholders, whose trust and confidence have made all our achievements possible.

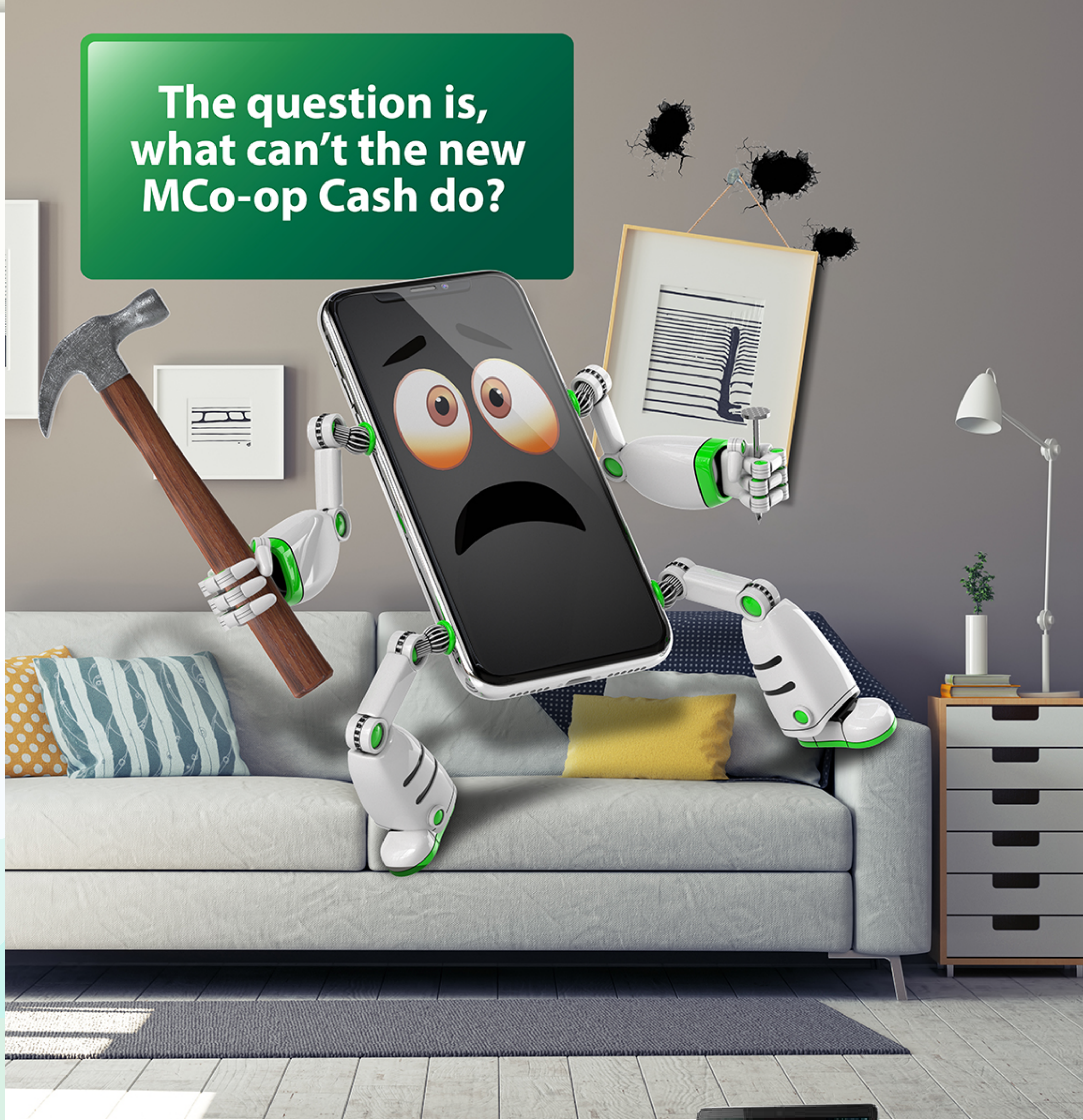
On behalf of the Board of directors, I also wish to recognize the unwavering support and dedication shown by the Board of Management led by the Group Managing Director & CEO Dr. Gideon Muriuki, CBS, MBS, and the entire Co-operative Bank Group team.

Finally, I would like to appreciate my fellow Board Members for their service, loyalty and commitment to duty in serving the Bank with me.

May God bless The Co-operative Bank; may He bless you all.

Mr. John Murugu, OGW
Chairman

About this Integrated Report | Our Leadership | Co-op Bank Model | Our Capitals | Operating Environment | Strategic Focus Review | Environmental, Social and Governance (ESG) | Financial Statements



About this Integrated Report | Our Leadership | Co-op Bank Model | Our Capitals | Operating Environment | Strategic Focus Review | Environmental, Social and Governance (ESG) | Financial Statements

Ujumbe wa Mwenyekiti

John Murugu, OGW

Wapendwa Wanahisa,

Ni furaha kubwa kwa mara nyingine kuweza kuwasilisha Repoti Jumuishi ya benki yetu kwa kipindi kilichomalizikia tarehe 31 Disemba 2022.

Muhtasari wa Mazingira ya kazi

Uchumi wa Kenya uliendelea kuimarika mwaka wa 2022 baada ya mkurupuko wa janga la Covid-19. Pato la taifa (GDP) lilitarajiwa kukua kwa asilimia 5.6 mwaka wa 2022 kutokana na ongezeko kubwa la huduma na tasnia. Ufufuaji huu ulipunguzwa na mtingishiko wa bei za bidhaa duniani, ukame wa muda mrefu na hali isiyoeleweka vile nchi itakuwa baada ya uchaguzi Mkuu. Uwezo wa pato la kilimo kwa uchumi wa nchi ulipungua kwa kiwango cha asilimia 0.3 katika mwaka wa 2022. Na kwa sababu pato hili kutoka kwa shughuli a kilimo ni sehemu kubwa ya pato la nchi nzima kwa jumla, upungufu wa pato hili ulizoorotesha ukuaji wa uchumi wa nchi kwa jumla.

Ukame unaozidi kuendelea na ongezeko la gharama na maisha kwa jumla umeasiri vibaya familia nyingi kote nchini. Nyingi kati yao zimeeleza ongezeko la bei kwa mahitaji muhimu ya nyumbani. Kwa sababu ya hali hii, Benki Kuu ya Kenya imeingilia jambo hili mara tatu tangu mwezi wa May Mwaka wa 2022 na imewezesha hali hii kuthibitiwa. Ongezeko la vyakula pia linatarajiwa kutokana na hali ya kuagiza kutoka nchni zingne bila kutozwa ushuru na ongezeko la mavuno ya humu humu nchini.

Shilingi ya Kenya ilipungua thamani kwa kiwango cha asilimia 8.6 mwaka wa 2022 – kutoka KShs. 113.14 hadi KShs. 123.47. Kupungua huku kwa thamani ya shilingi kulitokana na gharama za uagizaji wa mafuta na vyakula ambavyo bei zao zilikuwa zimepanda sana. Uagizaji wa biidhaa kutoka nje uliongezeka kwa kiwango biashara za aina nyingi zinazoendelea kuibuka na kuboreka kati ya nchi hizi ndogo na zile kubwa kama USA.

Sekta ya benki imeendelea kuimarika na kuwa na uwezo mkubwa zaidi wa kufanya biashara. Kiwango cha mikopo ambayo waliokopa wana shida na malipo kilikuwa asilimia 13.3 mwisho wa mwaka wa 2022 ukilinganisha na asilimia mwaka 13.1 mwisho wa Desemba 2021. Kwa jumla, ulipaji wa mikopo na ukusanyaji wa malipo mengine uliendelea kuimarika katika sehemu zote ingawa kuliendelea kuwekwa kwa tahadhari kwa mikopo ambayo hailipiki inavyotarajiwa. Rasilimali ya benki ilikua kwa kiwango cha asilimia 10 katika mwaka uliomalizikia Disemba 31, 2022 kutoka kwa kiwango cha chini cha KShs. trillion 6 na kufikia kiwango cha juu cha KShs. Trillion 6.6. Ukuaji huu mkubwa wa rasilmali ulitokana na matumizi ya tekinologia, ubunifu wa njia mpya katika mifumo yetu ya kutenda kazi na kuweko na pesa za kutosha kufanyia kazi zetu zote.

Ukopeshaji watu pesa na biashara za kibinafsi pia uliongezeka kwa kiwango cha asilimia 12.5 mwaka wa 2022 ikilinganisha na asilimia 8.6 mwaka wa 2021. Ongezeko kubwa likiwa ni katika utengenezaji wa bidhaa, sekta za uchukuzi na mawasiliano, biashara, ununuzi na uuzaji unaoendelea ndani ya biashara za rejareja,

Ingawa hali ya uchumi ni nzuri kwa jumla na kwa sasa, uzuri huo unategemea hali zingine zilizoko na ambazo zinaweza kuharibu uchumi kwa njia tofauti. Hizi ni pamoja na kwamba bidhaa zingine muhimu kama vile mafuta ya petrol, ngano, mbolea ni lazima ziagizwe kutoka nje jambo ambalo linazorotesha uchumi kwa njia kadhaa. Tuemeona wazi wazi vile vita vya Ukraine vilivyochangia kutuharibika kwa uchumi wetu.

Mazingira ya Mabadiliko

Ndani ya mwaka mmoja, Kamati inayosimamia uchumi na inayojulikana kwa kifupi kama 'MPC' ilikutana mara 6 ajenda yake kubwa ikiwa ni kuona vile ingethibiti mifumuko ya bei. Katika hali hii, mwezi wa Mei na Septemba 2022 kuliongeza kiwango cha malipo haya kufikia asilimia 7.50 na asilimia 8.25 mtawaliwa. Wakati wa mkutano wao wa mwisho mwezi wa Novemba 2022 waliongezea *bps* 50 kwa asilimia 8.75 huku kiwango cha pesa taslimu kikiachwa pale pale kwa kiwango cha asilimia 4.25.

Benki Kuu ya Kenya pia imekuwa na shughuli nyingi katika jitihada za kuimarisha hali ya usimamizi kwa wanaokopesha pesa kwa njia za kidijitali. Mapema mwaka huu, waliweza kutangaza katika Kenya *Gazette* mikakati ambayo itatumika kufanya biashara hii. Tumekaribisha vyema jambo hili kwa sababu litaboresha usimamizi na kutolewa kwa leseni za shughuli hii. Benki Kuu ya Kenya tayari imetoa mfumo ambao utatumika kufanya biashara hii kote Kenya. Hatua hii itawezesha idadi kubwa zaidi ya Wakenya kufurahia hali bora na ya haraka ya kupokea na kufanya malipo.

Zaidi ya hivyo, Benki Kuu ya Kenya imeanzisha mufumo unaojulikana kama *Credit Repair Framework* kwa matumizi ya mashirika ambayo yako katika biashara hii wakati wanakumbwa na shida za mikopo ambayo imekuwa migumu kulipika. Mpango huu unaturuhusu kufanya mapatano mapya kwa wale ambao wamewekwa katika hali hizi na madhara ya Covid 19. Tunatambua kwamba madhara haya bado yanaendelea kuasiri wateja wetu wengine hadi sasa. Kwa hivyo tumejitoa kuwa msaada kwao wakati huu ambao wanang'ang'ana na kujenga upya hali za uwezo wao wa kukopa pesa. Lengo letu ni kuweza kutambua hali ya mdeni wetu mbele ya hali hiyo kutokea. Mwisho, tunatambua hali ya yaliyofanyika mwaka jana ya biashara nyingi za pesa kuungana pamoka ili kuongeza uwezo wao wa kufanya biashara. Umoja ni nguvu. Utengamano ni udhaifu. Inaamika kwamba, katika kanda nzima, Kenya ndiyo yenye nafasi nyingi na bora zaidi za biashara kuweza kufanya biashara zifaulu zaidi.

Ugumu wa kutimiza wajibu wetu kibiashara

Tunatambua kwamba tumo katika biashara yenye masharti mengi. Hali kadhalika, Co-operative Bank inatambua umuhimu wa kufanya biashara kwa njia ambazo zinakubalika ki-nchi na ki-mataifa. Bank yetu inskataa katakata kufanya biashara katika hali za fiche-fiche. Wakugugenzi na wafanyakazi wetu wote, hushiriki mafunzo ya mara kwa mara juu ya sheria na mambo yote mapya yanayohusu biashara hii kukiwa na lengo la kuwaweka katika hali ya tahadhari kwa jambo lo lote linalohusiana na utenda kazi wao.

Co-operative Bank Group inaongoza katika kutambua na kuweka vigezo vinavyoweza kufichua na kuzuia wizi na ukora fiche wa kuchukua na kupeana hongo. Hali hii ya upekuzi wa kudumu inakuza tabia ya uamifu katika shughuli za huduma zetu zote. Tuna imani kubwa juu ya tabia nzuri za wafanya kazi wetu kwa sababu huu ni wakati ambao wawekezaji wengi wanapenda tu kujihusisha na watu au biashara zenye maadaili bora. Nasi lengo letu la kibiashara, leo hata kesho, ni kuwa washiriki na washirikishwa biashara zilizo tayari kujengana nasi kimaadili ya kibinafasi na ya kibiashara.

Maelezo ya tulivyoendesha biashara

Kulingana na utaalamu wa mahesabu ya pesa, mapato yetu kwa jumla yaliongezeka kwa kiwango cha asilimia 4.7 na kufikia Shilingi Billion 607.2 mwisho mwaka wa 2022 ikilinganishwa na Shilingi Billion 579 mwisho wa mwaka wa 2021. Tuna furaha pia kutangazwa faida ya kiwango cha Billion 29.4 kabla ya kutozwa kodi likiwa ni ongezeko la asilimia 30 zaidi ya lile la mwaka wa 2021 la Sh. Billion 22.6 . Hali hii inathibisha kwamba wawekezaji wetu walipokea pato zuri la asilimia 21.2 ya kiwango cha pesa kila mmoja alichowekeza.

Kufaulu kwetu kibiashara ni thibitisho la kufaulu kwa mikakati yetu yenye lengo ya kuboresha, kuimarisha na kukuza biashara, mikakati ambayo Co-op Bank imeweka kutumika kwa shughuli zake zote, nchi yote, mwaka wote. Uongozi na usimamizi wa vile shughuli zote za Co-operative Bank zinavyoendeshwa ni jukumu la Wakurugenzi wa Bank hii - mmoja mmoja, ama wote kwa pamoja.

Maamuzi tuliyofanyia nayo biashara

Wakarugenzi wetu ndio wenye mwongozo wa vile tutafanya kulingana na sheria za nchi na matarajio ya wawekezaji wetu. Wakurugenzi wetu pia ni watu wanaoelewa na kufanya biashara kunakozingatia maadili mema ya biashara vile yanavyotambulikana na kuheshimila kote duniani.

Benki yetu inatambua na inakaribisha Wakurugenzi wa taaluma na uzoefu mbalimbali kama msingi wa mazungumzo yenye upana na undani ambao utasidia sana katika mijadala ya kupanga mikakati mema ya kuiongoza biashara hii yetu. Hali Mashauri yetu ya Wakurugenzi ina watu wenye uwezo tofauti tofauti jambo ambalo linachangia kwa kiasi kikubwa ubunifu wa sera bora za uendeshaji wa shughuli zetu kwa muda mrefu ujao.

Halimashauri yetu iko na Wakurugenzi kumi na watatu mmoja wao akiwa ni Mkurugenzi Mkuu ambaye ndiye peke yake mfanya kazi raasmi wa Co-operative Bank. Wakurugnzi wetu ni watu ambao wanatambua umuhimu wa maadili bora katika kazi yao na wanaunga mkono kwa dhati uwazi na usimamizi usio na madoadoa katika shughuli zote za pesa.

Ruzuku kuidhinishwa na Mkutano wa Mwaka wa Wanahisa

Utenda kazi wetu mzuri ni kielelezo wazi cha juhudi zetu za kutaka Wanahisa wafaidike kwa pato kubwa zaidi kwa uwekuzaji wao. Kwa sababu hiyo, Wakurugenzi wamependekeza Wanahisa walipwe Kes. 1.50 kwa kila hisa - ikitegemea kuidhnishwa na wanosimamia malipo haya pamoja na Wanahisa kutakikana kuidhinisha pendekezo hilo katika Mkutano wa Mwaka utaofanywa kupitia kwa mtandao siku ya Ijumaa tarehe 19 Mei, 2023.

Mazingira, Jamii na Utawala (ESG)

Bank yetu imeidhinisha upya mtazamo wake juu ya mazingira bora, uhusiano mzuri wa jamii na utawala usiodhulumu watu. Wakurugenzi wetu wamepewa mamlaka ya kusimamia hali hii kwa pamoja kama Baraza la Wakurugenzi.

Co-op Bank imejitolea kubadilisha maisha na kuwa shirika linalowajibika. Banki hii inaamini kwamba maendeleo endelevu na ukuaji wa faida endelevu yanahusiana kwa karibu na husababisha kuwe na hali bora zaidi katika uchumi, jamii na mazingira.

Tumechapisha taarifa yetu ya sera za ESG ambayo itaongoza shughuli zetu kwa jumla. Tumejitolea kikamilifu kwa maendeleo endelevu ili tuweze kufurahia hali bora zaidi kwa mazingira, kwa jamii na kwa utawala bora usio na dhuluma.

Sifa na Pongezi

Katika mwaka wa 2022, tulipata sifa ndani na nje ya nchi. Benki hii ilishinda katika Tuzo za Kichocheo cha Fedha Endelevu za Chama cha Mabenki cha Kenya 2022, kuibuka Mshindi wa Jumla katika vitengo sita ikiwa ni kutokana na kuimarisha mipango endelevu ya kifedha katika shughuli zetu na taratibu za utoaji mikopo.

Utafiti wa Kuridhika kwa Wateja wa KBA ulipata benki hii kua Bora kwa Jumla katika Uhusiano wa Kuridhisha kwa Wateja kutoka kwa benki 38 wanachama. Katika tuzo za EMEA African Banking Awards 2022, benki hii ilitajwa kuwa Benki Bora nchini Kenya na Meneja Bora wa Mali nchini Kenya (Co-optrust Investment Services). Wakati wa Tuzo za 18 za Usimamizi wa Nishati (EMA) 2022, tulitambuliwa katika vitengo vitatu zikiwa ni pamoja na Tuzo ya Akiba ya Umeme – Wateja Wadogo, Tuzo la Sekta ya Huduma na Tuzo Bora la Mshiriki Mpya. Utambuzi huu unathibitisha imani yetu kwa mtindo wa benki ya ushirika kama kielelezo endelevu zaidi cha ukuaji jumuishi.

Mtazamo

Matarajio ya ukuaji wa muda wa kati wa Kenya, yanasalia kua chanya huku pato la kitaifa (GDP) likitarajiwa kukua kwa asilimia 5.2 kwa wastani mwaka wa 2023-24, hata kukiwa na majanga ya sasa ya kimataifa na humu nchini. Kwa msingi,kunatarajiwa ukuaji imara wa mikopo kwa sekta binafsi, afueni katika uzalishaji wa kilimo, bei ya juu ya bidhaa zinazofaa kwa mauzo ya nje ya Kenya. Maendeleo haya kwa upande wake, yanatarajiwa kuchochea uwekezaji wa kibinafsi ili kusaidia ukuaji wa uchumi katika muda wa kati.

Matumaini haya yanachangiwa kuendelea kuimarika kwa sekta binafsi na athari za afua za serikali katika sekta ya kilimo na MSME, zote zikitarajiwa kusaidia ukuaji na ajira.

Hata hivyo, wateja wetu wanasalia na changamoto ya kupanda kwa bei ya za vyakula, kupanda kwa bei ya mafuta, usumbufu wa ugavi na mfumuko wa bei. Kwa jumla, tunaendelea kuwa waangalifu kuhusiana na mazingira ya uendeshaji mwaka wa 2023.

Benki ya Co-operative itaendelea kuunga mkono ustahimilivu wa sekta ya kilimo na uimarishaji wa uzalishaji, MSME, hali ya hewa na ufanisi wa nishati, na kufanyia kazi jamii shirikishi zaidi.

Kukiri

Kwanza ningependa kuwashukuru kwa dhati wateja wetu na wanahisa ambao Imani yao imefanikisha mafanikio yetu yote.

Kwa niaba ya bodi ya wakurugenzi, napenda pia kutambua uungaji mkono usioyumba na kujitolea unaonyeshwa na bodi ya usimamizi ikiongozwa na Mkurugenzi Mkuu na Afisa mkuu Mtendaji Dr. Gideon Muriuki, CBS, MBS na timu yote kwa ujumla.

Hatimaye ningependa kuwashukuru wajumbe wenzangu wa biodi kwa utumishi wao, uaminifu na kujitolea kwao katika kutumikia Benki pamoja nami.

Mungu ibariki Co-op Bank; na awabariki nyote.

Mr. John Murugu, OGW
Mwenyekiti

About this Integrated Report | Our Leadership | Co-op Bank Model | Our Capitals | Operating Environment | Strategic Focus Review | Environmental, Social and Governance (ESG) | Financial Statements

About this Integrated Report | Our Leadership | Co-op Bank Model | Our Capitals | Operating Environment | Strategic Focus Review | Environmental, Social and Governance (ESG) | Financial Statements

Board of Directors

John Murugu, OGW

Chairman (72)

Joined the Board of Directors on 27th May 2015 and became the Bank Chairman on 1 October 2017. He is a leading banker and public finance expert; served as the Director Debt Management Ministry of Finance - Treasury. He has previously been an alternate director for the Permanent Secretary-Treasury, in Kenya Commercial Bank, Industrial Development Bank, and at Jomo Kenyatta University of Agriculture and Technology.

He has over 25 years of banking experience at the Central Bank of Kenya notably as the Director Bank Supervision. He holds a Bachelor of Education Degree and Master of Arts in Economics and is an Associate of the Chartered Institute of Bankers (ACIB).

Macloud Malonza, MBS, HSC

Vice Chairman (54)

Joined the Board of Directors in 2005 and became the Bank Vice Chairman on 1 October 2017. He is notably the Chairman of Co-opholdings Co-operative Society Ltd, the 65% strategic investor in the bank.

He holds a Bachelor of Arts degree, a Masters in Organizational Change and Development, Master of Business administration, Post-graduate Diploma in Management and Information Systems, Certificate in Strategic Planning and Management and CPS 1. He has also attended Senior Management and Strategic Leadership Development Courses. He has served in various positions in the Civil Service and is Chairman of Harambee Co-operative Society Limited that serves employees of the various Government departments under the Office of the President. He is a director in Kingdom Bank Ltd.

Dr. Gideon Muriuki, CBS, MBS

Group Managing Director & CEO (58)

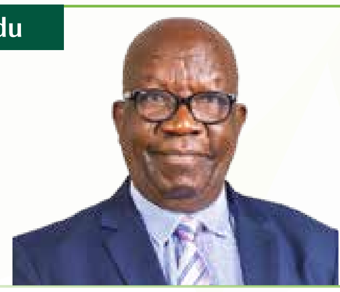
Appointed Managing Director in 2001 and has presided over the Bank's turnaround from a massive loss position of KShs. 2.3 billion in the year 2000, to a profit before tax of KShs. 29.4 Billion in 2022. He joined the Bank in 1996 as a Senior Corporate Manager then became Director, Corporate and Institutional Banking in 1999 before his appointment as Managing Director in 2001 with a clear mandate to return the Bank into profitable trading. He holds a Bachelor of Science degree in Mathematics and is a Fellow of the Kenya Institute of Bankers. He has over 34 years' experience in banking and finance.

Former Chairman, Governing Council of the Africa International University, and former Chairman, African Rural and Agricultural Credit Association (AFRACA). He was decorated in 2005 with the award of Order of the Grand Warrior (OGW), in 2011 award of the Moran of the Order of the Burning Spear (MBS), in 2017 with Chief of the Order of the Burning Spear first class (CBS) in recognition of his successful turnaround of the Bank and exemplary service to the nation. He is a recipient of a decoration of Chevalier de L'ordre National du Burkina Faso by the President of Burkina Faso in recognition of his outstanding contribution to development of rural finance in Africa. He was voted CEO of the year Africa 2014 by the International Banker. In 2016, awarded Lion of Judah Award by Evangelical Alliance of Kenya and Mtumishi Bora Grand Award by the Kenya Christian Professionals Forum for his great servant leadership as a committed Christian leader in the marketplace.

In 2018, he was awarded Best Banking CEO Kenya by International Finance and awarded Banking CEO of The Year by EMEA Finance – African Banking Awards in 2021. Awarded first Honorary Doctorate in Business Management in 2011 from Kabarak University for Business Leadership. In 2022, awarded a 2nd Honorary Doctorate from the Co-operative University of Kenya to recognize his contributions to Banking and the Co-operative sector and was conferred a 3rd Doctor of Humane Letters (Honoris Causa) - DLitt. of The Africa International University.

Patrick K. Githendu

Director (69)



Joined the board in 2017 having served in the Board of Co-optrust Investment Services Ltd since 1998 and the Board of Co-op Consultancy & Bancassurance Intermediary Ltd since 2009.

He is a businessman, with vast experience particularly in the coffee industry. He is the Vice Chairman of Co-op holdings Co-operative Society Limited and Director of Kingdom Securities Limited. He is a Director in Kenya Co-operative Coffee Exporters (KCCE).

Weda Welton (Mrs.)

Director, Independent (64)

She is currently an independent Human resources consultant / Private business. She is a former Director-Human resources with the Bank and retired in the year 2014 after an exceptionally decorated career with the bank spanning over 20 years. She has over 35 years' experience in Human Resource Management in banking and financial sectors.

Mrs. Welton holds a Bachelor's degree in Arts from the University of Delhi, a diploma in International Law and Diplomacy and a Masters degree in Human resources management and development from Manchester University, UK.

She has been a member of the Human resources committee of the Kenya Bankers Association, IPM(K) and Kenya Institute of Management. She diligently served the bank with dedication and commitment. She has also been a director of Menno Plaza Ltd. and a trustee of the bank pension scheme. Mrs. Welton notably implemented the current bank structure in liaison with Mckinsey in the year 2014 just before she exited the bank. This restructuring through the 'Soaring Eagle' Transformation Agenda has seen to the great growth in the bank performance. She is the chairperson of the board audit committee.

Lawrence Karissa

Director, Independent (67)

Joined the Board of Directors on 27th May 2015. He has over 25 years experience in banking having previously served in various senior positions in Co-operative Bank of Kenya.

He has previously worked for PricewaterhouseCoopers. He holds a Bachelor of Commerce degree in Accounting and is a Certified Public Accountant of Kenya CPA (K). He is the Chairman of the Staff and Nomination Committee.

Julius Sitienei

Director (68)

He joined the Board of Directors in 2003. He is a businessman and an educationist with over 20 years experience in the teaching profession before he took leadership positions in the management of co-operative societies. He is a Director of Co-opholdings Co-operative Society Limited and the Chairman of Kingdom Securities Limited. He holds a Bachelor of Business Administration degree in Human Resources Management. He is a director in Kingdom Bank Ltd.

Benedict W. Simiyu

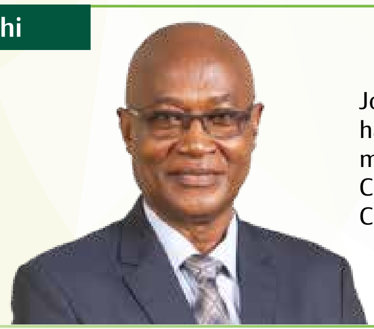
Director (61)

Joined the Board of Directors in 2014. He is an Educationist and holds a Diploma in Education Management. He has also attended various management courses. He is a non executive Board member of Ng'arisha Sacco (Former Bungoma Teachers Sacco). He is a Director of Co-op holdings Co-operative Society Limited.

About this Integrated Report | Our Leadership | Co-op Bank Model | Our Capitals | Operating Environment | Strategic Focus Review | Environmental, Social and Governance (ESG) | Financial Statements

Richard L. Kimanthi

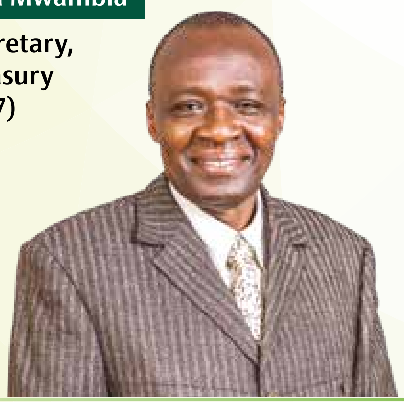
Director (66)



Joined the Board of directors in 1994. He is a businessman and has served in various leadership positions in the cooperative movement for a considerable period. He holds a Diploma in Cooperative Management. He is a Director of Co-op Holdings Co-operative Society Limited.

Wanyambura Mwambia

Principal Secretary, National Treasury appointee (67)



He was appointed a director on 7th August 2013, as the alternate to the Principal Secretary - National Treasury. He is the Deputy Director Economic Affairs in charge of Tax and Administration and private Sector issues and holds a BA (Hons) in Economics and Sociology from the University of Nairobi and an MA in Development Economics from Dalhouse University Canada. He has had a successful career in the Civil service for a period of over 33 years in the Ministry of Foreign Affairs and Ministry of Finance & Planning. He has brought a wealth of experience in finance and management from the public sector (Government departments) under the Office of the President. He is the Chairman of the Board Risk Committee.

Wilfred Ongoro, HSC

Director (67)

Joined the Board of directors in 2006. He is an educationist with over 20 years experience and has served the Co-operative Movement in various positions. He is a Director of Co-op holdings Co-operative Society Limited.

Margaret Karangatha (Mrs.)

Director (62)

She was appointed as a director of the Bank on 24th September, 2019. She is the Executive Director of The Lead Consortium Ltd and has over the last 25 years been consulting in Kenya and many African countries. She is an Executive Coach and mentor, and a Facilitator/ Organizational Development Consultant in disciplines such as Health Care Industry, Publishing, Engineering, Real Estate, Educational Institutions, and Floriculture among others. She has served in several boards with the current being the outgoing Board Chairman of the Navigators Economic Transformation Facility and Regional Treasurer of Scripture Union Africa.

She specializes in Organizational Planning, Leadership and Human Resources Management and Finance for Finance and Non-Finance Managers. She has worked as a Management Coordinator for United Bible Societies overseeing work in over 34 Countries in Africa for 15 years and is an Associate Consultant with AMREF, CORAT and Kenya Institute of Management (KIM). Mrs. Karangatha holds a Bachelor's degree in Commerce (Accounting Option) from the University of Nairobi, a Master's degree in Business Administration (MBA, Strategic Management) from United States International University and is a Certified Public Accountant – Kenya (ICPAK). She is the Chairperson of the Board Credit Committee and Chairperson Kingdom Bank Limited.

Godfrey K. Mburia

Director (66)

Joined the Board of directors in 2017, having served in the Subsidiaries Board since 2004. Has been a director of Golden Pillar Sacco Society (formerly Imenti Sacco Society) since 1985 and Chairman for the last 20 years. He is also the Chairman of Imenti Housing Co-operative Society from its formation in the year 2005. He is an Accountant by profession and served as Head of Finance, Meru Central Farmers Union. He is a Director of Co-op holdings Co-operative Society Limited and the Chairman of Kenya Co-operative Coffee Exporters (KCCE).

Francis Ngone

Director (68)

Appointed director on 27th April 2018. He has extensive knowledge and experience in the Co-operative Movement and is currently the Chairman of Muranga Farmers' Co-operative Union, one of the largest co-operative unions in Kenya and the Chairman of Gatunyu Kigio Farmers Co-operative Society Limited.

He is the current Chairman of Catholic Men Association in the Catholic Diocese of Muranga and the General Secretary of Catholic Men Association in Kenya. He holds a Diploma in Business Management and CPA II. He has previously worked for Cotton Board of Kenya as a Branch Manager and Kenya Post & Telecommunication as an accountant for a period spanning over 20 years cumulatively.

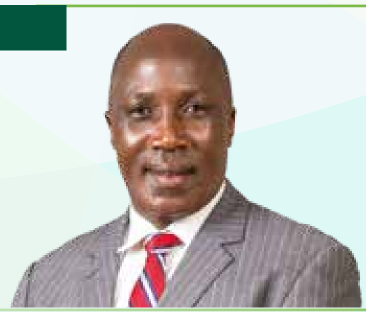
David Muthigani Muriuki

Director (54)

Joined the boards of the subsidiaries in May 2014. He is a businessman and a coffee farmer, with vast experience in farm management and coffee production. He is the Chairman of Kibirigwi Farmers Co-op Society. He is a Director of Co-opholdings Co-operative Society Limited.

James N. Njiru

Director (55)



Joined the boards of the subsidiaries in May 2014. He is a businessman and an Educationist. He holds a Diploma in Business Management and has experience in Co-operative Movement. He is a Director of Co-opholdings Co-operative Society Limited. He is also a Director in CIC Insurance Group, Chairman Co-operative Insurance Society and Chairman of Nawiri Sacco.

Scholastica Odhiambo (Mrs.)

Director (63)

Joined the boards of Co-optrust Investment Services Ltd in 2005 and Co-op Consultancy and Bancassurance Intermediary Ltd in 2008. She served at the Ministry of Finance and the Kenya Revenue Authority as a Revenue Officer for over 32 years. She holds a Bachelor of Business Administration and a Diploma in Corporate Governance from the KCA University. She is a Director of Co-opholdings Co-operative Society Limited.

Geoffrey M'Nairobi

Director (67)

Appointed director on 27th April 2018. He has extensive knowledge and experience in the Co-operative Movement and is currently the General Manager of Meru South Farmers' Co-operative Union Limited, one of the largest co-operative unions in Kenya, with over 31 years' experience. He is also a member of the Board of Management of Muthambi Girls High School and Chief Mbogori Girls High School.

He has attended various local and international courses on Co-operatives with emphasis on dairy and coffee management sectors. He has a Diploma in Senior Co-operative Management.

Mr. David K. Obonyo

Director (55)

Mr. David K. Obonyo is a career civil servant who joined the Board of Directors in year 2021. He is a holder of Masters of Arts (Rural Economics and Co-operation) from Bundelkhand University, India, Bachelor of Arts in Sociology and Political Science from Agra University in India and a Diploma in Industrial Relations from Indian School of Labour Relations. He has also attended various local and international courses on strategic leadership, Co-operative and SME Management. He is the current Commissioner for Co-operatives Development.

He has over 27 years working experience in Co-operative Movement having worked as a District Co-operative Officer in Kiambu, Maragua, Nyandarua and Machakos, Provincial Co-operative Officer – Eastern Province, County Commissioner for Co-operatives – Embu County, Head of Extension Services at the Ministry of Industry, Trade & Co-operatives and acting Chief Executive Officer/Secretary at the Ethics Commission for Co-operative Societies Board. He is also a Board member at New Kenya Co-operative Creameries Limited and Sacco Societies Regularity Authority (SASRA) and a former Council Member of the Co-operative University of Kenya.

Michael M. Muthigani

Director (53)

Mr. Michael Muriithi was appointed a Director on 26th April 2019. He has extensive knowledge and experience in finance and accounting matters and has held various senior positions with Kenya Accountants and Secretaries National Examination Board (KASNEB) since 1994; notably Revenue Officer, Account Assistant, Accountant and is currently the Senior Accountant. He has also diligently served in the KASNEB Sacco in various capacities including as a Treasurer for 8 years.

He is currently pursuing a bachelor's degree at Moi University School of Business and is a Certified Public Accountant. Mr. Muriithi is the current Vice Secretary of Saints Peter and Paul Catholic Church, Kiambu Town and a member of the Parish Pastoral Committee.

Samuel M. Kibugi

Company Secretary (46)

Has over 18 years experience as a lawyer and prior to joining Co-op Bank in 2008, he worked for a leading bank as a Legal Counsel. He is an Advocate of the High Court of Kenya, a member of the Institute of Certified Public Secretaries ICPS (K) and an Associate Member of the Chartered Institute of Arbitrators.

As the Company Secretary of the Co-op Bank Group, he has responsibility for overall provision of legal counsel and company secretarial services, fraud prevention and investigations. He is also the Trust Secretary for the Co-operative Bank Foundation, a corporate social responsibility vehicle of the Bank.

About this Integrated Report | Our Leadership | Co-op Bank Model | Our Capitals | Operating Environment | Strategic Focus Review | Environmental, Social and Governance (ESG) | Financial Statements

William Mayar Wol

Chairman (60)

He is a South Sudanese Citizen by birth and holds a Higher Diploma in Agriculture Economics from Agriculture College Sudan University of Science and Technology, a Bachelor of Science Degree from Agriculture Engineering College, University of Alexandria - Egypt. He has served in various capacities including acting Head Government Banking in Co-operative Bank South Sudan, field officer Ministry of Agriculture in Sudan, development and formation of Co-operatives in South Sudan's various states among others.

Elijah Wamalwa

Managing Director Co-operative Bank of South Sudan (49)

He has over 20 years banking experience and is one of the pioneers of Co-operative Bank of South Sudan where he worked from 2013 as Head of Credit & Risk Management, in 2015 as Head of Retail and Operations before being appointed Managing Director in 2017. He has served in various other capacities at the Co-operative Bank of Kenya as a Portfolio Manager, Head of Credit Administration and later as Head of Credit-Core Banking Implementation Team.

He holds a Master of Science Degree in Governance attained at International Leadership University (Kenya) and a Bachelor of Arts Degree from Egerton University (Kenya). He has additional qualifications in accounting and project management.

Prof. Mathew Gordon Udo

Director (64)

He was appointed a director of Co-operative Bank of South Sudan on 23rd August 2012. He is South Sudanese citizen by birth and currently is Under Secretary in the Ministry of Agriculture, Forestry, Co-operatives and Rural Development in charge of Administrative Affairs, Planning and Forestry Development.

He has a strong base and wide knowledge in different fields of agriculture and natural resource management and has served in various capacities in both the academic field and Civil service in South Sudan spanning a period of over 30 years. He holds a MSc. (Agric) Animal production from the Sokoine University of Agriculture Morogoro Tanzania and a B.A. SA (Hons) Agriculture (animal production) from Gezira University of Agriculture wad Medani Sudan. He was appointed Professor of animal genetics and animal breeding – CNRES University of Juba, a position he continues to hold.

Hon. Angelo Deng Rehan

Director (48)

He was appointed Director of Co-operative Bank of South Sudan on February, 28th 2022. He is a South Sudanese citizen by birth and currently the Undersecretary in the Ministry of Finance and Planning. He is an experienced Government official with over 17 years in the Ministry of Finance and Planning.

He holds a Masters of Arts in Economic Development & Policy Analysis, Bachelor's Degree in Business Administration, Diploma in Business Management and an advanced certificate in Business Management.

About this Integrated Report | Our Leadership | Co-op Bank Model | Our Capitals | Operating Environment | Strategic Focus Review | Environmental, Social and Governance (ESG) | Financial Statements

Group Managing Director & CEO Statement

Dr. Gideon Muriuki, CBS, MBS

Dear Shareholders,

Introduction

It is my privilege to present our Integrated Report for the year 2022. I take great pleasure in writing this letter as we assess the past year's activities, achievements and challenges.

I am proud of what Co-op Bank Group and the 4,864 employees have achieved, collectively and individually. As a nation, and across the globe, we shook off the anxieties of the Covid-19 pandemic and emerged as a more resilient people. The impetus to innovate and co-create solutions driving financial inclusion across the region continue to bear fruit - further affirming our universal banking model transforming the lives of millions. We are a cornerstone of financial services in the region enabling our clients to save, borrow, invest and mitigate risks– bringing people, companies, and communities together to actualize their dreams.

A winning Bank

Our enduring commitment to the transformation agenda was recognised by the African Banker Awards in 2022 where Co-op Bank was recognised as the Best Regional Bank – East Africa. Furthermore, Co-op Trust Investment Services Ltd (CISL) for the second-year running was recognised as the Best Asset Manager in Kenya by EMEA African Banking Awards 2022. CISL, celebrates 25 years this year and is the largest indigenous asset management firm in Kenya with asset under management of KShs. 197 Billion. For the third time in five years, Co-op Bank was awarded the overall title of the "Most Sustainable Bank" at the Kenya Bankers' Catalyst Awards 2022. Our efforts towards innovation, sustainable finance, solutioning for our commercial and MSME clients, and supporting our clients through the Covid-19 pandemic affirmed the integration of social sustainability and environmental stewardship in our business model. These commendations affirm the market confidence in the organisation and invigorate our passion for a multi-channel service to our clients anchored on distinguished customer experience, innovation, and efficiency.

The Bank has been recognised by the Kenya Bankers Association for the best in customer experience in the industry. This was based on customer experience ranking where respondents were asked to rank overall experience with their main Bank on a scale of 1 to 5. This recognition affirms us as we continue pursuing distinguished customer experience across all our channels.

State of the market

2022 embarked with strong tailwinds on the back of economic recovery from the Covid-19 pandemic. Mass inoculations, proactive government regulations and concerted community effort facilitated for widespread resilience. Lagging sectors such as hospitality and tourism demonstrated signs of recovery as international lockdown measures eased and countries opened their borders. Consumer and corporate confidence were strong.

In the year, challenges emerged from the geo-political conflict in Europe and hampered supply chains. Coupled with increased inflationary pressures from rising demand, the cost of living ticked upwards with commodity prices increasing. Global financial tightening through increased interest rates was stipulated to ease inflationary pressures. Further, depressed rainfall in the Horn of Africa has further exacerbated inflation within the region as agricultural output has been suppressed.

The Bank, in full appreciation of the plight of our community, joined with other Kenyans and donated KShs. 150 million towards the fund-raising supporting relief efforts aimed at assisting the families affected by the severe drought in various parts of the country. The lessons we all learnt from the pandemic were the profound effects of collaboration, compassion, and resilience in the face of perturbations. That we must work together to bring the best out of our communities.

The financial sector is a pivotal source of strength for the economy and the communities we operate, as we affirm economic stewardship. We have been championing the economic recovery in the region by partnering, facilitating, and creating solutions to enable our clients to fulfil their individual and business needs.

As we move into 2023, at the backdrop of a global transition from the COVID-19 pandemic period, locally; there is a broad optimism after a peaceful general election and government transition. We applaud the government's renewed focus on MSMEs, which is aligned to our Co-op Bank's capabilities and 1.9 million MSMEs to drive growth in this critical pillar of the economy. Investments in innovation and development of segment specific expertise continue to catapult our exceptional service delivery. Listening to our customers, we have deployed additional resources to expand our network within Kenya, with an additional 4 branches which we expect to break even in under a year. The reiterative feedback from our clients will guide the optimal expansion of both our physical and alternative channels to bolster the financial inclusion agenda in the coming year.

Performance Overview

Co-op Bank had a successful year in 2022 with a significant growth of 30 percent, reaching a record profit before tax of KShs. 29.4 billion compared to KShs. 22.6 billion in 2021. Our customer deposits also increased from KShs. 407.7 billion in 2021 to KShs. 423.8 billion in 2022, while loans and advances grew by KShs. 29.2 billion to KShs. 339.4 billion in 2021, a growth of 9.4 percent. Our income streams remained diversified with net interest income and non-funded income accounting for 63.9% and 36.1%, respectively. We achieved a total operating income of KShs. 71.3 billion, an 18 percent increase, driven by a 32 percent growth in fees and commission income. Net interest income also increased by 11 percent to KShs. 45.5 billion, attributed to increased yields from our lending and government securities investments. Despite an 11 percent increase in operating expenses from KShs. 38.1 billion in 2021 to KShs. 42.2 billion in 2022, we managed our costs well, with an improved cost to income (excluding provisions) ratio of 47.1 percent in 2022 compared to 49.9 percent in 2021.

Our performance is a testament of a sustainable business model that adapts to provide solutions for the opportunities and challenges of the season. The pillar of our success is our people; they are at the heart of serving our customers and stakeholders, innovating solutions, making strategic decisions, and managing risks. We are committed to driving our purpose which is to transform lives by creating sustainable long term shared value.

Transformational Journey

Co-op Bank's transformational journey is underpinned by enhanced operational efficiency, sales force effectiveness, cost management, digitisation & analytics, credit quality management and credit process improvement. Since 2014, institutional transformation has been embedded into the business practice, rhythms, and culture. This has augmented our ability to adapt, rethink and deploy resources in an ever-changing environment.

Our digitisation journey has enhanced our pace of innovation as we build on existing products and deliver them faster to markets. The MCo-opCash platform, hosting over 5 million customers, is a market leader and is positioned as the primary channel customers interact with us. Digital solutions have surpassed the conventional physical banking propositions by reaching our customers anywhere, anytime. Our alternative channels drive our liability mobilisation and offer unrivalled convenience for our customers. In the past year, we utilized MCo-opCash to distribute a substantial amount of KShs. 84.2 Billion, through 2.2 million loans. A notable portion of KShs. 25.4 Billion was allocated specifically to support the financial demands for MSMEs. Through the agency banking model, we saw a throughput of KShs. 196 Billion. These channels are drivers of our financial inclusion agenda, augmenting the branches as the cornerstone of distinguished customer experience. With 92% of transactions through alternative channels, we have refocused our branches to drive sales force effectiveness and higher value adding services for our customers.

Co-op Bank continues to invest in technology, capacity and innovation. We are currently undertaking a new, modern and robust core banking system change. We anticipate going live in 2023. The new core banking system will propel us into the next growth frontier. The project, spearheaded by ICT and Transformation teams, has benefited from the existing synergies and collaboration embedded in our Transformation experience. The new core banking system will bring about efficiency gains from reduced cost overlays, higher transaction speeds, enhanced customer experience and an enhanced pace of innovations to the market.

Strategic Focus

The Group's Corporate Strategic Plan 2020-2024 continues to guide the achievement of our Vision. It continues to guide our response to the competitive environment within which we operate and secures the value we have created over time, protecting it from the existing and emerging risks. We see growth opportunities in Kenya, our dominant market, but continually study other markets to seek opportunities for expansion in the region using our successful co-operatives Model. The Bank is the top provider of financial services to the 15-Million-member Co-operative Movement, a key area of financial inclusion. The Bank considers customer experience to be critical and has over the years invested heavily in ensuring optimal digitized customer experience through all our channels. We continue to focus on operating efficiency driven by digitization, innovative products & Processes, efficient business models, and staff productivity. Additionally, we ensure optimal Enterprise Risk and Compliance in the dynamic environment. The Bank has a renewed ESG focus as detailed below.

Risk

Management of enterprise risk and compliance is a primary focus for us. We proactively engaged with our regulators to ascertain that the group operates in compliance with guidelines and regulations. Alive to the threats of cyber risk, we have enhanced our capacity to detect, manage and neutralise these threats which is a chief concern across the industry. All bank staff undergo refresher courses on Anti-Money Laundering/ Combating the Financing of Terrorism (AML/CFT) to heighten awareness and capacity build our frontline and support officers. Through e-learning and physical training sessions, engaging discussions and shared experiences ensure we are abreast with emerging threats and best practices to appropriately mitigate risks.

The growth of a high-quality asset book is of vital importance. Tailwinds of the challenging macro-economic environment has seen industry non-performing loans (NPL) remain at 13.3 per cent. Co-op's NPL ratio improved from 14% to 13.74% (Bank 12.7% to 12.96%). The decentralisation of the portfolio to the front-line staff is the reason for this improvement as our business teams have championed growth, monitoring, and collection activities – enabling holistic relationship management of our customers. Project Connect and Build has positioned us to support and finance our clients through a post-covid environment where various businesses have witnessed tremendous growth. The ability to understand, co-create and deliver to our customers' needs gives us a competitive advantage in the market and enshrines customer loyalty. We continue to reap the benefits of our Credit Risk Adaptation Project dubbed 'Project Kilele' that enabled us to review our End-to-End assessment of credit risk management practices, frameworks and improve collections.

Environmental, Social and Governance (ESG)

As an organization, we are cognizant of the fact that the global social and environmental concerns will require all organizations to support their resolution. This is affirmed by our strategic focus number six that states "we shall have positive impact on the Economy, Society and the Environment".

To achieve this, we have a formal Board approved ESG Policy Framework focused on five key areas: ESG framework, Environmental & Social Management System (ESMS), ESG risk management, Climate-related risk management & integration and Sustainable Finance products.

We have integrated ESG into our usual business practices and established a dedicated ESG Unit to operationalise our ESG strategy. We have ESG champions across all divisions, control functions and subsidiaries of the bank to implement the ESG agenda. We have a formally appointed ESG Committee to enhance the operationalization of our ESG Policy Framework.

We are committed to addressing climate change and supporting the transition to a low carbon economy. Our enhanced ESG strategy will facilitate this transition by promoting financing geared towards a greener environment. We assess the transition from the opportunity and risk lenses, cognisant of the shared value that can arise for our customers, shareholders, and communities.

The Bank is fully committed to the implementation of the Central Bank of Kenya Guidance on Climate-Related Risk Management and the Nairobi Securities Exchange ESG Disclosure Manual.

Acknowledgement

I would like to extend my sincere appreciation to our shareholders and customers for their steadfast loyalty through the seasons. I reaffirm our commitment to serving you and our community.

I also most sincerely thank the Bank Chairman, Mr. John Murugu, OGW, and the entire Board of Directors for their wise counsel in steering the bank. Your guidance and support have been most critical.

Additionally, I wish to appreciate the Co-op Bank Group teams. Your efforts and commitment saw us overcome various challenges and scale to near frontiers, without which we would not have been able to meet this year's objectives.

Our shared purpose is to amplify this momentum even into the years ahead, I have every confidence that we will do it together.

May God tremendously bless you all.

Dr. Gideon Muriuki, CBS, MBS
Group Managing Director & CEO

About this Integrated Report | Our Leadership | Co-op Bank Model | Our Capitals | Operating Environment | Strategic Focus Review | Environmental, Social and Governance (ESG) | Financial Statements

When it comes to Agribusiness solutions we got you covered

At Co-operative Bank of Kenya we tailor make financial solutions to all players across agricultural value chains including:

Coffee, Tea, Dairy, Horticulture and Dry Cereals

About this Integrated Report | Our Leadership | Co-op Bank Model | Our Capitals | Operating Environment | Strategic Focus Review | Environmental, Social and Governance (ESG) | Financial Statements

Taarifa ya Mkurugenzi Mkuu na Afisa Mkuu Mtendaji wa Kundi

Dr. Gideon Muriuki, CBS, MBS

Wapendwa Wanahisa,

Ni wajibu wangu kupeana riporti hii inayoeleza shughuli zetu za kikazi ndani ya mwaka mzima wa 2022. Pia ni furaha kubwa kutoa riporti hii wakati ambapo tunaendelea na makadadirio ya utendakazi wetu kwa jumla, kujua tulivyofaulu na matatizo yaliyotukumba.

Ninajivunia vile Co-op Bank, Washiriki wetu ambao ni pamoja na Wafanyikazi 4,864 walivyoshikana mokono na kusismama wima dhidi ya mashambulizi ya Covid-19 na kuwa kielelezo bora sawa na ilivyofanyika kwingineko duniani Kartika harakati hizi za kupigna na janga hili la Covid 19.

Pamoja na hayo, juhudi zetu za kuleta mabadiliko na kubuni sera zinazowezesha jamii kutumia vyema huduma zetu za Benki, pia ziliendelea kufaulu. Mamilioni ya watu katika eneo hili sasa wanaaendelea kufahamu manufaa ya huduma zetu na wamefurahia kuanza kuzitumia. Co-op Bank imekuwa jiwe la msingi katika huduma hizi na imewezesha watu binafsi kuweka akiba, kupata mikopo, uwekezaji na kupunguza hatari za kifedha. Tunaleta pamoja watu binafsi, makapuni na jamii yote kwa jumla imeweza kupanga mikakati ya kutimiza ndoto zao za mapato na na matumizi bora ya pesa.

Co-op Bank ni Mshindi

Kutokana na kujitolea kwetu kikamilifu katika mazungumuzo ya mjadala wa mabadiliko katika ubunifu na ufasaha wa kuwahudumia wateja wetu, mwaka jana tulitambuliwa na African Bank Awards kuwa benki bora zaidi ukanda wa Afrika Mashariki. Zaidi ya hivyo, Co-op Trust Investment Services Ltd (CISL) inayomilikwa na Co-operative Bank, nayo kwa miaka miwili mtawaliwa imetambuliwa na kutuzwa na EMEA African Banking Awards kwa usimamizi bora zaidi wa mali za wawekezaji Kenya mwaka wa 2022. CISL inasherehekea miaka 25 tangu ilipobuniwa na ndiyo kampuni kubwa zaidi ya humu nchini na inasimamia mali ya takriban bilioni 197. K wa mara ya tatu ndani ya miaka mitano, Co-op Bank imeweza kutangazwa 'Most Sustainable Bank' katika Shindano la Kenya Bankers' Catalyst Awards 2022. Juhudi zetu katika ubunifu, kundeleza kifedha, usaidizi kwa wateja wetu katika MSME na biashara zingenezo, pamoja na zile ambazo wateja wetu walioadhirika na janga la COVID 19 inathibitisha ushirikiano wa kuendeleza jamii na utunzaji wa mazingira katika mfano wetu wa kuendesha biashara. Kutambuliwa kwenye soko kunathibitisha kuaminiwa kwetu kama shirika na kunatupatia shindikizo kuongeza juhudi zetu kupitia michakato ya kupeana huduma mwafaka kwa wateja wetu ndani ya sera za ubunifu na ufanisi wa biashara.

Co-op Bank imetunukiwa na kutangazwa na Kenya Bankers Association kuwa bora zaidi kwa huduma kwa wateja kwenye sekta hii. Tuzo hili ni kulingana na huduma kwa wateja, na ilipewa nafasi hii kutokana na walivyojibu walioulizwa kutoa maoni kuhusu huduma wanazopata kwa Benki zao kwa mizani ya kiwango cha chini zaidi cha (1) na cha juu zaidi (5). Tuzo hili linatuthibitisha tunapozidi kuimarisha huduma kwa wateja kupitia michakato yetu yote.

Hali ya Soko

Mwaka wa 2022 ulianza kwa kuboreka kwa uchumi baada ya mkurupuko wa janga la Covid 19. Kuchanjwa kwa umma kuzuia usambazaji wa Covid 19, kanuni za serikali na juhudi za pamoja za umma ziliwezesha uthibiti wa kuenea kwa Covid 19. Sekta zingine kama utalii, burudani na holteli zilipata afueni baada ya kupunguzwa kwa vikwazo vya kusafiri kimataifa. Matumaini ya wanunuzi na makampuni kwa jumla yalizidi kuongezeka.

Mwakani, changamoto ziliibuka kutokana na mzozo wa kijiolojia na kisiasa barani Ulaya na kusababisha kuzorota kwa usambazaji na ugavi wa raslimali. Pamoja na mfumuko wa bei kutokana na kupanda kwa mahitaji, gharama ya maisha na bei ya bidhaa muhimu iliongezeka. Kuongezeka kwa viwango vya riba kote ulimwenguni ulikusudiwa kuweka masharti yatakoyorahisisha hali ya uchumi kutokana na mfumuko wa bei. Zaidi na hayo, upungufu wa mvua katika pembe ya Africa ulizidisha mfumuko wa bei katika kanda hiyo kufuatia upungufu wa mazao ya kilimo.

Co-op Bank, baada ya kuthamini hali mbaya ya jamii, iliungana na Wakenya wengine kuchangisha milioni 150 katika jitihada za kunufaisha familia zilizo adhirika na baa la njaa sehemu kadha humu nchini. Tulijifunza mengi kutokana na janga la Covid 19 hususan umuhimu wa ushirikiano, kuwa na huruma kwa wengine na kujistahimili wakati wa majanga. Ni muhimu kufanya kazi pamoja ili kuleta kilicho bora zaidi katika jamii. Sekta ya fedha ni nguzo muhimu kwa uchumi na kwa jamii tunazofanya kazi na wao na inathibitisha uongozi wetu mwema kiuchumi. Tumeendelea kusaidia katika harakati za kuboresha uchumi katika kanda hii kupitia ushirikiano, kuwezesha na kutoa suluhu ili kuwezeshawateja wetu kutimiza mahitaji yao ya kibinafsi pamoja na yale ya kibiashara.

Tunaposonga mbele na mwaka wa 2023, tukiangazia tuliyopitia katika kipindi cha janga la Covid 19, humu nchini; kuna matumaini mema baada ya Uchaguzi Mkuu na kuweko kwa Serikali Mpya. Tunapongeza serikali kwa kuzingatia upya MSME, ambayo inalingana na uwezo wa Co-op Bank na MSME milioni 1.9 kuendesha ukuaji wa nguzo hii muhimu katika uchumi wetu. Uwekezaji katika ubunifu na kuendeleza sehemu maalum za utaalamu unazidi kuboresha utoaji wa huduma zetu za kipekee. Kwa kuwasikiza wateja wetu, tumeweka raslimali za ziada ili kupanua mfumo wetu humu nchini. Tumefungua matawi mengine manne, ambayo tunatarajia kwamba chini ya mwaka mmoja jumla ya mapato itakuwa sawia na jumla ya gharama katika matawi hayo. Kupata maoni kutoka kwa wateja mara kwa mara, itatupa mwongozo wa upanuzi wa miundo msingi na njia mbadala za kuimarisha ajenda ya ujumuishaji wa kifedha mwaka huu.

Maelezo ya Utendaji

Co-op Bank imekua na mafanikio muhimu mwaka wa 2022, kukiwa na ukuaji wa asilimia 30, kufikia rekodi ya bilioni 29.4 kulinganisha na bilioni 22.6 mwaka wa 2021. Amana ya wateja wetu pia iliongezeka kutoka bilioni 407.7 mwaka wa 2021 hadi bilioni 432.8 mwaka wa 2022. Kulikuwa pia na ongezeko la mikopo na malipo kabla ya bilioni 29.2 kufika bilioni 339.4 mwaka wa 2021, ambayo ni ongezeko la asilimia 9.4. Mapato yetu yalisalia mseto huku kukiwa na mapato halisi ya riba na mapato yasio fadhiliwa kuchangia asilimia 63.9 na asilimia 36.1 mtawaliwa. Tulifikia jumla ya shilingi bilioni 71.3 katika mapato ya uendeshaji, ongezeko la asilimia 18, kuendeshwa na ongezeko la asilimia 32 katika ada na malipo kwa ajili ya shughuli za biashara na huduma. Mapato halisi ya riba yaliongezeka kwa asilimia 11 kufikia bilioni 45.5, kutokana na ongezeko la mapato kutoka kukopesha serikali na uwekezaji kwa dhamana za serikali. Licha ya ongezeko la asilimia 11 kwa gharama za uendeshaji kutoka bilioni 38.1 mwaka wa 2021 hadi bilioni 42.2 mwaka wa 2022, tumeweza kudhibiti gharama vyema kwa kuboreka kwa uwiano kati ya gharama na mapato (ukiondoa masharti) kufikia asilimia ya 47.1 mwaka wa 2022 ukilinganisha na asilimia 49.9 mwaka wa 2021.

Utendaji kazi wetu ni thibitisho kwamba mtindo wetu wa biashara ni endelevu na umekusudiwa kutoa suluhu kwa changamoto na fursa zinazojitokeza kila mara. Nguzo kuu ya mafanikio yetu ni watu wetu binafsi, wako mstari wa mbele kwa kutoa huduma kwa wateja wetu na wanahisa, ubunifu wa suluhu mwafaka, maamuzi ya kimkakati na kudhibiti hatari. Tumejitolea kuendesha nia yetu ambayo ni kubadilisha maisha kwa kubuni ufanisi kwa pamoja kwa muda mrefu ujao.

Safari ya Mabadiliko

Safari ya mabadiliko ya Benki ya Co-op Bank imepigiwa mgongo na uimarishaji wa ufanisi kwa uendeshaji, ufanisi wa wafanyikazi wa mauzo, udhabiti wa gharama, mfumo wadigitali pamoja na uchanganuzi, usimamizi bora wa mikopo na uboreshaji wa michakato ya mikopo. Kuanzia mwaka wa 2014, mabadiliko ya kitaasisi yameambatishwa katika mfumo wa biashara, mdundo na utamaduni. Haya yamewezeshwa na uwezo wetu kubadili mawazo na kuweka raslimali kulingana na matakwa ya dunia inayobadilika kila kuchao.

Safari yetu ya kidijitali imeboresha mwendo wetu wa ufanisi wakati pia tukiimarisha bidhaa tulizonazo na kuzituma kwa haraka katika masoko. Mfumo wa MCo-opCash, ulio na wateja zaidi ya milioni 5, unaongoza umiliki wa soko na imekua njia msingi ambayo wateja wetu wanashirikiana nasi. Ufumbuzi wa kidijitali umepita ule mfumo wa kawaida wa matumizi ya benki kuwezesha kufikia wateja wetu kokote na wakati wowote. Njia zingine zetu mbadala zimewezesha uhamasishaji wa dhima na kutoa huduma kwa wateja wetu kwa njia rahisi na isio na upinzani. Mwaka uliopita, tulitumia MCo-opCash kusambaza kiasi kikubwa cha bilioni 84.2 kupitia mikopo milioni 2.2.

Kiwango kikubwa cha bilioni 25.4 kilitengwa hasa kusaidia matakwa ya kifedha ya MSME. Kutumia mfumo wa wakala wa benki, tulikusanya bilioni 196. Mifumo hii ndiyo vichochezi vikuu kwenye ajenda yetu ya ujumuishaji wa kifedha, kuthibitisha kwamba matawi yetu ndio msingi mkubwa wa kutoa huduma bora kabisa kwa wateja wetu. Kukiwa ni asilimia 92 za shughuli za kifedha hupitia njia hizi mbadala, tunaangazia matawi yetu kuendesha ufanisi wa timu ya mauzo na kuweka kiwango cha juu cha huduma kwa wateja.

Co-op Bank inaendelea kuwekeza katika teknologia, uwezo na ubunifu. Kwa sasa tunaanza kufanya mabadiliko kwa kuweka mifumo mipya na za kisasa pamoja na kubadilisha misingi ya benki. Tunatarajia kuwa hewani mwaka huu 2023. Mfumo huu mpya wa msingi utatuwezesha kuvuka mipaka katika azma yetu ya upanuzi. Mradi huu unaongozwa na timu za Habari Mawasiliano na Teknolojia pamoja na mabadiliko, umenufaika kutokana na kazi ya pamoja na uhusiano mwema kati ya idara zilipo kwa sasa kutimiza mabadiliko tunayotazamia kufanya. Mfumo mpya mkuu wa benki utaleta ufanisi na faida kutokana na kupungua kwa uwekeleaji wa gharama, kasi ya juu ya shughuli, kuimarika kwa huduma kwa wateja na pia kuimarisha kasi ya uvumbuzi katika soko.

Mtazamo wa Kimkakati

Mpango wa mikakati la shirika 2020 – 2024 unaendelea kua mwongozo wa kufanikisha maono yetu. Inazidi pia kutupa mwongozo vile tutawajibika katika soko lenye ushindani, kukinga thamani tuliounda kwa mda sasa, na kuikinga na hatari za sasa na zinazo ibuka. Tunaona nafasi za ukuaji nchini Kenya, ambalo ndilo soko letu kuu, lakini pia tunajifunza kuhusu soko zingine kwa ajili ya kutafuta nafasi za upanuzi katika kanda hii kupitia mfano wetu wa ushirika uliofanikiwa. Benki ya Co-op ndio mtoa huduma mkuu wa huduma za kifedha kwa mashirika milioni 15 wanachama wa harakati za ushirika, ambayo ni sehemu muhimu kwa ushirikishi wa kifedha. Benki hii inazingatia huduma kwa wateja kua muhimu na imewekeza sana kuhakikisha kwamba mfumo wa dijitali katika huduma kwa wateja kupitia mfumo zetu zote umesalia kua wa hali ya juu. Tunazidi kuangazia ufanisi wa uendeshaji kutumia mfumo wa dijitali, ubunifu kwa bidhaa na michakato, ufanisi wa mitindo ya biashara na tija ya wafanyikazi. Zaidi ya hayo, tunahakikisha tunadhibiti hatari kwa biashara kupitia Enterprise Risk Management (ERM) kwenye mazingira yanayo badilika mara kwa mara. Benki hii inaangazia upya mazingira, jamii na utawala (ESG) kama inavyoelezwa hapa chini.

Tathmini ya hatari

Kudhibiti hatari za biashara ni mtazamo wa kimsingi kwetu. Tumefanya kazi kwa karibu na wasimamizi wetu kuhakikisha kwamba tunaendesha shughuli kulingana na miongozo na kanuni. Tukiwa tunatambua hatari ya mtandao, tumeimarisha uwezo wetu wa kutambua, kudhibiti na kuzuia tishio la mashambulizi ambalo linatupa wasiwasi katika sekta nzima.

Wafanyikazi wote wa benki hupitia kozi za kujikumbusha kuhusu kuzuia utakatishaji wa fedha na kupigana na ufadhili wa ugaidi (AML/CFT) ili kuongeza ufahamu na kujenga uwezo kwa wafanyikazi wetu walio mstari wa mbele. Kupitia mafunzo ya kielektroniki, mafunzo ya kimwili, majadiliano na kujadili kwa pamoja maarifa , tutakua tunajiendeleza kufahamu hatari zinazoibuka na njia mwafaka za kudhibiti hatari hizo.

Tofauti kati ya bei ya mali wakati iliponunuliwa na thamani yake kwa sasa (High Quality Asset Book) ina umuhimu mkubwa. Licha ya changamoto zinazoikumba mazingira ya kiuchumi kwa jumla, kumekua na kuboreka kwa hali ikiwa mkopo isiolipika; 'Non Perfoming Loans' (NPL) ikisalia asilimia 13.3 katika sekta. Uwiano wa (NPL) katika Benki ya Co-op Bank umeboreka kutoka asilimia 14 hadi 13.74 (Benki asilimia 12.7 hadi 12.96). Ugatuaji wa wafanyikazi walio mstari wa mbele ndio sababu ya uboreshaji wakati timu zetu za kibiashara zimekua, ufuatiliaji na shughuli za ukusanyaji ili kuwezesha usimamizi wa uhusiano wetu na wateja kwa jumla. 'Project Connect and Build' imetuwezesha kusaidia na kufadhili wateja wetu kwa mazingira ya baada ya janga la Covid-19 ambapo biashara kadhaa zimeweza kushuhudiaukuaji mkuu. Uwezo wa kuelewa, kushirikiana kubuni na kufikia mahitaji ya wateja wetu inatupa makali ya ushindani katika soko na kusisitiza uaminifu wa wateja. Tunazidi kuvuna faida kutokana na (Mradi Kilele); 'Credit Risk Adaptation Project', amabayo inatuwezesha kutazama upya na kutathmini taratibu za uthibiti wa hatari ya mikopo, mifumo na makusanyo yalio boreshwa.

Mazingira, Jamii na Utawala (ESG)

Kama Shirika, tunafahamu kwamba maswala ya kijamii na mazingira ulimwenguni yanahitaji mashirika yote kuunga mkono maazimio yao. Hili linathibitishwa na mtazamo wetu wa kimkakati nambari sita unaosema; "tutakuwa na ushawishi mwema katika Uchumi, Jamii na Mazingira".

Kutimiza haya, tuko na bodi rasmi ilioidhinishwa na mfumo wa sera za ESG kuangazia maeneo tano muhimu; mfumo wa ESG, Mfumo wa Uthibiti wa Mazingira na Jamii "Environmental & Social Management System (ESMS)", Uthibiti wa ESG, usimamizi wa hatari zinazohusiana na hali ya hewa pamoja na ushirikiano na bidhaa endelevu.

Tumeshirikisha ESG katika kazi zetu za kawaida za kibiashara na kuweka kitengo maalum kinachojitolea kuendesha mikakati ya ESG. Tuko na washindi ESG katika vitengo vyote, kazi ya uthibiti, kampuni tanzu za benki ili kutekeleza ajenda ya ESG. Tuko pia na kamati ya ESG iliyo teuliwa rasmi ili kuimarisha utendakazi wa mfumo wetu wa sera za ESG.

Tumejitolea kushughulikia maswala yanayoambatana na mabadiliko ya hali ya hewa na kusaidia mpito kwa uchumi wa kaboni ndogo. Mikakati yetu iliyoimarishwa ya ESG itawezesha mabadiliko haya kwa kukuza ufadhili unaolenga mazingira ya kijani kibichi. Tunatathmini mpito huu kutoka kwa mtazamo wa fursa na hatari, kufahamu thamani ya pamoja inayoweza kutokea kwa wateja wetu, wanahisa jamii.

Co-op Bank imejitolea kutekeleza mwongozo wa Benki Kuu ya Kenya (CBK) kuhusu usimamizi wa hatari zinazohusiana na hali ya hewa na mwongozo wa ufichuzi wa Soko la Hisa la Nairobi kuhusu ESG.

Shukrani

Ningependa kutoa shukraeni zangu za dhati kwa wanahisa na wateja wetu kwa uaminifu wao thabiti katika misimu yote.

Namshukuru pia kwa dhati Mwenyekiti wa Benki Bw. John Murugu, OGW, bodi ya Wakurugenzi kwa ushauri wao wa busara katika kuendesha benki. Mwongozo wenu na msaada umekua muhimu zaidi.

Kwa kuongezea, ningependa kutambua timu za Co-op Bank. Kujitolea kwenu na juhudi zenu zilizotuona tukishinda changamoto mbalimbali na kufikia mipaka mipya. Hatungeweza kufikia malengo yetu ya mwaka huu bila mchango wenu

Madhumuni yetu ya pamoja ni kukuza kasi hii hata kwa miaka ijayo. Niko na imani kabisa kwamba tutatimiza na kufaulu pamoja.

Mungu awabariki sana nyote.

Dkt. Gideon Muriuki, CBS, MBS

Mkurugenzi Mkuu na Afisa Mkuu Mtendaji wa Kundi

About this Integrated Report | Our Leadership | Co-op Bank Model | Our Capitals | Operating Environment | Strategic Focus Review | Environmental, Social and Governance (ESG) | Financial Statements

About this Integrated Report | Our Leadership | Co-op Bank Model | Our Capitals | Operating Environment | Strategic Focus Review | Environmental, Social and Governance (ESG) | Financial Statements

Top Management Team

Dr. Gideon Muriuki, CBS, MBS

Group Managing Director & CEO (58)

Appointed Managing Director in 2001 and has presided over the Bank's turnaround from a massive loss position of KShs. 2.3 billion in the year 2000, to a profit before tax of KShs. 29.4 Billion in 2022. He joined the Bank in 1996 as a Senior Corporate Manager then became Director, Corporate and Institutional Banking in 1999 before his appointment as Managing Director in 2001 with a clear mandate to return the Bank into profitable trading. He holds a Bachelor of Science degree in Mathematics and is a Fellow of the Kenya Institute of Bankers. He has over 34 years' experience in banking and finance.

Former Chairman, Governing Council of the Africa International University, and former Chairman, African Rural and Agricultural Credit Association (AFRACA). He was decorated in 2005 with the award of Order of the Grand Warrior (OGW), in 2011 award of the Moran of the Order of the Burning Spear (MBS), in 2017 with Chief of the Order of the Burning Spear first class (CBS) in recognition of his successful turnaround of the Bank and exemplary service to the nation. He is a recipient of a decoration of Chevalier de L'ordre National du Burkina Faso by the President of Burkina Faso in recognition of his outstanding contribution to development of rural finance in Africa. He was voted CEO of the year Africa 2014 by the International Banker. In 2016, awarded Lion of Judah Award by Evangelical Alliance of Kenya and Mtumishi Bora Grand Award by the Kenya Christian Professionals Forum for his great servant leadership as a committed Christian leader in the marketplace.

In 2018, he was awarded Best Banking CEO Kenya by International Finance and awarded Banking CEO of The Year by EMEA Finance - African Banking Awards in 2021. Awarded first Honorary Doctorate in Business Management in 2011 from Kabarak University for Business Leadership. In 2022, awarded a 2nd Honorary Doctorate from the Co-operative University of Kenya to recognize his contributions to Banking and the Co-operative sector and was conferred a 3rd Doctor of Humane Letters (Honoris Causa) - DLitt. of The Africa International University.

Samuel Birech

Director, Human Resource & Administration (59)

He joined the Bank in 2002. He is a career banker with over 26 years experience in local and international banks. He has previously held various senior positions including Chief Operating Officer and Director, Retail Banking for 8 years where he presided over the transformation of the Retail and SME business at the Bank. He holds a Bachelor of Commerce degree from the University of Nairobi and has attended various local and international courses. He is a Board Member at Pan Africa Christian University.

Caroline Karimi

Director, Finance & Strategy (45)

She joined the Bank in 2012 and has overall group responsibility of Finance and strategy. Previously she oversaw financial reporting and information management of the business. She has a career spanning 21 years as Finance professional and has worked in key corporates including Unilever, Safaricom and Toyota East Africa. She holds an MBA in strategic management, Bachelor of Commerce degree from the University of Nairobi, Certified Public Accountant and Certified Public Secretary. She is also a Certified productivity coach CEPC (ICF) and is a graduate of Harvard Kennedy School leadership program. She is a member of the institute of Certified Public accountants of Kenya (ICPAK)

Charles Washika

Director, ICT & Innovations Division (46)

He joined the Bank in 2015 and brings extensive experience in providing leadership in ICT, Innovation, Project Management and Change Management of Mission Critical Financial Systems. He is responsible for Co-operative Bank's Strategic technological direction, championing the use of Information and communication Technology to meet the Bank's Strategic objectives and providing strategic leadership to align investments in ICT with the Bank's strategy. He has managed the Implementation of Core Banking systems around Africa and Asia including Uganda, South Africa, Cote d'Ivoire, Senegal, Zambia, Tanzania, Kenya, India and Sri Lanka. He Holds a Bachelor of Education Degree, is a member of the Project Management Institute and has attained various Technology Certifications.

Lydia Rono

Director, Operations Division (57)

She has held many senior positions in the Bank and has over 34 years banking experience. She has played a critical role in driving business growth in the Corporate and Institutional Banking Division over the years and is currently responsible for driving key operations and efficiency functions of the Group. She holds a bachelor's degree in Commerce and an MBA from the University of Nairobi and has attended various courses.

William Ndumia

Director, Retail & Business Banking Division (49)

He joined the bank in 2006. He is responsible for the Retail and Business Banking Division, focusing specifically on growing consumer banking, MSME business, as well as optimal delivery of the expansive branch network and other bank channels. He has been in the bank for over 16 years previously as Director Transformation, Director IT & Innovation, Director Operations and Head Business Change management. He is an experienced banking operations expert having previously worked for international banks in various technical, controls and compliance roles. He holds a Bachelor of Science Degree in Mechanical Engineering and has attended various courses on project management and risk management both locally and internationally. He has overseen execution of the growth and efficiency Transformation project, various technical projects including the implementation of the core banking system, card management system and a global review of all bank processes among others.

Jacquelyne Waithaka

Director, Corporate & Institutional Banking Division (46)

A career Corporate Banker with over 20 years experience having worked with various commercial Banks. She joined the Bank in 2005 and was appointed Head Corporate Banking in 2015 to oversee the growth of the Bank's Corporate portfolio. She was appointed Director, Corporate & Institutional Banking Division in Feb 2020 to drive business growth in this key segment of the Group. She holds a Bachelor of Law degree and a Bachelor of Business Administration degree. She also holds a diploma in Banking; advanced diploma in Credit Management by Omega of UK and Culhane of South Africa. She is a Certified Engagement and Productivity Coach CEPC (ICF) and has attended various courses including executive leadership at Strathmore Business School and Harvard Kennedy School Executive Education on adaptive leadership for Africa.

About this Integrated Report | Our Leadership | Co-op Bank Model | Our Capitals | Operating Environment | Strategic Focus Review | Environmental, Social and Governance (ESG) | Financial Statements

Vincent Marangu

Director, Co-operatives Banking Division (43)

He joined the Bank in 2003 and has wide experience in business and financial advisory working with co-operatives and rural finance sectors as Head of Co-op Consultancy & Bancassurance Intermediary Ltd. Vincent has key competencies in corporate finance, strategic planning, business planning, organizational development and business operations review. He has consulted for co-operatives in Kenya and East Africa region and implemented many donor projects with international agencies.

He holds a Bachelor's Degree in Economics and Business Studies and is a graduate of the School of African Microfinance. He is a member of the Association of Professional Co-operators (APC), Kenya.

Samuel M. Kibugi

Company Secretary (46)

He has over 19 years experience as a lawyer and prior to joining Co-op Bank in 2008, worked for a leading bank as a Legal Counsel. He is an Advocate of the High Court of Kenya, a member of the Institute of Certified Public Secretaries ICPS (K) and an Associate Member of the Chartered Institute of Arbitrators. As the Company Secretary of the Co-op Bank Group, he has responsibility for overall provision of legal counsel and company secretarial services, fraud prevention and investigations. He is also the Trust Secretary for the Co-operative Bank Foundation, a corporate social responsibility vehicle of the Bank.

Arthur Muchangi

Director, Credit Management Division (53)

He joined the Bank in 2003. He oversees Credit Management including driving asset book growth, proactive NPL management and spearheading implementation of enhanced credit management frameworks under the Covid-19 Pandemic crisis.

He has previously held the role of Director Retail & Business Banking, Director Compliance and Chief Risk Officer whereby he was in charge of Retail & Business Banking growth and supporting the Group's Compliance and Risk functions.

He has over 26 years banking experience, spanning extensively across corporate, retail banking, risk and compliance. He holds a Bachelor of Arts Degree in Economics and has attended a number of courses both locally and internationally. He is also a director of Kingdom Securities Ltd.

Andrew Wanjau

Head, Transformation (41)

He joined the Bank in 2011. He has extensive experience in Change Management, Business Analysis, Project Management and Enterprise-wide Transformation Programs Management. He is responsible for the Co-operative Bank's "Soaring Eagle" transformation in the Transformation Office, which provides leadership in delivery of the Bank's Transformation initiatives. He has extensive experience in Organizational change having worked with Big 4 Consultancy firms to deliver ICT Projects and Process reengineering.

He holds a B.Sc. in Computer Science and Engineering, Project Management and Business Analysis Certifications among them CISA, ITIL, CBAP and Prince2. He is also a graduate of Harvard Kennedy School Leadership programme, the Aga Khan University and is a Certified Engagement and Productivity Coach.

Mutahe Karuoro

Treasurer (41)

Joined the Bank in 2010 and has over 16 years experience in Treasury management. She is responsible for the Banks Treasury management and growth objectives. Prior to her appointment she was the Head of Trading for the Bank. She previously worked for Stanbic Bank for five years. She has held various leadership positions in the industry during her career, including President of ACI Financial markets Association of Kenya for 5 years. She holds an MBA from Strathmore Business School and a bachelor's degree in Economics from Moi University. She is a certified dealer and a member of the financial markets Association of Kenya (ACI Kenya).

James Kaburu

Chief Risk Officer (53)

He has a wealth of experience spanning over 21 years in Financial Management and Strategy in Financial Services sector, having worked with a number of International and local banking institutions in the Country. James is a member of the Institute of Certified Public Accountants of Kenya (ICPAK). He Holds a Master's in Business Administration (Strategic Management), a bachelor's degree in Business Administration (Accounting), both from the United States International University (USIU), and a Global Diploma in Engagement and Productivity Coaching from CDI-Africa Coaching Group Limited.

Joseph Gatuni

Chief Internal Auditor (51)

He is responsible for the Internal Audit function that evaluates the effectiveness of risk management, control and governance processes of the bank, its subsidiaries and related companies. He is an experienced professional in internal/external audits, consultancy and risk management. He holds a Bachelor of Commerce Degree, Certified Public Secretaries CPS (K), Certified Internal Auditor (CIA) and Certified public accountants CPA (K). He has also attended various audit and Risk management training both locally and internationally. He is member of the Institute of Public Accountants of Kenya (ICPAK) and the Institute of Internal Auditors.

Henry Karanja

Head of Compliance (46)

He is responsible for the AML/CFT compliance function for the Bank, its subsidiaries and related companies. He is an experienced professional in Risk, compliance and Anti-money Laundering. He holds a bachelor's degree in Business Management and is a Certified Public Accountant of Kenya CPA (K), Certified Information Systems Auditor (CISA), and Certified Public Secretary (CPS). He has attended various AML/CFT training both locally and internationally. He is a member of the Institute of Public Accountants of Kenya (ICPAK).

Anthony Mburu

Managing Director & CEO, Kingdom Bank Ltd (57)

He is a leading credit specialist in the banking industry with over 28 years of banking experience both in Kenya and the region. Most of these years were spent in the line of Credit and Risk Management as the Director Credit Management division of Co-operative Bank of Kenya and previously with Standard Chartered Bank. He holds a Bachelor's degree in Commerce and has attended various proprietary and International Credit courses.

Appointed Managing Director and CEO of Kingdom Bank in August 2020.

Nicholas Ithondeka

Managing Director & CEO, Co-op Trust Investments Services Ltd (40)

He joined Co-op Trust Investment Services Ltd (CISL) as the Managing Director & CEO in April 2016. Prior to joining CISL he served as Vice President, PineBridge Investments EA. Ltd (Sanlam) and before that as a Portfolio Manager at Old Mutual Asset Managers (OMAM). He has over 18 years' experience in Actuarial, Investment advisory and Fund Management Services. Nicholas holds G-CEO (Yale University - Lagos Business School), BSC (Actuarial Science) from the University of Nairobi. He is a member of the Institute & Faculty of Actuaries (UK), ICIFA (Kenya) and is also a Certified Public Accountant of Kenya (CPA(K). He serves as a Board member in Fund Managers Association (FMA), ICIFA registration Committee, Central bank of Kenya (MLF Committee), Bond Markets Association (BMA) of Kenya and seats in Nyeri High School Board on behalf of the Nyeri Archdiocese. Nicholas has attended a number of courses in Leadership, Investments and Strategy as well as received several awards both locally and internationally within the investments banking industry.

Nicholas Kamonye

Head, Co-op Consultancy & Bancassurance Intermediary (43)

He joined the Bank in 2005. At Co-op Consultancy and Bancassurance Intermediary, he gives leadership to the various capacity building initiatives targeting co-operative societies across the country. He has consulted for co-operatives on microfinance, financial modelling, strategic and business planning, business process improvements and human resource development. He holds a Bachelor of Commerce Degree in Finance, Diploma in Project Management, is a Certified Public Accountant (K) and a member of ICPAK.

Elijah Wamalwa

Managing Director Co-operative Bank of South Sudan (49)

He has 20 years banking experience and is one of the pioneers of Co-operative Bank of South Sudan where he worked from 2013 as Head of Credit & Risk Management, in 2015 as Head of Retail and Operations before being appointed Managing Director in 2017. He has served in various other capacities at the Co-operative Bank of Kenya as a Portfolio Manager, Head of Credit Administration and later as Head of Credit-Core Banking Implementation Team.

He holds a Master of Science Degree in Governance attained at International Leadership University (Kenya) and a Bachelor of Arts Degree from Egerton University (Kenya). He has additional qualifications in accounting and project management.

Lydia Muchiri

Managing Director & CEO, Kingdom Securities Ltd (41)

Mrs. Lydia Muchiri is the Managing Director and CEO of Kingdom Securities Ltd, a subsidiary of The Co-operative Bank of Kenya Limited, responsible for providing stock brokerage services. Lydia joined Kingdom Securities Ltd in 2022 with over 15-year experience in pensions and capital markets. Prior to her appointment, she was the Head of Custodial and Investor Services at Co-operative Bank of Kenya for 9 years, responsible for growing the custody asset book, introducing innovative products such as REIT Trusteeship and managing shareholder registers.

She also previously worked at Co-optrust Investment Services Ltd as a portfolio manager for five years. Lydia began her investment career as a relationship officer managing financial affairs of high-net-worth individuals through unit trusts at Commercial Bank of Africa in 2006. She holds a Bachelor of Science (Actuarial) degree from the University of Nairobi and a Master's in Business Administration (MBA) from Strathmore Business School. She is also a Certified Engagement and Productivity Coach CEPC (ICF) and has completed various local and international trainings.

About this Integrated Report | Our Leadership | Co-op Bank Model | Our Capitals | Operating Environment | Strategic Focus Review | Environmental, Social and Governance (ESG) | Financial Statements

About this Integrated Report | Our Leadership | Co-op Bank Model | Our Capitals | Operating Environment | Strategic Focus Review | Environmental, Social and Governance (ESG) | Financial Statements

Co-operative Bank Model

How we create value to fulfil our purpose of transforming lives

Inputs At the beginning of 2022

Financial Capital
- Total Assets – KShs. 579.8 Billion
- Total Capital – KShs. 87.9 Billion:
- Liquidity – 53.8%
- KShs. 84.2 Billion in retained earnings
- External Rating- B2 (Negative)

Human Capital
- 4505 empowered staff members
- High Performance Management and Reward culture
- High-impact leadership culture
- Staff wellness and welfare focus

Manufactured Capital
- 178 Branches
- Alternative Channels - MCo-opCash, CoopNet, Coop kwa Jirani (Agency), Open Banking, ATMS.
- Shared Services -support departments for the Group. (KShs. 10.3 Billion in Property and equipment) Efficient ICT infrastructure (Core Banking, OPICS, ERP, CRM etc.)

Intellectual Capital
- Dynamic ICT capabilities and Strong Brand Positioning- 'Co-op Bank'
- Tacit Co-operative Banking Knowledge and specialized talent Integrated Enterprise Risk Management
- Progressive Lending, Investing, procurement and Corporate Governance practices

Social & Relationship Capital
- Active and robust engagement with stakeholders.
- Strategic partnerships has seen us grow our Long term funding to KShs. 42.9 Billion.
- Socio – economic - Environmental Sustainability investments in people and as described in the ESG section of this report.

Natural Capital
- Sustainably used Energy, Water and Paper (Stationery)
- Eco-social and eco-environmental lending Book. (KShs. 1.7 Billion balance as at FY2021)

Operating Environment
- Post-Covid economic rebounds (Kenya and South Sudan projected 5.6% and 6.5% GDP Growth in 2022).
- Peaceful elections and regime transition.
- Government of Kenya's focus on MSME's and manufacturing

Value Adding Activities

Governing Pillars of our value adding activities:

1. **Comprehensive Corporate Governance**
   Our system of control and direction affirm responsibility, accountability, fairness and transparency.
2. **Integrated Corporate Strategic Planning**
   Enhanced organizational awareness on risk and opportunity extraction for optimal performance leveraging on our unique capabilities in the operating environment.
3. **Soaring Eagle Transformation Initiatives**
   Institutionalized investment in digitization, innovation, credit processes and sales force effectiveness across all business segments.
4. **Integrated Enterprise Risk Management**
   Robust risk awareness, mitigation and conversion to address emerging issues globally, in Kenya and Sudan. Regulatory requirements and board capital targets which define our risk appetite and capacity to support our business segments.
5. **ESG/ Sustainability Focus**
   Building our strategies and optimizing our activities to delivery sustainable shared value for all stakeholders with a long-term horizon.

The drivers of value adding activities, anchored on our governing pillars:

- ✓ **Employ, support and retain** the best talent to support our stakeholders.
- ✓ **Invest and innovate** on our customer touch points (physical and alternative channels).
- ✓ **Build and improve** our ICT capabilities and infrastructure to support our activities, product development and customer experience.
- ✓ **Engage and maintain** relationships with our stakeholder through proactive engagement and develop a feedback loop to respond to their expectations.
- ✓ **Assess and optimize** our use of natural resource, while developing initiatives to reduce the direct and indirect impacts of our operations.
- ✓ **Care and listen** to our customers to understand and address their current and future needs.
- ✓ **Align and equip** our business segments to the Corporate Strategy and resources to extract value.

Outputs

Through a variety of innovative solutions and products, our universal banking model prioritizes the creation of shared value for both our group and stakeholders. This approach generates multiple revenue streams while also having a positive impact on the environment. To mitigate any negative effects, we reinvest in process, people, and product development.

- Lending programs and products
- Deposit and wealth management solutions
- Transactional Banking and Payment services
- Payment solutions
- Open Banking
- E-commerce
- Foreign Exchange
- Bancassurance
- Trade finance
- Investment services
- Stock brokerage
- Custodial and share services
- Advisory and consultancy services
- Optimal Customer experience
- Corporate strategic planning
- Shared and other support services
- Stakeholder engagement
- Investor relations
- Proactive ESG Strategy implementation.
- Staff Performance and reward Management
- Staff Training
- Regulatory engagement
- Compliance and risk management, including BCP strategy

Outcomes of Value Adding Activities At the end of 2022

Financial Capital
- Total Assets KShs. 607.2 Billion
- Total Capital – KShs. 98.8 Billion
- Liquidity – 48.3%
- KShs. 97.7 Billion in retained earnings
- External Rating- B2 (Negative)

Human Capital
- 4,864 empowered staff members trained on distinguished customer experience.
- High Performance Management and Reward culture
- High-impact leadership culture
- Coaching and personal development program.

Manufactured Capital
- 184 Branches
- Enhancements on our digital channels leading to Increase in out of branch transactions (92% of all transactions) and lending.
- Shared Services -support departments (KShs. 9.3 Billion in Property and equipment) Efficient ICT infrastructure (Core Banking, OPICS, ERP, CRM etc.)

Intellectual Capital
- Migration from MCo-opCash 4.0 to MCo-opCash 5.0.
- Increased NPS Score
- Augmented ICT capabilities
- Core Banking Implementation Initiative

Social & Relationship Capital
- Our engagement with all our stakeholders has been active and optimal
- Strategic partnerships have grown Long term funding to KShs. 48.1 Billion
- Capacity building and project implementation through strategic partnerships.
- Socio – economic - Environmental Sustainability Initiatives and programs *(More detail in the ESG section)*

Natural Capital
- Energy and Water Management Strategy
- Eco-social and eco-environmental lending Book. *(More detail in the ESG section).*
- Eco-environment lending book KShs. 2.2 Billion (29% increase).

Key Impact on our key Stakeholders

Shareholders
- Dividends Paid– KShs. 8.8B (Payout Ratio of 40%)
- Earnings Per Share - KShs. 3.72 (30% increase)
- Quarterly Briefings on performance and Strategy.

Customers
- Innovative and lending collection solutions (Deposits: KShs. 423.8 B, Loans: KShs. 339.4B)
- NPS Score: 55.5
- Omnichannel Platform –93.4 Million transactions
- Non-Financial Services: 170,000 MSMEs onboarded.

Employees
- Job Created – 4,864 (7% growth)
- Salary & Bonus paid: KShs. 14.8 Billion (11% growth)
- Employee Training: KShs. 72.6 Million
- Wellness Webinars/talks: 337

Co-operative Movement
- Dedicated Co-operatives Banking Division offering tailored solutions
- Co-op Consultancy Agency – 21 dedicated consultants.
- KShs. 8.8 Billion paid in dividends.

Regulator
- Compliance to all regulatory requirements.
- Extension of credit to MSME's through the National Treasury Credit Guarantee Scheme.
- Formulation and review of ICAAP.

Suppliers
- KShs. 14.8 Billion paid to suppliers
- 93.5% payment to local suppliers.
- Tendering protocol to ascertain fair competition and transparency.
- Vendor relation office to support faster processing, augmented by ERP system.

Community
- 9,553 students educated (14% increase)
- Over 3,265 consultancies undertaken.
- 111 internships supported.
- KShs. 7.4 Billion paid in taxes
- KShs. 150 Million donated for drought relief.
- Enhanced ESG Policy Framework

About this Integrated Report | Our Leadership | Co-op Bank Model | Our Capitals | Operating Environment | Strategic Focus Review | Environmental, Social and Governance (ESG) | Financial Statements

Our Capitals

Our Capitals are Stocks of value on which we depend on as inputs to our business model, and which are transformed through our day-to-day business activities to generate our outputs. Our goal is to recognize the impact that value creation and exploitation of the capitals will have on long term success of our business.

In this Framework we classify our capitals as follows.

Financial Capital
Our pool of funds from diverse sources

Human Capital
Skills, capabilities, knowledge, and experience of employees; Management and leadership

Manufactured Capital
Our Branches and network, plant and equipment and information technology

Intellectual Capital
Staff knowledge, brand positioning and reputation, enterprise risk management policy and intellectual property

Social & Relationship Capital
Relationships with stakeholders and shareholders, Banking licenses and clients' resources

Natural Capital
Environmental resources

How utilization of our capitals leads to value creation

Financial Capital

The bank has mobilized a deep pool of financial resources from diverse sources to fund its core activities. Our balance sheet has recorded a steady growth over the years to KShs. 607.2 Billion as at end of year 2022. The group has pursued a balanced funding strategy with an attractive dividend pay-out ratio (Averaging 43.3% over the last 5 years) that enables us to reward shareholders while at the same time reserving sufficient funds to fuel our growth strategy. This has seen shareholders' funds grow steadily to KShs. 107.7 Billion. Apart from the retained earnings most of the banks funding comes from customer deposits which make up approximately 89.8% of our funding liabilities. Borrowed funds comprise 10.2% of our funding liabilities mainly from our development partners.

The group has robust internal capital and liquidity management policies that not only meet the regulatory requirements but also ensure all obligations to stakeholders are met on a timely basis and that the maximum return is achieved from these investments. We have a robust ICAAP (Internal Capital Adequacy Assessment Process) that enables us to ensure optimum risk return. While investing, appropriate risks analysis is done, and investments are done in accordance with the board's prescribed risk guidelines and appetite. On our transformation initiatives, the bank has pursued various strategies aimed at cost optimization. We closed the year at a cost to income ratio of 47.1% (2021 49.9%).

Human Capital

Human capital refers to the totality of Skills, capabilities, knowledge and experience of our employees, Management, and leadership. We recognize that our human resource is the most valuable asset of our organisation. Through selection, management, and development of our team, we strive to ensure that our human resource can not only fulfil our present needs, but that it is well skilled and can be easily repurposed to meet fast-evolving future needs.

We have detailed the diversity and skillset of our board of directors and management in 'Our Leadership' section of this book. In the ESG section, we cover our Human Capital perspective in detail with focus on:

1. Employee Diversity
2. Employee Welfare
3. Attracting and Retaining Talent
4. Skills Development and Career Progression
5. Labor standards
6. Health, Safety & Wellness Programme
7. HR Policy framework

Manufactured Capital

Manufactured capital comprises of our tangible and intangible infrastructure - Our Branches and network, plant and equipment and information technology - that we use in our day to day activities of value creation. The group has up to KShs. 9.3 Billion in property and equipment to ensure all our customers and other stakeholders are adequately catered for. Our delivery channels are key - 92% of our transactions are carried out in the alternative channels;

Our Channels:

The Bank has invested heavily in innovative delivery channels which has played a critical role in enhancing financial inclusion.

Mco-opcash 5.0 (Omnichannel)

Earlier in the year we rolled out our omnichannel dubbed MCo-opCash 5.0. Omni-Channel is a strategy that integrates a bank's channels of communication between itself and its clients into a single and coherent environment. MCo-opCash 5.0 integrates accessibility and user experience across our internet and mobile platforms. MCo-opCash 5.0 can be accessed through USSD, Web portal and App either from a mobile phone or a personal computer. We have approximately 5 Million registered users in the platform.

- Access USSD through *667#
- Web through https://onlinebanking.co-opbank.co.ke
- The App is Downloadable: MCo-opCash 5.0 App on Google Playstore & Huawei App Gallery and on Apple App store (Omni-MCo-opCash)

Sacco-Link & FOSA Partnerships

The bank in partnership with various Saccos offers retail banking and related products through front-office service points (FOSAs) located at Sacco's premises and to date 175 licensed Saccos have over 484 FOSA branches in operation. The bank has also invested in the Sacco Link Switch which has integrated the Bank and Saccos' systems, thereby enabling Sacco members access to ATMs, mobile banking, point of sale (POS) channels and internet banking. In this partnership, we offer wholesale banking services to co-operative societies who then provide to their members retail services complete with full technological capabilities. To date, over 168 Saccos are enlisted in this partnership.

Agency Banking & Point of Sale (POS) Terminus

The Bank has been at the forefront in implementation of agency banking model, currently working with over 17,000 agents and 5,000 POS terminuses countrywide. Our agents who include co-operative societies, supermarkets, ordinary shops, petrol stations among other outlets enable customers to access banking services including making deposits, withdrawals and bill payments beyond official banking hours. Due to the greater geographical area covered by agents, customers also enjoy better customer experience as services come closer to their most accessible location. Over 35.2 Million transactions were carried out through our agents in 2022.

Branch Network and ATMs:

This is our footprint across the region consisting of 184 branches. From our branches our customers can access much more than banking services to include those offered by our subsidiaries. In Kenya, we have 180 branches (18 in Kingdom Bank Ltd) spread in 43 counties while 4 are in South Sudan. We also have 542 ATMS supporting our channels and distributed all over the country. Services accessed by customers in our ATMs include cash withdraws and deposits, Balance inquiry, utility bill payment, Mpesa withdrawal and MCo-opCash registration & withdrawal.

ICT infrastructure

The Bank has invested heavily in ICT to ensure customer experience is top notch. To this end, we have the following infrastructure among many others:

Core banking Systems (BFUB, BankMaster – South Sudan, Loan Track and Credit Desk). The Bank is in the process of changing the core banking system to enhance efficiency, innovation and customer satisfaction.	
A robust digital platform that enables us to offer enhanced digital experiences to our customers. It guarantees a unified digital experience for both mobile and internet across the key customer segments (Corporate, Co-operatives, MSME, Consumer, Diaspora, and High Net Worth).	
Customer Relationship Management (CRM)	Enterprise Service Bus- Service Oriented Architecture
Debt management system	Data integration, quality, and visualization
Business Process Management & Workflows	Wealth Management System
Risk Management systems	Enterprise Resource Planning (ERP)
Shared Services Service Desk Request System	Treasury systems

About this Integrated Report | Our Leadership | Co-op Bank Model | Our Capitals | Operating Environment | Strategic Focus Review | Environmental, Social and Governance (ESG) | Financial Statements

Key ICT Infrastructure enhancements in 2022

Initiative

Network Time Protocol (NTP) Clock	Check-Point Firewalls Upgrade
8 digits BIN changes	Enterprise Backup Storage Upgrade
Application Delivery Controller	Generator Selector Panel Upgrade (Datacentre)
Co-op house & South Sudan Core Switch upgrade	Installation of Cooling Unit at Transformer 1
Fire Suppression System Upgrade	Branch Switch and Router Replacements
TeamMate Upgrade-Internal Audit	Functional Test Automation Tool
Dark fibre upgrade project	New IBM Servers + Upgrade + Software
Cards Ordering and Personalization	Oracle Exadata + Upgrade + Software
DELL EMC VxRail Upgrade	PesaLink Switch Upgrade

Intellectual Capital

The knowledge of our staff, our brand positioning, our reputation, our enterprise risk management policy and intellectual property. We have dynamic IT capabilities that support us in this period of transformation and support value creation into the long term. The Co-op Bank brand has become a household name hence it has become easier for us to market our products to existing and potential customers hence create more value. The brand is supported by marketing effort, investor relations, and our well-trained teams and most importantly by our customers' word of mouth. We are geared to ensuring that we create positive customer experiences at every touch point. To this end, we have invested in a 24hour contact Centre which handled approximately 3.2 Million customer engagements in 2022.

Enterprise risk management is at the core of all decision making hence forming an important part of our strategic focus and business model. We have a vibrant Enterprise Risk Management Framework that is detailed later in this report. We have a dynamic framework for compliance that ensures compliance to all the set laws, rules and regulations. This has enabled us to see and exploit opportunities that exist in compliance to create more value for our stakeholders. Co-op Bank has an internal strategic capability building for areas that need specialized talent. To this end we have hired specialists in Data Analytics, ICT, CRM, Data Strategy & Governance, Data Architecture, Enterprise Architecture, Data Engineering, Data Quality, Revenue Assurance, System Development, Vendor Relationship Management, and Business Intelligence.

We have clearly defined lending practices that are geared towards ensuring economic, social and environmental value creation as spelt out in our Environment and Social Management Policy detailed in the ESG section of this report.

The Bank's overall investment management guidelines are provided by the Board of Directors under the Banks Investment Policy. The broad guidelines within the policy allow the management to optimize the investments the bank chooses, with an aim of always maintaining sufficient liquidity, maintaining a balanced mix of optimum earning assets and ease of marketability in case of changes in market dynamics.

Sourcing Policy

The objective of the Sourcing & Facilities Management department is to enhance the group's sourcing strategy and ensure cost efficiency, value creation and a transparent environment in the sourcing process. The Bank's Sourcing and Facilities Management department will own and drive the sourcing and acquisition of all non-human resources for the Bank. In execution of its key mandate, Sourcing & Facilities management department encompassing management of space and contracts, facilities management, projects, all forms of non-human resource procurement, inventory management, transport, and insurance; shall employ the following objectives to form the basis for implementation of the aforementioned Sourcing strategies.

Develop guidelines to include approval levels for purchase of new equipment and replacement of existing/obsolete equipment.
Develop guidelines to review approval limits on recurrent expenditures items to ensure that the Bank's authority levels are appropriate.
The Bank shall have centralized Sourcing to enjoy economies of scale from consolidated procurement. As the Bank expands to the region, Sourcing and Facilities management will be decentralized into different countries.

Our Procurement process is based on a sustainable model: suppliers must meet certain minimum sustainability requirements of economic, social, and environmental reliability as set out in our environmental policy. They are selected according to the standards set out in law and must have no known cases of contravening the provisions of the International Labor Organization relating to fundamental human rights, child labor, freedom of association, working conditions, equal pay, health, safety, and business ethics. Further, we select suppliers based on legal and ethical integrity, technical and professional suitability, reliability and commercial competitiveness.

ICT Policy

ICT Policy The ICT policy defines the Governance aspect in support of the Co-operative Bank of Kenya's ICT vision, its strategic objectives and the boundaries within which the Bank can obtain them. The ICT strategy has been shaped in reference to the Co-operative Bank Business Strategic plan and is envisioned to model the ICT department into the vehicle on which the business shall drive its initiatives towards actualizing the bank's mission and vision. ICT governance principles and practices have been identified that have guided the formulation of ICT strategic objectives and subsequent action items that are to be implemented, managed and monitored to deliver the ICT vision.

The Bank has identified dimensions of management of ICT through which it applies best practices and develops strategic activities, namely:

- Architecture
- Software (Application) Management
- Resource Management
- IT Infrastructure Management
- IT Change Management
- Contracting and Outsourcing
- Incident & Problem Management
- Project Portfolio Management
- IT Performance Measurement
- Information Security & Compliance
- Business Continuity Planning
- Financial Management
- ICT Organization Structure
- Skills upgrading, training and exposure

ICT Strategy focuses on integrating effective ICT Governance and fostering an environment that facilitates for innovation in delivering quality solutions and functionalities that the business leverages on to create value

Social and Relationship Capital

The relationship we have with all our stakeholders to ensure long-term sustainability of the value we add. The ESG section of this integrated report shows in detail how we engage various stakeholders to ensure that this capital stock can sustain us into the future.

- Environment and Social Management System and policy
- Tax responsibility
- Business Ethics
- Co-op Bank Foundation
- Co-op Consultancy & Bancassurance Intermediary Ltd
- Community Dialogue
- Labor standards compliance
- Responsible competition
- Responsible supply chain and supplier relations
- Responsible marketing and advertisement
- Responsible Product Stewardship

Natural Capital

The natural resources that we employ in our value creation to our stakeholders.
This is done in a way that minimizes negative impact on the resources. The ESG section of this integrated report shows in detail how we ensure that we contribute positively towards preserving natural resources.
Areas covered in that section include:

- Environment and Social Management System and policy
- Resource Efficiency
- Life -cycle analysis
- Global Climate Change
- Local environment Impact
- Resource Management
- Waste Minimization
- Emissions Reduction
- Regulatory Compliance
- Ecosystem Services & Biodiversity

Capital Trade off's

To achieve our strategic objectives, we make decisions on how to allocate our six (6) capitals optimally. To do this we consider the key strategic enablers within our six (6) strategic focus areas. Capital trade-off decisions are made depending on;

- The impact of the capital stock on strategic achievements
- How available the capital is
- The stability of our long term and short-term goals as is evidenced by the impact of the ongoing Covid-19 Pandemic.

The decision to employ/decrease one capital to increase another capital is a tough one because Capital is a limited resource. This calls for optimal prioritization. The group holds an annual senior leader's strategy forum whereby the strategic focus and hence optimal capital allocation is discussed and agreed upon.

During the year, careful considerations are made as the environment is dynamic.

About this Integrated Report | Our Leadership | Co-op Bank Model | Our Capitals | Operating Environment | Strategic Focus Review | Environmental, Social and Governance (ESG) | Financial Statements

Operating Environment

1.0 Overview of Global Economic Developments and Outlook

Recovery in global economic activities observed in 2021 gave way to a weaker position in 2022 than earlier anticipated. COVID-19 restrictions, the Russia – Ukraine conflict and the subsequent abrupt disruption of supply chains led to a sharp rise in commodity prices. For instance, the price of crude oil rose 42% in 2022 relative to 2021. In a move to prevent inflation from becoming entrenched in the economy, central banks, especially in the advanced economies, started to aggressively tighten their monetary policy stance.

As a result, the IMF estimates the global economy to have registered a full year growth of 3.4% in 2022 from a growth of 6.2% in 2021. At the regional level, the Sub-Saharan Africa economy is estimated to have expanded by 3.8% in 2022 from a growth of 4.7% in 2021. Economic activities were held back by the general slowdown in the global economy, tightening financial conditions in a bid to tame rising inflation on the back of rising food and fuel prices.

In East Africa, adverse weather conditions continue to affect agricultural output, hence stocking inflationary pressures. Coupled with disruption in supply chains in 2022 due to the Russia – Ukraine conflict and COVID-19 restrictions, Central Banks across the region increased policy rates to cushion local currencies.

2.0 Overview of the Domestic Economy

2.1 Domestic Economic Performance

Kenya's economic recovery from the COVID-19 pandemic continued in 2022. Partially reflecting a base effect, the economy is estimated to have expanded by 5.6% in 2022 compared to a full year growth of 7.5% in 2021.

Economic activities were anchored on strong outcomes from the services space especially wholesale and retail trade (8.6%), Accommodation and food services (30.7%), Transport and Storage (6.4%), ICT (6.6%), Professional services (10.6%) and Education sectors (6.6%). Economic activities were however, held back from a stronger rebound by declines in activities within the agricultural sector which is estimated to have contracted by 0.3% in 2022 on weather related shocks.

In 2023, business confidence has since picked up after a smooth transition of power following a peaceful presidential election. Thus, economic activities are expected to be broadly resilient in 2023 with the Central Bank of Kenya forecasting a full year growth of 5.8% anchored on a strong services sector and a recovery in the agriculture sector.

Table 1: Real GDP Growth (Percent)

	2018	2019	2020	2021	2022 EST	2023 Proj.	
						Q1	Annual
1. Agriculture	**5.7**	**2.7**	**4.8**	**-0.2**	**-0.3**	**4.1**	**4.4**
2. Non-Agriculture	**5.6**	**5.7**	**-0.7**	**9.4**	**7.0**	**5.9**	**6.1**
2.1 Industry	3.8	4.0	4.0	7.2	4.7	4.4	4.3
Mining & Quarrying	-4.8	4.3	6.7	18.0	12.4	6.8	2.7
Manufacturing	3.6	2.6	-0.1	6.9	3.3	2.9	3.2
Electricity & Water Supply	3.6	1.7	0.1	5.0	4.4	6.1	5.8
Construction	6.1	7.2	11.8	6.6	5.5	5.3	5.6
2.2 Services	**6.1**	**6.5**	**-2.2**	**9.8**	**7.6**	**6.4**	**6.6**
Wholesale & Retail Trade	5.9	5.3	-0.4	7.9	8.6	7.0	7.0
Accommodation & Food Services	15.6	14.3	-47.7	52.5	30.7	8.9	11.2
Transport & Storage	6.0	6.3	-7.8	7.2	6.4	5.7	6.7
ICT	7.9	7.0	4.8	8.8	6.6	7.8	7.9
Financial Services	2.7	8.1	5.6	12.5	9.4	5.1	5.5
Public Admin	7.9	8.4	5.3	5.6	4.9	4.8	4.7
Professional Services	6.9	6.8	-15.0	5.7	10.6	7.4	6.7
Real Estate	6.5	6.7	4.1	6.7	5.6	5.4	5.5
Education	6.4	5.7	-10.8	21.4	6.6	8.1	8.5
Health	5.4	5.5	6.7	6.0	4.8	5.0	5.2
Other Services	3.3	4.3	-14.2	12.6	7.5	7.6	6.9
FISIM	3.7	9.5	-2.0	5.5	4.4	1.2	2.1
3. Real GDP Growth	**5.6**	**5.1**	**-0.3**	**7.5**	**5.6**	**5.6**	**5.8**

Source: The Central Bank of Kenya

2.2 Inflation Outcomes

Overall inflation breached the Central Bank upper band of 7.5% in 2022 at 7.7% compared to 6.1% in 2021. Rising energy and food prices, supply chain disruptions due to the conflict in Ukraine, domestic tax measures and the drought conditions in the country resulted in higher and more broad-based inflation. Food, fuel and core inflation averaged 13.0%,9.6% & 3.0% in 2022 compared to 8.5%, 12.2% & 2.4%, respectively in 2021. In 2023, we forecast inflation to remain above the government target range following the tight monetary policy stance and adverse weather conditions.

2.3 Exchange Rate Movement

The performance of the Kenyan shilling against major currencies was mixed in 2022. On average, the Kenyan Shilling gained ground against the Sterling Pound, Euro and the Japanese Yen by 3%, 4% and 10%, respectively, in 2022. The KES weakened against the USD by 8% from an average of 109.62 in 2021 to 117.87 in 2022. Strong dollar demand on a high import bill, driven by high commodity prices especially food and energy, resulted in the depreciation of the KES. The shilling was however, supported by strong remittance inflows which totaled USD 4.03billion in 2022 compared to USD 3.7 billion in 2021 and external financing drawdowns.

In 2023, the fundamentals that resulted in KES depreciation against the USD (high import bill, high global commodity prices especially energy, attractive investment options in advanced economies especially the US & strong demand for intermediate goods) are largely in place. Therefore, the local unit is expected to continue facing pressure against the dollar in 2023.

2.4 Monetary Policy

In a move to anchor inflationary expectations, the monetary authorities increased the policy rate from 7% to 7.5% in May before revising it to 8.25% in September and to 8.75% in November 2022. Consequently, the 91,182 & 364 government papers averaged 8.18%, 8.98% & 9.85% in 2022 compared to 6.96%, 7.59% & 8.55 in 2021. The interbank rate moved from 4.71% in 2021 to 4.89% in 2022 mirroring the tightening cycle. Over the same period, growth in overall money supply averaged 5.9% compared to 9% in 2021, 9.7% 2020 and 8.7% in 2019. Into 2023, the impact of the tighter policy stance adopted in the second half of 2022 is expected to continue filtering through the market and slightly moderate growth in private sector credit.

2.5 Public Debt

Kenya's public debt grew by 9.6% year on year to KES 8,898 billion in November 2022, driven by 8.6% growth in external debt and 10.7% in domestic debt. The proportion of external to domestic debt stood at 50.2% to 49.8% in 2022 compared to 50.6% & 49.4% in 2021. In terms of external debt composition, multilateral debt accounts for 45.4%, bilateral 24.9%, international sovereign bond accounts for 19.8% and commercial debt accounted for 6.4% as of October 2022. The US dollar denominated debt accounted for 69.4% of total external debt, Euro at 18.8%, Yuan at 5.3%, Yen 4.1% and GBP at 2.3%. This therefore implies movement on the USD/KES exchange rate has a bearing on external debt obligations.

2.6 Quality of Loans Advanced

In 2022, the banking sector remained stable and resilient. Growth in private sector credit increased to 12.5% compared to 8.6% in 2021. Strong credit growth was observed in transport and communication (23.5%), manufacturing (13.8%), business services (13.7%), consumer durables (12.9%) and trade (11.4%). The number of loan applications and approvals increased, reflecting improved demand with increased economic activities. The ratio of gross non-performing loans (NPLs) to gross loans-which measures the quality of loans advanced, was marginally up from 13.1% in 2021 to 13.3% reflecting a faster accumulation in gross loans and a slight deterioration in the quality of facilities advanced.

2.7 The Competition Landscape

The banking industry competition landscape continued to be tight in 2022. Evolving customer needs and demand for supreme customer experience with affordable pricing is a reality that banks continue to face and focus on. Physical branch presence continues to be a key metric when opening bank accounts. Consequently, in 2022, banks continued to increase their physical footprints across the country. Increased competition for capital was observed in 2022 and is expected to continue in 2023. Social media is quickly becoming a force and tool for customer engagement that needs to be well harnessed for value addition to both the bank and the clients. Diversification into other financial services such as advisory, bancassurance, cross-border payments solutions, Wealth management solutions, fintech partnerships among others gained momentum as banks broadened their value propositions. Thus, bank solidification of value for existing clients while offering excellent customer experience will be a key pillar to retain and attract new customers. The growth in after tax profits across the industry highlights both opportunities and the high level of competition within the system. Banks are therefore expected to continue defending their core while exploring new opportunities in 2023.

3.0 Key Developments on the legal and Regulatory Environment

Regulatory and policy measures were put in place by the regulator to ensure smooth and proper functioning of the financial services sector and the economy. To ensure price stability, monetary policy was tightened in the second half of 2022. The reintroduction of charges for mobile money wallet and bank account transactions at significantly lower rates signifies the sectors desire to offer excellent and affordable services to its clients. Other significant developments within the sector in 2022 include:

Mobile money interoperability: The full interoperability of mobile money operators that became effective in 2022 ensured further deepening of the digitization of payments to large and small businesses thereby enabling customers to conveniently make payments. More than 560,000 vendors and billers, and almost 28 million customers continue to benefit from the seamless payments ecosystem. This reinforces the national payments strategy 2022-2025 which is anchored on core principles of trust, security, usefulness, choice, and innovation. The Strategy intends to deliver full-scale interoperability, foster customer-centric innovation and support the emergence of a 24/7 economy.

Source: The Central Bank of Kenya, Kenya National Bureau of Statistics, The National Treasury.

About this Integrated Report | Our Leadership | Co-op Bank Model | Our Capitals | Operating Environment | Strategic Focus Review | Environmental, Social and Governance (ESG) | Financial Statements

Anti-Money Laundering (AML): The money laundering and terrorism financing national risk assessment report noted Kenya's relatively robust AML/CFT legal and institutional framework that is largely aligned to international standards. According to the report, the banking sector has the highest impact on Kenya's ML/TF risk profile due to the pivotal role it plays in facilitating payments, trade and investments in Kenya and the region. It highlighted risks at the national and sectoral level which gives good guidance on what needs to be strengthened.

Credit repair framework: The credit repair framework rollout by CBK in 2022, sought to improve the credit standing of over 4.2 million blacklisted mobile phone digital borrowers. Through the Framework, financial institutions were to provide a discount of at least fifty percent of the non-performing loans outstanding as at end October 2022 and update the borrower's status from non-performing to performing. The Framework covers loans with a repayment period of 30 days or less and were offered through mobile phones. The borrowers covered in the Framework are mainly in the personal and microenterprises sectors and were adversely impacted by the COVID-19 pandemic. These measures have a sunset clause of 31st May 2023.

Our Response

As a Bank, we have continued with our proactive and continuous training and sensitization of our staff on key and emerging guidelines and trends. We have a dedicated compliance department whose responsibility is to track all emerging trends and ensuring compliance internally.

3.1 Political Environment

Kenya conducted a largely peaceful election in 2022 that was followed by a smooth transition of power, showing the maturity of the country as a democracy.

Our Response

Throughout the election period, the Bank maintained a neutral stance and continues to stress the importance of political neutrality in its operations.

3.2 Digital Banking for Enhanced Competitiveness

Demand for digital services have continued to rise. For instance, according to 2021 FinAccess Household Survey, the usage of traditional banking has dropped from 29.6% in 2019 to 23.8% in 2021. Over the same period, mobile banking usage has risen from 25.3% to 34.4% partly driven by the need to adopt safe practices to limit the spread of the covid-19 virus in 2020 and 2021. This trend is expected to continue as financial technology and digitization continue to transform the banking industry. Kenya's high mobile subscription and a younger population means the demand for digital services will continue to rise as customers seek convenience and flexibility in their transacting lifecycle. This has come with its own share of challenges. Cyber security risks are on the rise and there is increased social media platform usage by customers to give feedback.

Our Response

The Bank through its strong digital transformation framework, continues to adapt to technological changes without compromising on security, usability, and stability. In order to re-invent and catalyze its performance the bank has:

- Maintained a strong social media presence to address queries raised by customers with a team to address social media trends daily,
- Enhanced automation of processes to improve efficiency,
- We have acquired systems, knowledge, and skills to defend our systems, networks, and data from cyber-attacks,
- Enhanced system connectivity and interoperability to create unrivalled user experience,
- Leveraging on data & analytics in decision making,
- Continuous innovations to meet customer needs and changing expectations and
- Exploring opportunities for collaboration with fintech and system developers with a view to deploring the best technology platforms.

3.3 Environmental, Social and Governance (ESG)

ESG has received increased focus, the main objective being to have a collaborative effort towards addressing issues of global concern especially climate change. The Central Bank of Kenya issued Guidance on Climate-Related Risk Management and the Nairobi Securities Exchange issued the ESG Disclosure Manual.

Our Response

The Bank is fully committed to the implementation of the Central Bank of Kenya Guidance on Climate-Related Risk Management and the Nairobi Securities Exchange ESG Disclosure Manual. In the ESG section of this report we detail the various initiatives that address ESG matters in terms of Governance, Strategy, Risk & Opportunity management.

In Summary:

The Bank took cognizance of developments within the operating environment; the rollout of the credit repair framework, tightening of monetary policy in the second half of the year to maintain price stability, the adverse weather conditions affecting the agriculture space and challenges resulting from the depreciation of the Kenya shilling.

The Bank continued to support its clients to navigate the challenging operating environment by offering relevant bank solutions, excellent customer service, quickly aligned itself with the credit repair framework as envisaged by the regulator and noted the highlights of the money laundering and terrorism financing national risk assessment report with a view to strengthening the inhouse mechanism for addressing any new challenges.

The proactive and continuous training and sensitization of staff on key and emerging trends continue to pay dividends for the Bank through the timely and effective handling of issues as they emerge. This is made possible by the dedicated compliance department whose responsibility is to track all emerging trends and ensuring compliance internally.

Looking Ahead

In 2023, global growth outlook has improved with the moderation of inflation pressures and China's exit from the zero covid policy. According to the International Monetary Fund report in January 2023, global growth is projected to average 2.9%, a 0.2 percentage point upward revision for 2023 than in October 2022 world economic outlook. This largely reflects forecast markups in the two largest economies i.e., China and USA.

At the domestic level, economic activities are expected to remain resilient supported by the continued strong performance in the services sector and expected recovery in the agriculture sector. However, the war in Ukraine, out of range inflation levels and a shorter, frequent, and intense drought cycle due to global climate change and environmental degradation continue to pose risks to the outlook.

The Bank was recognized as the Over-All winner in Customer Satisfaction in a survey conducted by the Kenya Banker's Association. Head Customer Service, Rose Nyamweya and Head Digital Products and Services, Chris Cheruiyot received the award for the Bank.

About this Integrated Report | Our Leadership | Co-op Bank Model | Our Capitals | Operating Environment | Strategic Focus Review | Environmental, Social and Governance (ESG) | Financial Statements

Strategic Focus Review

The banking environment has evolved with dynamic regulation, business models and a stiff competitor landscape as various players have entered the financial services space. With the entry of pan-African banks, telecommunication companies and Fintechs, we continually reinvest, interrogate, and review our strategies to ascertain that we deliver a premium value proposition to our customers.

In a post-Covid environment, where inertia towards digital platforms have been shaken off, technology adoption continues to provide new opportunities for enhanced service delivery, revenue generation and improved efficiency. This new disposition also hosts emerging challenges such as cyber security risks and the need to remain abreast with the technological developments in our market and beyond.

Our Corporate Strategic Plan (CSP 2020-2024) affirms our strategic direction as it entails our collective objectives and goals in mind of the opportunities and risks arising. The review and enhancement of the Corporate Strategic Plan is a critical enabler to our proactive approach in opportunity extraction, risk mitigation and efficient resource deployment. The Corporate Strategic plan is anchored on long term value creation ascertaining that as we continue to ideate, generate revenue, and serve our clients while we continue to transform the lives of the communities that we interact with.

Strategic Themes

- Aggressive deepening of our dominance in the Kenya Market.
- Dominant provider of financial services to the Co-operative Movement in Kenya and the region.
- Customer experience that business model is seamless across all our touch points.
- Operating efficiency driven by digitization, innovative products & Processes, efficient business models, and staff productivity.
- Optimal Enterprise Risk and Compliance in the dynamic environment.
- Positive impact on Economy, Society & Environment.

2022/2023 Overarching focus areas

- Exceptional customer experience
- Leveraging on Sales Force Effectiveness for our customers to grow liabilities and sales.
- Quality loan book growth through Sales Force Effectiveness and Proactive Credit Management.
- Enhance our leasing proposition through a joint venture with Super Group.
- Optimize our cost through increased efficiencies to drive down our cost to income ratio.
- Operational excellence ensuring optimal systems uptime, optimized operational processes and data security.
- Digital Transformation to propel the group into digitization.
- Collaboration with Fintechs to synergies with their innovative capabilities.
- Staff productivity and high-performance culture.
- Proactive regulatory compliance.
- Synergies with our subsidiaries to enhance sales force effectiveness and create increased revenues.

2022 Strategic Performance

Strategic Theme

Aggressive deepening of our dominance in the Kenya Market

Key Strategic Performance Indicator and Achievement

✓ **Market Confidence**
- Market Capitalization - KShs. 73B (2021: 76B)
- Most Sustainable Bank (Kenya Bankers Catalyst Awards 2022)
- Overall Winner (KBA Customer Satisfaction Survey 2022)

✓ **Returns**

Return on Assets: 3.7% 2022; 2.96% 2021

Return on Equity: 21.2% 2022; 17.3% 2021

Dividend per share: 50% growth 2022

✓ **Market share**
- Total Assets – 9%
- Customer Deposits – 9%
- Net Loans & Advances – 11%

- All business segments, product houses and channels maintained or grew a positive outlook.

✓ **Implementation of Transformation Initiatives** (detailed later in this section of the report)
- We continued with Transformation, an efficiency and growth project that we began in 2014 and it continues to be a key strategic enabler in every area of our Business. See the section below for details.
- Undertook a Credit Risk Adaptation Project aimed at End-to-end assessment of credit risk, strengthening of portfolio assessment, risk frameworks, and enhance Collections.

Strategic Theme

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

Key Strategic Performance Indicator and Achievement

✓ **Implementation of the Digital strategy for Co-operatives**
- Deployment of Sacco link for instant issuance.
- Remote Cheque Scanning penetration across the country.
- Coffee Direct Settle Scheme (DSS) onboarding is on track to reduce lead time for coffee farmers.
- Co-op and Mastercard partnership underway to generate a marketplace for our customers.
- Business to Business (B2B) integration with Sacco's and Co-operatives.
- Pay to FOSA for direct payment for Sacco members.

✓ **Co-operatives Loans and Deposits growth**
- 105% achievement on disbursement
- 23% loan book growth
- Sustained deposit book

✓ **Co-operative Bank of South Sudan Performance**
- Profit before tax of KShs. 132.7M in 2022 (KShs. 421.7M loss in 2021 ~ 131% increase)

About this Integrated Report | Our Leadership | Co-op Bank Model | Our Capitals | Operating Environment | Strategic Focus Review | Environmental, Social and Governance (ESG) | Financial Statements

Strategic Theme

Customer experience that is seamless across all our touch points.

Key Strategic Performance Indicator and Achievement

✓ **Digitization of customer journey**

- We continued implementing key customer journey digitization journeys to meet customer expectations (92% of transactions were on digital channels). Key customer project rolled out was the Omnichannel *(Discussed in the Capitals Section of this report)*

✓ **Training on DCE (Distinguished Customer Experience)**

- 2,767 staff trained through Virtual Training and physical training at our Leadership and management Centre on Distinctive Customer Experience.

✓ **Customer Centric Model**

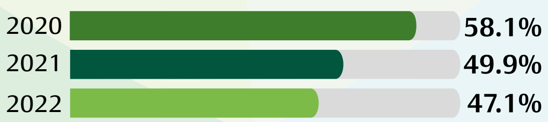
- Embedded in our innovation, product development, and relationship management. We sustained our focus on customer centricity in our Customer experience that business model.
- NPS Score: 55.5

Strategic Theme

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

Key Strategic Performance Indicator and Achievement

✓ **Cost to income ratio**



✓ **System Uptime & Availability**

- System and Channels service availability and Uptime averaged **99.36%.**

✓ **Product Innovation & development**

- 92% (94% 2021) of our transactions were performed on digital channels
- Enhancements on Omni-platform.
- E- Credit deployed to retail and Business banking growth (KShs. 84.2B disbursed in 2022).
- Deployment of Co-op Till for deposit collection.
- Kingdom Securities app for securities trading.

✓ **Digitization Road Map**

- Omnichannel – Feature enhancements
- Core banking – ongoing, expected to go live in 2023.

✓ **Staff performance**

- 91% of staff met and exceeded targets (against a target of 90%).

✓ **Corporate Wellness Plan**

- 337 webinars and physical health talks.
- FY22 focus area for wellness programs was on Financial Wellness. *(Detailed in the ESG section of this Integrated Report.)*

Strategic Theme

Optimal Enterprise Risk and Compliance in the dynamic environment.

Key Strategic Performance Indicator and Achievement

✓ **Optimal NPL Management**

- NPL of 13.74% (2021: 14%). At Bank level the NPL was 12.96% (2021 – 12.71%).
- See the Transformation Section below for details on the key initiatives around credit management including the following key projects:
  - Credit Risk Adaptation Project "Project Kilele"
  - Decentralization of Loan Portfolio Management Enabling Project Connect & Build

✓ **Independent Audit**

- Our independent Auditors Ernst & Young Kenya LLP, issued an unqualified opinion on the Financial Statements. ***Refer to page 142 for details***

✓ **Performance review of Control Functions**

- Compliance, Internal Audit & Risk Management Department achieved their objectives set by their respective boards.

✓ **Compliance to regulatory reporting and requirements.**

- Timely and accurate reporting to all regulatory bodies in Kenya & South Sudan.
- Compliance to regulatory requirements continues to be a key focus.

✓ **Review of Bank Policies and Procedures.**

- Bank policies reviewed by HR, Audit, Credit and Risk Management Departments.

Strategic Theme

Positive impact on Economy, Society & Environment

Key Strategic Performance Indicator and Achievement

We continue to operate as a responsible corporate citizen as it governs our activities, strategy, risk mitigation and purpose to transform lives.

Objective and success metrics are detailed in the ESG section of this Integrated Report.

- ESG focus driven from Board Level – Board approved ESG Policy Framework
- Dedicated ESG unit
- Formally appointed ESG Champions in all Strategic Business Units
- Published ESG Policy Statement.

About this Integrated Report | Our Leadership | Co-op Bank Model | Our Capitals | Operating Environment | Strategic Focus Review | Environmental, Social and Governance (ESG) | Financial Statements

Transformation

In 2014, to sustain the growth momentum and put the group on a new growth trajectory, the Board of Directors appointed McKinsey & Co. for a growth and efficiency review. Developing a transformational culture across the institution has steered the bank towards becoming a 'Digital Bank' and enhanced cross-departmental synergies in Co-op. The Bank has a dedicated Transformation office that has been key in follow up and seamless implementation of all the transformation initiatives.

The eagle keeps soaring through the implementation of reiterative strategies and embeddedness within our business models.

Key Success Measures

- **1.9 M** MSME account holders.
- **55.5** NPS score
- **No. 2** Asset Finance provider in Kenya by market share.
- **+170,000** MSME clients onboarded on the new packages -Gold, Silver, Bronze
- **KShs. 84.2 B** disbursed through e-credit.
- **47.1%** Cost to income ratio
- **9%** increase in staff productivity
- **+16,000** customers undertook financial capacity building sessions.
- **274** non-financial service programmes (Clinics, Networking forums and international trips).
- **3.4** average product holding within MSME packages.

The transformation pillars of growth and efficiency strategically underpin the initiatives. The transformation culture is embedded in rituals, routines and rhythms across the bank. The transformation team has staff across the bank facilitating for cross functional transfer of skills, knowledge and evaluation of the initiatives.

The group's strategic objectives are supported the below programs and enablers.

Transformation Initiatives

Branch Transformation (MSME & Retail Sales Force Effectiveness)

- Micro, Small and Medium Enterprises (MSME) Transformation. To leverage and unlock the huge and lucrative potential of the MSME segment.
- Retail SFE. To leverage and unlock the 184-branch network potential for Asset, deposit and NFI growth by segments and product houses. Orchestration and support of front office staff to serve clients with 'basket of goods and services'.
- Leverage on Channels for Sales and non-funded income (Alternative Banking Transformation).

Sales Force Effectiveness for Corporate and Wholesale Banking

- Designed and implemented sector focus/industry specialization.
- Enhanced go to market strategies and training in collaboration with IFC.
- Supply Chain Finance & Distributor Finance program underway in collaboration with Business Banking Department
- Support in asset, liability and NFI growth by tracking, monitoring and sustaining rhythms.
- Omni-Channel for Corporate Banking

Operational Efficiency

- Distinctive Customer Experience initiatives - Process automation – focusing on top 20 customer journeys for automation through Business
- Process Management System (BPMS) and continuous process improvement
- Ensure implementation of Compliance, Risk and Anti money Laundering (AML) initiatives to meet all regulatory guidelines
- Data governance
- Continuous review of the 8 types of Waste across structure, processes and policy i.e. Intellectual, motion, rework, overproduction, unnecessary processing, transportation, inventory and waiting to free up time for sales at branch and head office units

Sales Force Effectiveness for Co-operatives Banking including implementation of the Digital Strategy for Co-operative Bank

- Digitization of Co-operatives Banking.
- Capacity building of relationship managers.
- Support in asset, liability and Non-Financial Income (NFI) growth by tracking, monitoring and sustaining rhythms.

Digitization and innovation

Drive implementation and full benefit realization of the ongoing Digital initiatives in partnership with IFC:

- Omni-channel
- Digital Hub and Innovation Framework
- Digital Technology Capability Review
- Core Banking System – New Core Banking implementation ongoing.
- Product Rationalization
- Open Banking
- CRM & BPM (Automation) Support
- Digital Co-operatives

NPL & Credit processes

- Implementation of Project Kilele initiatives around time to yes and time to money. Steering sandboxes formed for rollout of initiatives.
- Sustained customer engagement at both pre and post delinquency using various channels: SMS, calls, e-mails, letters and visits.
- Continued analysis of early warning signs -Revamped analysis of portfolio trends (sector/Industry) and assessment of individual clients. Leveraging on predictive analytics to detect likelihood of default.
- Offering a range of solutions/cures (Analysis of root causes and identification of possible treatment based on nature of the anomaly) to customers already in distress.
- Revamped realization process and aggressive marketing of realized collaterals.
- Sustain best practices learnt through portfolio decentralization, project Kilele and project connect & build.
- Continuous involvement of all stakeholders in remedial initiatives with clear action plans.
- Continuous improvement of debt recovery through innovative solutions and campaigns

Key Transformation Enablers:

- **ICT capability, reliability & Shared Services strategy**
- Data Analytics and Business Intelligence
- Proactive credit management
- Staff productivity. Performance Management, Dialogues and Rhythms
- Agile culture and practice.
- Transformation Office providing Accountability, Tracking and Communication

Shared Services Strategy enables for centralised operational support and digitisation across the bank, allowing us to leverage on economies of scale and increased efficiency:

- Omni-channel (mobile and internet banking)
- CRM 365 as the authority on customer engagements.
- Business Process Management System (BPMS) for inter and intra departmental processes.
- E-commerce through Verified by Visa.
- Money Transfer Organizations (MTO) partnerships for international remittances.
- Innovation and Fintech engagement framework centralizing partnerships with third parties.
- Centralized Business to Business (B2B) interrogation.
- Data Analytics capabilities.

About this Integrated Report | Our Leadership | Co-op Bank Model | Our Capitals | Operating Environment | Strategic Focus Review | Environmental, Social and Governance (ESG) | Financial Statements

Environmental, Social and Governance (ESG)

CO-OPERATIVE BANK
We are you

Responsible Returns

2022 Environmental, Social and Governance Report

Our Policy:
"We are fully committed to sustainable development and to achieve positive environmental & social outcomes with good governance".

ESG Report Map:

The Bank is a critical player in the development of sports in Kenya and has consistently supported the Athletics events across the country. Kenya is a global power-house on the long distance races.

About this Integrated Report | Our Leadership | Co-op Bank Model | Our Capitals | Operating Environment | Strategic Focus Review | Environmental, Social and Governance (ESG) | Financial Statements

Our ESG Priorities

Transforming lives and creating sustainable value

Founded in 1968, The Co-operative Bank was established by co-operators to address the need for sustainable and accessible financial services. Rooted in the values of the Co-operative Movement, we have made it our mission to improve the lives of millions through innovative financial solutions.

Our commitment to ESG is driven by a comprehensive ESG policy framework that articulates our unwavering dedication to sustainable business practices. This is demonstrated by our Board of Directors who continuously ensure that our corporate governance values are founded on the pillars of responsibility, accountability, fairness, and transparency.

Our commitment to responsible environmental stewardship is demonstrated by running our business in such a way that it leaves minimal adverse impact on natural resources and the environment for the future generations. We are also committed to positively impacting the society around us by fostering growth, reducing poverty, and improving financial inclusion and shared prosperity in Kenya. By integrating ESG into all aspects of our operations, we aim to deliver both financial performance and long-term value to our stakeholders.

Sustainability through policy and governance in Co-op Bank is deep-rooted. Our commitment is aligned to the following:

Global	National	Industry	Corporate
UN Sustainable Development Goals (SDGs) IFC Exclusion List & Performance Standards	Kenya's Vision 2030 and the Big Four Agenda (accelerates Vision 2030)	Kenya Bankers' Association Sustainable Finance Initiatives guidelines CBK Guidance on Climate-Related Risk Management NSE ESG Disclosure Guidance Manual	Our Corporate Strategic Plan (2020-2024) Theme 6: Positive impact on Economy, Society & Environment Our ESG Policy Framework Our ESG Roadmap Our Climate Related Risk Management Roadmap

Co-op Bank ESG
'Creating Sustainable Value'

Enabling the achievement of

Kenya Vision 2030
POLITICAL PILLAR
Government influences the economy & hence the Banking industry through Trade/Tax/Green Policies & stability

Kenya Vision 2030
SOCIAL PILLAR
• Affordable Housing
• Universal Health Coverage

Kenya Vision 2030
ECONOMIC PILLAR
• Enhancing Manufacturing
• Food Security & Nutrition

Environmental | **Social** | **Governance**

UN SDGs | Vision 2030 (Big 4 Agenda) | Kenya Bankers Sustainable Finance Initiative Principles | CBK Guidance on Climate Related Risk Management

GRI | TCFD | 2020 – 2024 Corporate Strategic Plan

Governance from Board level | ESG Policy framework | Formal Environmental & Social Management System (ESMS) | ESG implementation Roadmap

Dedicated ESG Unit | Groupwide ESG Champions | Enterprise Risk Management

Environmental, Social and Governance (ESG) Policy Statement

Introduction

Co-operative Bank of Kenya Ltd was formed by Co-operators through their Co-operative Societies in 1968 to ensure delivery of affordable financial services to the Co-operative movement for maximum benefit of the societies' members. Sustainability is thus the backbone of our strategy and operations to date.

Co-operative Bank Group is committed to transforming lives and being a responsible corporate citizen. The Bank believes that sustainable development and sustainable profit growth are complementary to each other and create a positive impact on the economy, society, and the environment.

Co-operative Bank Group is a responsible financial partner and supports the UN Sustainable Developments Goals (SDGs) by developing products and services aimed at addressing challenges identified by the SDGs with the support of the Co-operative movement, customers, funding partners, investors, and all other stakeholders.

Our ESG Policy

We are fully committed to sustainable development and to achieve positive environmental & social outcomes with good governance.

The Co-operative Bank Group objectives under this policy are:

- To incorporate strong environmental, social, and corporate governance principles throughout all operations and business activities.
- To comply with relevant national laws, regulations and agreements on the environment, climate change, health, safety, and social issues to which the Group subscribes to and in the countries it operates in.
- To evaluate and manage environmental and social impacts when developing policies, products, or major change initiatives.
- To communicate this policy to internal and external stakeholders as part of regular reporting.

This policy shall be applied enterprise-wide and covers all material operations, including geographies, corporate functions, and business units of the Co-operative Bank (Co-op Bank) Group.

Signed:

DR. GIDEON MURIUKI – CBS, MBS
GROUP MANAGING DIRECTOR & CEO
NOVEMBER 2022

About this Integrated Report | Our Leadership | Co-op Bank Model | Our Capitals | Operating Environment | Strategic Focus Review | Environmental, Social and Governance (ESG) | Financial Statements

Our ESG Journey in 2022

In 2022, the Bank embarked on an ESG roadmap to integrate ESG considerations into its operations, achieving several key milestones. Key ESG governance matters were defined to ensure that the Bank has effective policies, procedures, and practices in place to identify, manage, monitor, and report on environmental, social, and governance (ESG) matters that may impact the Bank's operations and stakeholders.

This process included enhancing the Board Charter, Board of Directors, and Board of Management's terms of reference with ESG roles and responsibilities. An ESG Champions Committee was formally appointed, and a dedicated ESG Unit was established. The Bank also appointed ESG champions across the entire Group, representing all Divisions, Subsidiaries, and Control Functions.

An enabling ESG policy framework was developed and approved by the Bank's Board of Directors. This policy framework guided the review of existing Bank policies to ensure that ESG considerations are anchored in policy and embedded in our standard operating procedures. Enterprise-wide capacity building programs have been developed, and training is ongoing using both external and internal subject matter experts to enhance the knowledge, skills, and expertise of employees and stakeholders in the areas of ESG issues, principles, practices, and regulations. In 2022, we published our ESG Policy.

Additionally, to operationalize the ESG policy framework, ESG Key Performance Indicators (KPIs) were included in the targets for all champions at all levels of the organization for 2023.

The Bank is continuously undertaking ESG capacity building for all staff. So far, 35% of total staff have completed the Kenya Bankers Sustainable Finance Initiatives Training Modules I to III, available at https://sfi.kba.co.ke.

ESG Best Practice

- The Board approved an ESG Policy Framework focused on five key areas: ESG framework, Environmental & Social Management System (ESMS), ESG risk management, Climate-related risk management & integration, and Sustainable Finance framework.
- The Bank has integrated ESG into business practices and established a dedicated ESG Unit. ESG champions have been appointed across all divisions, control functions, and subsidiaries of the bank to implement the ESG agenda. A cross-functional ESG Committee has been formally appointed to enhance the operationalization of our ESG Policy Framework. ESG Key Performance Indicators (KPIs) have been cascaded throughout the Bank.
- The Board Charter, Board of Directors, and Board of Management's terms of reference have been enhanced with ESG roles and responsibilities.
- We have a formal, Board-approved Environmental and Social Management System (ESMS) integrated into our day-to-day activities.
- We apply the ESMS in conjunction with other policies within our enterprise risk management framework, ensuring a holistic approach to risk.
- The Environmental and Social Management System (ESMS) is governed and owned at the Board of Directors level and aligns with our strategic objectives, mission, vision, and purpose.
- We have referred to the International Finance Corporation (IFC) guidelines in developing our policy, customizing it based on our portfolio, structure, and responsibilities.
- Our ESMS includes the application of the IFC exclusion list for all our lending.
- We have adopted the Kenya Bankers Association Sustainable Finance guiding principles and minimum standards in their entirety.
- We directly invest in Environmental & Social (E&S) initiatives by partnering with development financial institutions (up to KShs. 2.2B in December 2022) to provide special credit lines that promote E&S sustainability.
- We ensure continuous training for all our staff to cultivate best practices.
- We conduct our own activities with regard for the environment and the communities within which we operate.

A Leading ESG Bank

About this Integrated Report | Our Leadership | Co-op Bank Model | Our Capitals | Operating Environment | Strategic Focus Review | Environmental, Social and Governance (ESG) | Financial Statements

Co-operative Bank is playing its role in afforestation to alleviate the Climate Change effects. Co-operative Bank staff plant trees in the Upper Tana region.

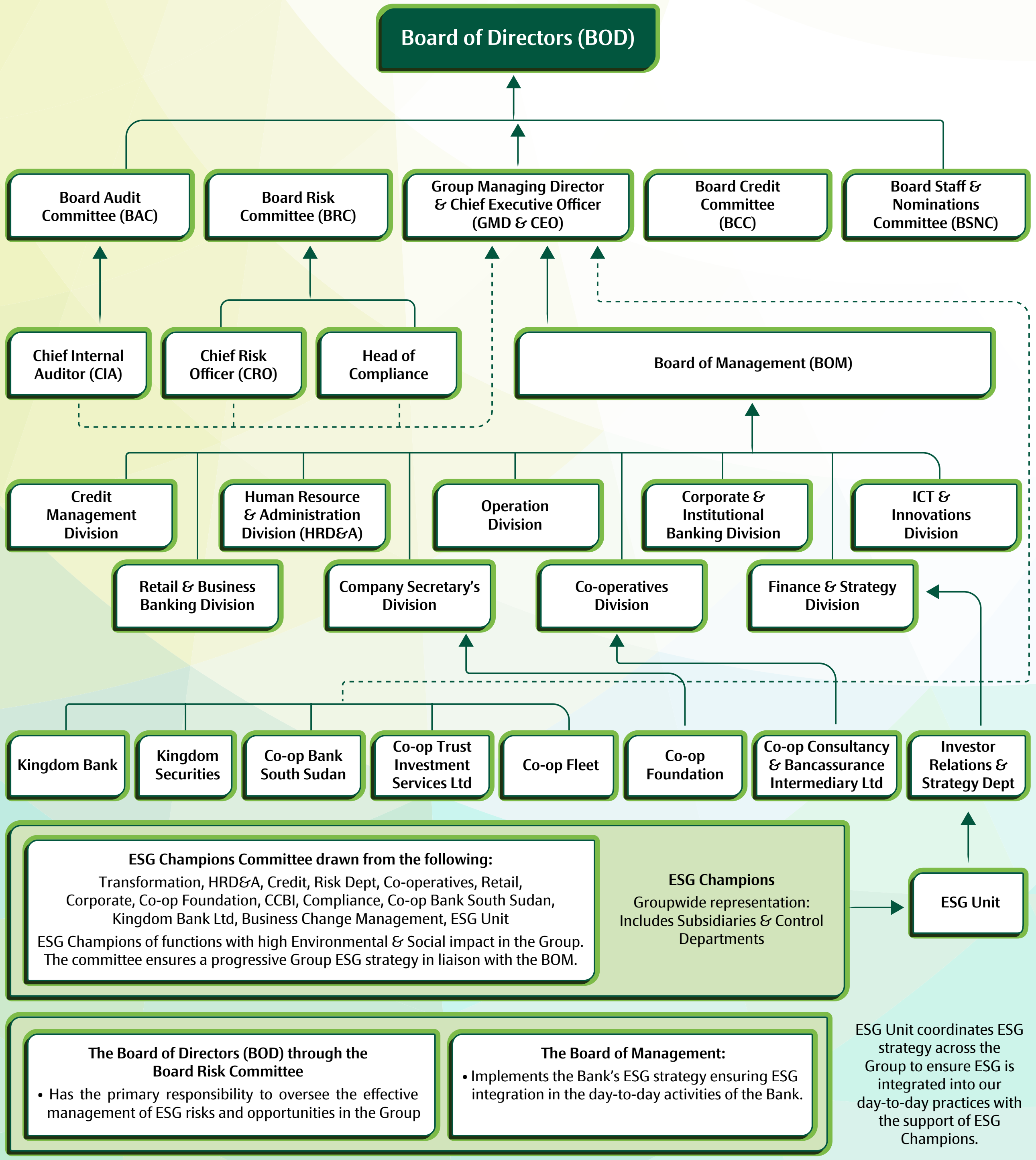
Director ICT and Innovation Charles Washika (centre), receives the award for the No. 1 Digital Bank awarded for the Mco-opcash Mobile banking platform, in the recently held Digibank Awards.

About this Integrated Report | Our Leadership | Co-op Bank Model | Our Capitals | Operating Environment | Strategic Focus Review | Environmental, Social and Governance (ESG) | Financial Statements

ESG Governance

The Bank has taken a proactive approach to addressing sustainability, environmental, and social risks by adopting robust policies and processes that are integrated into all aspects of the Bank's operations. The Board of Directors provides oversight of these issues and has established clear responsibilities for Executive Management, ESG Champions, and the ESG Team to ensure that sustainability is strategically addressed at all operational levels. Through this comprehensive ESG governance mechanism, the Bank is well-positioned to mitigate potential negative impacts and leverage opportunities for positive impact in a rapidly evolving landscape of environmental and social risks.

The figure below depicts our ESG governance model which enables the implementation and monitoring of our ESG strategy at all levels, from the Board of Directors to our business and corporate functions.



Our ESG Framework

Our ESG framework ensures that we integrate ESG considerations into decision-making processes and operations, and it ensures that we operate in a sustainable and responsible manner, while creating long term value for all stakeholders.

Our ESG Framework

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

Environmental

Bolster environmental health through sustainable practices, financial products, services and programs.

- Environment & Climate Change
- Responsible Resource Use

Social

Contribute to inclusive economic outcomes through our business activities, philanthropy, supply chain, employees and communities.

- Financial Inclusion
- Social Inclusion
- Economic Inclusion

Governance

Build enterprise resilience through ESG integration.

- ESG Business Integration

The Boda Boda industry has become a critical facilitator of transport in the MSME sector. The Bank has been training Boda Boda riders in good Road Safety practices.

About this Integrated Report | Our Leadership | Co-op Bank Model | Our Capitals | Operating Environment | Strategic Focus Review | Environmental, Social and Governance (ESG) | Financial Statements

The specific focus areas and goals of our ESG framework are as follows:

Environmental

Environment & Climate Change

Supporting the transition to a low-carbon economy and reduce the impact of climate change

- Developing and offering green loan products and services for renewable energy, energy efficiency, and sustainable infrastructure projects.
- Collaborating with partners to promote innovative solutions for climate resilience, such as investing in projects addressing water scarcity or supporting sustainable agriculture.
- Committed to measuring our financed emissions and use this data to establish science-based targets aligned with the Paris Agreement's goal of limiting global warming to well below 2°C.
- Implementing measures to reduce the Bank's own operational carbon footprint, such as energy-efficient building design, reduced paper usage, and encouraging employee use of public transportation.

Responsible Resource Use

Encourage the responsible and efficient use of resources through the Bank's operations

- Implementing waste reduction strategies by establishing recycling programs, eliminating single-use plastics, and promoting paperless transactions and communications.
- Optimizing energy use by implementing energy-efficient technologies in bank facilities, such as installing LED lighting, utilizing smart thermostats, and employing energy management systems.
- Encouraging the use of renewable energy sources by installing solar panels on bank premises
- Promote water conservation measures by installing low flow fixtures, and performing regular maintenance to minimize water leaks.

Social

Financial Inclusion

Enable access to financial solutions supporting economic development and reducing inequality

- Expanding digital banking platforms and increasing our branch and ATM presence in underserved areas.
- Offering financial education through workshops, online resources, and personalized consultations.
- Developing tailored loan products for underserved communities, with competitive interest rates and reduced barriers.
- Providing specialized financing solutions, mentorship programs, and resources for micro, small and medium enterprises.

Economic Inclusion

Promote financial intermediation in the economy

- Supplying investment capital and loans for initiatives increasing affordable housing, job creation, and supporting a just and orderly transition.
- Facilitating trade and investment flows between countries and key global markets.
- Supporting sustainable infrastructural development and upgrades for economic growth.
- Contributing to the country's prosperity and stability by ensuring timely payment and facilitation of tax collection.

Social Inclusion

Empower and build resilience in the community, especially for the underserved

- Investing in employee health, safety, and wellbeing.
- Financing health, water, and sanitation infrastructure and projects.
- Increasing access to inclusive, quality education.
- Fostering job creation and staff development.
- Promoting employee diversity and equal gender access to financing.
- Engaging in corporate social responsibility initiatives and social investments.
- Supporting affordable housing projects.

Governance

ESG Integration

- Strong Corporate Governance Practices
- Collaborating with international financial institutions to achieve common goals.
- Upholding strong business ethics and integrity, prioritizing customers, community, and the planet.
- Developing and integrating a formalized ESG operating model within the bank.
- Implementing comprehensive enterprise risk management strategies.

Stakeholder Engagement

The Co-operative Bank prioritizes stakeholder engagement and takes a stakeholder-inclusive approach to corporate governance, led by the Board of Directors and Board of Management. In the 2021 corporate governance assessment by the Capital Markets Authority (CMA), the Bank received a leadership rating for its stakeholder relations. Key stakeholders are identified, and their feedback is incorporated into policies, procedures, and strategies that are regularly reviewed for relevance and effectiveness. The Bank is committed to meeting the unique interests and expectations of each stakeholder group and maintains transparency in communications. The Bank has a formal dispute resolution process and regularly reports on ethics to stakeholders to ensure alignment with social and environmental responsibilities. Additionally, a dedicated team of staff has been tasked with ensuring accurate and efficient feedback to and from stakeholders, providing relevant and up-to-date information about the Bank's performance to existing and potential shareholders while addressing continuously changing concerns about our ESG work.

Our Key Stakeholders

CUSTOMERS

Ways we Interact:

- Solicit feedback by phone, in person, email and online including social media.
- Formal complaint-handling process
- Use of service surveys/questionnaires
- Customer engagements in webinars, training workshops, product launches and exhibitions

Key ESG concerns

- Business Ethics
- Customer service quality
- Dispute Resolution
- Fee changes
- Credit decisions
- Cybersecurity and data privacy
- Reliability of digital channels
- Product Quality and Suitability
- Continued impacts of COVID-19 on customers
- Disability sensitive facilities
- Ethical and sustainable sourcing practices
- Marketing and advertisement communications are truthful.

How we Respond

- Business Code of Conduct and Ethics: Co-operative Bank (co-opbank.co.ke)) outlines our commitment to ethical and transparent business practices. We are committed to treating our customers fairly and honestly.
- Customer service quality: We aim at providing exceptional customer service and continuously strive to improve our services. We have implemented various initiatives to enhance customer experience, such as customer feedback mechanisms and regular training programs for our staff. Co-op Bank was named "Overall Winner" in the 2022 Customer Satisfaction Survey of the Kenya Bankers' Association
- Dispute Resolution: We have centralized all disputes through our CRM system, ensuring efficient dispute resolution
- Fee changes: We regularly review our fee structures to ensure that they remain competitive and provide value for our customers. Any changes are communicated transparently and well in advance.
- Credit decisions: Our credit decisions are based on robust risk management processes and regulatory requirements. We strive to make fair and objective decisions, considering each customer's unique circumstances.
- Cybersecurity and data privacy: We take cybersecurity and data privacy very seriously and have implemented comprehensive measures to safeguard our customers' data. We regularly review and update our security protocols to ensure that they are up to date with the latest industry standards.
- Reliability of digital channels: Our digital channels are monitored and maintained regularly to ensure that they remain reliable and secure. We have implemented measures to minimize downtime and provide seamless customer experiences.
- Product Quality and Suitability: Our bank's products and brand propositions are designed to far exceed customer expectations and respond to the diversification and sophistication of their needs. We focus on understanding our customers' needs and have created a comprehensive range of ethical and excellent products that we deliver through innovative delivery channels. We welcome feedback from our customers and use it to inform our product development.
- Continued impacts of COVID-19 on customers: We understand the challenges that our customers are facing because of COVID-19 and have implemented various relief measures to support them during these difficult times.
- Disability sensitive facilities: We are committed to providing disability-sensitive facilities and services to all our customers. We have implemented various measures to ensure that our facilities are accessible and welcoming to all.
- Ethical and sustainable sourcing practices: We ensure that our suppliers comply with good business practices and have set minimum requirements to guarantee quality and sustainable supply of services, while minimizing negative social and environmental impacts.
- Ensuring marketing and advertisement are truthful: We ensure that our customers can trust that our marketing and advertising communications are honest and truthful. We do not use misleading language or images, and we ensure that any offers or promotions are truly free or new. Additionally, we do not target children or minors in our advertising. We use legally obtained images and compensate our models appropriately.

EMPLOYEES

Ways we Interact:

- Dedicated human resource business partners
- Employee performance discussions,
- Employee coaching and assistance
- Employee complaint handling process & hotline
- Regular staff meetings
- Employee engagement surveys
- Employee training – virtual, face to face, eLearning, staff briefings etc.

Key ESG concerns

- Employee financial and health wellness including mental health, work/life balance
- Career and skills development
- Role reengineering and training
- Compensation and recognition
- Improving work processes and tools
- Openness and accountability
- An objective and fair performance appraisal process
- Effective performance and reward system
- Equal opportunities for all staff
- Upheld labor standards
- Safe, accessible and healthy work environment
- Diversity and inclusion
- Responsible marketing and advertising practices

How we Respond

- Employee financial and health wellness including mental health, work/life balance: We offer various programs, such as health and wellness programs, employee assistance programs to support our employees' overall well-being. For staff with new-born, in accordance with existing labor laws and best practice, they are allowed time off.
- Career and skills development: We are committed to providing our employees with opportunities for career and skills development through various training programs, mentorship, coaching and job rotations. Our aim is to support our employees' career growth within the organization.
- Role reengineering and training: Our Transformation Initiatives have re-engineered the teller role, and now our tellers are Sales and Service advisors. We have also retooled our relationship managers to offer the best from our customer-centric basket of products. Our staff are well trained and knowledgeable, which enables them to guide customers to the financial solutions that best suit their needs.
- Compensation and recognition: Our Bank is committed to providing fair and competitive compensation and recognition to our employees based on their performance, skills, and experience.
- Improving work processes and tools: We are continuously evaluating and improving our work processes and tools to enhance our employees' productivity, efficiency, and job satisfaction.
- Openness and accountability: Our Bank values openness and accountability in all our operations, including how we interact with our employees. We have various channels for employees to raise concerns, provide feedback, and offer suggestions, such as our employee feedback surveys.
- An objective and fair performance appraisal process: We have a performance appraisal process that is objective, transparent, and fair. The process is based on clear and measurable performance indicators that are aligned with our Bank's objectives and values.
- Effective performance and reward system: Our performance and reward system is designed to recognize and reward employees who demonstrate exceptional performance and contributions to the organization. We have a comprehensive reward and recognition program that includes bonuses, promotions, and other forms of recognition.
- Equal opportunities for all staff: We are committed to providing equal opportunities for all staff, regardless of their race, gender, age, religion, or other personal characteristics. We have policies and programs in place to promote diversity and inclusion in our workplace.
- Upheld labor standards: Our Bank adheres to all applicable labor standards and regulations. We are committed to providing a safe and healthy workplace for our employees and to upholding fair labor practices in all our operations.
- Safe, accessible and healthy work environment: We strive to provide a safe, accessible, and healthy work environment for our employees. We have implemented various measures to ensure the safety and well-being of our employees, such as regular workplace inspections, training on health and safety practices, and providing appropriate equipment and protective gear. We also engage with suppliers who provide workers' compensation and liability insurance and criminal background checks to ensure safety and compliance with the law
- Diversity and inclusion: Our Bank values diversity and inclusion and recognizes the importance of building a workforce that reflects the communities we serve. We have a non-discrimination policy in place to promote diversity and inclusion in our workplace
- Responsible marketing and advertising practices: All images used in the banks' advertising are legally obtained and models are compensated appropriately. The bank doesn't compel any of its staff or of its associates to offer free services.

About this Integrated Report | Our Leadership | Co-op Bank Model | Our Capitals | Operating Environment | Strategic Focus Review | Environmental, Social and Governance (ESG) | Financial Statements

SHAREHOLDERS AND INVESTORS

Ways we Interact:

- Annual meetings – virtual or one on one
- Shareholder relations phone and email channels
- Quarterly investor briefings
- Regular press releases
- Regular meetings with investors
- Industry conferences, summits
- Investor relations website

Key ESG concerns

- Impacts of climate change on Bank performance and strategy
- Social and economic equity and inclusion
- Regular, accurate and timely information
- System stability
- Cybersecurity and privacy
- Continued impact of COVID-19 on customers
- Governance, ethics, business conduct, internal controls, associated reputational impact
- Sustainable finance solutions
- Value created from digitization
- Mitigating supply chain risks
- Responsible marketing and advertising practices

How we Respond

- Impacts of climate change on Bank performance and strategy: As a bank, we recognize the importance of addressing climate change and have implemented a robust ESG framework to guide the Bank in mitigating climate-related risks and capitalizing on opportunities in the transition to a low-carbon economy.
- Social and economic equity and inclusion: We are committed to promoting social and economic equity and inclusion through our lending and investment activities, as well as our corporate responsibility initiatives. We support underserved communities by working with Co-operatives to offer targeted financing solutions, partnerships with community organizations, and philanthropic activities through our Co-op Foundation.
- Regular, accurate and timely information: We strive to provide our shareholders and investors with regular, accurate, and timely information through our investor relations program. We have a dedicated team that is available to answer questions and provide updates on our financial performance, strategic initiatives, and ESG-related activities.
- System stability: We maintain a strong focus on maintaining the stability and resilience of our systems to ensure continuity of our services. We continuously monitor and assess potential risks and take necessary measures to mitigate and manage them.
- Cybersecurity and privacy: We recognize the importance of protecting our clients' information and maintaining their privacy. We have implemented robust cybersecurity measures and adhere to industry best practices to prevent and detect cyber threats.
- Continued impact of COVID-19 on customers: We continue to monitor the impact of COVID-19 on our customers and have implemented measures to support them during these challenging times. We have implemented flexible payment plans, loan restructures, and other relief measures to assist customers who have been impacted by the pandemic.
- Governance, ethics, business conduct, internal controls, associated reputational impact: We maintain a strong culture of governance, ethics, and business conduct, and have implemented robust internal controls to ensure compliance with regulatory requirements and industry best practices. We recognize that our reputation is critical to our success and we take seriously any issues that may impact it.
- Sustainable finance solutions: We offer a range of sustainable finance solutions to our customers and we are committed to supporting the transition to a more sustainable economy through our financing and investment activities.
- Value created from digitization: We recognize the value of digitization in creating efficiencies and enhancing our clients' experience. We continue to invest in technology and innovation to develop new products and services that meet the evolving needs of our clients.
- Mitigating supply chain risks: We have implemented measures to identify, assess and manage risks in our supply chain to ensure that the Bank's financial performance and reputation is not negatively impacted by issues such as environmental damage, labor violations, or reputational damage due to the actions of suppliers and service providers.
- Responsible marketing and advertising practices: We are committed to ethical advertising and marketing practices. Our adherence to the Marketing Operations Manual and the Code of Advertising Practice helps to mitigate any potential reputational or financial risks.

CO-OPERATIVE MOVEMENT

Ways we Interact:

- Virtual and in person meetings
- Email, telephone engagements with Co-operative relationship managers, the Contact Center, Co-op Consultancy
- Feedback surveys and questionnaires

Key ESG concerns

- Access to banking
- Meeting the needs of Co-operative movement customers
- Products/services value propositions and features
- Capacity building for Saccos
- Customer service and experience

How we Respond

- Access to banking: We have developed and continue to improve our mobile banking and online platforms to ensure that customers can access banking services at their convenience.
- Meeting the needs of co-operative movement customers: We are committed to meeting the unique needs of our co-operative movement customers by providing tailored products and services that align with their values and objectives. We regularly engage with our customers to understand their needs and preferences, and we continuously improve our offerings to meet those needs.
- Products/services value propositions and features: We understand the importance of delivering value to our customers. Our products and services are designed to provide our customers with value propositions that meet their needs and exceed their expectations.
- Capacity building for Saccos: We are committed to capacity building for Saccos to help them better serve their members. We provide training and support to Saccos to help them improve their governance, financial management, and service delivery through our Co-op Consultancy and Bancassurance Intermediary Agency
- Customer service and experience: We are committed to providing excellent customer service and experience to all our customers, including those in the co-operative movement. We have dedicated customer service teams that are available to assist customers and address any concerns they may have. We also regularly attend forums for our co-operative leaders to obtain their feedback on our service levels

Co-op Bank Sacco officials celebrate recognition during the Ushirika Day celebrations.

About this Integrated Report | Our Leadership | Co-op Bank Model | Our Capitals | Operating Environment | Strategic Focus Review | Environmental, Social and Governance (ESG) | Financial Statements

INDUSTRY ASSOCIATIONS

Ways we Interact:

- Membership
- Participation in forums, summits

Key ESG concerns

- Engagement with members to propose regulations
- Meeting customer needs and expectations
- Promote fair and ethical competition
- Responsible Marketing and Advertising

How we Respond

- Engagement with members to propose regulations: We appreciate the feedback and concerns from industry associations such as Kenya Bankers Association on regulations. As a responsible financial institution, we are committed to engaging with relevant regulatory authorities to ensure that our operations are compliant with regulations and that any new regulations or changes to existing regulations are implemented in a timely manner. We also encourage industry associations to engage with us on these matters to ensure we are aligned and continue to meet their expectations.
- Meeting customer needs and expectations: We understand the importance of meeting customer needs and expectations. Our commitment is to continuously improve and develop products and services that meet the evolving needs of our customers. We will continue to engage with industry associations such as Kenya Bankers Association to gain insights on customer needs and expectations and incorporate them into our product and service offerings.
- Promote fair and ethical competition: We work closely with industry associations to develop best practices and standards that ensure responsible competition and benefit the financial industry.
- Responsible Marketing and Advertising: The bank doesn't engage in comparative advertising that directly compares prices or product features with competitors or depicts other institutions negatively.

The Nairobi Delegates forum selects Co-op Foundation Scholarship beneficiaries. The bank has educated over 9,000 bright but needy children across the country.

REGULATORS AND POLICY MAKERS

Ways we Interact:

- Periodic returns
- Feedback surveys and questionnaires

Key ESG concerns

- Responsible Banking
- Financial inclusion
- Financial crime controls
- Integrity and transparency in reporting
- System stability
- Covid-19 impact on credit & credit risk
- Timely submission of returns
- Corporate governance, conduct
- Cybersecurity and data security
- Management of customer complaints
- Compliance with tax laws and regulations
- Enforcement of labor laws and regulations
- Compliance with competition laws
- Suppliers and service providers compliance with relevant laws
- Regulatory compliance in advertising and marketing practices.
- Responsible marketing and advertising

How we Respond

- Responsible Banking: We are implementing the Kenya Banking Sector Charter, demonstrating our commitment to industry standards and best practices
- Financial inclusion: We are committed to promoting financial inclusion by providing accessible and affordable financial products and services to all our customers, including those in underserved and remote areas. Our bank's products and brand propositions are designed to respond to the diversification and sophistication of customers' needs, and we have invested heavily in innovative delivery channels to enhance financial inclusion
- Financial crime controls: We take our responsibility to prevent financial crimes very seriously and have implemented robust internal controls, policies and procedures to detect and prevent financial crimes such as money laundering, terrorism financing and fraud.
- Integrity and transparency in reporting: We are committed to transparency and accuracy in our reporting and regularly provide timely and accurate financial and non-financial disclosures to all our stakeholders, including regulators and policymakers.
- System stability: We prioritize the stability and reliability of our systems and have implemented multiple layers of controls to ensure that our systems are secure, available and resilient.
- Covid-19 impact on credit & credit risk: We are continuously monitoring and assessing the impact of Covid-19 on our credit portfolio and risk management framework and are taking proactive measures to mitigate potential risks.
- Timely submission of returns: We are committed to complying with all regulatory reporting requirements and always strive to submit our returns in a timely and accurate manner.
- Corporate governance, conduct: We maintain high standards of corporate governance and conduct and have implemented robust policies and procedures to ensure compliance with all applicable laws, regulations and industry best practices.
- Cybersecurity and data security: We take the security of our customers' data very seriously and have implemented multiple layers of security controls to protect against cyber threats.
- Management of customer complaints: We have a dedicated team to manage customer complaints and feedback and strive to resolve all complaints in a timely, fair and efficient manner.
- Compliance with tax laws and regulations: We ensure that our tax filings are timely, accurate, complete and accurate to ensure the Bank is meeting all its tax obligations.
- Enforcement of labor laws and regulations: We ensure that we are meeting all our obligations and to stay up to date with any changes or updates to labor laws and regulations
- Ensure compliance with competition laws: We can carry our business in full compliance to the Competition Act and as such, we do not engage in any restrictive trade practices, controlling mergers or acquisitions, unfair or misleading market practices, or anti-competitive agreements.
- Suppliers and service providers compliance with relevant laws: We do due diligence on our suppliers and have set minimum requirements to ensure they comply with the law and possess relevant certificates and professional indemnity cover
- Responsible marketing and advertising: As a corporate member of the Marketing Society of Kenya, Co-operative Bank is bound by the Code of Advertising Practice and Direct Marketing developed between the Marketing Society and the Advertising Practitioners Association. We take our commitment to responsible marketing and advertising seriously, and we actively seek to ensure that all our communications comply with national laws and regulations.

About this Integrated Report | Our Leadership | Co-op Bank Model | Our Capitals | Operating Environment | Strategic Focus Review | Environmental, Social and Governance (ESG) | Financial Statements

GOVERNMENT

Ways we Interact:

- Government banking teams
- Dialogue through industry associations Key ESG concerns

Key ESG concerns

- Working with government to help with post-pandemic economic recovery
- Data security and privacy
- Working towards economic inclusion and equality
- Adequate tax contribution to public finances

How we Respond

- Working with government to help with post-pandemic economic recovery: As a financial institution, we understand the importance of supporting the government's efforts to revive the economy after the pandemic. We are committed to working closely with the government to identify opportunities for collaboration and support, and to provide the necessary financial services and resources to help businesses and individuals recover from the economic impact of the pandemic.
- Data security and privacy: We take data security and privacy very seriously and have robust systems and processes in place to protect our customers' information. We comply with all relevant regulations and standards related to data privacy and work closely with regulatory bodies to ensure our practices are up to date. We have set up the office of the data protection officer and developed a policy on an enterprise privacy risk management policy.
- Working towards economic inclusion and equality: We believe that financial services should be accessible to everyone, and we are committed to promoting economic inclusion and equality. We work with government and other stakeholders to identify opportunities to support underserved communities and to provide financial education and resources to help them achieve their financial goals. We also strive to provide fair and equitable access to our products and services to ensure that all customers are treated equally.
- Adequate tax contribution to public finances: We are committed to paying our fair share of taxes. In 2022 we remitted 7.4B in taxes.

STRATEGIC PARTNERS

Ways we Interact:

- Partnership meetings virtually or in person
- Corporate events
- Conferences and workshops
- Calls and email engagements

Key ESG concerns

- Transparency in disclosures
- Reporting standards and frameworks
- Environmental and Social Risks
- Human rights
- Governance, conduct
- Compliance with regulations, contract terms
- Integrity – utilization of facilities for designated/agreed purposes

How we Respond

- Transparency in disclosures: We believe in being transparent and open in our disclosures, which is why we regularly share information on our operations and financial performance with our strategic and lending partners.
- Reporting standards and frameworks: We are committed to adhering to globally recognized reporting standards including the International Integrated Reporting Council, Global Reporting Initiatives (GRI), Task Force on Climate Related Disclosures (TCFD) and other frameworks to ensure transparency and accuracy in our reporting.
- Environmental and Social Risks: We have put in place measures to identify and manage these risks in our lending and investment activities by refreshing our Environmental and Social Management System (ESMS)
- Human rights: We are committed to upholding human rights in all our operations and have policies and procedures in place to ensure that we comply with applicable laws and regulations.
- Governance, conduct: We maintain high standards of governance and conduct, and our policies and procedures are designed to ensure that we operate in a responsible and ethical manner.
- Compliance with regulations, contract terms: We comply with all applicable regulations and contract terms, and we work closely with our strategic and lending partners to ensure that we meet their requirements.
- Integrity - utilization of facilities for designated/agreed purposes: We use the facilities provided by our strategic and lending partners only for the designated/agreed purposes, and we maintain complete transparency in our operations to ensure that we maintain the integrity of our relationships including providing them with periodic reports.

About this Integrated Report | Our Leadership | Co-op Bank Model | Our Capitals | Operating Environment | Strategic Focus Review | Environmental, Social and Governance (ESG) | Financial Statements

SUPPLIERS

Ways we Interact:

- Supplier relationship management portal
- Emails, teleconferencing, e-meets
- Traditional media – newspapers
- Feedback surveys and questionnaires

Key ESG concerns

- Compliance to contractual terms/agreements
- Adherence to good business practices
- Timely payments
- Fairness in negotiations
- Bank expertise
- Timely feedback
- Transparency and efficiency in tendering
- Close collaboration

How we Respond

- Compliance to contractual terms/agreements - We take our contractual obligations seriously and we strive to comply with all the terms and conditions of our agreements.
- Adherence to good business practices: We require our suppliers to abide by good business practices, including providing workers' compensation and employer's liability insurance, criminal background checks, and tax compliance. We also ensure that they have relevant experience, audited accounts, and the necessary professional and contractual liability covers
- Timely payments - We acknowledge the importance of timely payments, and we are committed to ensuring that all our suppliers and service providers are paid on time.
- Fairness in negotiations - We believe in fairness and transparency in all our dealings with our suppliers and service providers. We strive to negotiate contracts that are beneficial to both parties.
- Bank expertise - We understand the importance of having knowledgeable and experienced suppliers and service providers, and we always strive to work with the best in the industry.
- Timely feedback - We aim to provide timely and constructive feedback to help them improve their services.
- Transparency and efficiency in tendering - We follow a transparent and efficient tendering process to ensure that all our suppliers and service providers have an equal opportunity to compete for our business.
- Close collaboration - We believe that collaboration is key to success, and we always strive to build strong relationships with our suppliers and service providers based on trust, respect, and mutual benefit.

Key Outcome Indicators	2022	2021
Percentage of local Suppliers	93.5%	88.%
Amount paid to suppliers (Billions)	14.8	13.7
Percentage of suppliers who have signed the code of conduct	100%	100%

COMMUNITIES

Ways we Interact:

- Co-op foundation teams
- SACCO delegates
- Micro-lending teams
- Front Office Sacco (FOSA) teams
- Marketing engagements
- Business impact analysis reviews
- Feedback surveys and questionnaires

Key ESG concerns

- Access to financial services/banking
- Eradication of poverty
- Capacity building
- Philanthropic initiatives such e.g., education sponsorships.
- Environmental stewardship and protection
- Food security – agricultural support
- Product features
- Climate smart technologies
- Access to public services funded by taxes

How we Respond

- Eradication of poverty: We support initiatives that help alleviate poverty, including access to finance and financial education, capacity building, and entrepreneurship training programs through our Co-op Foundation and Co-op Consultancy and Bancassurance Intermediary (CCBI)
- Capacity building: We support capacity building initiatives that enhance the skills and knowledge of individuals and organizations in the communities we serve, including training in financial literacy, business management, and digital skills through various MSME webinars, Co-op Foundation & CCBI initiatives
- Philanthropic initiatives: We are committed to supporting philanthropic initiatives that make a meaningful difference in people's lives. We sponsor education programs, and other projects that address local needs through our Co-op Foundation.
- Environmental stewardship and protection: We recognize the importance of environmental protection and are committed to minimizing the environmental impact of our operations. We have implemented various initiatives to reduce our carbon footprint, conserve water, planting trees, and promote sustainable practices.
- Access to financial services/banking: We are committed to increasing access to financial services and banking in the communities we serve, particularly in underserved areas.
- Food security: We support initiatives that promote food security and agricultural development, including lending programs and other financial services that support farmers and agribusinesses.
- Product features: We strive to offer products and services that meet the needs of our communities, including low-cost banking services, microfinance products, and other financial solutions tailored to specific customer segments.
- Climate smart technologies: We are committed to promoting the use of climate-smart technologies and renewable energy sources to reduce greenhouse gas emissions and promote sustainable development through our Agribusiness Department.
- Access to public services funded by taxes: As a bank, we are committed to supporting the communities where we operate and we ensure to pay our fair share of taxes that fund important public services that our communities rely on.
- Local employment opportunities and fair wages: We have created local employment opportunities in the areas we operate in and continue to provide opportunities for career growth and development for our staff.
- Responsible marketing and advertising: Co-operative Bank recognizes that our marketing and advertising communications can have an impact on the wider community. We are committed to upholding the highest standards in this area, and we actively seek to ensure that our communications are honest, truthful, and responsible.

Our Material Topics

IDENTIFICATION

We identify all material issues that could impact on our strategic ability to create long term value for all our stakeholders.

We do this by engaging the entire Co-op Bank Group throughout the exercise.

This gives us all material matters from all our stakeholders covering Economic, Environmental and Social aspects as embedded in our Sustainability undertaking.

PRIORITIZATION

We rank all identified issues from the ones with the most impact to the least.

INTEGRATION

We integrate the material issues that have the most impact into our strategic focus to ensure sustainable value creation in the Short term, Medium term and Long term.

The integration is embedded into our KPI performance management System.

MONITORING

We monitor the material matters periodically to ensure that our strategy will deliver sustainable value to all our stakeholders.

As a financial services provider, we take pride in being a driving force for economic growth in our country and positively impacting the lives of millions.

To achieve this, we prioritize both financial performance and integration of ESG principles into our daily operations. Our ESG strategy is derived from our materiality assessment that focuses our attention to our most important topics while helping us deliver long-term value to our stakeholders.

To play our part in creating a sustainable future for society, we focus on areas where our portfolio and service offering generates the most significant economic, social, and environmental impact related to the objectives of the Sustainable Development Goals (SDGs) and other relevant national and international frameworks which define material factors to be referenced in building a more sustainable future.

Our material topics assessment process involves a comprehensive and systematic approach to identify and address material issues relevant to sustainable development. We start by identifying all material issues that could impact our long-term ability to create value for all stakeholders. These issues are then ranked based on their level of impact and integrated into our strategy to prioritize sustainable value creation.

Our material topics are integrated into our key performance indicators, allowing us to monitor and track our progress in delivering sustainable value to all stakeholders. This approach ensures that our sustainability initiatives are aligned with our strategic objectives and that we are continuously working towards creating a positive impact for all stakeholders.

Our top material topics are grouped into three key themes of environmental, social and governance:

ESG Pillars	Material Topics	
Environmental • Environment & Climate Change • Responsible Resource Use SDGs: 6 Clean Water and Sanitation; 7 Affordable and Clean Energy; 12 Responsible Consumption and Production; 13 Climate Action; 14 Life Below Water; 15 Life on Land	• Resource use (water, electricity, fuel) • Energy efficiency • Waste Management & Pollution	• Green financing • Climate Change
Social • Financial Inclusion • Economic Inclusion SDGs: 1 No Poverty; 2 Zero Hunger; 3 Good Health and Well-Being; 4 Quality Education; 5 Gender Equality; 8 Decent Work and Economic Growth; 9 Industry, Innovation and Infrastructure; 10 Reduced Inequalities; 11 Sustainable Cities and Communities	• Financial and economic inclusion • Employment quality • Training and development • Stakeholder engagement • Labor standards/ rights	• Occupational Health and Safety • Supplier engagement • Data security and privacy • Product quality and access • Philanthropy and Foundation Work • Diversity
Governance • ESG Integration SDGs: 16 Peace, Justice and Strong Institutions; 17 Partnerships for the Goals	• Corporate governance quality • Regulatory compliance • Integrity and transparency	• Accuracy and timeliness of information • Business ethics

Our Approach

For each material topic, we look at the following:

1. Existing and emerging risks.
2. Opportunities.
3. Our response and management to the risks and opportunities.
4. Key Outcomes Indicator

Environmental Pillars

Material Topics	Resource use (water, electricity, fuel) Energy efficiency Waste Management & Pollution	Green financing Climate Change

SDGs: 6 Clean Water and Sanitation; 7 Affordable and Clean Energy; 12 Responsible Consumption and Production; 13 Climate Action; 14 Life Below Water; 15 Life on Land

Resource use (water, electricity, fuel)

Risks Managed	Opportunities	Our Response and Management
• Water scarcity due to continuing drought, impacting the availability of water for the Bank's operations, and potentially leading to higher operating costs and reputational risks. • Volatile electricity prices and power outages that can disrupt the Bank's operations, increase costs, and negatively impact customer satisfaction. • Fuel price volatility, impacting the cost of energy for the Bank's operations and potentially leading to higher operating costs and lower profitability. • Fossil fuel contribution to air pollution and GHG emissions, leading to increased regulatory and reputational risks, potential fines, and negative impact on the environment. • Inefficient paper usage leading to high operational inefficiencies, higher operating costs, and potentially negative impacts on customer experience and reputation. • High paper usage leading to significant negative impacts on the environment, including deforestation, which could result in regulatory fines, reputational damage, and higher costs.	• Implementing water conservation measures and investing in water-efficient technologies. • Exploring the use of recycled or reclaimed water for non-potable/drinking uses. • Developing alternative water sources, such as rainwater harvesting or groundwater recharge. • Investing in renewable energy sources, such as solar or wind power, to reduce reliance on grid electricity. • Implementing energy-efficient measures, such as upgrading to energy-efficient equipment and appliances, to reduce electricity consumption. • Developing energy storage solutions to ensure uninterrupted power supply during outages. • Implementing energy-efficient measures, such as reducing unnecessary travel or investing in fuel-efficient vehicles, to reduce fuel consumption. • Investing in renewable energy sources to reduce reliance on fossil fuels and reduce greenhouse gas emissions. • Implementing paper reduction measures, such as digitizing documents and processes, to reduce paper usage and associated costs and environmental impacts. environmental impacts. • Developing policies and procedures to encourage responsible paper usage, such as double-sided printing and using recycled paper. • Exploring alternative materials, such as electronic media, to replace paper usage.	**The Bank has adopted sustainable resource management practices including but not limited to: -** • We have installed water efficient fixtures including sensor taps, water-saving toilets, and urinals in some of our buildings to help reduce water usage • We have installed solar street lighting and heating at our Leadership Management Centre in Karen to reduce electricity costs. • We have migrated from diesel-powered generators to electric inverters as backup for our ATM machines to manage fuel costs. • All our installations have UPSs installed to ensure continuous power availability in case of a power outage. • We have implemented initiatives to reduce paper usage, including digitization of our most paper intensive processes for example, credit appraisal and account opening. • We have implemented a policy of double-sided printing to reduce paper usage. • Only necessary printing is encouraged. • We are training branches on how to monitor their electricity costs on a regular basis and check their meter readings before making electricity payments. • Continuous sensitization of our staff on responsible resource use including water and electricity. • Solar water heating system at our leadership and management centre (can heat up to 3,000 litres per day).

Key Outcome Indicator	2022	2021
Generator fuel cost (KShs. M)	16	14.4
Water Cost (KShs. M)	33	32.7
Electricity Cost (KShs. M)	213	241

Energy efficiency

Risks Managed	Opportunities	Our Response and Management
• Failure to implement energy-saving measures, leading to increased energy consumption and higher operating costs. • Dependence on fossil fuels and exposure to price volatility. • Increased regulatory and compliance requirements related to energy efficiency standards. • Reputation damage due to poor energy efficiency practices and failure to address climate change risks.	• Cost Savings: Implementing energy-efficient measures can resulting in significant cost savings in the long run, which can improve the bank's bottom line. • Regulatory compliance: Energy efficiency is becoming an increasingly important issue in regulatory compliance, and banks that are proactive in this area may be better positioned to comply with future regulations.	**The Bank has undertaken several measures a number of measures to ensure efficient energy use including but not limited to:** i. Energy Audit is carried out every 3 years with clear recommendations ii. We have installed energy efficient air conditioning units in some of our branches. iii. All new branches have energy management policies employed including efficient lighting systems. iv. The Bank has installed modern energy efficient lifts at our Co-operative House Building. v. Installed energy efficient chillers in one wing of Co-operative House Building. vi. Co-op House building underwent lighting automation and LED retrofitting to improve its energy efficiency. vii Implementation of the Data Centre In-row Containment project resulted in an increase in Power Utilization Efficiency (PUE) within the data centre, improving energy efficiency. viii. We have ensured compliance with the Energy and Petroleum Regulatory Authority (EPRA) requirement of having an Energy Manager responsible for implementation of regulations on energy efficiency ix. We continually engage and communicate to staff energy efficiency practices to be adopted across the entire Bank. x. Energy Audit

Key Outcome Indicator	2022	2021
Energy saved per year (KwH)	902,330	568, 944

Waste Management & Pollution

Risks Managed	Opportunities	Our Response and Management
• Non-compliance with waste management regulations leading to fines, legal action, and reputational damage. • Inefficient waste management practices resulting in increased costs, operational inefficiencies, and reputational damage. • Poor disposal of hazardous waste leading to health risks for employees and communities, environmental damage, and legal action.	• Recycling - Recycling to reduce the amount of waste that goes to landfill and save on waste disposal fees. • Reducing waste - Implementing strategies to reduce waste, such as minimizing paper usage or switching to reusable materials, to save on waste disposal fees and reduce the Bank's environmental impact. • Proper waste disposal - Ensuring waste is disposed off properly can reduce environmental pollution and greenhouse gas emissions, which can lead to positive impacts on the environment and society.	**The Bank has implemented various sustainable waste management practices including but not limited to:** i. We encourage the reuse of envelopes in our Bank to reduce our paper waste, which in turn leads to cost savings and a reduction in our environmental footprint. ii. We treat the waste-water generated at the Leadership Management Centre at Karen through a modern water treatment plant, which is jointly owned by the Bank and the Co-operative University of Kenya. This has resulted in the safe discharge of treated water back into River Mbagathi, thereby preventing pollution and promoting environmental sustainability iii. We have implemented a leasing policy for laptops and other electronic equipment instead of acquiring them. This reduces the amount of electronic waste generated and promotes the reuse of devices, contributing to a circular economy iv. We have adopted the 3R's: Reduce, Reuse, Recycle

Green financing

Risks Managed	Opportunities	Our Response and Management
• Failure to identify viable green projects: which can limit ability to deploy green financing. • Technology risk: green projects often rely on emerging or evolving technologies, which may be untested or have uncertain commercial viability. • Increased credit risk due to financing of risky or untested green projects. • Inadequate due diligence and risk management leading to exposure to risky or fraudulent green projects. • Limited knowledge on green products leading to low market demand or low uptake for green financial products and services leading to decreased profitability.	• Exploring partnerships with organizations that specialize in identifying and developing green projects or that offer green financing solutions. • Developing strict underwriting criteria and risk management frameworks for green projects to ensure that green projects are legitimate and meet the bank's standards for sustainability and environmental impact. • Continuous awareness campaigns to increase customer knowledge and demand for green financial products and developing innovative and attractive green financing solutions to increase.	The Bank offers financial products and services that are specifically designed to support and fund environmentally sustainable projects and initiatives. This includes loans and other financial instruments that are used to finance projects aimed at reducing carbon emissions, increasing energy efficiency, promoting renewable energy and supporting other environmentally sustainable initiatives.

Key Outcome Indicator	2022	2021
Green lending Book (KES Billion)	2.2	1.7

Co-op Bank has partnered with Kenya Forest Service on a reforestation program on Luisoi Hill (600 acres), Laikipia County. Here Bank staff join Senior KFS staff in the ground-breaking ceremony for the Bank funded construction of Ranger houses and administration block.

Climate Change

Risks Managed	Opportunities	Our Response and Management
• Implementation of stricter emissions standards or carbon pricing policies can have a significant impact, leading to increased compliance costs. • The reputation risks if it is perceived to be financing companies with high greenhouse gas emissions. • Furthermore, physical risks associated with climate change, such as the increased frequency and severity of natural disasters or the physical impacts of sea-level rise, can impact assets and operations. • Finally, the transition towards a low-carbon economy may result in stranded assets or reduced demand for high-emissions products or services.	• Developing and offering financial products and services that support the transition to a low-carbon economy, such as green bonds, carbon credits, and renewable energy financing. • Engaging with clients and stakeholders to promote more sustainable business practices, including reducing emissions and adopting renewable energy. • Supporting customers and communities affected by climate change by providing financing for adaptation and resilience measures through funding for infrastructure projects that enhance resilience to extreme weather events, such as flooding or financing for renewable energy projects that help reduce greenhouse gas emissions. • Offering financing to customers who are developing or using new technologies to reduce their carbon footprint and working with customers to help them transition to more sustainable business models by providing advisory services and financial support for green investments.	In July 2022, we submitted a plan to the Central Bank of Kenya (CBK) that outlined how we plan to implement the CBK's Guidance on Climate-related Risk Management, which was issued in October 2021. The plan was approved by the Bank's Board, and since then, we have made significant progress in implementing its Climate-related Risk Management Roadmap. On Governance: We have defined climate oversight responsibilities at the Board and Executive level through the enhancement of the Board Charter, the Board Risk Committee, and the Board of Management terms of reference to incorporate ESG & climate-related terms of reference. Our ESG integration strategy has seen the Bank undertake the below initiatives: i. Setting up of the Banks dedicated ESG Unit, focused on ensuring that the Bank's environmental and societal impact provides long term value both internally and externally. The Unit is adequately resourced with an ESG Manager and ESG Analysts. ii. A successful Senior Management ESG brainstorming forum held at the Banks' Leadership Management Centre, attended by Divisional heads/ Designates that focused on establishing an institutional understanding of ESG and developing a coordination mechanism on ESG across the Bank. iii. ESG Champions have been identified across the Bank and their key objective is to ensure appropriate assessment, transparency, and comparability in setting ESG-related engagements across the Bank's activities and providing strong linkages between ESG strategy and the Bank's activities. iv. Against a backdrop of the requirements on the TCFD frameworks, we have harmonized our various Bank policies to ensure that they are aligned with the Bank's ESG policy. v. The Bank has further developed an Environmental, Social and Governance Policy Framework, within which we have a comprehensive Climate-related Risk Management and Integration Framework approved by the Board Risk Committee. To manage ESG & Climate Risks, the Bank has embarked on the following: i. Raising awareness throughout the Bank through the development of training toolkits for Risk Management Department, ESG Champions and having all staff do Kenya Banker's Association, new SFI modules on CBK's climate risk guidelines. ii. The Bank's Senior Management and ESG Champions, participated in a full-day training conducted by a leading sustainability and strategy advisory, to further increase their capacities in climate-related risk management. iii. The Bank has established an ESG Champions Committee, which has weekly meetings to develop and implement the Group's TCFD and ESG Programs. Under the Committee's leadership, the Bank conducted its first climate risk materiality assessment and identified a focal question that will be the key anchor for the decisions the committee will make in developing climate scenarios and analysis. The Bank is now determining the scope of coverage and time horizon for the climate-related scenarios and is on track to meet the June 2023 target of making climate-related disclosures. The Bank's approach aims to build resilience to the impacts of climate change for sustainable and equitable economic growth.

Key Outcome Indicator	2022
Percent of staff who have completed KBA's SFI Central Bank Climate Risk Guidelines.	29%

About this Integrated Report | Our Leadership | Co-op Bank Model | Our Capitals | Operating Environment | Strategic Focus Review | Environmental, Social and Governance (ESG) | Financial Statements

ENERGY MANAGEMENT POLICY STATEMENT

Co-operative Bank (Co-op Bank) recognizes and appreciates the importance of Energy Management in the Bank. Co-op Bank is therefore committed to responsible Energy Management and efforts to reduce energy use and costs will support the Bank's commitment to the environment and the communities in which we are part.

Co-op Bank therefore issues this Energy Policy Statement to its employees and stakeholders with the purpose to raise awareness and to be a world class performer on energy efficiency and conservation and to reduce environmental impact of energy use.

Co-operative Bank's objectives under this policy are:

- To maximize our energy performance, reduce our operating expenses and to increase our shareholder value by actively and responsibly managing our energy consumption.
- To measure and understand our energy consumption in all its forms, to understand the drivers of that consumption, to inform and educate all our people about it and set ourselves achievable goals for reducing it.
- To demonstrate commitment to our community and leadership in our industry, by reducing environmental impacts associated with energy use.

To achieve these objectives, Co-operative Bank has committed to:

- Complying, as a minimum requirement, with relevant energy management laws, regulations, and codes of practice in existing operations, upgrades, and new developments.
- Providing the resources needed to establish, implement, maintain, and improve the Energy Management System and the resulting energy performance. Resources include human resources, specialized training and skills, technology, and financial resources.
- Communicating the importance of our Energy Management Policy and relevant procedures to employees, suppliers, contractors, and other stakeholders.
- Management review of the policy, energy objectives, and targets.

This policy shall apply to all Co-operative Bank's facilities, business units, employees, and contractors in service to our business.

DR. GIDEON MURIUKI – CBS, MBS
GROUP MANAGING DIRECTOR & CEO
JUNE 2020

The above Energy Management Policy meets the requirements of the Energy (Energy Management) Regulations, 2012 and is hereby approved by the Energy and Petroleum Regulatory Authority.

Signature .... **Date** 5/08/2020

Chairperson, Electricity and Renewable Energy Licensing Committee:

CO-OPERATIVE BANK
We are you

The Co-operative Bank of Kenya is Licensed and Regulated by the Central Bank of Kenya.

About this Integrated Report | Our Leadership | Co-op Bank Model | Our Capitals | Operating Environment | Strategic Focus Review | Environmental, Social and Governance (ESG) | Financial Statements

Social Pillar

Material Topics			
	• Financial and economic inclusion • Employment quality • Training and development • Stakeholder engagement	• Labor standards/ rights • Occupational Health and Safety • Supplier engagement • Data security and privacy	• Product quality and access • Philanthropy and Foundation Work • Diversity

Financial and economic inclusion

Risks Managed

- High inflationary pressures leading to reduced access to credit and financial services for low-income households and SMEs.
- Poor performance of the agricultural sector leading to reduced access to financial services for rural farmers and agribusinesses.
- Increase in the price of essential food items leading to reduced purchasing power and increased financial exclusion among low-income households.
- Limited fiscal space leading to reduced government spending on social safety nets and financial inclusion initiatives.
- Political risks occasioned by the 2022 General Elections.

Opportunities

- Investing in and supporting innovative agricultural finance solutions, such as digital lending platforms, to reach underserved customers in rural areas.
- Offering affordable and accessible financial products and services, such as microfinance loans or savings accounts, to support low-income households cope with rising prices.
- Investing in alternative credit models, impact investing, to provide access to finance for those who may not meet traditional lending criteria.
- Partnering with government agencies and NGOs to co-fund financial inclusion initiatives and increase access to financial services for underserved populations.
- Enhancing our risk management frameworks and developing innovative products and services to cater to the needs of vulnerable populations, thus increasing their market share and customer base.

Our Response and Management

The Bank has implemented measures aimed at promoting access to financial services and products, promoting economic integration of individuals and communities, and ensuring that everyone has an opportunity to participate in and benefit from economic growth. These include:

i. In pursuing financial deepening in the cooperative sector, we have introduced initiatives to enhance the capacity of Cooperatives to provide financial services to underserved communities, including training and capacity building programs, and providing access to funding.
ii. We work closely with agricultural cooperatives and associations to develop customized financial products and services that meet the unique needs of smallholder farmers and agribusinesses, such as agricultural value chain financing.
iii. Our investments in digital platforms and technologies are geared towards improving access to finance for rural communities and MSMEs. We continually explore and adopt innovative solutions that enhance the efficiency and convenience of our digital banking services.
iv. Our suite of financial products and services is designed to support low-income households, including affordable loan products, flexible savings accounts, and financial planning tools that help them build savings and manage expenses.
v. We have developed financial education and literacy programs that aim to improve the financial literacy of low-income households, including workshops, seminars, and online courses. We also provide personalized financial advice to our customers to help them make informed financial decisions.
vi. We collaborate with government agencies and other organizations to provide financial relief and support to vulnerable populations during crisis such as the COVID-19. Our initiatives include emergency loan programs, grants, restructures and humanitarian aid during the worst drought Kenya has ever had. We have a dedicated Government Banking Department.

Key Outcome Indicator	2022	2021
Count of Branches	184	178
Count of MSMEs onboarded	170,000	144, 956
Count of entrepreneurs (MSMEs) trained in business management	33,673	19,963
Count of CCBI mandates (consultancies) to Co-operatives	3265	3057
Number of farmers onboarded on the farmers online marketplace - Co-op Bank Soko	400,000	0
Percent of transactions on digital channels (%)	92%	94%
Average System Uptime	99.2%	99.1%
Net loans and advances (Billions)	339.4	310.2
E-credit disbursement (Billions)	84	70.5
Economic value distributed (Billions)	47.5	39.6
Percentage of our E-Credit book to MSMEs	30%	15%
Customer Deposits (Billions)	424	408

Employment quality

Risks Managed

- High staff turnover in specialised skills leading to a loss of institutional knowledge and expertise
- Employee burnout leading to decreased productivity
- Industrial action due to dispute between the management and employees
- Ineffective performance management leading to reduced motivation, productivity, and innovation
- Insufficient investment in employee training and development leading to skills gaps and reduced competitiveness.

Opportunities

- Higher employee retention rates, which can lead to cost savings associated with recruitment and training.
- Improved employee morale, which can lead to increased productivity, innovation, and engagement.
- Better health and well-being of employees, which can result in reduced absenteeism, fewer sick days, and improved work quality.
- Enhanced brand reputation as an employer of choice, hence attracting top talent and improved customer perception.
- Increased employee loyalty, which results in improved customer satisfaction and retention.
- Positive impact on the local community, as a supportive workplace contributes to social and economic development.

Our Response and Management

The Bank has employed various initiatives to ensure overall job satisfaction and well-being of its employees by providing a healthy, safe, and supportive working environment that allows employees to be productive, engaged, and fulfilled. The Bank:

i. Has implemented attractive compensation packages and benefits to retain top talent
ii. Offers opportunities for career advancement and growth to motivate employees to stay
iii. Has implemented a knowledge transfer program to capture and retain institutional knowledge
iv. Provides a supportive work environment that promotes work-life balance.
v. Encourages employees to take breaks and time off to prevent burnout.
vi. Fosters a supportive work culture that promotes collaboration and teamwork to reduce individual workloads.
vii. Has developed a positive relationship with employees through regular communication and engagement.
viii. Has implemented fair and equitable policies and procedures.
ix. Has established a dispute resolution mechanism to resolve conflicts quickly and fairly
x. Has implemented a performance management system that aligns with its goals and values.
xi. Provides regular feedback and coaching to employees.
xii. Offers incentives and rewards to motivate and recognize high-performing employees.
xiii. Fosters a culture of innovation by encouraging employees to think outside the box and share their ideas through its Co-op InfoHub platform.

Key Outcome Indicator	2022	2021
Employee retention rate	93.8%	95%
Percent of staff who met and exceed performance	91%	95%
Number of paternity and maternity leave applicants	327	345
Number of wellness initiatives	337	25 webinars on lifestyle diseases & ergonomics, 10 mental health talks

About this Integrated Report | Our Leadership | Co-op Bank Model | Our Capitals | Operating Environment | Strategic Focus Review | Environmental, Social and Governance (ESG) | Financial Statements

Training and development

Risks Managed	Opportunities	Our Response and Management
• Low employee engagement which can lead to decreased motivation and productivity • Inadequate skills and knowledge necessary to perform roles effectively. • High employee turnover if staff do not see opportunities for growth and development within the Bank	• Developing a comprehensive training and development program that aligns with the organization's goals and strategy. • Identifying skills gaps and provide targeted training and development opportunities to bridge them. • Encouraging employees to pursue continuing education and professional development opportunities. • Fostering a culture of learning and development to attract and retain top talent.	**The Bank has invested in employee training and development programs, conducts regular performance evaluations, and offer career development opportunities.**

Key Outcome Indicator	2022	2021
Training spend (in millions)	73	52.4
Count of staff trained in instructor led training	4,864	8992
Average no. of hours spent on e-Learning per learner for completed courses	11.1	4.8
Programs for upgrading employee skills and transition assistance programs	3,940	3,567

Co-operative Bank is a key player in the coffee value chain from production to marketing. Head Agri-business Esther Kariuki and Director Francis Ngone at the 1st African Coffee Summit held recently.

Stakeholder engagement

Risks Managed	Opportunities	Our Response and Management
• Inadequate communication and transparency with stakeholders, leading to a loss of trust and reputation damage. • Failure to engage with stakeholders effectively, resulting in misunderstandings and misaligned expectations. • Lack of responsiveness to stakeholder concerns and feedback, leading to disengagement and potential legal or regulatory consequences. • Failure to identify and engage with all relevant stakeholders, resulting in the exclusion of important perspectives. • Insufficient resources or capacity to manage stakeholder engagement effectively, resulting in suboptimal outcomes.	• Improved communication and transparency with stakeholders can enhance trust, reputation, and stakeholder satisfaction, leading to increased loyalty, positive word-of-mouth, and potential new business opportunities. • Effective stakeholder engagement can ensure that stakeholders have a clear understanding of the Bank's objectives, processes, and potential impact, leading to greater alignment and trust. • Responsiveness to stakeholder concerns and feedback can enhance stakeholder satisfaction and reduce the likelihood of legal or regulatory consequences. • Identification and engagement with all relevant stakeholders can ensure that the Bank is able to address and balance the interests of all relevant stakeholders, leading to greater stakeholder satisfaction and alignment. • Building capacity and resources to manage stakeholder engagement effectively can lead to more productive and meaningful stakeholder engagement, potentially resulting in enhanced stakeholder support and brand equity.	**The Bank has developed an engagement strategy with stakeholders. This includes:** i. We have developed a robust stakeholder engagement strategy that includes regular communication and transparency with stakeholders to build trust and maintain a positive reputation. This includes regular reporting, stakeholder surveys, and feedback mechanisms to ensure that stakeholders are well-informed, and their concerns are addressed. ii. We have a dedicated stakeholder engagement team in our Investor Relations Department to effectively engage with stakeholders, manage relationships, and ensure that their expectations are aligned with the Bank's goals and objectives. The team is responsible for identifying relevant stakeholders, mapping their interests and concerns, and ensuring that they are adequately represented in decision-making processes. iii. We have put in place a formal process to respond to stakeholder concerns and feedback in a timely and effective manner. This includes setting up a dedicated Contact Center, opening our Social Media Engagement platforms, establishing a customer service hotline, and providing regular updates on the status of stakeholder feedback and concerns. iv. We have implemented a stakeholder identification and mapping process to ensure that all relevant stakeholders are engaged and included in decision-making processes. This includes regular stakeholder engagement forums, focus groups, and public consultations to gather input and feedback from a diverse range of stakeholders'. v. In the stakeholders engagement section of this report, we look at all key stakeholders in detail.

Key Outcome Indicator	2022	2021
Customer Satisfaction score (CSAT)	87.4%	85.9%
Investor conference calls	4	4
Social Media engagement: (Number of Followers)	Twitter: 683.6K Facebook: 1.9M Instagram: 68.5K LinkedIn: 153K YouTube: 19.2K	
Annual General Meetings	1	1

About this Integrated Report | Our Leadership | Co-op Bank Model | Our Capitals | Operating Environment | Strategic Focus Review | Environmental, Social and Governance (ESG) | Financial Statements

Labor standards/ rights

Risks Managed	Opportunities	Our Response and Management
• Failure to provide a safe and healthy work environment, resulting in accidents, injuries, or health issues for employees. • Discrimination in hiring, promotion, or other employment practices. • Violation of human rights, including child labor and forced labor practices. • Union disputes or strikes. • Negative impacts on employee morale and productivity. • Non-compliance with labor laws and regulations, such as minimum wage requirements, working hours, and benefits.	• Ensuring labor standards and rights can improve employee satisfaction, attract top talent, and enhance the Bank's reputation	**The Bank has complied with labor laws and regulations, has a code of conduct, and conducts regular audits to ensure labor standards are being met.** i. We have implemented robust health and safety policies and procedures across all our operations. We also conduct regular training and awareness campaigns to ensure that all employees are aware of their rights and responsibilities when it comes to health and safety. ii. We have adopted a zero-tolerance approach to discrimination of any kind. iii. We have implemented strict due diligence processes to ensure that our suppliers and partners adhere to our labor standards and principles. iv. We have also established a code of conduct that sets out our expectations for all our employees and suppliers, and we conduct regular audits and inspections to ensure compliance. v. We have established open channels of communication with our employees and their representatives and regularly engage with the Union to address any concerns and ensure that our employees are treated fairly and with respect. We have also signed a collective bargaining agreement with the union. vi. We have implemented employee engagement surveys to gather feedback and insights from our employees and use this feedback to improve our management practices and create a positive work environment that fosters employee satisfaction and productivity. vii. We have established internal controls and monitoring systems to track compliance with labor laws and regulations. We also work closely with regulatory bodies and other stakeholders to ensure that we are up to date with any changes to labor laws and regulations and adjust our policies and practices accordingly.

Occupational Health and Safety

Risks Managed	Opportunities	Our Response and Management
• Risks associated with employee fatigue and burnout, such as from long working hours or inadequate breaks, leading to decreased productivity, absenteeism, and turnover. • Risks associated with ergonomic hazards, such as repetitive motion injuries from extended computer use or poor workstation setup, leading to employee injuries, reduced productivity, and potential legal or regulatory consequences. • Health and safety risks for employees working in high-risk areas. • Risks associated with the Bank's use of hazardous materials, such as chemicals used in cleaning or maintenance, leading to employee health risks, potential legal or regulatory consequences, and reputational damage.	• Ensuring a safe and healthy work environment can improve employee satisfaction, reduce absenteeism, and enhance the Bank's reputation.	**The Bank has complied with labor laws and regulations, has a code of conduct, and conduct regular audits to ensure labor standards are being met.** i. The Bank has invested in training and education programs for employees to promote a culture of safety and raise awareness of occupational hazards ii. The Bank has implemented health and safety policies and procedures to reduce accidents and incidents in the workplace iii. The Bank provides adequate personal protective equipment (PPE) and ensuring that it is properly used and maintained The Bank regularly reviews and improves the workplace design and equipment to reduce ergonomic hazards and improve employee comfort and productivity

About this Integrated Report | Our Leadership | Co-op Bank Model | Our Capitals | Operating Environment | Strategic Focus Review | Environmental, Social and Governance (ESG) | Financial Statements

Supplier engagement

Risks Managed	Opportunities	Our Response and Management
• Non-compliance with ethical and sustainability standards by suppliers leading to reputational damage and legal or regulatory consequences. • Dependence on a single supplier or group of suppliers leading to supply chain disruption and operational inefficiencies. • Lack of transparency and traceability in the supply chain leading to reputational damage, legal or regulatory consequences, and operational inefficiencies. • Unforeseen interruptions or disruptions to the supply chain leading to operational disruption, reputational damage, and financial losses. • Poor quality or defective products from suppliers leading to reputational damage, legal or regulatory consequences, and financial losses. • Inadequate response to changing market demands or emerging technologies by suppliers leading to decreased competitiveness and loss of market share.	• Engaging with suppliers can improve supplier relations, increase transparency, and lead to cost savings.	**The Bank has developed a supplier engagement strategy, which includes but is not limited to:** i. We have implemented a rigorous supplier screening process that evaluates suppliers' ethical and sustainability practices before engaging them and regularly monitor their compliance with our standards and engage with them to improve their performance if needed. ii. We have implemented a supplier diversification strategy that seeks to reduce our dependence on a single supplier or group of suppliers. iii. We maintain a buffer stock of critical supplies and have established alternative sourcing options to ensure continuity of operations. iv. Inadequate response to changing market demands or emerging technologies by suppliers: v. We have established clear communication channels with our suppliers to ensure that they are aware of our market demands and emerging technologies. We engage with them regularly to identify opportunities for innovation and improvement in their operations.

Key Outcome Indicator	2022	2021
Percent of local suppliers	93.5%	88%
Amount paid to suppliers (Billions)	14.8	13.7
Percentage of suppliers who have signed the code of conduct	100%	100%

The Bank works with Higher Education Institutions across the country in support of programmes to support youth education.

Data security and privacy

Risks Managed	Opportunities	Our Response and Management
• Unauthorized access to sensitive data can result in theft or manipulation of critical information, which can harm the Bank's reputation and result in legal or regulatory consequences. • Data breaches resulting in loss or theft of confidential information can lead to financial losses, reputational damage, legal and regulatory consequences, and loss of customer trust. • Cyber-attacks and hacking attempts can cause system disruptions, damage to critical infrastructure, and theft or manipulation of sensitive data, which can lead to significant financial losses, reputational damage, legal and regulatory consequences, and loss of customer trust. • Malware and ransomware attacks can result in system outages, theft or manipulation of sensitive data, and financial losses, which can harm the Bank's reputation and result in legal or regulatory consequences. • Third-party service provider breaches can lead to data breaches, unauthorized access to sensitive information, and financial losses, which can harm the Bank's reputation and result in legal or regulatory consequences.	• Ensuring data security and privacy can increase customer trust and enhance the Bank's reputation.	i. We have established comprehensive data privacy policies that clearly define how customer data is collected, used, and shared. ii. We provide regular training to employees to help them identify and prevent data security risks, such as phishing attacks or malware infections. iii. The Bank regularly reviews and updates its security measures to stay up to date with the latest threats and technologies. iv. The Bank has in place an Enterprise Privacy Risk Management Policy to provide a framework and guidelines for identifying, assessing, and managing risks associated with the collection, storage, use, and disclosure of personal information. v. We have implemented strict access controls and authentication measures to prevent unauthorized access to sensitive data, as well as regular audits to detect and address any potential vulnerabilities. vi. The Bank conducts routine security audits and penetration testing to identify vulnerabilities and address any weaknesses in their systems vii. We have established incident response plans and regularly test and update them, as well as invest in advanced security technologies to detect and prevent data breaches. viii. We have implemented multi-layered cybersecurity defenses, including firewalls, intrusion detection and prevention systems, and advanced threat intelligence, as well as employee training programs to raise awareness of cyber threats. ix. We have deployed anti-malware and anti-ransomware solutions and regularly update them to detect and prevent these types of attacks, as well as perform regular data backups and ensure their integrity and accessibility. x. We have established clear policies and procedures for managing insider threats, as well as regular training to promote a culture of security awareness. xii. We have implemented rigorous due diligence processes to vet and select third-party service providers, as well as require them to adhere to our information security policies and regularly monitor their compliance.

About this Integrated Report | Our Leadership | Co-op Bank Model | Our Capitals | Operating Environment | Strategic Focus Review | Environmental, Social and Governance (ESG) | Financial Statements

Product quality and access

Risks Managed	Opportunities	Our Response and Management
• Failure to provide complete and accurate information about the features, risks, and costs associated with products or services, could lead to customer dissatisfaction or regulatory penalties • Mis-selling: Marketing or selling products in a way that misleads or exploits customers, resulting in reputational damage, legal liability, or financial losses. • Operational failures: Errors, delays, or disruptions in product delivery, processing, or servicing, causing customer inconvenience, dissatisfaction, or financial harm. • Fraud and abuse: Products used for illegal, unethical, or abusive purposes, such as money laundering, terrorist financing, or consumer scams, creating legal, financial, or reputational risks.	• Providing high quality products and services can improve Customer Satisfaction, Increase Loyalty and lead to Revenue Growth.	**The Bank has implemented various product quality and access management strategies, such as:** i. We have developed and implemented a Product Risk Assessment Policy and other robust policies and procedures to ensure complete and accurate information is provided about the features, risks, and costs associated with our products or services, including regular training and monitoring of staff. ii. We have implemented strict controls and oversight measures to prevent mis-selling, including clear marketing guidelines, customer suitability assessments, and ongoing monitoring of sales practices. iii. We have implemented robust operational processes, including regular testing and monitoring, to minimize the risk of errors, delays, or disruptions in our product delivery, processing, or servicing, and have contingency plans in place to manage any disruptions. iv. We have implemented comprehensive anti-fraud and anti-money laundering measures, including strict customer due diligence procedures, transaction monitoring, and employee training, to prevent our products from being used for illegal, unethical, or abusive purposes.

Philanthropy and Foundation Work

Risks Managed	Opportunities	Our Response and Management
• Negative publicity of mismanaged philanthropic activities leading to reduced public trust and support. • Inadequate due diligence leading to support of non-compliant or controversial organizations. • Perception of conflicts of interest or misuse of funds leading to reputational damage and loss of support. • Dependence on a limited pool of donors leading to limited impact. • Failure to align philanthropic activities with the values and mission of the Bank leading to loss of credibility and support.	• Engaging with local communities can improve community relations, increase customer loyalty, and lead to revenue growth.	**The Bank's foundation has implemented various strategies including but not limited to the below:** i. We have implemented robust communication and public relations strategies to promote transparency, accountability, and ethical practices in all our activities and initiatives. ii. We have implemented strict governance policies and procedures to ensure transparency, accountability, and stakeholder engagement in our decision-making processes, including regular reporting and disclosure of financial and non-financial information. iii. We have implemented robust monitoring and evaluation mechanisms to measure and report on the impact and effectiveness of our programs and initiatives, and regularly review and adjust our strategies to maximize the value and benefits to the community. iv. We have developed and implemented a diversified funding strategy, including seeking support from multiple sources and engaging with a wide range of stakeholders to promote sustainable and long-term partnerships. v. We have developed and implemented clear and transparent criteria and guidelines for evaluating and selecting programs and initiatives that align with our mission, values, and strategic priorities, and regularly review and assess our activities to ensure consistency and relevance. vi. We have implemented rigorous compliance policies and procedures to ensure compliance with all relevant laws, regulations, and reporting requirements, including regular training, and monitoring of staff and external partners.

Key Outcome Indicator	2022	2021
Count of Students sponsored by the Bank	9,553	8,368
Value of CSR activities and/or community programs - millions	153	169
Total Charitable donations – millions	150	100

Diversity

Risks Managed	Opportunities	Our Response and Management
• Discriminatory HR practices or lending decisions leading to potential legal liability, loss of reputation, and decreased employee morale. • Inadequate diversity and inclusion policies and practices leading to reduced innovation, higher turnover rates, and decreased employee engagement and productivity. • Lack of cultural competency in serving diverse customers leading to customer dissatisfaction, lost business, and reputational damage.	• Promoting diversity and inclusion can attract top talent, improve employee satisfaction, and enhance the Bank's reputation.	i. We have established clear policies and procedures to prevent discrimination in our hiring, promotion, and lending decisions, and we regularly review and monitor our practices to ensure compliance with anti-discrimination laws and regulations. ii. We are an equal opportunity employer iii. We have maintained a healthy gender ratio iv. We have actively promoted and supports women led enterprises to enable women access capital v. We have implemented cultural competency training and education programs for our employees to enhance their understanding of diverse cultures and backgrounds, and we regularly solicit feedback from our customers.

Key Outcome Indicator	2022	2021
Count of staff employed in the Bank	4864	4505
Percentage of staff who are female	46%	47%
Percentage of staff living with disabilities	0.7%	0.5%

As part of our contribution to a clean environment, Co-operative Bank funded the Multi-Million Sequencing Batch Reactor for Sewer Treatment and Recycling plant at the Co-operative University College.

Governance Pillars

Material Topics	ESG Integration Corporate governance quality Regulatory compliance	Integrity and transparency Accuracy and timeliness of information	Business ethics Enterprise Risk management

Corporate governance quality

Risks Managed	Opportunities	Our Response and Management
• Fraudulent activities leading to financial loss and reputational damage. • Conflicts of interest leading to biased decision-making and breach of fiduciary duty. • Lack of transparency and disclosure leading to loss of investor trust and regulatory penalties. • Non-compliance with laws and regulations leading to legal and financial consequences. • Ineffective board oversight leading to mismanagement and failure to meet fiduciary responsibilities. • Ineffective risk management practices leading to increased exposure to risks and potential financial losses.	• Ensuring strong corporate governance can improve investor confidence, enhance the Bank's reputation, and lead to long-term value creation.	i. We have implemented strong internal controls and oversight measures to prevent and detect fraudulent activities, including regular monitoring and auditing of financial transactions and employee conduct. ii. We have established clear policies and procedures to identify and manage conflicts of interest, including regular disclosure requirements and the establishment of independent committees to review potential conflicts. iii. We have implemented comprehensive disclosure policies and practices to provide stakeholders with accurate and timely information about our business operations and financial performance, including regular reporting and stakeholder engagement initiatives. iv. We have established a robust compliance program to ensure that we adhere to all applicable laws and regulations, including regular training and education of employees and a system of internal controls to monitor compliance with regulations. v. We have established an effective governance framework to ensure that our board provides effective oversight of our operations and risk management practices, including regular board meetings, the establishment of board committees, and the appointment of independent directors. vi. We have implemented a strong risk management framework to identify, assess, and mitigate risks across our business operations, including regular risk assessments and the establishment of risk management policies and procedures.

Regulatory compliance

Risks Managed	Opportunities	Our Response and Management
• Breach of data privacy laws • Failure to comply with capital adequacy requirements • Violation of market conduct regulations	• Ensuring regulatory compliance can improve investor confidence, enhance the Bank's reputation, and lead to long-term value creation.	i. responsibilities to specific individuals, regularly assessing compliance risks, and implementing appropriate controls to mitigate those risks. ii. We have established an AML/CTF program, that includes performing customer due diligence, implementing transaction monitoring systems, and conducting regular training for staff to ensure they understand their responsibilities under AML/CTF laws. iii. We have implemented data privacy policies, such as ensuring that all customer data is properly secured and that the bank is transparent about how customer data is used. iv. We have established an adequate capital management framework to ensure sufficient capital to meet regulatory requirements.

Key Outcome Indicator	2022	2021
Number of AML/CTF capacity building programs	78	64
Number of significant monetary fines or significant non-monetary sanctions for non-compliance	0	0

Integrity and transparency

Risks Managed	Opportunities	Our Response and Management
• Breach of data privacy laws • Failure to comply with capital adequacy requirements • Insider trading: The risk of employees or insiders using confidential or non-public information. • Bribery and corruption: The risk of offering, soliciting, or accepting bribes or other illicit payments, leading to legal and reputational risks for the Bank. • Fraudulent activities: The risk of fraudulent activities, such as falsifying records or stealing assets, leading to financial and reputational risks for the Bank. • Misleading financial statements: The risk of inaccurate or misleading information in financial statements. • Money laundering: The process of making illegally obtained funds appear legitimate, posing legal, financial, and reputational risks to the Bank. • Disclosure of sensitive information: Unauthorized or unintentional release of confidential or sensitive information, leading to legal and reputational risks for the Bank.	• Promoting integrity and transparency can improve investor confidence, enhance the Bank's reputation, and lead to long-term value creation.	i. We have developed and enforced the code of conduct ii. We have implemented a whistleblower policy iii. We conduct regular audits and risk assessments iv. We provide regular training to employees on our code of conduct and business ethics v. We have implemented strict accounting policies and procedures, including regular review and oversight of financial statements, internal controls over financial reporting, and an independent audit committee. vi. We have implemented comprehensive anti-money laundering policies and procedures, including customer due diligence requirements, transaction monitoring, and employee training, and we regularly review and update our program to address emerging risks. vii. We conduct due diligence on business partners and third-party vendors viii. We have implemented strict data protection and privacy policies and procedures, including access controls, encryption, and employee training on data security and confidentiality. We also regularly review and update our policies and procedures to address emerging risks

About this Integrated Report | Our Leadership | Co-op Bank Model | Our Capitals | Operating Environment | Strategic Focus Review | Environmental, Social and Governance (ESG) | Financial Statements

Accuracy and timeliness of information

Risks Managed	Opportunities	Our Response and Management
• Inaccurate disclosures and misstatements • Delayed or incomplete financial reporting • Inadequate or unreliable internal controls • Breach of data confidentiality • Inadequate data management systems	• Providing accurate and timely information can improve investor confidence, enhance the Bank's reputation, and lead to long-term value creation.	i. We have implemented effective internal control systems to ensure accuracy and reliability of financial reporting ii. We ensure compliance with accounting standards and reporting requirements iii. We maintain transparency in financial disclosures and ensure timely reporting iv. We regularly review and improves its data management systems and security protocols v. We have established policies and procedures to prevent data breaches and ensure confidentiality of customer information.

Business ethics

Risks Managed	Opportunities	Our Response and Management
• Fraud and corruption • Anti-competitive practices • Bribery and kickbacks • Misrepresentation of products or services • Money laundering • Conflict of interest	• Promoting ethical behavior can improve investor confidence, enhance the Bank's reputation, and lead to long-term value creation.	i. We have implemented our code of ethics and conduct ii. We have established an internal reporting system for ethical violations iii. There are regular audits and monitoring of business practices iv. The Bank collaborates closely with regulatory bodies and law enforcement agencies to ensure compliance with laws and regulations.

Corporate Governance

Statement on Corporate Governance

The Co-operative Bank has a well-established corporate governance structure which is critical to the maintenance of business integrity and stakeholders' trust and is therefore an integral part of our business philosophy. Our corporate governance values are founded on the pillars of responsibility, accountability, fairness, and transparency, which are aligned to CMA's code of Corporate Governance. Our polices, principles and practices are designed to focus on our responsibilities to shareholders and other relevant stakeholders and on creating long-term shareholder value.

Our board charter distinguishes the responsibilities of the Board from those of Management and outlines the Board Members responsibilities towards the application of the corporate governance policies and procedures for the Bank and internal control. The charter is periodically reviewed, and all changes approved by the Board to ensure its continued relevance. The Board also plays a crucial role in developing and monitoring the Bank's overall strategy and promotes sustainability. The Board approved the Bank's Corporate Strategic Plan for 2020-2024 as part of its responsibilities to ensure that it is aligned with the Bank's purpose, mission, and vision, and that the plan is implemented effectively and efficiently by management. The Board regularly reviews progress against the plan and makes necessary adjustments to ensure the Bank is on track to achieve its strategic objectives. Additionally, the BOD actively monitors the results of the business on a quarterly basis. These responsibilities are an essential part of our commitment to ensuring the long-term success of the Bank and delivering value to all our stakeholders.

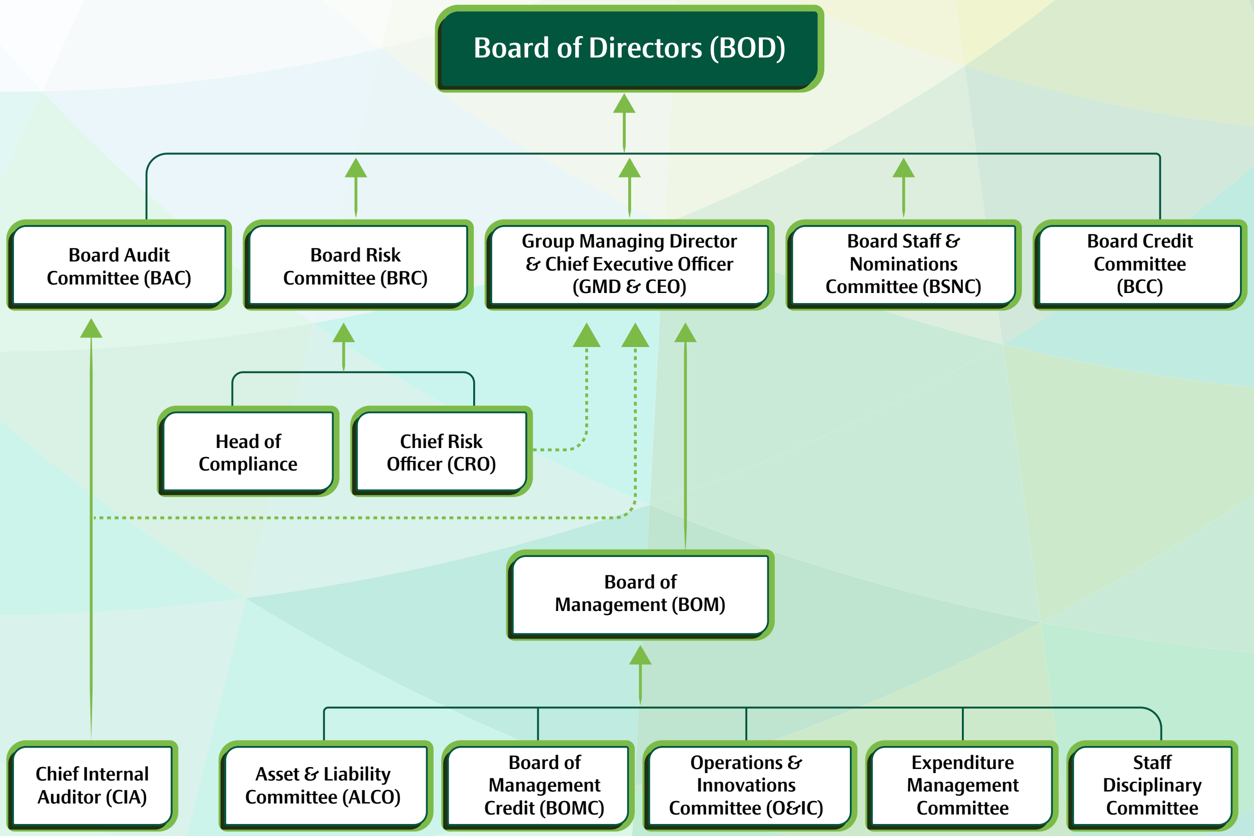
The Board ensures that all Directors and Management are fully aware of the bank's corporate governance policies, practices, and values through meetings, circulars, website updates, and other forms of communication. The Board of Directors continue to offer leadership in good corporate governance by actively promoting and modelling ethical behaviour, transparency, and accountability.

All Board Committees, including the Board Risk, Audit, Staff & Nomination, and Credit committees, are governed by written charters and terms of reference that outline their mandate, authority, duties, composition, leadership, and working processes. These charters are periodically reviewed and updated to ensure continued relevance and effectiveness.

The Board's commitment to good corporate governance has been recognized by the Capital Markets Authority through the leadership rating received, which attests to the Board's focus on providing strong oversight across the organization. The Board's dedication to treating all shareholders equitably is reflected in the policies and strategies developed to manage relations with its key stakeholder groups, which will continue to guide our operations and decision-making in future.

Commitment to good corporate governance

Rating Awarded: Leadership



About this Integrated Report | Our Leadership | Co-op Bank Model | Our Capitals | Operating Environment | Strategic Focus Review | Environmental, Social and Governance (ESG) | Financial Statements

Board Operations and Control

The Co-operative Bank has implemented several policies and measures to ensure good corporate governance. The Chairman of the Board is a non-executive member. Policies and processes have been implemented to oversee the Bank's sustainability in its operations, incorporating also environmental and social risks and opportunities. The Bank has adopted and published procedures for nominating and appointing new Board members, while maintaining an appropriate Board size for its operations.

The Board's composition includes a diverse mix of members with varied skills, experience, and business knowledge, with policies in place to limit the number of board positions held simultaneously. The Bank ensures compliance with all applicable laws, regulations, and standards, and conducts audits of strategic business units on a regular basis.

To ensure a smooth transition of Board Members, one third of directors are eligible to retire by rotation and may offer themselves for re-election at each Annual General Meeting.

Board Composition

Our Board is committed to fostering diversity in all its forms, including diversity of thought, experience, and background. We recognize that a diverse board, with members who bring different perspectives and expertise to the table, is better equipped to make informed decisions that benefit all stakeholders. Our board is comprised of highly skilled and experienced individuals, with diverse areas of expertise and qualifications, including but not limited to their professional background, skills, and education.

The board includes independent directors who are one third of the board members and non-independent members including executive and non-executive directors and is adequately sized to effectively exercise the Bank's business. Each director serves on various committees, fulfilling distinct roles that are essential to the success of our bank dedicated to guiding our bank towards sustainable growth while ensuring the highest standards of corporate governance.

No.	Director	Directorship	Independent	Committee Membership (Role)	Tenure	Age	Experience	Skills
1.	John Murugu, OGW	Non-Executive	✔	• Board of Directors (Chair) • Board Credit Committee (Member) • Board Staff and Nomination Committee (Member)	7 Years and 7months	72	• Director-Debt Management Ministry of Finance-Treasury • Alternate director for the Permanent Secretary-Treasury in various institutions • Over 25 years of banking experience at the Central Bank of Kenya, notably as the Director Bank Supervision	• Banking and finance • Public finance management • Bank supervision and Debt Management • Leadership and governance
2.	Macloud Malonza, MBS, HSC, Director	Non-Executive		Board Credit Committee (Member)	17 years and 0 months	54	• Chairman of Co-opholdings Co-operative Society Ltd, the 65% strategic investor in the bank • Chairman of Harambee Co-operative Society Limited • Director in Kingdom Bank Ltd. • Various positions in the Civil Service	• Organizational change and development • Business administration and management • Strategic planning and management • Leadership
3.	Dr. Gideon Muriuki, CBS, MBS, Group Managing Director & CEO	Executive		Board Credit Committee (Member)	20 Years	58	• Over 33 years' experience in Banking and finance • Fellow of the Kenya Institute of Bankers • Honorary Doctorate in Business Management • Vice-President Africa – International Co-operative Banking Alliance (ICBA) • Previously, Chairman, Governing Council of the Africa International University • Previously, Chairman, African Rural and Agricultural Credit Association (AFRACA).	• Leadership and Management • Strategic Planning and Execution • Relationship Management • Financial Analysis and Banking Expertise • International Collaboration and Networking • Servant Leadership • Adaptability and Resilience • Educational development and Mentorship
4.	Patrick K. Githendu	Non-Executive		• Board Audit Committee (Member) • Board Risk Committee (Member)	5 Years and 2 months	69	• Vast experience in the coffee industry • Board member of Co-optrust Investment Services Ltd since 1998 • Board member of Co-op Consultancy and Bancassurance Intermediary Ltd since 2009 • Vice Chairman of Co-opholdings Co-operative Society Limited • Director of Kingdom Securities Limited • Director in Kenya Co-operative Coffee Exporters (KCCE	• Business Management • Coffee Industry Expertise • Leadership
5.	Weda Welton (Mrs)	Non-Executive	✔	• Board Audit Committee (Chair) • Board Staff and Nomination Committee (Member)	3 years	64	• 35 years of experience in Human Resource Management in the banking and financial sectors • Independent Human Resources Consultant and Private Business owner • Previously worked with Standard Chartered Bank, Barclays Bank, and Citibank in Kenya, Uganda, Tanzania, and the United Kingdom.	• Human resource management • Strategic planning • Risk management • Leadership

About this Integrated Report | Our Leadership | Co-op Bank Model | Our Capitals | Operating Environment | Strategic Focus Review | Environmental, Social and Governance (ESG) | Financial Statements

No.	Director	Directorship	Independent	Committee Membership (Role)	Tenure	Age	Experience	Skills
6.	Lawrence C. Karissa	Non-Executive	✔	• Board Staff and Nomination Committee (Chair) • Board Audit Committee (Member) • Board Risk Committee (Member)	6 Years and 9 months	67	• Over 25 years of experience in banking • Previously served in various senior positions in PricewaterhouseCoopers, Kenya Commercial Bank, and Co-operative Bank of Kenya	• Accounting • Banking • Leadership • Corporate governance
7.	Julius Sitienei	Non-Executive		Board Staff and Nomination Committee (Member)	19 Years and 11 months.	68	• Over 20 years of experience in the teaching profession • Leadership positions in the management of co-operative societies • Director of Co-opholdings Co-operative Society Limited • Chairman of Kingdom Securities Limited • Director in Kingdom Bank Ltd	• Business management • Education • Human resources management • Leadership
8.	Benedict W. Simiyu	Non-Executive		• Board Audit Committee (Member) • Board Risk Committee (Member)	8 Years and 4 months	61	• Director of Ng'arisha Sacco (formerly Bungoma Teachers Sacco) • Non-executive Board member • Director of Co-op Holdings Co-operative Society Limited	• Education management • Leadership
9.	Richard L. Kimanthi	Non-Executive		Board Credit Committee (Member)	28 Years and 12 months	66	• Over 27 years in Co-operative Movement and Business Management	• Business Management • Leadership
10.	Wanyambura Mwambia, Representing PS Ministry of Finance	Non-Executive	✔	• Board Risk Committee (Chair) • Board Audit Committee (Member)	9 Years and 4 months	67	• Over 33 years in the civil service, serving in the Ministry of Foreign Affairs and Ministry of Finance & Planning • Successful career in public sector government departments under the Office of the President	• Finance and management • Economic affairs • Tax and administration • Leadership
11.	Wilfred Ongoro, HSC	Non-Executive		Board Credit Committee (Member)	16 Years & 1 Month	67	• Over 20 years in education leadership • Served the Co-operative Movement in various positions	• Education leadership • Co-operative Movement experience
12.	Margaret Karangatha (Mrs)	Non-Executive	✔	• Board Credit Committee (Chair) • Board Risk Committee (Member)	2 Years and 2 months	62	• Over 25 years of consulting experience in Kenya and other African countries • Executive Director of The Lead Consortium Ltd • Executive Coach and Mentor • Facilitator and Organizational Development Consultant in various industries • Board Chairman of the Navigators Economic Transformation Facility (outgoing) • Regional Treasurer of Scripture Union Africa	• Organizational Planning • Leadership • Human Resources Management • Finance and Non-Finance Managers • Consulting and Facilitation

Appointments and induction to the Board

The Board has adopted and published procedures for the nomination and appointment of new board members. Directors are appointed in accordance with the company's Articles of Association. To ensure a smooth transition of Board Members, one third of directors are eligible to retire by rotation and may offer themselves for re-election at each Annual General Meeting. It is also ensured that no director of the bank or its subsidiaries holds a directorship position in more than three public listed companies at any one time to ensure effective participation in the board.

Existing and new board members have access to relevant, accurate and complete information and professional advice. New Directors receive an induction covering the Bank's business and operations, and regular training on corporate governance and modern trends in directorship. They are advised of the legal, regulatory, and other obligations of a listed company director and updated on industry and regulatory developments. The Company Secretary, who is a qualified and experienced professional and a member in good standing of the Institute of Certified Public Secretaries of Kenya (ICPSK), is responsible for ensuring that board procedures are followed, and that applicable laws and regulations are complied with.

Board Attendance

An annual plan of scheduled Board meetings is prepared each year in advance and provided to all directors. The full Board meets regularly and as scheduled during a year and special meetings may be convened when need arises. Boards of subsidiaries of the Bank meet on a quarterly basis. Guidelines are in place concerning the content, presentation, and delivery of papers for each Board meeting to ensure that directors have adequate information and sufficient time for appropriate briefing ahead of each meeting.

The Company Secretary is present in all Board meetings. The Board is in charge of overall strategic direction and regularly sets targets as well as approves business plans which form the basis of performance assessment. On a regular basis, the Board receives reports and presentations from the Group Managing Director & CEO on the macroeconomic environment and the impact on Banking business, a review of the broader financial services industry as well as the regulatory environment coupled with the performance of the Group.

About this Integrated Report | Our Leadership | Co-op Bank Model | Our Capitals | Operating Environment | Strategic Focus Review | Environmental, Social and Governance (ESG) | Financial Statements

Board Attendance Summary

The Board has established a clear separation of roles and responsibilities between the Chairman of the Board, who is an independent non-executive board member, and the Managing Director & CEO. The Chairman provides overall leadership to the Board in line with principles of collective responsibility for Board decisions, while the Group Managing Director is responsible for executive management and the day-to-day operations of the Bank. The Board has delegated authority to the Group Managing Director to implement Board decisions with assistance from the Board of Management, which he chairs.

Directors – 2022 Board Meetings Attendance	Co-operative Bank Group					Co-operative Bank of Kenya Ltd Board Sub-committees				Co-op South Sudan		
Schedule of meetings:	Co-operative Bank of Kenya Ltd	Co-op Consultancy & Bancassurance Intermediary Ltd (CCBI)	Co-op Trust Investment Services Ltd (CISL)	Kingdom Securities Ltd (KSL)	Audit Committee	Staff and Nomination Committee	Credit Committee	Risk Committee	Kingdom Bank	Full BOD	Audit	Risk & Finance
John K. Murugu, OGW – Chairman (appointed on 01 October 2017	5					3	2					
Macloud Malonza, MBS, HSC - Vice Chairman (appointed on 01 October 2017)	4	5	5				2		5			
Dr. Gideon Muriuki, CBS, MBS – Group Managing Director & CEO	5	5	5			3	2		5			
Lawrence C. Karissa	5				5	3		4				
Wilfred Ongoro, HSC	5						2					
W. J. Mwambia -Representing PS Ministry of Finance	5				5			4				
Julius Sitienei	5			5		3			5			
Weda Welton (Mrs)	5				5	3						
Richard L. Kimanthi	5											
Benedict W. Simiyu	5				5			4				
Godfrey K. Mburia	5					3						
Patrick K. Githendu	5			5	5			4				
Margaret Karangatha (Mrs)	5						2	4	5			
Scholastica Odhiambo (Mrs)		4	4									
James N. Njiru		5	5									
David M. Muthigani		5	5									
David Kirk Obonyo		4	4									
Francis Ngone		5	5									
Geoffrey M'Nairobi		5	5									
Michael Muriithi		5	5									
Boaz Ouma Awitti				5								
Mwangi Kariuki				4								
Arthur Muchangi				5								
Anthony Wangari				2								
Lydia Muchiri				3								
Eng. William W. Mayar – Chairman										4		2
John K. Murugu, OGW										4	2	
Macloud Malonza, MBS, HSC										4		2
Dr. Gideon Muriuki, CBS, MBS – Group Managing Director & CEO										4	2	2
Elijah Wamalwa – Managing Director										4	2	2
Prof. Mathew Gordon Udo										4	2	
Rosemary M. Githaiga (Mrs)										4		
Hon. Angelo Deng Rehan										4		

About this Integrated Report | Our Leadership | Co-op Bank Model | Our Capitals | Operating Environment | Strategic Focus Review | Environmental, Social and Governance (ESG) | Financial Statements

Board Committees

The Bank's Board of Directors has delegated authority to several sub-committees to enhance the breadth and depth of achieving Board responsibilities, although the Board retains ultimate collective accountability for performance and corporate governance. The Board Credit Committee, Board Audit Committee, Board Risk Committee, and Board Staff and Nomination Committee are the committees that have formally defined terms of reference with a defined scope of authority, set by the full Board of Directors which are chaired by independent non-executive directors.

These committees are responsible for overseeing and reviewing various aspects of the bank's operations, including lending policy, financial reporting and internal control systems, risk management and independent compliance functions, and broad policy framework relating to the bank's human resources. The committees meet at least once every three to four months or at least twice in a year, depending on their specific responsibilities.

Board of Directors Sub-Committees

Board Committee	Board Committee Composition
Board Staff and Nomination Committee	• Mr. Lawrence Karissa – Chair • Mr. John Murugu, OGW • Mrs. Weda Welton • Mr. Julius Sitienei • Mr. Godfrey K. Mburia

Key Responsibilities

- Review the broad policy framework relating to the bank and its subsidiaries' human resources, including policies on hiring, firing, remuneration package, promotions, medical, staff loans, and all other matters as spelt out in the staff policy manual, training and staff development, staff welfare, code of conduct and performance index.
- Review the mix of skills and experience and other qualities of the Board as a whole, its committees and the contribution of each director, including the Chairman to assess the effectiveness of the Board.
- Review Board Evaluation procedures and results.
- Consider, review and recommend to the full Board of directors' candidates for directorship as proposed by the shareholders and the Chief Executive.

Meeting Frequency: The Committee meets at least two times in a year.

Board Committee	Board Committee Composition
Board Risk Committee	• Mr. Wanyambura Mwambia – Chair • Mr. Lawrence Karissa • Mr. Patrick Githendu • Mr. Benedict Simiyu • Mrs. Margaret Karangatha

Key Responsibilities

- Provide independent oversight of the Group's risk management and compliance functions in the Bank and its subsidiaries
- Outline the scope of risk management work
- Monitor external developments relating to the practice of corporate accountability and reporting of associated risks
- Provide independent and objective oversight and review of information presented by management to ensure risk policies and strategies are effectively monitored and managed
- Consider performance, risk appetite, risk trends, risk concentrations, and key performance indicators for risk
- Responsible for approving policies and programs on ESG issues and overseeing their integration into the Bank's Risk Management Framework, including monitoring and mitigation strategies

Meeting Frequency: The Committee meets at least once every 3 months and at least twice in a year. Meetings are attended by resources from Risk Management and Compliance.

Board Committee	Board Committee Composition
Board Credit Committee	• Mrs. Margaret Karangatha - Chair • Mr. John Murugu, OGW. • Mr. Macloud Malonza, MBS, HSC. • Mr. Wilfred Ongoro, HSC. • Mr. Richard L. Kimanthi • Dr. Gideon Muriuki, CBS, MBS – Group Managing Director & CEO

Key Responsibilities

- Responsible for assisting the Board of Directors in reviewing and overseeing the overall lending of the bank. The specific responsibilities of the Committee include:
- Reviewing and overseeing the overall lending policy of the bank.
- Deliberating and considering loan applications beyond the discretionary limits of management as set out in the credit policy.
- Reviewing landings by the Credit Board of Management Committee.
- Directing, monitoring, reviewing, and considering all issues that may materially impact on the present and future quality of the Bank's credit risk management.
- Delegating and reviewing lending limits to the sanctioning arms of the Bank.
- Reviewing the quality of the bank's loan portfolio, ensuring adequate provisions for bad and doubtful debts in compliance with prudential guidelines.
- Ensuring that the credit policy and risk lending limits are reviewed at least on an annual basis and as and when the environment so dictates.
- Reviewing and analyzing Management's proposed Capital and Recurrent budgets and supplementary and / or revised budgets of the bank for presentation to the full Board of Directors.

Meeting Frequency: The Committee meets at least once every four months.

Board Committee	Board Committee Composition
Board Audit Committee	• Mrs. Weda Welton– Chair. • Mr. Lawrence Karissa (CPA K). • Mr. Wanyambura Mwambia. • Mr. Patrick Githendu. • Mr. Benedict Simiyu.

Key Responsibilities

- Provide independent oversight of the Group's financial reporting and internal control system.
- Ensure checks and balances within the Bank, its subsidiaries, and related institutions are in place and recommend appropriate remedial action regularly.
- Ensure the quality, integrity, and reliability of the Group's internal controls.
- Assist the Board of Directors in the discharge of its duties relating to corporate accountability and associated risks in terms of management, assurance, and reporting.
- Review and evaluate the financial status of the Group.
- Review internal controls, consider the performance and findings of internal auditors, and recommend appropriate remedial action.
- Nominate external auditors for appointment by shareholders.
- Review management reports and reports from external auditors concerning deviations and weaknesses in accounting and operational controls.
- Coordinate between the internal audit function and external auditors.
- Monitor the ethical conduct of the institution and consider the development of ethical standards and requirements, including the effectiveness of procedures for handling and reporting complaints.
- Review any related party transactions that may arise within the banking institution.

Meeting Frequency: The Committee meets at least once every 3 months and at least twice in a year with the external and internal auditors without management being present.

About this Integrated Report | Our Leadership | Co-op Bank Model | Our Capitals | Operating Environment | Strategic Focus Review | Environmental, Social and Governance (ESG) | Financial Statements

These board committees work hand in hand with the following Executive Committees:

Executive Committee

Board of Management (BOM)

Summary of responsibilities

- Assisting the Group Managing Director in day to-day management of the bank's business, including formulation and implementation of business strategy and policy.
- Approve the Bank's Environmental, Social and Governance (ESG) strategy, commitments, and ambition.

Executive Committee

Board of Management Credit (BOMC)

Summary of responsibilities

- Receives, reviews and consider material, high-value and sensitive credit cases and matters.

Executive Committee

Asset and Liability Committee (ALCO)

Summary of responsibilities

- Assists the Board of Management in the overall management and strategy on the balanced mix of assets and liabilities, encompassing interest rates structures, liquidity, foreign exchange exposure, investment of surplus funds and capital adequacy.

Executive Committee

Expenditure Management Committee (EMC)

Summary of responsibilities

- Receives, considers, and approves capital and recurrent expenditure with reference to approved budget limits and annual cost efficiency targets.

Executive Committee

Operations and Innovations Committee

Summary of responsibilities

- Innovations and the overall monitoring and control of the Operational Risks.

Executive Committee

Staff Disciplinary Committee

Summary of responsibilities

- Receives and reviews staff disciplinary cases

Board Chairman and Group Managing Director & CEO

The Board has established a clear separation of roles and responsibilities between the Chairman of the Board, who is an independent non-executive board member, and the Managing Director & CEO. The Chairman provides overall leadership to the Board in line with principles of collective responsibility for Board decisions, while the Group Managing Director is responsible for executive management and the day-to-day operations of the Bank. The Board has delegated authority to the Group Managing Director to implement Board decisions with assistance from the Board of Management, which he chairs.

Co-operative Bank Staff educating children on the future of banking at the Nakuru Agricultural Society of Kenya National Show.

About this Integrated Report | Our Leadership | Co-op Bank Model | Our Capitals | Operating Environment | Strategic Focus Review | Environmental, Social and Governance (ESG) | Financial Statements

Board Performance Evaluation

The Bank undertakes an annual evaluation of the Board's performance, including its committees, individual directors, CEO, and Company Secretary. The evaluation process is in line with the Prudential Guidelines issued by the Central Bank of Kenya (CBK). The Board has determined and agreed on its annual evaluation process and conducts evaluations through self-review to assess the strengths and weaknesses of its procedures and balance of skills, knowledge, and experience. Peer evaluations are also conducted, and the results are submitted to the CBK.

The evaluation of the CEO is undertaken by the Staff and Nomination Committee, while the CEO or the Staff and Nomination Committee evaluates the Company Secretary's performance. The Board's evaluation for 2022 and that of its committees did not express any material concerns. The Board also has a comprehensive annual work plan in place to guide its activities and inform its performance evaluation.

Board Remuneration

The Board of Directors is responsible for establishing and approving formal and transparent remuneration policies and procedures that attract and retain Board members. The Bank has in place a Board Staff & Nominations Committee chaired by an independent non-executive director. This committee is responsible for ensuring Board Members remuneration is aligned with industry benchmarks and international practices. The remuneration of directors for the period under review is subject to approval by shareholders at the Annual General Meeting (AGM).

Non-executive directors receive a monthly retainer and a sitting allowance for every meeting attended. They are not eligible for pension scheme membership and do not participate in the bank's remuneration schemes. The compensation for Non-Executive Directors is by way of paying allowances per board session and an annual honorarium based on the bank's performance. The details of emoluments and fees paid to directors are contained in the Directors' Remuneration Report, which is in the audited Financial Statements section of this report. Executive management comprises of the Group Managing Director, the Divisional Directors and MD's of the subsidiaries. The bank has a performance-based bonus reward system applicable to all staff, including unionisable staff.

As at 31st December 2022 loans to Non-Executive Directors or companies controlled by Directors amounted to KShs. 188.3M (2021: KShs. 349.6M). All loans to directors were made in the ordinary course of business and substantially same terms including collateral as those prevailing at the same time for comparable transactions with other persons. No allowances for impairment were recognized in respect of the loans to Directors. (2021: Nil)

Board training

Board members undergo a comprehensive two-day training program during the annual Board retreat, which is conducted by certified institutes. In addition, the Bank facilitates individual directors to attend relevant and accredited training programs throughout the year. The training programs cover topics related to corporate governance, risk management, and emerging industry trends. The Board also regularly reviews its training needs and seeks to continuously enhance its knowledge and skills to fulfill its responsibilities effectively.

Some of the training undertaken includes:

- The State of Corporate Governance of Issuers of Securities to the Public in Kenya offered by Capital Markets Authority.
- Masterclass Effective Director Programme offered by Strathmore Business School.
- Audit & Risk Directors Programme offered by Strathmore Business School.
- Leading The Board offered by Strathmore Business School.

Shareholder Rights

The Co-operative Bank's governance framework recognizes the need to equitably treat all shareholders, including the minority and foreign shareholders. The Board facilitates the effective exercise of shareholders' rights through regular communication and engagement with shareholders, providing them with timely and relevant information, and providing a platform for shareholders to participate in the decision-making process. The Bank has a dedicated investor relations unit that holds regular investor briefings and is accessible to all shareholders for engagement. investorelations@co-opbank.co.ke

The Board facilitates shareholders' participation at the Annual General Meeting (AGM) by providing adequate notice of the meeting, a detailed agenda, and relevant information on the matters to be discussed. The Board also ensures that shareholders are given the opportunity to ask questions, express their opinions, and vote on resolutions at the AGM.

Minority and foreign shareholders holding the same class of shares are treated equitably in accordance with the provisions of the company's constitution and applicable laws and regulations. The Board ensures that all shareholders have equal rights to participate in the decision-making process and receive relevant information.

The Board proactively provides information to shareholders and the media, in a timely manner, on corporate affairs and corporate governance. The Board also ensures that information provided is accurate, complete, and transparent, to enable shareholders to make informed decisions about the company. The company's website and other digital channels are used to disseminate information to shareholders and the public. www.co-opbank.co.ke

Shareholding Structure

The Bank has a diverse shareholding ranging from the strategic shareholding by Co-opholdings Co-operative Society Ltd (64.56%) to minority shareholders (35.44%). Local companies and individuals account for 99.09% of the shareholding. In the Co-op Bank Overview section of this report, we have showcased the shareholding structure in detail.

Ethics & Responsible Conduct

The Co-operative Bank's governance framework is founded on the core values of responsibility, accountability, fairness, and transparency, which underpin good governance and sustainability. The Board ensures that all deliberations, decisions, and actions are consistent with these values.

Code of Conduct and Ethics:

The Co-operative Bank has established a comprehensive code of ethics and conduct, which is publicly available on its website at https://www.co-opbank.co.ke/business-code-of-conduct-and-ethics/. The Board of Directors has played a key role in ensuring that this code is applied by all directors, management, and employees. The Bank integrates compliance with its code of ethics into its operations by, ensuring that ethical standards of the code of conduct are inbuilt into its policies and procedures and by providing regular training and communication.

In addition to complying with the Central Bank of Kenya and CMA Code of Conduct, the Bank's code of ethics requires all stakeholders to uphold high ethical standards, act fairly in the best interests of the Bank and abide by all relevant laws and regulations. The code guides interactions with directors, managers, employees, customers, suppliers, competitors, shareholders, regulators, government, and the community at large. The Bank has also implemented a policy on insider trading, which prohibits directors, management, staff members, and related parties from trading the Bank's shares while in possession of any insider information not available to the public, particularly in the period between the end of a reporting period and the publication of results for that period.

The Board has ensured that ethical and sustainability risks and opportunities are incorporated into the Bank's risk management process through its refreshed ESG Policy Framework. The Bank's performance on ethics is regularly assessed, monitored, and disclosed to internal and external stakeholders through various reports, including reports by control functions to the various board committees and this integrated report.

Conflict of interest

The Board is committed to ensuring the highest standards of integrity and ethical conduct and has put in place policies to mitigate against conflicts of interest. The Bank has a declaration of interest policy in place, which requires directors, their immediate families, and companies in which directors have interests to only do business with the Bank at arm's length. Directors are required to declare any potential conflicts of interest and exclude themselves from any discussions or decisions related to the matter. Additionally, directors have a duty to avoid situations that could lead to conflicts of interest, such as appointment to positions or acquisition of significant interests in businesses competing with the Bank.

Related Party Transactions

The Board of the Bank has a policy on related party transactions in accordance with the guidelines issued by the Capital Markets Authority. All related party transactions undergo a thorough review to ensure that they meet the requirements of the law and are approved by the Audit Committee and/or the Board of Directors. The Bank discloses all related party transactions, and the same are recorded in the declaration of interest register in line with the CMA guidelines. All business transactions with directors and related parties are disclosed in the notes to the financial statements, ensuring transparency and accountability.

Whistleblowing Policy:

The Co-operative Bank has established and implemented a whistle-blowing policy which is publicly available on its website at https://www.co-opbank.co.ke/whistleblowing/ that provides a platform for employees and other stakeholders to report any unethical behavior or violations of the Ethics Code and Conduct.

Email:
tellittohr@www.co-opbank.co.ke

Accountability, Risk Management, and Internal Control

The Bank recognizes the importance of complying with all applicable laws, regulations, and standards, including the Constitution, legislations, regulatory guidelines, and internal policies. To ensure compliance, the Bank has put in place independent and fully fledged departments that report directly to the respective committees of the Board, including Internal Audit, Compliance and Risk Management.

Additionally, the Board has implemented a comprehensive compliance program that includes regular training for directors and staff, as well as periodic reviews and assessments of the Bank's compliance with applicable laws, regulations, and standards. In the 2021 corporate governance assessment by the Capital Markets Authority (CMA), the Bank received a leadership rating in its accountability, risk management and internal controls. To further strengthen our compliance efforts, the Bank engages with external advisors and experts on specific compliance matters as needed, and regularly monitors changes in laws, regulations, and standards to ensure that our policies and procedures remain up-to-date and effective.

Risk Management and Compliance

The Board of Directors is responsible for establishing and overseeing the Group's risk management and compliance framework. The Board's Risk Committee is responsible for developing and monitoring the Group's risk management policies. These policies are designed to identify and analyze risks faced by the Group, set appropriate risk limits and controls, and monitor risks and adherence to limits. Reporting directly to the Board Risk Committee are the Risk Management and Compliance Departments.

The Bank's Risk Management Department has oversight responsibilities, including establishing relevant risk frameworks, policies, processes, and governance to identify, assess, control, monitor, and report on risks. The Compliance Department evaluates the Group's compliance framework, identifies and monitors relevant legislation applicable to the Group, and ensures adherence to the Group's policies, as well as legislative and regulatory requirements, including changes arising and their impact.

In management of the Bank's credit risk, the Board's Credit Committee oversees the overall lending policy of the Bank by directing, monitoring, reviewing, and considering all issues that may materially impact the present and future quality of the Bank's credit risk management. The Committee also ensures that the Credit Policy and lending risk limits are reviewed at least annually and as and when the environment dictates.

Internal Control and Audit

The Board has collective responsibility for establishment and management of appropriate systems of internal control and for reviewing their effectiveness. The system of internal control has defined procedures with operational and financial controls to ensure that assets are safeguarded, transactions authorized and recorded properly, and that material errors and irregularities are either prevented or detected within a reasonable period of time.

The Board reviews effectiveness of internal control systems by considering results of work carried out to audit and review activities of the Group by both external and internal assurance providers. Internal assurance is carried out by an independent Internal Audit Department that reports to the Board Audit Committee and provides confirmation that the Bank's business standards, policies and procedures as set by the Board are being complied with. The Board has reviewed the Group's system of internal control and is satisfied that the system is effective. However, the Board recognizes that any system of internal control can provide only reasonable and not absolute assurance against material misstatement or loss

IT Governance

The Co-operative Bank of Kenya acknowledges the critical role of IT governance in supporting the Bank's strategic objectives and managing risk. The Board of Directors is responsible for overseeing IT governance, ensuring that it aligns with the evolving technology landscape and regulatory requirements.

A comprehensive and clear IT Governance Charter and associated policies have been established by the Bank, providing a clear framework for decision-making, accountability, and oversight of IT initiatives. These policies are regularly reviewed and updated in line with best practices and the Bank's strategic objectives.

The Board of Directors and senior management have collaborated to ensure the seamless integration of the Bank's IT strategy with its strategic and business processes. This alignment is essential for driving operational efficiency, enhancing customer experience, and maintaining a competitive edge. The Board actively monitors the implementation of the IT strategy, ensuring its continued support for the Bank's overall goals and objectives.

In adhering to these IT governance principles, the Co-operative Bank of Kenya aims to sustain a secure, reliable, and innovative technology infrastructure that fosters growth and success while minimizing risk and ensuring regulatory compliance.

Transparency and Disclosure

This Annual Report is prepared on an integrated basis using frameworks available from the Integrated Reporting Council and the Global Reporting Initiative (GRI). To ensure that the Bank discloses all material information in a timely and balanced manner, the Bank has policies and processes in place in compliance with all applicable laws, regulations, and standards as well as the Capital Markets Authority (CMA) guidelines. In the 2021 corporate governance assessment by the Capital Markets Authority (CMA), the Bank received a leadership rating for its transparency and disclosure. This Annual Report covers, at a minimum, the disclosures the Bank's governance, the Board, and the Audit Committee, mission, vision, and strategic objectives, and remuneration and whistleblowing.

About this Integrated Report | Our Leadership | Co-op Bank Model | Our Capitals | Operating Environment | Strategic Focus Review | Environmental, Social and Governance (ESG) | Financial Statements

Enterprise Risk Management (ERM)

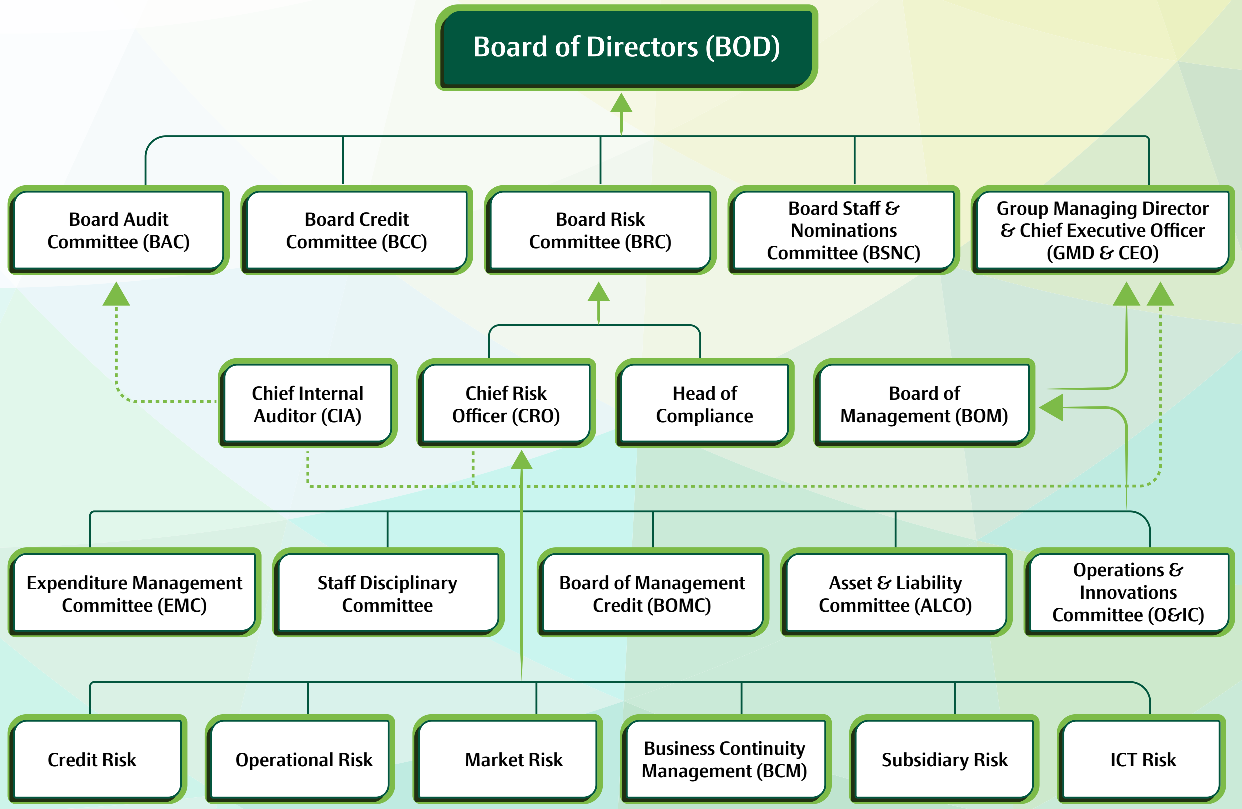
At Co-operative Bank Group we recognize that effective Enterprise Risk Management (ERM) is a critical pillar of our business strategy and operations. We are committed to increasing shareholder value by developing and growing our business within our Board approved risk appetite, while keeping in mind the interests of all key stakeholders. We strive to maintain an appropriate balance between risk and reward, and continuously improve our risk management capabilities to deliver our growth plans in a controlled environment.

Our ERM approach is integrated and forward-looking, encompassing realized risks, current risks, and emerging risks, providing a comprehensive view of the risks facing the Group. We manage risk exposures within agreed levels of risk appetite to limit adverse variations in earnings and capital. We ensure that undue concentrations of exposure are minimized, potential losses from stress events are limited, and all financial resources remain adequate. Our risk management processes have proven effective even in challenging economic environments, such as the capping of interest rates in Kenya, the Covid-19 pandemic and the current economic situation in the country.

Risk Governance Structure

At the heart of the Group's risk governance structure is the Board of Directors, responsible for overseeing the management of risks across the organization. To support the Board in this task, various committees have been established, including the Board Audit Committee, the Board Risk Committee, the Board Staff and Nominations Committee, and the Board Credit Committee. Additionally, the Group Managing Director & CEO is supported by the Board of Management, Asset and Liability Committee, Board of Management Credit, Expenditure Management Committee, Staff Disciplinary Committee, and the Operations & Efficiency Committee. The Chief Internal Auditor, Chief Risk Officer and Head of Compliance report to the Board Audit Committee and Board Risk Committee, respectively.

The Group has developed risk governance standards for each major risk type, which form the basis of policies and procedures at the Bank and Subsidiary level. These standards set the minimum governance, control, and reporting criteria for each risk, and the Board Risk Committee plays a critical role in assessing and monitoring risks to which the Group is exposed. The Group's Risk Management Department collaborates with risk owners to identify and manage risks, and the organization maintains independence and appropriate segregation of responsibilities between business and risk.



About this Integrated Report | Our Leadership | Co-op Bank Model | Our Capitals | Operating Environment | Strategic Focus Review | Environmental, Social and Governance (ESG) | Financial Statements

Group Risk Management Framework

Responsibility and accountability for risk management are shared across all levels, from the Board of Directors and Business Unit Managers to all staff who have been sensitized and appraised on this expectation. The below figure depicts the Group's risk management framework:

Co-operative Bank Group Risk Management Framework

Key Risk Areas

Credit Risk | Operational Risk | Market Risk | ICT Risk | Business Continuity Management (BCM) | Environmental & Social (E&S) Risk | Subsidiaries Risk

Governance	Risk Management	Risk Tolerance & Appetite	Tools & Technology	Training & Communication
Board Oversight	Risk Identification	Estimating Risk Capacity	Risk Control Self-Assessment	Training & Awareness
Management Committees' Oversight	Risk Assessment	Defining Risk Appetite	Key Risk Indicators	Reporting
Roles & Responsibilities	Risk Treatment	Limit Structure	Value at Risk (VaR)	
Policies & Procedures	Risk Monitoring & Review	ICAAP	Incident & Loss	
			Environment & Social Due Diligence (ESDD)	
			Stress & Scenario Testing	

Risk Impacts

Financial | Operational | Governance | Legal | Reputational | Regulatory | Environment | Society

Risk Management Process

Our risk management process is a structured approach to identifying, assessing, prioritizing, and mitigating risks that may impact on our ability to achieve its objectives.

The process typically involves identifying potential risks, assessing the likelihood and impact of each risk, and developing & implementing strategies to manage those risks. It also involves monitoring and reviewing the effectiveness of those strategies over time.

About this Integrated Report | Our Leadership | Co-op Bank Model | Our Capitals | Operating Environment | Strategic Focus Review | Environmental, Social and Governance (ESG) | Financial Statements

Our Risk Universe

The Co-operative Bank recognizes that effective risk management is a critical component of our long-term success. As a responsible financial institution, we take a proactive approach to identifying, assessing, and managing risks that could impact our business objectives, stakeholders, and reputation.

This Risk Universe below provides an overview of the various categories of risks that the Bank faces, and our approach to managing those risks. By maintaining a comprehensive view of our risks, we are better positioned to anticipate and respond to emerging risks and to continue to deliver sustainable value to our stakeholders.

Category	Risk Subcategory	Risk Description	Key Risk Indicators	Our Risk Mitigation Strategies
Strategic Risk	Business strategy risk	Risk of loss due to ineffective or inappropriate business strategies	Failure to achieve strategic goals, loss of market share, decline in profitability	• Comprehensive strategic planning process. • Appropriate Key Performance Indicators for all the strategic goals. • Monitoring and control of strategies being implemented • Proper alignment of internal resources and processes with the strategic objectives.
	Innovation risk	Risk of loss due to inadequate innovation or failure to adapt to new technologies or trends	Inability to meet changing customer needs, loss of market share, decline in profitability	• Continuous market research, analysis, and innovation. • Change Risk Assessment of all new products, processes, systems, and services. • Comprehensive innovation management framework.
Credit Risk	Default risk	Risk of loss due to borrower default	Non-performing loans, loan loss provisions, credit rating downgrades	• Comprehensive credit risk management framework and credit-granting criteria. • Appropriate credit administration, measurement, and portfolio monitoring processes. • Collateral requirements. • Adequate and timely classification and provisioning. • Limits for single exposures, issuer exposure and sector concentration. • Diversification of portfolio.
	Concentration risk	Risk of loss due to counterparty default or inability to meet obligations	Concentration ratios, exposure limits, value-at-risk	• Comprehensive credit risk management framework and credit-granting criteria. • Appropriate credit administration, measurement, and portfolio monitoring processes. • Collateral requirements. • Adequate and timely classification and provisioning. • Limits for single exposures, issuer exposure and sector concentration. • Diversification of portfolio.
	Counterparty risk	Risk of loss due to counterparty default or inability to meet obligations	Creditworthiness of counterparties, credit exposure, credit limits	• Creditworthiness analysis. • Lending limits. • Regular review of counterparty creditworthiness.

Category	Risk Subcategory	Risk Description	Key Risk Indicators	Our Risk Mitigation Strategies
Liquidity Risk	Funding risk	Risk of loss due to inability to meet funding obligations	Liquidity coverage ratio, funding gap analysis, deposit run-off rate	• Robust liquidity risk management framework. • Active monitoring and control of liquidity risk exposures and funding needs. • Funding strategy focused in diversification on the sources and tenor of funding. • Stress testing and Contingency Funding Plan.
	Market liquidity risk	Risk of loss due to inability to sell assets or access funding in a timely manner	Market liquidity ratios, value-at-risk, exposure to illiquid markets	• Portfolio limits to ensure adequate holding of high liquid assets. • Monitoring and reporting of market conditions to ALCO.
	Contagion risk	Risk of liquidity problems spreading from one entity to another	Interconnectedness of financial institutions, credit ratings, market sentiment	• Monitoring and reporting of market conditions to ALCO. • Interbank limits. • Daily monitoring of exposures.
	Run risk	Risk of sudden and large withdrawals of deposits or other funding sources	Depositor behaviour, market rumours, news events	• Good governance and ethical practices. • Proactive monitoring and response to market developments. • Stress testing
Market Risk	Interest rate risk	Risk of loss due to changes in interest rates	Exposure to interest rate-sensitive assets and liabilities, value-at-risk, earnings at risk	• Comprehensive interest rate risk management framework. • IRR limits, GAP and duration analysis. • Sensitivity analysis and stress testing. • Funds Transfer Pricing (FTP).
	Currency risk	Risk of loss due to changes in currency exchange rates	Exposure to foreign currency-denominated assets and liabilities, value-at-risk (VAR), earnings at risk	• Risk limits and monitoring framework. • Formal separation of front office and back-office operations. • VAR calculation and back testing. • Availability of appropriate skills and technology. • Portfolio management and segmentation. • New and existing product management programs.
	Equity risk	Risk of loss due to changes in equity prices	Exposure to equities, net open positions, value-at-risk	• Risk limits and monitoring framework.
	Commodity risk	Risk of loss due to changes in commodity prices	Exposure to commodities, net open positions, value-at-risk	• Risk limits and monitoring framework.

About this Integrated Report | Our Leadership | Co-op Bank Model | Our Capitals | Operating Environment | Strategic Focus Review | Environmental, Social and Governance (ESG) | Financial Statements

Category	Risk Subcategory	Risk Description	Key Risk Indicators	Our Risk Mitigation Strategies
Operational Risk	Cybersecurity risk	Risk of loss due to cyber attacks, data breaches or IT failures	Number of security incidents, cost of data breaches, downtime	• Robust cybersecurity framework. • Employee awareness training, • Security intelligence and vulnerability management. • Information management • Incident response plan.
	Business continuity risk	Risk of loss due to disruptions in business operations	Downtime, loss of revenue, reputational damage	• Business continuity Management program. • Regular training. • Backup systems and frequent testing.
	Fraud risk	Risk of loss due to fraudulent activities	Number and value of fraud incidents, frequency of detection, impact on customers	• Comprehensive fraud prevention framework. • Employee awareness training. • Segregation of duties and independent controls.
	People risk	Risk of loss due to human error, misconduct or lack of skills	Employee turnover, training and development, performance metrics	• Broad human resource management policies and framework. • Employee engagement initiatives. • Staff code of conduct. • Regular performance reviews.
	Reputational risk	Risk of loss due to damage to the bank's reputation	Loss of customers, regulatory fines, decline in profitability	• Comprehensive reputation risk management framework. • Regular monitoring of media and social media. • Customer satisfaction surveys.
	Customer service risk	Risk of damage to the Bank's reputation due to poor customer service	Customer complaints, customer satisfaction ratings, negative feedback on social media	• Comprehensive customer service framework. • Regular training and feedback. • Effective complaint resolution process.
Compliance Risk	Regulatory risk	Risk of loss due to non-compliance with regulations	Number and value of regulatory penalties, compliance failures, reputational damage	• Comprehensive regulatory compliance framework with Board committee oversight. • Regular review of regulatory requirements. • Ongoing training and awareness.
	Legal risk	Risk of loss due to legal action	Legal action, reputational damage, financial penalties	• Comprehensive legal risk management framework. • Continuous review of legal requirements. • Regular training for legal staff. • Strong ethical culture, code of conduct, comprehensive ethics training
	Ethics risk	Risk of damage to the Bank's reputation due to unethical behaviour.	Number and value of ethical violations, impact on customers and stakeholders, negative media coverage	• Strong ethical culture. • Code of conduct. • Comprehensive ethics training.

Risk Outlook for 2023

Our risk outlook is based on a comprehensive review of internal and external factors that could impact the Bank's business objectives and operations. We have identified several key risk categories that it needs to manage effectively in the coming year. These risks include strategic risk, credit risk, liquidity risk, market risk, operational risk, reputational risk, compliance risk, country risk, and transfer risk. The Bank operates in a rapidly changing and highly competitive environment, which could impact its ability to achieve strategic objectives.

Risk Management Strategy 2023

We have a comprehensive risk management framework in place to mitigate the impact of these risks on the Bank's operations and stakeholders. Our risk management strategy includes:

- Proactive monitoring of the environment to assess the opportunities and risks for our stakeholders from the overall macro-economic environment.
- Continue supporting the Credit Risk Adaptation Project and Project Connect & Build to ascertain high asset quality and proactive credit management.
- Actively ensuring that our Policy framework is up to date and benchmarked to ensure optimal guidance on risk matters.
- Ensuring the Board of management and Board Risk Committee are informed on emerging and current risk issues for enhanced strategic decision-making.
- Ensuring the Stress testing framework is proactively updated to capture all emerging key risk indicators and is implemented optimally.
- Optimizing the Vulnerability Management Tool for systems security monitoring.
- Enhanced cyber security assessments and monitoring using the newly established Security Operations Center that leverages on Qradar - a Security Information and Event Management (SIEM) tool for optimal cyber security threat management.
- Carrying out annual Business Impact Assessment for the Bank and its subsidiaries.
- Continuous training of Group staff to ensure all staff are well informed on risk matters. Capacity Building on Enterprise Risk Management and Business Continuity.
- Ensuring group-wide regulatory compliance.
- Ensuring proactive Internal Capital Adequacy Assessment Process.
- Continuously grow the capacity of the risk management unit commensurate to the Bank's growth and expansion plan.
- Automation of the risk monitoring as well as risk reporting & insights across all risk classes in order to provide a single comprehensive view of risk.

The Bank remains committed to identifying, assessing, and managing risks that could impact our operations and stakeholders. By maintaining a proactive approach to risk management and implementing effective controls, we aim to continue to deliver sustainable value to our stakeholders while mitigating the potential impact of emerging risks.

Case Studies

MSME: Informal Sector – Story of Redempta Mwende Mwilu

Redempta Mwende Mwilu is a remarkable entrepreneur who has been in the second-hand clothes business for over a decade. She began by buying single bales and selling them in retail, then moved into brokerage before finally importing bales and selling them wholesale. Her dedication and hard work have paid off, and we are proud to have supported her throughout her journey.

Unfortunately, her business was impacted by the devastating fires that occurred in Gikomba. However, Redempta's resilience and determination have been truly inspiring, and we have continued to support her through this difficult time. We believe in her and her vision for the future, and we are committed to helping her business thrive. Redempta has been a valued client of ours since 2008, and we are honored to have played a small part in her success. We look forward to seeing her continue to grow and achieve great things in the years to come.

Agri-Business - Kipkelion District Co-operative Union (KDCU): From Kenya to the World

The Kipkelion District Co-operative Union (KDCU), an umbrella organization of 64 primary coffee cooperatives, made history by selling 134.4 tonnes of coffee beans directly to South Korean-based company Good Beans. The sale was made possible by the liberalization of the market, which allowed farmers to own brokerage firms and sell their coffee directly to buyers. The beans were sold for KES 116 per kilogramme, compared to an average of KES 76 at the Nairobi coffee auction, resulting in earnings of KES 15.6 million for the farmers.

The bank played a critical role in facilitating the payment process by ensuring that the money was wired directly to the Co-operative Bank of Kenya for distribution to the farmers. This ensured that the farmers received their payments promptly and eliminated the risk of middlemen diverting the funds.

Impact: The direct sale of Kenyan coffee to South Korea was a significant milestone for coffee farmers in Kenya. It demonstrated that with the right support and opportunities, small-scale farmers can produce high-quality coffee, meet export requirements, negotiate directly with buyers, and earn fair prices for their produce. The sale also highlighted the potential of the coffee industry to contribute to Kenya's economy by increasing export earnings and creating jobs.

Co-operative Bank's support for the coffee industry in Kenya is an excellent example of how financial institutions can play a critical role in supporting small-scale farmers and promoting economic growth. By providing access to finance, technical assistance, and market linkages, the Bank is helping to transform the agricultural sector and improve the livelihoods of farmers. The Bank's support for the first direct export of Kenyan coffee to South Korea is a significant step towards empowering farmers and creating a more equitable and sustainable coffee industry.

Co-op Foundation

– Education is a lifelong endeavor story of Gladys Wawitima Mwangi – Aeronautical Engineer Trainee

Mary's educational journey had both good and challenging experiences. She started off at St. Moses Primary, where she worked hard to get good grades and set an example for her younger siblings. However, school fees was always a challenge, and her father had to sell off his only livestock to pay for her high school joining fees.

Fortunately, Mary secured a scholarship with the Co-op Bank Foundation through the efforts of her head-teacher. The scholarship allowed her to go through all four years of high school without worrying about fees and to concentrate on her studies. It also reduced the burden on her parents, who could better support her younger siblings.

Thanks to the Foundation's support, Mary pursued aeronautical engineering at Technical University under the Foundation's University Scholarship Program, which was awarded to the best 28 students from the Regional Selection. Despite facing difficulties such as illness, strikes, and management issues, Mary persevered and graduated with her degree after almost eight years.

Mary is currently a trainee in aircraft maintenance and plans to pursue a Masters and possibly a Ph.D. in the future. She believes that education is a lifelong endeavor and encourages others to challenge themselves and participate in extracurricular activities to enrich their school life.

Mary's story shows how overcoming financial constraints can lead to lifelong opportunities and success. By embracing one's full capabilities and remaining determined, anyone can accomplish their goals and pursue their dreams.

Co-op Consultancy & Bancassurance Intermediary – Taifa Sacco

CCBI conducted advisory and training for Taifa Sacco. Taifa Sacco whose membership comprises of farmers (coffee and dairy) and the business community. The Sacco sought the services of CCBI to help carry out a business re-engineering that would position it as a preferred service provider to its existing and future members.

The business process re-engineering started with the following services:

1. CCBI trained all 147 Sacco staff on credit management to equip them with better knowledge on how to lend to the business community;
2. CCBI reviewing and documented all the Sacco processes and trained the Sacco staff on them;
3. CCBI carried out market research on the Sacco products and services and then developed new savings and credit products suitable to the Sacco's target clientele;
4. CCBI commenced on the project management of acquisition of a new Enterprise Risk management (ERP) system for the Sacco that would allow offering of quality services to its members and support future growth (The project is ongoing)

Co-op Bank Soko

We onboarded 400,000 farmers on a Digital Platform 'Co-op Bank Soko', which is an online marketplace that enables farmers to receive a higher price for their produce, buy better quality inputs and get access to Co-op Bank's financial services. It brings together farmers across various value chains, input providers and buyers of produce.

The platform seeks to help small-scale farmers overcome these barriers:

- Inadequate market linkage and poor pricing of their produce.
- Lack of technical services & quality inputs.
- Lack of infrastructure and logistics.
- Value chain information asymmetry by creating visibility on the produce and market.
- Lack of access to relevant Financial Services.

The target is to have 1 million farmers onboarded to help create an ecosystem enabling small-holder farmers to receive a higher price for their produce, buy better quality inputs and get access to Co-op Bank's financial services.

THE CO-OPERATIVE BANK OF KENYA LIMITED AND SUBSIDIARIES

ANNUAL REPORT AND FINANCIAL STATEMENTS

CONTENTS PAGE

THE CO-OPERATIVE BANK OF KENYA LIMITED AND SUBSIDIARIES
GROUP INFORMATION
FOR THE YEAR ENDED 31 DECEMBER 2022

REGISTERED OFFICE, PRINCIPAL PLACE OF BUSINESS AND HEAD OFFICE

CO-OPERATIVE BANK HOUSE,
Co-operative Bank House
L.R. No. 209/4290 (IR No. 27596)
Haile Selassie Avenue
P.O. Box 48231 – 00100,
Tel: 020 – 3276000
NAIROBI, KENYA

SUBSIDIARIES

Co-operative Bank of South Sudan Ltd
L.R. No. 7 GIV
Tel: +211 913085760
JUBA, SOUTH SUDAN

Kingdom Bank Ltd
Kingdom Bank Towers
Argwings Kodhek Rd.
P.O. Box 22741 – 00400,
NAIROBI, KENYA

Co-op Trust Investment Services Ltd
P.O. Box 48231 – 00100,
Tel: 020 – 3276000
NAIROBI, KENYA

Co-op Consultancy & Bancassurance Intermediary Agency Ltd
P.O. Box 48231 – 00100,
Tel: 020 – 3276000
NAIROBI, KENYA

Kingdom Securities Ltd
P.O. Box 48231 – 00100,
Tel: 020 – 3276000
NAIROBI, KENYA

COMPANY SECRETARY
Samuel M. Kibugi (Mr)
Co-operative Bank House, Haile Selassie Avenue,
P.O. Box 48231 – 00100,
NAIROBI, KENYA

SHARES REGISTRAR
The Co-operative Bank of Kenya Limited
Shares Registry Services,
Co-operative Bank House, Haile Selassie Avenue,
P.O. Box 48231 – 00100,
NAIROBI, KENYA

LAWYERS
Various
A list is available at the Bank

INDEPENDENT AUDITOR
Ernst & Young LLP
Kenya-Re Towers, Upper-hill
Off Ragati Road
P.O. Box 44286 – 00100,
NAIROBI, KENYA

THE CO-OPERATIVE BANK OF KENYA LIMITED AND SUBSIDIARIES
REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 2022

The directors submit their report together with the audited financial statements for the year ended 31 December 2022.

1. INCORPORATION
The company is domiciled in Kenya where it is incorporated as a public company limited by shares under the Kenyan Companies Act, 2015. The address of the registered office is set out on page 130.

2. PRINCIPAL ACTIVITIES
The principal activity of the Company is the provision of banking services licensed under the Banking Act (Cap 488).

3. GROUP OPERATIONS
The financial position and performance of the Bank's subsidiaries, Kingdom Bank Limited, Co-op Trust Investment Services Limited, Co-op Consultancy & Bancassurance Intermediary Agency Limited, Kingdom Securities Limited, and Co-operative Bank of South Sudan Limited have been included in the Group financial statements. Co-op Consultancy & Bancassurance Intermediary Agency Limited offers financial advisory and insurance agency services. Co-op Trust Investment Services Limited is involved in the business of fund management. Kingdom Securities Limited provides stock broking and investment advisory services. Co-operative Bank of South Sudan offers banking and related services. Co-operative Merchant Limited is dormant.

4. RESULTS
The results of the Group for the year are set out from page 147.

5. RECOMMENDED DIVIDEND
The directors recommend payment of a first and final dividend of KShs. 1.50 (2021: KShs. 1) for every ordinary share of KShs. 1. The dividends will be paid on or about 9 June 2023 to the shareholders registered on the Bank's register at the close of business on 24 May 2023. The register will remain closed for one day on 25 May 2023 for the preparation of dividend warrants.

6. RESERVES
The movement in the Group's reserves is shown on page 152 of these financial statements.

7. GROUP DIRECTORS
The directors who served during the year and to the date of this report are as follows:

The Co-operative Bank of Kenya Limited and Kenyan subsidiaries: -	
J. K. Murugu, OGW	- Chairman
M. Malonza, MBS, HSC	- Vice Chairman
Dr. G. Muriuki, CBS, MBS	- Group Managing Director & CEO
L. C. Karissa	- Chairman, Staff and Nominations Committee
Margaret Karangatha (Mrs)	- Chairperson, Board Credit Committee
Mrs. Weda Welton	- Chairperson, Board Audit Committee
W. Ongoro, HSC	
Wanyambura Mwambia	- Representing PS, National Treasury (Chairman, Board Risk Committee)
J. Sitienei	
R. L. Kimanthi	
S. Odhiambo (Mrs)	
P. K. Githendu	
G. K. Mburia	
B. W. Simiyu	
J. N. Njiru	
D. M. Muthigani	
David Kirk Obonyo	- Commissioner of Co-operatives
F. Ngone	
G. M'Nairobi	
M. M. Muthigani	

THE CO-OPERATIVE BANK OF KENYA LIMITED AND SUBSIDIARIES
REPORT OF THE DIRECTORS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2022

Co-operative Bank of South Sudan: -	
Eng. William Mayar Wol*	Chairman
Elijah Wamalwa	Managing Director
Prof. Mathew Gordon Udo*	
Hon. Ocum Genes Karlo*	
John K. Murugu, OGW	
Macloud Malonza, MBS, HSC	
Dr. Gideon Muriuki, CBS, MBS	
Rosemary Majala Githaiga (Mrs)	

** South Sudanese*

8. BUSINESS REVIEW

The Co-operative Bank of Kenya continues to offer a wide range of innovative financial solutions leveraging on heavy investment in multi channels and with a focus on excellent customer experience and a highly motivated and talented team.

Business Model

Their unique model is focused on value creation for all stakeholders through strategic planning, efficient operations, risk management and Governance. Key Business segments include Retail, MSME (Micro, Small & Medium Enterprises), Corporate, Government, Institutional Banking and Co-operatives banking.

The Group also offers Fund Management, Consultancy & capacity building, Insurance Brokerage, Stock brokerage and leasing through its Subsidiaries.

The Bank has invested in an expansive network with 184 branches (4 in South Sudan, 18-Kingdom Bank) covers 43 counties in Kenya, with alternative channels growing: Omnichannel (over 5 Million customers), over 21,000 Diaspora customers, 542 ATMs, over 17,000 Co-op Kwa Jirani agents and a 24-hour Contact Centre.

In 2014, to sustain the growth momentum and put the group on a new growth trajectory, the Board of Directors appointed McKinsey & Co. for a growth and efficiency review. The Group continues to reap many benefits from an institutionalized Transformation including.

- Set up of a Transformation office that has been key in follow up and seamless implementation of all the transformation initiatives.
- Re-organized branch set up for better customer experience, and drastically reduced branch customer wait-time to less than 15 min (12.5 Minutes by December 2022).
- End to end Migration to alternative banking channels with 92% of the transactions being in Alternative Banking Channels and only 8% in branches.
- MSME – Successful Market launch for the MSME initiatives; over 170,000 Clients on boarded by December 2022.
- E-credit growth focus – Over KShs. 84.2 B disbursed in 2022.
- Implemented a customer centric relationship model: One Relationship Manager (RM), One Customer, Many products.
- Centralized operations support and Digitization through shared services. The Bank is in the process of upgrading its Core Banking System.
- Significant improvement on cost to income ratio from a high of 59% in Dec 2014 to 47.1% in December 2022.
- Proactive NPL management post IFRS 9
- Data analytics. Improved access and analysis of information throughout the organization.
- An effective performance and consequence management platform.

The Group has a proactive Corporate Strategic Plan 2020-2024. The Corporate Strategic Plan is a critical enabler to our proactive approach in opportunity extraction, risk mitigation and efficient resource deployment. Overarching key focus areas for 2022 and 2023 are as follows:

- Exceptional Customer Experience
- Leveraging on Sales Force Effectiveness for our customers to grow liabilities and sales.
- Quality loan book growth through Sales Force Effectiveness and Proactive Credit Management.
- Enhance our leasing proposition through a joint venture with Super Group.
- Optimize our cost through increased efficiencies to drive down our cost to income ratio.
- Operational excellence ensuring optimal systems uptime, optimized operational processes and data security.
- Digital Transformation to propel the group into digitization.
- Collaboration with Fintechs to synergies with their innovative capabilities.

THE CO-OPERATIVE BANK OF KENYA LIMITED AND SUBSIDIARIES
REPORT OF THE DIRECTORS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2022

8. BUSINESS REVIEW (Continued)

Business Model (Continued)

- Staff productivity and high-performance culture.
- Proactive regulatory compliance.
- Synergies with our subsidiaries to enhance sales force effectiveness and create increased revenues.

Financial Review

Despite the post covid effects, Russian-Ukraine conflict, dollar shortages and price inflation characterizing the lows of year 2022 roller coaster ride, the Group easily overcame these bottlenecks to remain agile and resilient buttressed by 5.7% growth in the total assets and robust income pipelines. The Group profit before tax grew by 28% from KShs 23.0 Billion in 2021 to KShs 29.4 Billion in 2022 headlined by an 11% growth in net interest income. Fundamentally, the Group improved the balance sheet position with significant growth in loans and advances by 10% to KShs 339.4 billion while customer deposits similarly grew by 5% to KShs.423.8 Billion. Conversely, Government securities decreased by 5% to KShs 175.2 Billion. This strong performance informed the Group's solid capital base with a core capital to risk weighted assets of 16.9%, which is 6.4% above the statutory minimum of 10.5%. Total capital to risk weighted assets was 18.0% against the statutory minimum requirement of 14.5%.

The performance in 2022 is an affirmation sustainable business model that adapts to provide solutions for the opportunities and challenges of the season. The Bank continues to invest in capacity, innovation and people to drive its growth momentum. Customer-centricity has propelled the bank to be at the forefront of co-creation with their customers, which will sustain and build the portfolio of products and services.

9. STATEMENT AS TO DISCLOSURE TO THE COMPANY'S AUDITOR

With respect to each director at the time this report was approved:

a) there is, so far as the director is aware, no relevant audit information of which the company's auditor is unaware; and

b) the director has taken all the steps that the person ought to have taken as a director so as to be aware of any relevant audit information and to establish that the Bank's auditor is aware of that information.

10. TERMS OF APPOINTMENT OF THE AUDITORS

Ernst & Young LLP continues in office in accordance with the Company's Articles of Association and Section 719 of the Companies Act, 2015. The directors monitor the effectiveness, objectivity and independence of the auditor. The directors also approve the annual audit engagement contract which sets out the terms of the auditor's appointment and the related fees. The agreed group auditor's remuneration of KShs. 47.3 million has been charged to profit or loss in the year.

11. APPROVAL OF FINANCIAL STATEMENTS

The Board of Directors approved the financial statements on 15th March 2023.

By order of the Board

Dr. G. Muriuki, CBS, MBS
Group Managing Director & CEO

THE CO-OPERATIVE BANK OF KENYA LIMITED AND SUBSIDIARIES
STATEMENT OF DIRECTORS' RESPONSIBILITIES
FOR THE YEAR ENDED 31 DECEMBER 2022

The Kenyan Companies Act, 2015 requires the directors to prepare financial statements for each financial year that give a true and fair view of the financial position of the company as at the end of the financial year and of its profit or loss for that year. It also requires the directors to ensure that the company keeps proper accounting records that: (a) show and explain the transactions of the company; (b) disclose, with reasonable accuracy, the financial position of the company; and (c) enable the directors to ensure that every financial statement required to be prepared complies with the requirements of the Companies Act, 2015.

The directors accept responsibility for the preparation and presentation of these financial statements in accordance with International Financial Reporting Standards and in the manner required by the Kenyan Companies Act, 2015. They also accept responsibility for:

(i) designing, implementing and maintaining such internal control as they determine necessary to enable the presentation of financial statements that are free from material misstatement, whether due to fraud or error.

(ii) selecting suitable accounting policies and applying them consistently; and

(iii) Making accounting estimates and judgements that are reasonable in the circumstances.

Having made an assessment of the Group's ability to continue as a going concern, the directors are not aware of any material uncertainties related to events or conditions that may cast doubt upon the company's ability to continue as a going concern.

The directors acknowledge that the independent audit of the financial statements does not relieve them of their responsibilities.

Approved by the board of directors on 15 March, 2023 and signed on its behalf by:

J. K. Murugu, OGW
Chairman

M. Malonza, MBS, HSC
Vice Chairman

Dr. G. Muriuki, CBS, MBS
Group Managing Director & CEO

Samuel M. Kibugi
Company Secretary

THE CO-OPERATIVE BANK OF KENYA LIMITED AND SUBSIDIARIES
DIRECTORS' REMUNERATION REPORT
FOR THE YEAR ENDED 31 DECEMBER 2022

The Chairperson of the Board remuneration committee is required to present a statement of the directors' remuneration covering the matters set out below.

Information not subject to audit

The Bank's Directors Remuneration Policy

The Co-operative Bank of Kenya Group Operations comprises the following;

1) The Co-operative Bank of Kenya Limited
2) Co-op Consultancy and Bancassurance Intermediary Agency – 100% Owned
3) Co-op Trust Investments Ltd – 100% owned
4) Kingdom Securities Limited – 60% owned
5) Co-operative Bank of South Sudan – 51% owned
6) Kingdom Bank Limited-90% owned

The board of directors as mandated by the shareholders establishes and reviews remuneration of the directors from time to time. At every Annual General Meeting (AGM), shareholders pass a resolution authorizing the Board to fix the directors' remuneration, emoluments and compensation appropriately as per industry practice. At the virtual Annual General Meeting held on 19th May 2023 the shareholders authorized the Board to fix the directors remuneration.

Board of Directors (Non-Executive) are not on full time employment by the bank and the compensation is by way of fees and allowances as here under; -

- Monthly retainer / fee
- Travelling allowance. The group directors who come from upcountry are paid mileage based on distance travelled and night out allowance for hotel accommodation.
- Sitting allowance based on every meeting attended.
- Honorarium: Based on the annual group performance, the Board of Directors approves an appreciation honorarium to board members.

The directors are not eligible for pension scheme membership that is applicable to the bank employees/ staff.

Transport Facilitation

The Bank Chairman, the Vice Chairman Co-op Bank, Vice Chairman Co-op holdings and the Group Managing Director & CEO are facilitated with official vehicles for business.

Share Options

Post listing at the Nairobi Securities Exchange, the bank has not developed a Directors / Employee share ownership program.

Loans to Directors

As at 31st December 2022 loans to Non-Executive Directors or companies controlled by Directors amounted to KShs. 188.3 Million (2021: KShs. 349.6 Million). All loans to directors were made in the ordinary course of business and substantially same terms including collateral as those prevailing at the same time for comparable transactions with other persons. No allowances for impairment were recognized in respect of the loans to Directors. (2021: Nil)

Contract of service

Directors are appointed in accordance with the company's Articles of Association. At every Annual General Meeting, one third of directors are eligible to retire by rotation and may offer themselves for re-election for a term of 3 years. The executive management is on a permanent basis except for the Group Managing Director who is on a five-year renewable contract as per Capital Markets Authority guidelines.

THE CO-OPERATIVE BANK OF KENYA LIMITED AND SUBSIDIARIES
DIRECTORS' REMUNERATION REPORT (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2022

Information subject to audit
Directors Remuneration Schedules

a) Co-operative Bank of Kenya Limited, Co-op Trust and Co-op Consultancy.

Amounts in KShs. Million

Name	Retainer Allowance	Sitting Allowance	Travelling Facilitation	Honorarium	Responsibility Allowance	Housing Allowance	CEO Annual Remuneration	Total 2022	Total 2021
John K. Murugu, OGW – Chairman	4.51	0.89	0.82	6.14	6.17	2.98	-	21.51	19.70
Macloud M. Malonza, MBS, HSC	5.20	1.69	0.95	5.64	4.20	1.80	-	19.48	14.91
Patrick K. Githendu	1.94	1.14	1.48	5.14	3.00	1.28	-	13.98	10.77
Wanyambura Mwambia	1.45	0.81	1.09	5.14	-	-	-	8.49	7.04
Lawrence C. Karissa	1.45	0.84	1.78	5.14	-	-	-	9.21	7.95
Margaret Karangatha (Mrs)	1.45	0.79	1.36	5.14	-	-	-	8.74	6.92
Weda Welton (Mrs)	1.45	0.89	1.31	5.14	-	-	-	8.79	6.93
Julius Sitienei	1.45	0.70	1.40	5.14	-	-	-	8.69	6.96
Benedict Simiyu	1.45	0.93	1.94	5.14	-	-	-	9.46	7.70
Richard L. Kimanthi	1.45	0.66	1.56	5.14	-	-	-	8.81	7.28
Wilfred Ongoro, HSC	1.45	0.62	1.41	5.14	-	-	-	8.62	7.17
Godfrey Mburia	1.45	0.66	2.47	5.14	-	-	-	9.72	7.02
Scholastica Odhiambo (Mrs)	2.09	0.89	0.83	5.14	-	-	-	8.95	7.50
James N. Njiru	2.09	0.85	1.07	5.14	-	-	-	9.15	7.71
David M. Muthigani	2.09	0.85	1.05	5.14	-	-	-	9.13	7.70
Francis Ngone	2.09	0.97	1.31	5.14	-	-	-	9.51	7.66
Geoffrey M'Nairobi	2.09	0.97	1.39	5.14	-	-	-	9.59	7.71
Michael M. Muthigani	2.09	0.85	0.82	5.14	-	-	-	8.90	7.50
David Kirk Obonyo	2.09	1.09	1.14	5.14	-	-	-	9.46	3.39
Geoffrey N. Njang'ombe	-	-	-	-	-	-	-	-	6.97
Dr. G. Muriuki, CBS, MBS - GMD & CEO	-	-	-	-	5.76	-	134.95	140.71	130.7
	39.33	**17.09**	**25.18**	**99.16**	**19.13**	**6.06**	**134.95**	**340.90**	**297.19**

Note

The Directors are also entitled to non-cash benefits which include medical insurance and professional indemnity cover.

About this Integrated Report | Our Leadership | Co-op Bank Model | Our Capitals | Operating Environment | Strategic Focus Review | Environmental, Social and Governance (ESG) | Financial Statements

THE CO-OPERATIVE BANK OF KENYA LIMITED AND SUBSIDIARIES
DIRECTORS' REMUNERATION REPORT (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2022

b) Kingdom Bank Limited (90% Owned)

Amounts in KShs. Million

Name	Retainer Allowance	Sitting Allowance	Responsibility Allowance	Total 2022	Total 2021
Margaret Karangatha (Mrs)	2.40	0.46	2.40	5.26	3.54
Macloud M. Malonza, MBS, HSC	1.44	0.32	-	1.76	1.29
Julius Sitienei	1.44	0.32	-	1.76	1.23
	5.28	**1.10**	**2.40**	**8.78**	**6.06**

c) Kingdom Securities Limited (60% Owned)

Amounts in KShs. Million

Name	Retainer Allowance	Sitting Allowance	Travelling Facilitation	Total 2022	Total 2021
Julius Sitienei – Chairman	0.72	0.33	0.33	1.38	1.33
Patrick K. Githendu	0.36	0.27	0.16	0.79	0.75
B. M. Ouma - Awiti	0.36	0.27	0.37	1.00	0.96
Samuel M. Kariuki	0.36	0.23	0.06	0.65	0.66
	1.80	**1.10**	**0.92**	**3.82**	**3.70**

d) Co-operative Bank of South Sudan (51% Owned)

Amounts in KShs. Million

Name	Retainer Allowance	Sitting Allowance	Honorarium	Responsibility Allowance	Housing Allowance	Total 2022	Total 2021
Eng. William Mayar Wol – Chairman	2.99	0.37	-	4.37	4.37	12.10	11.56
John K. Murugu, OGW	1.55	0.29	-	-	-	1.84	1.78
Prof. Mathew Gordon Udo	1.50	0.29	-	-	-	1.79	1.57
Macloud M. Malonza, MBS, HSC	1.55	0.26	-	-	-	1.81	1.79
Hon. Angelo Deng Rehan	1.30	0.20	-	-	-	1.50	-
Rosemary Githaiga (Mrs)	1.55	0.18	-	-	-	1.73	1.71
Dr. G. Muriuki, CBS, MBS - GMD & CEO	1.55	-	-	-	-	1.55	1.52
Hon. Ocum Genes Karlo	-	-	0.60	-	-	0.60	1.68
	11.99	**1.59**	**0.60**	**4.37**	**4.37**	**22.92**	**21.61**

Five (5) Year Summary of Directors Emoluments

Amounts in KShs. Million

	2022	2021	2020	2019	2018
Directors emoluments	235,729	197,849	245,715	201,701	198,843

THE CO-OPERATIVE BANK OF KENYA LIMITED AND SUBSIDIARIES
DIRECTORS' REMUNERATION REPORT (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2022

Executive Management Compensation

The Bank has undergone tremendous growth transforming from a co-operatives-based sector model to a universal banking model. The Group was for many years a loss making Bank with no returns to shareholders but has boldly transformed to be one of the top banks in the region with an asset base of KShs. 607 Billion and a Profit Before tax of KShs. 29.4 Billion in a fast changing and highly competitive market environment, thereby maximizing on shareholder value. The Bank is now the largest Co-operative Bank in Africa, and 5th largest company by Market Capitalization at the Nairobi Securities Exchange.

A key pillar of this transformation has been the Board of Directors successfully implementing a Performance based bonus reward system applicable to all staff, both management and unionized staff, wherein the individual salary review / increase for the year and the bonus award each year is directly linked to attainment of the Profitability Performance Targets for the year.

Under the performance driven culture, it is noteworthy that the Group has progressively improved profitability from a huge loss of KShs. 2.3 billion in year 2000 and an asset base of KShs. 22.3 billion to the current profit before tax of over KShs. 29.4 Billion and asset base of KShs. 607 Billion.

The Group has successfully implemented a Universal Banking Model and proactively grown market share with diverse offerings. This now includes a strategic investment in CIC Insurance Group, Bancassurance business, A full-fledged subsidiary bank (Kingdom Bank), and leasing through a strategic joint venture (Co-op Bank Fleet Africa Leasing Ltd) with Super Group, one of the largest leasing companies globally and listed at both the Johannesburg and Australia Stock Exchange.

The Group has notably, received the following Global Awards/ Recognitions.

2022 Awards

KENYA BANKERS – CATALYST AWARDS 2022
- Overall Winner – Most Sustainable Bank
- Most Innovative Bank
- Best in Financing Commercial Clients
- 1st runners up – Best in Sustainable Finance
- 1st runners up – Best in Covid-19 Response
- 2nd runners up – Best in Financing MSMEs

KENYA BANKERS – CUSTOMER SATISFACTION SURVEY 2022
- Best Bank in Customer Satisfaction

AFRICAN BANKER AWARDS 2022
- Best Regional Bank – East Africa

EMEA FINANCE AFRICAN BANKING AWARDS 2022
- Best Bank – Kenya
- Best Asset Manager, Co-op Trust Investments Services – Kenya

ENERGY MANAGEMENT AWARDS 2022
- Winner – Best New Entrant Award
- 1st Runners up – Electricity Savings Award – Small Consumers
- 1st Runners Up – Service Sector Award

ICPAK FINANCIAL REPORTING (FIRE) AWARDS
- Winner – Environmental & Social Reporting

DIGIBANK AWARDS
- Excellence in Customer Experience

CSR100 AWARDS
- Best Women & Youth Empowerment Program

THE CO-OPERATIVE BANK OF KENYA LIMITED AND SUBSIDIARIES
DIRECTORS' REMUNERATION REPORT (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2022

2021 Awards

EMEA FINANCE AFRICAN BANKING AWARDS 2021
- CEO of the year – Pan Africa
- Best Bank – Kenya
- Financial inclusion – Pan Africa
- Best Asset Manager, Co-op Trust 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 bank
- Most financially Inclusive Bank

2020 Awards
- Best Bank in Kenya by EMEA Finance African Banking Awards 2020
- Best Bank in Kenya by Financial Times Banker awards 2020

2019 Awards
- Kenya Bankers Association, in its 2019 Catalyst Awards,
  - Overall Winner
  - Winner Client Case Study – Financing SMEs
  - 1st runner up Best in Sustainable Finance
  - 1st runner up Bank Case Study – Bank Operations
  - 1st runner up Financing the informal sector
  - 2nd runner up Client Case Study – Commercial
  - 2nd runner up Most innovative bank
- Best Bank in Sustainable Finance in Kenya by the Kenya Association of Manufacturers Awards 2019
- Winner: Environmental Sustainability Reporting by ICPAK FIRE Awards 2019
- Product innovation of the year by global SME Finance Awards 2019
- Best Bank in Kenya by EMEA Finance African Banking Awards 2019

2018 Awards
- Best Retail Bank Kenya by International Finance
- Best Banking CEO Kenya by International Finance
- Best retail bank by Banker Africa
- Best SME bank in Kenya by Banker Africa
- Best Investment Institution in Kenya by Banker Africa
- Best bank in Kenya by EMEA African Banking Awards
- Best product launch (MCo-opCash Update) EMEA African Banking Awards

THE CO-OPERATIVE BANK OF KENYA LIMITED AND SUBSIDIARIES
DIRECTORS' REMUNERATION REPORT (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2022

2017 Awards

- EMEA African Banking Awards: Best Bank in Kenya
- Social Bankers: Most Socially Devoted Bank
- KBA CATALYST AWARDS 2018 Overall Winner
  - 1st - Client Case Study – Financing Commercial Clients
  - 1st - Bank Case Study – Bank Operations & Policy
  - 2nd -Best Practice in Sustainable Finance
  - 3rd - Sustainability Through Policy & Governance
  - 3rd- Client Case Study – Financing Micro, Small & Medium-Sized Companies
- FIRE Awards: Overall winner Corporate Social Investment reporting

2016 Awards

- Best Commercial Bank, Kenya by Banker Africa
- The Best Socially Responsible Bank in East Africa by Banker Africa
- The Best Retail Bank in Kenya by Banker Africa
- CATALYST AWARDS 2nd POSITION by Kenya Bankers Association
  - 2nd Position: Best Practice in Sustainable Finance
  - 1st Position: Commercial Client Case Study (Strathmore University Solar Energy Project)
  - 1st Position: MSME Case Study

2015 Awards

- Global Bank of the year Award on Financial Inclusion by the Financial Times of UK
- Best Commercial Bank in Kenya 2015 by world finance

2014 Awards

- Bank CEO of the Year – Africa by International Banker Awards
- Best Innovation in Retail Banking by International Banker Awards
- Best Commercial Bank in Kenya by World Finance Banking Awards
- Best Bank in Retail Banking by East African Banking Awards
- Best Bank in Micro-Finance by East African Banking Awards

2013 Awards

- Energy Managements Awards: Most Green Bank by Kenya Association of Manufacturers

2012 Awards

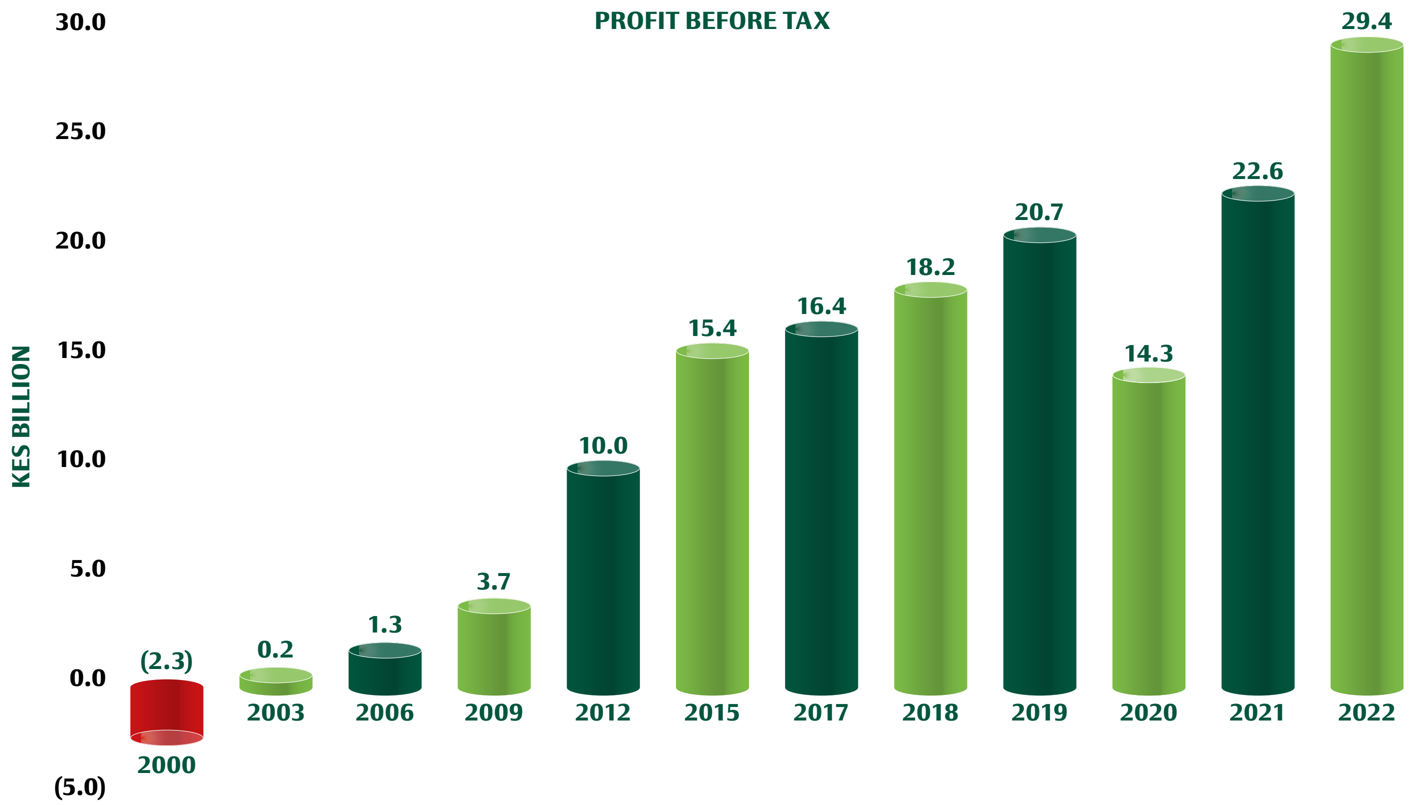
- FIRE Awards: 2nd runners up in Corporate Social Investment reporting

2011 Awards

- Banker Awards: Bank of the Year in Kenya by the Financial Times of UK
- Fire Awards Overall winner: Corporate Governance

THE CO-OPERATIVE BANK OF KENYA LIMITED AND SUBSIDIARIES
DIRECTORS' REMUNERATION REPORT (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2022

The transformation journey by the Group



Executive management comprises of the Group Managing Director, the Divisional Directors and Managing Directors of the subsidiaries.

Amounts in KShs. Million

	Salaries	Bonus/Gratuity	Fees, Other allowances and Honorarium
Board of Directors	-	-	235.7
Executive Management*	494.8	533.7	-
Group MD & CEO	140.7	287.5	-

By the order of the board.

Samuel M. Kibugi

Company Secretary

REPORT OF THE INDEPENDENT AUDITOR TO THE SHAREHOLDERS OF THE CO-OPERATIVE BANK OF KENYA LIMITED

REPORT ON THE AUDIT OF THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

Opinion

We have audited the consolidated and separate financial statements of The Co-operative Bank of Kenya Limited (the "Bank" or "Company") and its subsidiaries (together, the "Group") set out on pages 146 to 257, which comprise of the consolidated and separate statements of financial position as at 31 December 2022, and the consolidated and separate statements of profit or loss and other comprehensive income, the consolidated and separate statements of changes in equity and the consolidated and separate statements of cash flows for the year then ended, and notes to the consolidated and separate financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of the Group and Company as at 31 December 2022, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Kenyan Companies Act, 2015.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements section of our report. We are independent of the group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code, and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated and separate financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated and separate financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated and separate financial statements.

REPORT OF THE INDEPENDENT AUDITOR TO THE SHAREHOLDERS OF THE CO-OPERATIVE BANK OF KENYA LIMITED (Continued)

Key Audit Matter	How the matter was addressed in the audit
Expected Credit Losses (ECLs) on loans and advances to customers. IFRS 9 — *'Financial Instruments'* was adopted by the Group on 1 January 2018. This standard requires the Group to recognise expected credit losses (ECL) on financial instruments. We focused on the Expected Credit Losses ('ECL') for loans and advances due to the materiality of the loan balances and the associated allowances for ECL. As disclosed in note 13, as at 31 December 2022, the group had recognised an allowance for ECL for loans and advances of KShs. 37.96 billion. In addition, the compliance with IFRS in this area involves significant judgement and estimates to be made by the Group. The most significant areas where we identified greater levels of management judgement were: determining the criteria for a significant increase in credit risk ('SICR'). • the application of future macro-economic variables reflecting a range of future conditions. • techniques used to determine the Probability of Default (`PD') and Loss Given Default (`LGD'); and • determination of the expected future cash flows related to defaulted loans and advances in stage 2 and 3, including the value of collateral. • Relevant disclosures are included in Note 2(d), 2(m), 3(a) and 13(c) to the consolidated financial statements which give a description of the accounting policies, credit risk management and analysis of the expected credit losses for loans and advances.	We performed the following procedures: - • We obtained an understanding of the Company's process for estimating the ECL. • We tested the key controls over the administration of the expected credit loss model. • We tested the design and operating effectiveness of key controls related to the credit approval process, post approval credit management, loan grading system, collateral monitoring, and loan impairment assessment. • We tested the accuracy and completeness of the Group's data used for the ECL model. • For a sample of loan facilities, we performed procedures to determine accuracy for exposures assessed on an individual basis. • We analyzed the expected credit loss models against IFRS 9 guidelines. • For forward looking assumptions used by the Group, we held discussions with management and corroborated the assumptions using both internal and publicly available information; and • We assessed the disclosures included in the consolidated financial statements and assessed their compliance with the requirements of IFRS.

Reporting in hyperinflationary economies by Co-operative Bank of South Sudan With effect from 2016, the South Sudan economy was considered to be hyperinflationary in accordance with International Practices Task Force (IPTF) which required all registrants in South Sudan to report in accordance with International Accounting Standard (IAS) 29 -Financial Reporting in Hyperinflationary Economies. As a result, the financial statements of Co-operative Bank of South Sudan, which are included in the Group financial statements, have been restated to reflect the changes in general purchasing power of the South Sudanese Pound as required by International Accounting Standard (IAS) 29. The main inputs used in restatement of Co-operative Bank of South Sudan financial statements are the consumer price index (CPI) between 2021 and 2022 and conversion coefficient derived from the CPI. The conversion coefficient derived from the consumer price index (CPI) in the Republic of South Sudan and the corresponding CPI are disclosed in note 33(d). We consider this to be a key audit matter due to the effect of the restatement on the Group financial statements as a result of adjusting Co-operative Bank of South Sudan financial statements to reflect the general change in purchasing power. In addition, a change in the CPI for the year may result to a material change in the restated non-monetary items and consequently, the Group's performance for the year.	Our audit procedures included: • Assessing the accuracy of restated financial statements for Co-operative Bank of South Sudan by reviewing the IAS 29 workings prepared by management and evaluating the reasonableness of the inputs used in the restatement. • Assessing whether the Group financial statement disclosure in note 33 (d) appropriately reflect the impact of hyperinflation reporting in Co-operative Bank of South Sudan.

REPORT OF THE INDEPENDENT AUDITOR TO THE SHAREHOLDERS OF THE CO-OPERATIVE BANK OF KENYA LIMITED (Continued)

Key Audit Matter	How the matter was addressed in the audit
Impairment of the Goodwill amount recognised in the books on acquisition of Kingdom Bank Limited (formerly Jamii Bora Bank Limited) The Bank acquired 90% shareholding in Kingdom Bank Limited, formerly Jamii Bora Bank, on 5th August 2020 in a deal valued at Kshs 1 billion, leading to an estimated Goodwill of KShs 3.294 billion arising in the books. IAS 36 Impairment of Assets requires an impairment test to be performed at least annually for CGUs to which goodwill or intangibles with an indefinite useful life have been allocated. The entity is required to annually assess whether there is any indicator that intangible assets with a finite useful life are impaired. We determined this area to be a key audit matter due to the significant judgment involved which required significant audit focus. Refer accounting policy Note 2(i) and disclosure Note 15 - Investment in subsidiaries.	Our audit procedures included the following: - • Evaluating the appropriateness of management's method of determining the fair value of the assets and liabilities acquired. • We engaged our valuation specialists to assess the methodology applied in the impairment assessment done by management and the appropriateness of the key assumptions used in determining the impairment balance. • We assessed the competency and experience of the specialist engaged by the Group to assist management in assessing the determination of goodwill impairment. • We evaluated the adequacy of the disclosures relating to the impairment of goodwill in the financial statements. Refer to note 15.

Other Information

The directors are responsible for the other information. The other information comprises the Report of the Directors and the Directors' Remuneration Report which we obtained prior to the date of this report and the Annual Report, which is expected to be made available to us after this date. Other information does not include the consolidated and separate financial statements and our auditor's report thereon.

Our opinion on the consolidated and separate financial statements does not cover the other information and we do not express any form of assurance conclusion thereon, other than that prescribed by the Kenyan Companies Act, 2015, as set out below.

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the consolidated and separate financial statements

The directors are responsible for the preparation and fair presentation of the consolidated and separate annual financial statements in accordance with International Financial Reporting Standards and for such internal control as directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and separate financial statements, the directors are responsible for assessing the Group and Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group and Bank or to cease operations, or has no realistic alternative but to do so.

The directors are responsible for overseeing the Company's financial reporting processes.

Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated and separate annual financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit, conducted in accordance with ISAs, will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

REPORT OF THE INDEPENDENT AUDITOR TO THE SHAREHOLDERS OF THE CO-OPERATIVE BANK OF KENYA LIMITED (Continued)

Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements (Continued)

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated and separate annual financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of director's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate annual financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and/or the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate annual financial statements, including the disclosures, and whether the consolidated annual financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group and Bank to express an opinion on the consolidated annual financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated annual financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON OTHER MATTERS PRESCRIBED BY THE KENYAN COMPANIES ACT, 2015

As required by the Kenyan Companies Act, 2015 we report to you, based on our audit, that:

i) in our opinion, the information given in the report of the directors on pages 131 to 133 is consistent with the consolidated and separate financial statements; and,

ii) in our opinion, the auditable part of directors' remuneration report on page 142 to 145 has been properly prepared in accordance with the Kenyan Companies Act, 2015.

The engagement partner responsible for the audit resulting in this independent auditor's report was CPA Nancy Muhoya, Practising Certificate No. 2158.

For and on behalf of Ernst & Young LLP

Certified Public Accountants

EY

Nairobi, Kenya

31 March, 2023

THE CO-OPERATIVE BANK OF KENYA LIMITED AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED 31 DECEMBER 2022

	Notes	2022 KShs'000	2021 KShs'000
ASSETS			
Cash and balances with Central Banks	8	28,106,288	30,828,477
Deposits and balances due from banks	9	9,983,779	8,535,973
Debt instruments at fair value through other comprehensive income	10(a)	99,963,950	107,837,175
Equity instruments at fair value through other comprehensive income	10(b)	388,857	395,933
Derivative financial instruments	11	206,725	199,765
Other assets	12	30,131,635	20,535,078
Loans and advances to customers	13(a)	339,390,039	310,195,297
Debt instruments at amortised cost	14	74,799,963	77,529,736
Income tax recoverable	25(b)	330,854	-
Investments in associates	16	2,483,303	2,146,675
Intangible assets	17(a)	2,615,326	2,534,335
Leasehold land	18	32,693	33,302
Property and equipment	19(a)	6,795,404	6,389,748
Right-of-use assets	20(i)	2,630,328	3,956,444
Deferred tax asset	21	6,044,575	5,411,716
Goodwill	15	3,294,000	3,294,000
TOTAL ASSETS		**607,197,719**	**579,823,654**
LIABILITIES			
Deposits and balances due to banks	22	1,087,501	792,102
Customer deposits	23(a)	423,802,668	407,725,765
Loans and borrowings	24	48,102,072	42,914,622
Income tax payable	25(b)	-	903,763
Provisions	26	276,702	173,866
Other liabilities	27	25,981,592	26,515,933
Government grants	28	387,989	406,465
Deferred tax liability	21	-	51,669
TOTAL LIABILITIES		**499,638,524**	**479,484,185**
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF PARENT			
Share capital	29	5,867,180	5,867,180
Share premium	30	1,911,926	1,911,926
Revaluation reserve	31(a)	1,652,990	1,460,211
Retained earnings	31(b)	97,685,796	84,225,180
Fair value reserve	31(c)	(8,698,411)	(81,009)
Statutory reserve	31(d)	67,286	624,079
Foreign currency translation reserve	31(e)	2,728	(58,768)
Proposed dividends	32	8,800,770	5,867,180
		107,290,265	**99,815,979**
Non-controlling interest		268,930	523,490
TOTAL EQUITY		**107,559,195**	**100,339,469**
TOTAL LIABILITIES & EQUITY		**607,197,719**	**579,823,654**

The financial statements were approved by the Board of Directors on 15th March 2023 and signed on its behalf by: -

J. K. Murugu, OGW – Chairman ....

M. Malonza MBS, HSC – Vice Chairman ....

Dr. G. Muriuki, CBS, MBS – Group Managing Director & CEO ....

S. M. Kibugi – Company Secretary ....

About this Integrated Report | Our Leadership | Co-op Bank Model | Our Capitals | Operating Environment | Strategic Focus Review | Environmental, Social and Governance (ESG) | Financial Statements

THE CO-OPERATIVE BANK OF KENYA LIMITED AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED 31 DECEMBER 2022

	Notes	2022 KShs'000	2021 KShs'000
Interest and similar income calculated using the effective interest method	34	61,746,123	55,648,145
Interest and similar expense	35	(16,221,183)	(14,611,232)
NET INTEREST INCOME		**45,524,940**	**41,036,913**
Fees and commission income	36	20,079,339	15,233,684
Fees and commission expense	36	(341,229)	(133,557)
NET FEES AND COMMISSION INCOME		**19,738,110**	**15,100,127**
Net trading income	37	4,717,291	2,849,297
Amortisation of government grants	28	18,476	18,476
Other operating income	38	1,256,058	1,428,455
TOTAL OTHER INCOME		**5,991,825**	**4,296,228**
OPERATING INCOME		**71,254,875**	**60,433,268**
Credit loss expense on loans and advances	13(b)	(8,547,524)	(7,929,256)
Credit loss expense on other financial assets	41	(439,057)	(540,675)
Amortisation of intangible assets	17(a)	(805,223)	(756,575)
Amortisation of leasehold land	18	(609)	(610)
Depreciation of property and equipment	19(a)	(1,220,009)	(1,486,349)
Depreciation of right-of-use assets	20(i)	(1,165,304)	(1,268,050)
Employee costs	39	(14,782,536)	(13,324,217)
Other operating expenses	40	(15,283,532)	(12,784,252)
OPERATING EXPENSES		**(42,243,794)**	**(38,089,984)**
OPERATING PROFIT		**29,011,081**	**22,343,284**
Share of profit of associates	16	416,141	305,579
PROFIT BEFORE TAX		**29,427,222**	**22,648,863**
Income tax expense	25(a)	(7,389,055)	(6,104,960)
PROFIT FOR THE YEAR		**22,038,167**	**16,543,903**
Attributable to:			
Equity holders of the parent		21,829,894	16,729,008
Non-controlling interest		208,273	(185,105)
		22,038,167	**16,543,903**
Basic earnings per share (KShs)	42	3.72	2.85
Diluted earnings per share (KShs)	42	3.72	2.85

THE CO-OPERATIVE BANK OF KENYA LIMITED AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2022

	Notes	2022 KShs'000	2021 KShs'000
PROFIT FOR THE YEAR		**22,038,167**	**16,543,903**
OTHER COMPREHENSIVE INCOME			
Other comprehensive income to be reclassified to profit or loss in subsequent periods (net of tax):			
Financial assets at fair value through other comprehensive income	43	(8,605,319)	(559,225)
Revaluation of building surplus		188,981	-
Deferred tax related to building surplus		-	-
Share of other comprehensive income of associates		(177,981)	
- Fair value gain on debt instruments at fair value through other comprehensive income	16	-	4,050
-Exchange differences on translation of a foreign operation	16	1,027	-
Total items to be reclassified to profit or loss.		**(8,593,292)**	**(555,175)**
OTHER COMPREHENSIVE INCOME, NET OF TAX		**(8,593,292)**	**(555,175)**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR NET OF INCOME TAX		**13,444,875**	**15,988,728**
Total comprehensive income attributable to:			
Equity holders of the parent		13,326,511	16,122,659
Non-controlling interest		118,364	(133,931)
		13,444,875	**15,988,728**

THE CO-OPERATIVE BANK OF KENYA LIMITED AND SUBSIDIARIES
BANK STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED 31 DECEMBER 2022

	Notes	2022 KShs'000	2021 KShs'000
ASSETS			
Cash and balances with Central Bank of Kenya	8	24,307,459	27,511,150
Deposits and balances due from banks	9	6,836,863	6,970,086
Debt instruments at fair value through other comprehensive income	10(a)	83,381,239	84,481,110
Equity instruments at fair value through other comprehensive income	10(b)	313,157	309,038
Derivative financial instruments	11	206,725	199,765
Other assets	12	27,424,048	18,441,628
Tax recoverable	25(b)	326,217	-
Loans and advances to customers	13(a)	331,323,038	304,584,437
Debt instruments at amortised cost	14	67,216,667	77,235,179
Investments in subsidiaries	15	3,884,925	3,884,925
Investments in associates	16	706,444	706,444
Intangible assets	17(b)	2,539,611	2,442,970
Leasehold land	18	32,693	33,302
Property and equipment	19(b)	5,522,238	5,094,508
Right of use asset	20(i)	2,417,209	3,411,854
Deferred tax asset	21	5,643,960	5,080,346
TOTAL ASSETS		**562,082,493**	**540,386,742**
LIABILITIES			
Deposits and balances due to banks	22	981,637	754,572
Customer deposits	23(a)	410,187,854	398,686,293
Loans and borrowings	24	24,884,464	20,144,729
Income tax payable	25(b)	-	907,798
Provisions	26	271,581	173,617
Other liabilities	27	24,496,596	24,800,210
Government grants	28	387,989	406,465
TOTAL LIABILITIES		**461,210,121**	**445,873,684**
EQUITY			
Share capital	29	5,867,180	5,867,180
Share premium	30	1,911,926	1,911,926
Revaluation reserve	31(a)	1,470,573	1,281,592
Retained earnings	31(b)	90,218,036	79,383,183
Fair value reserves	31(c)	(7,396,113)	201,997
Statutory reserve	31(d)	-	-
Proposed dividends	32	8,800,770	5,867,180
TOTAL EQUITY		**100,872,372**	**94,513,058**
TOTAL LIABILITIES & EQUITY		**562,082,493**	**540,386,742**

The financial statements were approved by the Board of Directors on 15th March 2023 and signed on its behalf by:-

J. K. Murugu, OGW	-	Chairman	....
M. Malonza MBS, HSC	-	Vice Chairman	....
Dr. G. Muriuki, CBS, MBS	-	Group Managing Director & CEO	....
S. M. Kibugi	-	Company Secretary	....

THE CO-OPERATIVE BANK OF KENYA LIMITED AND SUBSIDIARIES
BANK STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED 31 DECEMBER 2022

	Notes	2022 KShs'000	2021 KShs'000
Interest and similar income calculated using the effective interest method	34	58,024,831	52,244,587
Interest and similar expense	35	(15,585,429)	(14,152,864)
NET INTEREST INCOME		**42,439,402**	**38,091,723**
Fees and commission income	36	17,823,007	13,452,556
Fees and commission expense	36	(341,229)	(120,807)
NET FEES AND COMMISSION INCOME		**17,481,778**	**13,331,749**
Net trading income	37	4,551,793	2,703,645
Amortisation of government grants	28	18,476	18,475
Other operating income	38	845,581	1,266,692
TOTAL OTHER INCOME		**5,415,850**	**3,988,812**
OPERATING INCOME		**65,337,030**	**55,412,284**
Credit loss expense on loans and advances	13(b)	(8,091,696)	(7,499,998)
Credit loss expense on other financial assets and commitments	41	(309,846)	(365,318)
Amortisation of intangible assets	17(b)	(770,641)	(737,383)
Amortisation of leasehold land	18	(609)	(610)
Depreciation of property and equipment	19(b)	(1,110,118)	(1,162,788)
Depreciation of right-of-use assets	20(ii)	(1,076,408)	(1,196,802)
Employee costs	39	(13,647,798)	(12,435,592)
Other operating expenses	40	(13,458,172)	(10,688,466)
OPERATING EXPENSES		**(38,465,288)**	**(34,086,957)**
PROFIT BEFORE TAX		**26,871,742**	**21,325,327**
Income tax expense	25(a)	(7,236,119)	(5,727,064)
PROFIT FOR THE YEAR		**19,635,623**	**15,598,263**
Basic earnings per share (KShs)	42	3.35	2.66
Diluted earnings per share (KShs)	42	3.35	2.66

THE CO-OPERATIVE BANK OF KENYA LIMITED AND SUBSIDIARIES
BANK STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2022

	Notes	2022 KShs'000	2021 KShs'000
PROFIT FOR THE YEAR		**19,635,623**	**15,598,263**
OTHER COMPREHENSIVE INCOME:			
Other comprehensive income to be reclassified to profit or loss in subsequent periods (net of tax):			
Financial assets at fair value through other comprehensive income	43	(7,598,110)	(405,484)
Revaluation of land and buildings surplus		269,973	-
Deferred tax related to building surplus		(80,992)	-
Total items to be reclassified to profit or loss		**(7,409,129)**	**(405,484)**
OTHER COMPREHENSIVE INCOME, NET OF TAX		**(7,409,129)**	**(405,484)**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR, NET OF INCOME TAX		**12,226,494**	**15,192,779**

THE CO-OPERATIVE BANK OF KENYA LIMITED AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2022

	Notes	Share capital	Share premium	Revaluation reserve	Statutory reserve	Fair value reserve	Foreign currency translation reserve	Proposed dividends	Retained earnings	Attributable to equity holders of the Bank	Non-controlling interest	Total equity
		KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000
At 1 January 2021		**5,867,180**	**1,911,926**	**1,589,944**	**14,011**	**546,230**	**(78,019)**	**5,867,180**	**74,582,477**	**90,300,929**	**1,322,406**	**91,623,335**
Profit /(loss) for the year		-	-	-	-	-	-	-	16,729,007	16,729,007	(185,105)	16,543,902
Other comprehensive income		-	-	1,639	-	(627,238)	19,251	-	-	(606,348)	51,174	(555,174)
Total comprehensive income		-	-	**1,639**	-	**(627,238)**	**19,251**	-	**16,729,007**	**16,122,659**	**(133,931)**	**15,988,728**
Transfer of excess depreciation		-	-	(50,062)	-	-	-	-	50,062	-	-	-
Deferred tax on excess depreciation	21	-	-	15,019	-	-	-	-	-	15,019	-	15,019
Transfer from statutory reserve		-	-	-	621,040	-	-	-	(621,040)	-	(69,005)	(69,005)
Issue of additional shares		-	-	-	-	-	-	-	-	-	139,096	139,096
Exchange difference on hyperinflationary economy		-	-	(96,329)	(10,972)	-	-	-	(648,146)	(755,447)	(735,076)	(1,490,523)
2020- Dividends paid	32	-	-	-	-	-	-	(5,867,180)	-	(5,867,180)	-	(5,867,180)
Proposed dividends	32	-	-	-	-	-	-	5,867,180	(5,867,180)	-	-	-
At 31 December 2021		**5,867,180**	**1,911,926**	**1,460,211**	**624,079**	**(81,008)**	**(58,768)**	**5,867,180**	**84,225,180**	**99,815,980**	**523,490**	**100,339,470**

	Notes	Share capital	Share premium	Revaluation reserve	Statutory reserve	Fair value reserve	Foreign currency translation reserve	Proposed dividends	Retained earnings	Attributable to equity holders of the Bank	Non-controlling interest	Total
		KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000
At 1 January 2022		**5,867,180**	**1,911,926**	**1,460,211**	**624,079**	**(81,009)**	**(58,768)**	**5,867,180**	**84,225,181**	**99,815,980**	**523,490**	**100,339,470**
Profit /(loss) for the year		-	-	-	-	-	-	-	21,829,895	21,829,895	208,273	22,038,168
Other comprehensive income		-	-	202,684	-	(8,707,094)	1,027	-	-	(8,503,383)	(89,909)	(8,593,292)
Total comprehensive income		-	-	**202,684**	-	**(8,707,094)**	**1,027**	-	**21,829,895**	**13,326,512**	**118,364**	**13,444,876**
Deferred tax on revaluation surplus	21	-	-	(80,992)	-	-	-	-	-	(80,992)	-	(80,992)
Transfer from statutory reserve		-	-	-	(621,041)	-	-	-	621,041	-	69,005	69,005
Issue of additional shares		-	-	-	-	-	-	-	-	-	136,774	136,774
Exchange difference on hyperinflationary economy		-	-	71,087	64,248	89,692	60,469	-	(189,551)	95,945	(578,703)	(482,758)
2021 - Dividends paid	32	-	-	-	-	-	-	(5,867,180)	-	(5,867,180)	-	(5,867,180)
Proposed dividends	32	-	-	-	-	-	-	8,800,770	(8,800,770)	-	-	-
At 31 December 2022		**5,867,180**	**1,911,926**	**1,652,990**	**67,286**	**(8,698,411)**	**2,728**	**8,800,770**	**97,685,796**	**107,290,265**	**268,930**	**107,559,195**

About this Integrated Report | Our Leadership | Co-op Bank Model | Our Capitals | Operating Environment | Strategic Focus Review | Environmental, Social and Governance (ESG) | Financial Statements

THE CO-OPERATIVE BANK OF KENYA LIMITED AND SUBSIDIARIES
BANK STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2022

	Notes	Share capital	Share premium	Revaluation reserve	Statutory reserve	Fair value reserve	Proposed dividends	Retained earnings	Total
		KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000
At 1 January 2021		**5,867,180**	**1,911,926**	**1,316,635**	-	**607,481**	**5,867,180**	**69,602,038**	**85,172,440**
Profit for the year		-	-	-	-	-	-	15,598,263	**15,598,263**
Other comprehensive income		-	-	-	-	(405,484)	-	-	**(405,484)**
Total comprehensive income		-	-	-	-	**(405,484)**	-	**15,598,263**	**15,192,779**
Transfer of excess depreciation		-	-	(50,062)	-	-	-	50,062	-
Deferred tax on excess depreciation	21	-	-	15,019	-	-	-	-	**15,019**
Transfer to Retained Earnings		-	-	-	-	-	-	-	-
2020- Dividends paid	32	-	-	-	-	-	(5,867,180)	-	**(5,867,180)**
Proposed dividends	32	-	-	-	-	-	5,867,180	(5,867,180)	-
At 31 December 2021		**5,867,180**	**1,911,926**	**1,281,592**	-	**201,997**	**5,867,180**	**79,383,183**	**94,513,058**

	Notes	Share capital	Share premium	Revaluation reserve	Statutory reserve	Fair value reserve	Proposed dividends	Retained earnings	Total
		KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000
At 1 January 2022		**5,867,180**	**1,911,926**	**1,281,592**	-	**201,997**	**5,867,180**	**79,383,183**	**94,513,058**
Profit for the year		-	-	-	-	-	-	19,635,623	**19,635,623**
Other comprehensive income		-	-	269,973	-	(7,598,110)	-	-	**(7,328,137)**
Total comprehensive income		-	-	**269,973**	-	**(7,598,110)**	-	**19,635,623**	**12,307,486**
Deferred tax on excess depreciation	21	-	-	(80,992)	-	-	-	-	**(80,992)**
2021- Dividends paid	32	-	-	-	-	-	(5,867,180)	-	**(5,867,180)**
Proposed dividends	32	-	-	-	-	-	8,800,770	(8,800,770)	-
At 31 December 2022		**5,867,180**	**1,911,926**	**1,470,573**	-	**(7,396,113)**	**8,800,770**	**90,218,036**	**100,872,372**

THE CO-OPERATIVE BANK OF KENYA LIMITED AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2022

Cash flows from operating activities:	Notes	2022 KShs'000	2021 KShs'000
Cash generated from / (used in) operating activities	44	13,017,325	12,769,408
Tax paid	25(b)	(9,531,523)	(5,650,973)
Net cash generated from operating activities		**3,485,802**	**7,118,435**
Cash flows from investing activities:			
Purchase of property and equipment	19(a)	(1,443,006)	(622,662)
Purchase of intangible assets	17(a)	(895,273)	(578,657)
Proceeds from disposal of property and equipment		22,606	31,517
Purchase of investments at amortised cost	14	(62,013,190)	(54,149,469)
Maturity of investments at amortised cost	14	64,744,331	53,702,959
Net cash generated from / (used in) investing activities		**415,468**	**(1,616,312)**
Cash flows from financing activities:			
Proceeds from borrowings	24	7,281,733	2,244,426
Repayment of borrowings	24	(4,891,074)	(5,429,388)
Dividends paid to equity holders of the parent		(5,867,180)	(5,867,180)
Repayment of principal portion of lease liabilities		(1,331,524)	(1,485,899)
Additional Capital by Non-controlling interest		136,774	139,096
Net cash used in financing activities		**(4,671,271)**	**(10,398,945)**
Net movement in cash and cash equivalents		(770,001)	(4,896,822)
Cash and cash equivalents at the beginning of the year		21,782,133	27,193,100
Effect of foreign exchange difference		(334,612)	(514,145)
Cash and cash equivalents at 31 December	**44**	**20,677,520**	**21,782,133**

Interest received during the year amounted to KShs. 61.8 billion (2021: KShs. 55.6 billion) while interest paid amounted to KShs. 16.6 billion (2021: KShs. 14.9 billion)

THE CO-OPERATIVE BANK OF KENYA LIMITED AND SUBSIDIARIES
BANK STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2022

Cash flows from operating activities:	Notes	2022 KShs'000	2021 KShs'000
Cash from operating activities	44	3,858,980	11,095,956
Tax paid	25(b)	(9,116,223)	(5,219,053)
Net cash (used in) / generated from operating activities		**(5,257,243)**	**5,876,903**
Cash flows from investing activities:			
Purchase of property and equipment	19(b)	(1,281,311)	(588,983)
Purchase of software	17(b)	(869,697)	(575,146)
Proceeds from disposal of property and equipment		-	11,630
Purchase of investments at amortised cost	14	(54,653,643)	(53,347,960)
Maturity of investments at amortised cost	14	64,744,332	53,702,959
Acquisition of a subsidiary	15	-	(372,005)
Net cash generated from / (used in) investing activities		**7,939,681**	**(1,169,505)**
Cash flows from financing activities:			
Proceeds from borrowings	24	6,458,253	2,244,426
Repayment of borrowings	24	(4,771,958)	(4,652,671)
Dividends paid		(5,867,180)	(5,867,180)
Repayment of principal portion of lease liabilities		(1,191,503)	(1,364,185)
Net cash used in financing activities		**(5,372,388)**	**(9,639,610)**
Net movement in cash and cash equivalents		(2,689,950)	(4,932,212)
Cash and cash equivalents at the beginning of the year		17,101,300	22,033,512
Cash and cash equivalents at 31 December	**44**	**14,411,350**	**17,101,300**

Interest received during the year amounted to KShs. 58.02 billion (2021: KShs. 52.2 billion) while interest paid amounted to KShs. 15.59 billion (2021: KShs. 14.4 billion)

THE CO-OPERATIVE BANK OF KENYA LIMITED AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

1. GENERAL INFORMATION

The Co-operative Bank of Kenya Limited is a financial institution incorporated in Kenya under the Companies Act, 2015 as a public limited liability company, licensed under the Kenyan Banking Act (Chapter 488) and domiciled in Kenya. The consolidated financial statements comprise the Bank and its subsidiaries, together referred to as "the Group". The Group is primarily involved in corporate and retail banking, investment and asset management services in various parts of Kenya and Juba, South Sudan. The Bank's equities are listed on the Nairobi Stock Exchange (NSE). The Group information is included on page 130 of these financial statements.

Information on subsidiaries has been disclosed in Note 15 of the financial statements.

2. ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of preparation

The consolidated and separate financial statements are prepared on the historical cost basis, except for derivative financial instruments, other financial assets and liabilities held for trading and financial assets and liabilities designated at fair value through profit or loss (FVPL) and debt and equity instruments at fair value through other comprehensive income (FVOCI) all of which have been measured at fair value.

The consolidated and separate financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and the Kenyan Companies Act, 2015.

For the Kenyan Companies Act, 2015 reporting purposes, in these financial statements the balance sheet is represented by/is equivalent to the statement of financial position and the profit and loss account is presented in the Statement of profit or loss and statement of other comprehensive income.

(b) Basis of consolidation

The consolidated financial statements of the Group comprise the financial statements of the Bank and its subsidiaries and associates as at 31 December 2022. Control is achieved by the Group over an investee if and only if the Group has: -

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee), and
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the Statement of profit or loss and statement of other comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary
- Derecognises the carrying amount of any non-controlling interests
- Derecognises the cumulative translation differences recorded in equity
- Recognises the fair value of the consideration received
- Recognises the fair value of any investment retained
- Recognises any surplus or deficit in profit or loss
- Reclassifies the parent's share of components previously recognised in OCI to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities

(c) Changes in accounting policies and disclosures

(i) New standards, amendments and interpretations effective and adopted during the year

The Group applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2022. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

THE CO-OPERATIVE BANK OF KENYA LIMITED AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2022

2. ACCOUNTING POLICIES (Continued)

(c) Changes in accounting policies and disclosures (Continued)

(i) New standards, amendments and interpretations effective and adopted during the year (Continued)

The following amendments became effective during the period:

New standards or amendments	Effective for annual period beginning on or after
Property, Plant and Equipment: Proceeds before intended use (Amendments to IAS 16)	1 January 2022
Reference to the Conceptual Framework (Amendments to IFRS 3)	1 January 2022
Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37)	1 January 2022
AIP IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter	1 January 2022
AIP IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities	1 January 2022
AIP IAS 41 Agriculture – Taxation in fair value measurements	1 January 2022
Annual Improvement cycle (2018–2020) - various standards	1 January 2022

Property, Plant and Equipment: Proceeds before intended use (Amendments to IAS 16)

The amendment to IAS 16 Property, Plant and Equipment (PP&E) prohibits an entity from deducting from the cost of an item of PP&E any proceeds received from selling items produced while the entity is preparing the asset for its intended use. It also clarifies that an entity is 'testing whether the asset is functioning properly' when it assesses the technical and physical performance of the asset. The financial performance of the asset is not relevant to this assessment.

Entities must disclose separately the amounts of proceeds and costs relating to items produced that are not an output of the entity's ordinary activities. The adoption of this standard did not have a material impact on the Group's financial statements.

Reference to the Conceptual Framework (Amendments to IFRS 3)

Minor amendments were made to IFRS 3 Business Combinations to update the references to the Conceptual Framework for Financial Reporting and add an exception for the recognition of liabilities and contingent liabilities within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets and Interpretation 21 Levies. The amendments also confirm that contingent assets should not be recognised at the acquisition date. The adoption of this standard did not have a material impact on the Group's financial statements.

Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37)

The amendment clarifies which costs an entity includes in assessing whether a contract will be loss-making. This assessment is made by considering unavoidable costs, which are the lower of the net cost of exiting the contract and the costs to fulfil the contract. The amendment clarifies the meaning of 'costs to fulfil a contract'. Under the amendment, costs to fulfil a contract include incremental costs and the allocation of other costs that relate directly to fulfilling the contract. The adoption of this standard did not have a material impact on the Group's financial statements.

AIP IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter

The amendment permits a subsidiary that elects to apply paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported in the parent's consolidated financial statements, based on the parent's date of transition to IFRS, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of IFRS 1.

These amendments had no impact on the consolidated financial statements of the Group as it is not a first-time adopter.

IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities

The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. There is no similar amendment proposed for IAS 39 Financial Instruments: Recognition and Measurement.

In accordance with the transitional provisions, the Group applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment (the date of initial application). These amendments had no impact on the consolidated financial statements of the Group as there were no modifications of the Group's financial instruments during the period.

IAS 41 Agriculture – Taxation in fair value measurements

The amendment removes the requirement in paragraph 22 of IAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of IAS 41.

These amendments had no impact on the consolidated financial statements of the Group as it did not have assets in scope of IAS 41 as at the reporting date.

THE CO-OPERATIVE BANK OF KENYA LIMITED AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2022

2. ACCOUNTING POLICIES (Continued)
(c) Changes in accounting policies and disclosures (Continued)

Annual Improvement cycle (2018–2020) - various standards

The following improvements were finalised in May 2020 effective 1 January 2022:

Standards	Amendments
IFRS 9 Financial Instruments	IFRS 9 *Financial Instruments* – clarifies which fees should be included in the 10% test for derecognition of financial liabilities.
IFRS 16 Leases	IFRS 16 *Leases* – amendment of illustrative example 13 to remove the illustration of payments from the lessor relating to leasehold improvements, to remove any confusion about the treatment of lease incentives.
IFRS 1 First-time Adoption of International Financial Reporting Standards	IFRS 1 *First-time Adoption of International Financial Reporting Standards* – allows entities that have measured their assets and liabilities at carrying amounts recorded in their parent's books to also measure any cumulative translation differences using the amounts reported by the parent. This amendment will also apply to associates and joint ventures that have taken the same IFRS 1 exemption.
IAS 41 Taxation in Fair Value Measurements	IAS 41 *Taxation in Fair Value Measurements* - amendment removes the requirement to exclude taxation cashflows when measuring fair value. This amendment aligns the requirements in IAS 41 on fair value measurement with those in other IFRS Standards.

The adoption of these amendments did not have a material impact on the Group's financial statements.

(ii) New standards, amendments and interpretations in issue but not yet effective for the year ended 31 December 2022

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2022 and earlier application is permitted; however, the Group has not early adopted them in preparing these consolidated financial statements. These are summarised below;

New standards or amendments	Effective date
Sale or Contribution of Assets between an Investor and its Associate or Company (Amendments to IFRS 10 and IAS 28)	To be determined
Classification of Liabilities as Current or Non-current (Amendments to IAS 1)	1 January 2024
Lease Liability in a Sale and Leaseback – Amendments to IFRS 16	1 January 2024
Definition of Accounting Estimates (Amendments to IAS 8)	1 January 2023
Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)	1 January 2023
IFRS 17 Insurance Contracts and amendments to IFRS 17 Insurance Contracts	1 January 2023

Sale or Contribution of Assets between an Investor and its Associate or Company (Amendments to IFRS 10 and IAS 28)

The amendments to IFRS 10 and IAS 28 deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

The effective date of the amendments has yet to be set by the IASB; however, earlier application of the amendments is permitted. The directors of the Group anticipate that the application of these amendments may have an impact on the Group's financial statements in future periods should such transactions arise.

Classification of Liabilities as Current or Non-current (Amendments to IAS 1)

The narrow-scope amendments to IAS 1 Presentation of Financial Statements clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (e.g. the receipt of a waver or a breach of covenant). The amendments also clarify what IAS 1 means when it refers to the 'settlement' of a liability.

The amendments could affect the classification of liabilities, particularly for entities that previously considered management's intentions to determine classification and for some liabilities that can be converted into equity. They must be applied retrospectively in accordance with the normal requirements in IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.

The Directors of the Group do not anticipate that the application of the amendments in the future will have an impact on the Group's financial statements.

THE CO-OPERATIVE BANK OF KENYA LIMITED AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2022

2. ACCOUNTING POLICIES (Continued)
(c) Changes in accounting policies and disclosures (Continued)

(ii) New standards, amendments and interpretations in issue but not yet effective for the year ended 31 December 2022 (Continued)

Lease Liability in a Sale and Leaseback (Amendments to IFRS 16)

Amendments to IFRS 16 Leases impact how a seller-lessee accounts for variable lease payments that arise in a sale-and-leaseback transaction. The amendments introduce a new accounting model for variable payments and will require seller-lessees to reassess and potentially restate sale-and-leaseback transactions entered into since 2019.The Directors of the Group do not anticipate that the application of the amendments in the future will have an impact on the Group's financial statements.

Definition of Accounting Estimates (Amendments to IAS 8)

The amendment to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors clarifies how companies should distinguish changes in accounting policies from changes in accounting estimates. The distinction is important, because changes in accounting estimates are applied prospectively to future transactions and other future events, but changes in accounting policies are generally applied retrospectively to past transactions and other past events as well as the current period. The Directors of the Group do not anticipate that the application of the amendments in the future will have an impact on the Group's financial statements.

Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)

The amendments to IAS 12 Income Taxes require companies to recognise deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. They will typically apply to transactions such as leases of lessees and decommissioning obligations and will require the recognition of additional deferred tax assets and liabilities.

The amendment should be applied to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, entities should recognise deferred tax assets (to the extent that it is probable that they can be utilised) and deferred tax liabilities at the beginning of the earliest comparative period for all deductible and taxable temporary differences associated with:

- right-of-use assets and lease liabilities, and
- decommissioning, restoration and similar liabilities, and the corresponding amounts recognised as part of the cost of the related assets.

The cumulative effect of recognising these adjustments is recognised in retained earnings, or another component of equity, as appropriate. IAS 12 did not previously address how to account for the tax effects of on-balance sheet leases and similar transactions and various approaches were considered acceptable. Some entities may have already accounted for such transactions consistent with the new requirements. These entities will not be affected by the amendments.

The Group accounts for deferred tax on leases applying the 'integrally linked' approach, resulting in a similar outcome to the amendments, except that the deferred tax impacts are presented net in the statement of financial position. Under the amendments, the Group will recognise a separate deferred tax asset and a deferred tax liability. As at 31 December 2022, the Group will present a separate deferred tax liability of Shs 95 billion and a deferred tax asset of Shs 149 billion. There will be no impact on retained earnings on adoption of the amendments.

The Directors of the Group do not anticipate that the application of the amendments in the future will have an impact on the Group's financial statements.

IFRS 17 Insurance Contracts and amendments to IFRS 17 Insurance Contracts

IFRS 17 was issued in May 2017 as replacement for IFRS 4 Insurance Contracts. It requires a current measurement model where estimates are re-measured in each reporting period. Contracts are measured using the building blocks of:

- discounted probability-weighted cash flows
- an explicit risk adjustment, and
- a contractual service margin (CSM) representing the unearned profit of the contract which is recognised as revenue over the coverage period.

The standard allows a choice between recognising changes in discount rates either in the statement of profit or loss or directly in other comprehensive income. The choice is likely to reflect how insurers account for their financial assets under IFRS 9. An optional, simplified premium allocation approach is permitted for the liability for the remaining coverage for short duration contracts, which are often written by non-life insurers. There is a modification of the general measurement model called the 'variable fee approach' for certain contracts written by life insurers where policyholders share in the returns from underlying items. When applying the variable fee approach, the entity's share of the fair value changes of the underlying items is included in the CSM. The results of insurers using this model are therefore likely to be less volatile than under the general model. The new rules will affect the financial statements and key performance indicators of all entities that issue insurance contracts or investment contracts with discretionary participation features.

Targeted amendments made in July 2020 aimed to ease the implementation of the standard by reducing implementation costs and making it easier for entities to explain the results from applying IFRS 17 to investors and others. The amendments also deferred the application date of IFRS 17 to 1 January 2023.

As at 31 December 2022, the Group had the following notional principal exposures from application of IFRS 17 Insurance contracts requirements and amendments:

	KShs,000
Performance Bonds	20,701,749

The Directors of the Group do not anticipate that the application of the standard and amendments in the future will have an impact on the Group's financial statements.

THE CO-OPERATIVE BANK OF KENYA LIMITED AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2022

2. ACCOUNTING POLICIES (Continued)

(d) Recognition of interest income

i) The effective interest rate method

Under IFRS 9, interest income is recorded using the effective interest rate (EIR) method for all financial assets measured at amortised cost and at fair value through OCI and financial liabilities at amortised cost. The EIR is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument or, when appropriate, a shorter period, to the net carrying amount of the financial asset.

The EIR (and therefore, the amortized cost of the asset) is calculated by taking into account any discount or premium on acquisition, fees and costs that are an integral part of the EIR. The Group recognizes interest income using a rate of return that represents the best estimate of a constant rate of return over the expected life of the loan. Hence, it recognizes the effect of potentially different interest rates charged at various stages, and other characteristics of the product life cycle (including prepayments, penalty interest and charges).

If expectations regarding the cash flows on the financial asset are revised for reasons other than credit risk, the adjustment is booked as a positive or negative adjustment to the carrying amount of the asset in the balance sheet with an increase or reduction in interest income.

ii) Interest and similar income/expense

Net interest income comprises interest income and interest expense calculated using both the effective interest method and other methods. These are disclosed separately on the face of the income statement for both interest income and interest expense to provide symmetrical and comparable information.

In its Interest income/expense calculated using the effective interest method, the Group only includes interest on those financial instruments that are set out in Note (d)(i) above.

Interest income/expense on all trading financial assets/liabilities is recognised as a part of the fair value change in Net trading income.

The Group calculates interest income by applying the EIR to the gross carrying amount of financial assets other than credit-impaired assets. When a financial asset becomes credit-impaired and is, therefore, regarded as 'Stage 3', the Group calculates interest income by applying the effective interest rate to the net amortized cost of the financial asset. If the financial assets cures and is no longer credit-impaired, the Group reverts to calculating interest income on a gross basis.

iii) Presentation of interest income

Interest revenue calculated using the effective interest rate (EIR) method is presented separately on the face of the Statement of profit or loss t, where it is differentiated and presented separately from interest revenue calculated using other methods.

The Group has also elected to present its interest expense in a manner consistent and symmetrical with interest income. Therefore, it separates interest expense on liabilities measured at amortised cost from other interest expensed. The Group's accounting policies in respect of interest income/expense and the effective interest method are set out in note 2(d) (i) and (ii) above.

(e) Fee and commission income

The Group and the Bank earns fee and commission income from a diverse range of financial services it provides to its customers. Fee and commission income are recognised at an amount that reflects the consideration to which the Group expects to be entitled in exchange for providing the services.

The performance obligations, as well as the timing of their satisfaction, are identified, and determined, at the inception of the contract. The Group's and Bank's revenue contracts do not typically include multiple performance obligations.

When the Group and the Bank provides a service to its customers, consideration is invoiced and generally due immediately upon satisfaction of a service provided at a point in time or at the end of the contract period for a service provided over time.

The Group and the Bank has generally concluded that it is the principal in its revenue arrangements because it typically controls the services before transferring them to the customer.

Fee and commission income from services where performance obligations are satisfied over time

Performance obligations satisfied over time include fund management, custody and share registration fees, where the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs.

The Group's and Bank's fee and commission income from services where performance obligations are satisfied over time include the following:

Fund management fees: These fees are earned for the provision of fund management services, which include portfolio diversification and rebalancing. These services represent a single performance obligation comprised of a series of distinct services which are substantially the same, being provided continuously over the contract period. Management fees are invoiced monthly and determined based on a fixed percentage of the net asset value of the funds under management at the end of the month. Revenue from management fees is therefore generally recognised at the end of each month.

About this Integrated Report | Our Leadership | Co-op Bank Model | Our Capitals | Operating Environment | Strategic Focus Review | Environmental, Social and Governance (ESG) | Financial Statements

THE CO-OPERATIVE BANK OF KENYA LIMITED AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2022

2. ACCOUNTING POLICIES (Continued)

(e) Fee and commission income (Continued)

Fee and commission income from services where performance obligations are satisfied over time (Continued)

Custody fees: The Group and the Bank earns a fee for providing its customers with custody services, which include the safekeeping of purchased securities and processing of any dividend income and interest payments. Custody fees are invoiced monthly based on a fixed percentage of the value of the funds under custody at the end of the month. These services represent a single performance obligation comprised of a series of distinct daily services that are substantially the same and have the same pattern of transfer over the contract period. Revenue from custody services is therefore generally recognised at the end of each month.

Share registration fees: The Group and the Bank earns fees from maintenance of clients' share registers and processing of dividend pay-outs. Share registration fees are invoiced quarterly based on a fixed amount. These services represent a single performance obligation comprised of a series of distinct daily services that are substantially the same and have the same pattern of transfer over the contract period. Revenue from share registration services is therefore generally recognised at the end of each quarter.

Interchange fees: The Bank provides its customers with credit card processing services (i.e., authorisation and settlement of transactions executed with the Bank's credit cards) where it is entitled to an interchange fee for each transaction (i.e., when a credit cardholder purchases goods and services from merchants using the Bank's credit card). These services represent a single performance obligation comprised of a series of distinct daily services that are substantially the same and have the same pattern of transfer over the contract period. The fees vary based on the number of transactions processed and are structured as either a fixed rate per transaction processed or at a fixed percentage of the underlying cardholder transaction. The variable interchange fees are allocated to each distinct day, based on the number and value of transactions processed that day, and the allocated revenue is recognised as the entity performs.

Services provided where the Group's performance obligations are satisfied at a point in time are recognised once control of the services is transferred to the customer. This is typically on completion of the underlying transaction or service or, for fees or components of fees that are linked to a certain performance, after fulfilling the corresponding performance criteria. These include fees and commissions arising from brokerage, bancassurance, consultancy and training services.

The Group typically has a single performance obligation with respect to these services, which is to successfully complete the transaction specified in the contract.

Brokerage fees: The Group buys and sells securities on behalf of its customers and receives a fixed commission for each transaction. The Group's performance obligation is to execute the trade on behalf of the customer and revenue is recognised once each trade has been executed (i.e., on the trade date). Payment of the commission is typically due on the trade date.

Bancassurance fees: These fees are received for issuance of insurance covers on behalf of the appointed insurance company. The Group's performance obligation is to issue insurance cover notes and remit the premiums collected every month. The Group recognises revenue as per the fixed rates of commission per premium per insurance class.

Consultancy fees: These fees arise from provision of advisory services and Front Office Services Activities (FOSA). The Group's performance obligation is to conduct the assignment and issue a report. The Group recognises revenue after the report has been issued as per the fees agreed in the consultancy agreements.

Training fees: These fees arise from training services rendered to Savings and Credit Co-operative Societies. The Group's performance obligation is to complete the training of the courses specified in the training invites in the period specified. Payment for the training is typically due at the end of the training. The Group recognises revenue after the training has been attended as per the fees indicated in the training invites.

(f) Net trading income

Net trading income includes all gains and losses from changes in fair value and the related interest income or expense and dividends, for financial assets and financial liabilities held for trading.

(g) Property, equipment and right of use assets

Recognition and measurement

Land and buildings are measured at fair value less accumulated depreciation on buildings and impairment losses recognised after the date of the revaluation. Any revaluation surplus is recognised as other comprehensive income in the revaluation reserve (a separate component of equity), except to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss, in which case the increase is recognised in profit or loss. A revaluation deficit is recognised in profit or loss, except to the extent that it offsets an existing surplus on the same asset recognised in the revaluation reserve. Revaluation surpluses are not distributable. Land and buildings are revalued after every 3 years by approved external valuers.

An annual transfer from the asset revaluation surplus to retained earnings is made for the difference between depreciation based on the revalued carrying amount of the asset and depreciation based on the asset's original cost. Additionally, accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Upon disposal, any revaluation surplus relating to the particular asset being disposed is transferred to retained earnings.

THE CO-OPERATIVE BANK OF KENYA LIMITED AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2022

2. ACCOUNTING POLICIES (Continued)
(g) Property, equipment and right of use assets (Continued)
***Recognition and measurement** (Continued)*

Other categories of property and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses. Cost includes costs incurred to acquire the asset, costs incurred to bring the asset to working condition for its intended use and the cost of replacing part of an item of property and equipment when that cost is incurred, if the recognition criteria are met. Additions and improvements that result in future benefits are capitalised. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the property and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs incurred to keep assets in normal operating condition are recognised in profit or loss as incurred. Purchased software that is integral to the functionality of the related equipment is capitalised as part of the equipment.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognising of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is derecognised.

Depreciation

Depreciation is calculated on a straight- line basis over the useful life of the asset as follows:

Buildings	40 years	2.5%
Fixtures	8 years	12.5%
Furniture and equipment	5 years	20.0%
Motor vehicles	5 years	20.0%
Office machinery	5 years	20.0%
Computers	5 years	20.0%

Right-of-use assets are depreciated on a straight-line basis over the lease term.

Leasehold land is depreciated over the remaining period of the lease. Buildings on leasehold land are depreciated over the remaining period of the lease subject to a maximum of forty years. Buildings on freehold land are depreciated over forty years. Freehold land is not depreciated.

The asset's residual values, useful lives and methods of depreciation are reviewed, at each financial year end and prospectively adjusted as a change in estimate, if appropriate.

(h) Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

The Group determines that it has acquired a business when the acquired set of activities and assets include an input and a substantive process that together significantly contribute to the ability to create outputs. The acquired process is considered substantive if it is critical to the ability to continue producing outputs, and the inputs acquired include an organised workforce with the necessary skills, knowledge, or experience to perform that process or it significantly contributes to the ability to continue producing outputs and is considered unique or scarce or cannot be replaced without significant cost, effort, or delay in the ability to continue producing outputs.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IFRS 9 Financial Instruments, is measured at fair value with the changes in fair value recognised in the statement of profit or loss in accordance with IFRS 9. Other contingent consideration that is not within the scope of IFRS 9 is measured at fair value at each reporting date with changes in fair value recognised in profit or loss.

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests and any previous interest held over the net identifiable assets acquired and liabilities assumed). If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

THE CO-OPERATIVE BANK OF KENYA LIMITED AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2022

2. ACCOUNTING POLICIES (Continued)
(h) Business combinations and goodwill (Continued)

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a cash-generating unit (CGU) and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

(i) Intangible assets

The Group's other intangible assets comprise the value of computer software licenses and separately identifiable intangible items acquired in business combinations.

An intangible asset is recognised only when its cost can be measured reliably, and it is probable that the expected future economic benefits that are attributable to it will flow to the Group.

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful economic life. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year–end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, and treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in profit or loss in the expense category consistent with the function of the intangible asset.

(1) Computer software licences

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised on the basis of the expected useful lives. Software has a maximum expected useful life of 5 years.

(2) Other intangible assets

Other intangible assets are initially recognised when they are separable or arise from contractual or other legal rights, the cost can be measured reliably and, in the case of intangible assets not acquired in a business combination, where it is probable that future economic benefits attributable to the assets will flow from their use. Other intangible assets consist of the NSE trading right and Business rights. The Business rights relate to the costs incurred in negotiating of the business arrangement with the Government of South Sudan. Under the agreement, the Group acquired certain rights that are identifiable e.g., business relationships with the government and Co-operative Movement.

NSE trading right, which gave participants the right to trade at Nairobi Securities Exchange (NSE) was initially measured at cost and classified as an intangible asset with an indefinite useful life. After initial recognition, the seat was carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent accumulated impairment losses. The revaluation was non-recurring due to non-volatility of the fair values of the NSE seat.

Effective September 2014 and upon demutualization of Nairobi Securities Exchange (NSE), the NSE Seat was replaced with a trading right which gives participants a right to trade at NSE. The trading right serves the same function as the Seat. The trading right was attached a value of KShs. 25 million by NSE Board, which has been taken as its fair value. After the demutualisation the shares were replaced by a right to trade.

The trading right is carried as an intangible asset with an indefinite useful life at the value of KShs. 25 million, less any subsequent accumulated impairment losses. The right is not subject to annual renewal and can be transferred to another party. Management tests the trading right for impairment by comparing its recoverable amount with its carrying amount annually and whenever there is an indication that the right may be impaired. The Group bases its impairment calculation on market information and the value of the right when a transaction between two parties takes place.

The value is based on available data from binding sales transactions, conducted at arm's length. In determining the fair value, recent market transactions are taken into account. Any impairment losses are accounted for through profit or loss. Refer to note 2(s) on impairment of non-financial assets.

Other intangible assets are stated at cost less amortisation and provisions for impairment, if any, plus reversals of impairment, if any. They are amortised over their useful lives in a manner that reflects the pattern to which they contribute to future cash flows.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the income statement when the asset is derecognised.

THE CO-OPERATIVE BANK OF KENYA LIMITED AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2022

2. ACCOUNTING POLICIES (Continued)

(j) Investments in associates

An associate is an entity over which the Group and the Bank has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The Group and the Bank's investments in its associates are accounted for using the equity method and at cost in the separate financial statements.

Under the equity method, the investment in the associate is carried in the statement of financial position at cost plus post acquisition changes in the Group's share of net assets of the associate. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

The consolidated income statement reflects the share of the results of operations of the associate. Where there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes and discloses this, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

The share of profit of an associate is shown on the face of the consolidated Statement of profit or loss. This is the profit attributable to equity holders of the associate and therefore is the entity's proportionate share of the associate's profit after tax.

The financial statements of the associate are prepared for the same reporting period as the Group. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in its associate. The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in the 'share of profit of an associate' in the consolidated Statement of profit or loss.

Upon loss of significant influence over the associate, the Group measures and recognises any retaining investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retaining investment and proceeds from disposal is recognised in profit or loss.

(k) Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Bank recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets

The Bank recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the lease term.

The right-of-use assets are presented within Note 20 and are subject to impairment in line with the Bank's policy as described in Note 2 (r) Impairment of non-financial assets.

Lease Liabilities

At the commencement date of the lease, the Bank recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (less any lease incentives receivable), variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Bank and payments of penalties for terminating the lease, if the lease term reflects exercising the option to terminate.

Variable lease payments that do not depend on an index or a rate are recognised as expenses in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset. The Group's lease liabilities are included in other payables (note 27) and a further detailed disclosure under note 20 (ii).

About this Integrated Report | Our Leadership | Co-op Bank Model | Our Capitals | Operating Environment | Strategic Focus Review | Environmental, Social and Governance (ESG) | Financial Statements

THE CO-OPERATIVE BANK OF KENYA LIMITED AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2022

2. ACCOUNTING POLICIES (Continued)

(k) Leases (Continued)

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Group as Lessor

Leases in which the Bank does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

(l) Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

When the transaction price of the instrument differs from the fair value at origination and the fair value is based on a valuation technique using only inputs observable in market transactions, the Group recognises the difference between the transaction price and fair value in net trading income. In those cases where fair value is based on models for which some of the inputs are not observable, the difference between the transaction price and the fair value is deferred and is only recognised in profit or loss when the inputs become observable, or when the instrument is derecognised.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in categories:

- Debt Instruments at amortised costs
- Debt Instruments at Fair Value through OCI
- Derivatives at fair value through profit or loss
- Equity Instruments at Fair Value through OCI

Financial assets at amortised cost (debt instruments)

This category is the most relevant to the Group. The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows

And

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Group's financial assets at amortised cost includes loans and advances to customers, due from banks financial investments at amortised cost and trade receivables.

THE CO-OPERATIVE BANK OF KENYA LIMITED AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2022

2. ACCOUNTING POLICIES (Continued)

(l) Financial assets (Continued)

Financial assets at amortised cost (debt instruments) (Continued)

The details of these conditions are outlined below.

Business model assessment

The Group determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective.

The Group's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as:

- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's key management personnel.
- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed.
- How managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected).
- The expected frequency, value and timing of sales are also important aspects of the Bank's assessment.

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realised in a way that is different from the Bank's original expectations, the Group does not change the classification of the remaining financial assets held in that business model but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

The SPPI test

As a second step of its classification process the Bank assesses the contractual terms of financial to identify whether they meet the SPPI test.

'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortisation of the premium/discount).

The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Bank applies judgement and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set.

In contrast, contractual terms that introduce a more than de minimis exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and interest on the amount outstanding. In such cases, the financial asset is required to be measured at FVPL.

Financial assets at fair value through OCI (debt instruments)

The Group measures debt instruments at fair value through OCI if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling

And

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in OCI. Upon derecognition, the cumulative fair value change recognised in OCI is recycled to profit or loss. The ECL calculation for Debt instruments at FVOCI is explained in Note 9.

The Group's debt instruments at fair value through OCI includes investments in treasury bonds and corporate bonds included under other non-current financial assets.

Financial assets designated at fair value through OCI (equity instruments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

The Group elected to classify irrevocably its listed equity investments under this category.

THE CO-OPERATIVE BANK OF KENYA LIMITED AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2022

2. ACCOUNTING POLICIES (Continued)

(l) Financial assets (Continued)

Derivative financial instruments

At their inception, derivatives often involve only a mutual exchange of promises with little or no transfer of consideration. However, these instruments frequently involve a high degree of leverage and are very volatile. A relatively small movement in the value of the asset, rate or index underlying a derivative contract may have a significant impact on the profit or loss of the Group. Over–the–counter derivatives may expose the Group to the risks associated with the absence of an exchange market on which to close out an open position. The Group's exposure under derivative contracts is closely monitored as part of the overall management of its market risk.

Changes in fair value of any derivative instruments are recognised immediately in the profit or loss. Derivative financial instruments are initially recognised at fair value. Subsequent to initial recognition, derivative financial instruments are measured at fair value. Fair values are obtained from quoted market prices in active markets, including recent market transactions. The gain or loss on re-measurement to fair value is recognised immediately in profit or loss.

The notional amounts of certain types of financial instruments provide a basis for comparison with instruments recognised on the statement of financial position but do not necessarily indicate the amounts of future cash flows involved or the current fair value of the instruments and, therefore, do not indicate the Group's exposure to credit or price risks. The derivative instruments become assets or liabilities as a result of fluctuations in foreign exchange rates relative to their terms.

The Group uses the following derivative instruments:

Currency Forwards

Forward contracts are contractual agreements to buy or sell a specified financial instrument at a specific price and date in the future. Forwards are customised contracts transacted in the over–the–counter market. The Group has credit exposure to the counterparties of forward contracts. Forward contracts are settled gross and result in market risk exposure.

Swaps

Swaps are contractual agreements between two parties to exchange streams of payments over time based on specified notional amounts, in relation to movements in a specified underlying index such as a foreign currency rate. In a currency swap, the Group pays a specified amount in one currency and receives a specified amount in another currency.

Financial guarantee, letter of credit and undrawn loan commitment

In the ordinary course of business, the Group gives financial guarantees, consisting of letters of credit, guarantees and acceptances. These are written by the Group to support performance by a customer to third parties. The Group will only be required to meet these obligations in the event the customer defaults. Financial guarantee contracts are initially recognised at their fair value, and the initial fair value is amortised over the life of the financial guarantee. Subsequent to initial recognition, the Bank's liability under each guarantee is measured at the higher of the amount initially recognised less cumulative amortisation recognised in the income statement, and an ECL allowance.

(i) Overview of the Expected Credit Loss (ECL) principles

The Group records the allowance for expected credit losses for all loans and other debt financial assets not held at FVPL, together with loan commitments and financial guarantee contracts, in this section all referred to as 'financial instruments'. Equity instruments and other financial assets held at FVPL are not subject to impairment under IFRS 9.

The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit loss or LTECL), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months' expected credit loss (12mECL) as outlined in Note l (ii). The Bank's policies for determining if there has been a significant increase in credit risk are set out in Note 4(a).

The 12mECL is the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

Both LTECLs and 12mECLs are calculated on either an individual basis or a collective basis, depending on the nature of the underlying portfolio of financial instruments.

The Group established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument. This is further explained in Note 4(a).

Based on the above process, the Group categorises its loans into Stage 1, Stage 2 and Stage 3, as described below:

- Stage 1: When loans are first recognized, the Group recognizes an allowance based on 12mECLs. Stage 1 loans also include facilities where the credit risk has improved, and the loan has been reclassified from Stage 2.
- Stage 2: When a loan has shown a significant increase in credit risk since origination, the Group records an allowance for the LTECLs. Stage 2 loans also include facilities, where the credit risk has improved, and the loan has been reclassified from Stage 3.
- Stage 3: Loans considered credit-impaired (as outlined in Note 4(a). The Group records an allowance for the LTECLs.

For financial assets for which the Group has no reasonable expectations of recovering either the entire outstanding amount, or a proportion thereof, the gross carrying amount of the financial asset is reduced. This is considered a (partial) derecognition of the financial asset.

THE CO-OPERATIVE BANK OF KENYA LIMITED AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2022

2. ACCOUNTING POLICIES (Continued)
(l) Financial assets (Continued)

(ii) The calculation of ECLs

The Group calculates ECLs based on four probability-weighted scenarios to measure the expected cash shortfalls, discounted at an approximation to the EIR. A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive.

- *Probability of Default (PD):* The Probability of Default is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognized and is still in the portfolio. The concept of PDs is further explained in Note 4(a).
- *Exposure at Default (EAD):* The Exposure at Default is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments. The EAD is further explained in in Note 4(a).
- *Loss Given Default (LGD):* The Loss Given Default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realization of any collateral. It is usually expressed as a percentage of the EAD. The LGD is further explained in Note 4(a).

When estimating the ECLs, the Group considers four scenarios (a base case, an upside, a mild downside ('downside 1') and a more extreme downside ('downside 2')). Each of these is associated with different PDs, EADs and LGDs. When relevant, the assessment of multiple scenarios also incorporates how defaulted loans are expected to be recovered, including the probability that the loans will cure and the value of collateral or the amount that might be received for selling the asset. With the exception of credit cards and other revolving facilities, for which the treatment is separately set out below, the maximum period for which the credit losses are determined is the contractual life of a financial instrument unless the Bank has the legal right to call it earlier.

Impairment losses and releases are accounted for and disclosed separately from modification losses or gains that are accounted for as an adjustment of the financial asset's gross carrying value. Provisions for ECLs for undrawn loan commitments are assessed as set out below. The calculation of ECLs (including the ECLs related to the undrawn element) of revolving facilities such as credit cards is explained below.

The mechanics of the ECL method are summarised below:

Stage 1:

The 12mECL is calculated as the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date. The Group calculates the 12mECL allowance based on the expectation of a default occurring in the 12 months following the reporting date. These expected 12-month default probabilities are applied to a forecast EAD and multiplied by the expected LGD and discounted by an approximation to the original EIR. This calculation is made for each of the four scenarios, as explained above.

Stage 2:

When a loan has shown a significant increase in credit risk since origination, the Bank records an allowance for the LTECLs. The mechanics are similar to those explained above, including the use of multiple scenarios, but PDs and LGDs are estimated over the lifetime of the instrument. The expected cash shortfalls are discounted by an approximation to the original EIR.

Stage 3:

For loans considered credit-impaired (as defined in Note 4(a)), the Group recognises the lifetime expected credit losses for these loans, with the PD set at 100%.

Loan commitments and letters of credit

When estimating LTECLs for undrawn loan commitments, the Group estimates the expected portion of the loan commitment that will be drawn down over its expected life. The ECL is then based on the present value of the expected shortfalls in cash flows if the loan is drawn down, based on a probability-weighting of the four scenarios. The expected cash shortfalls are discounted at an approximation to the expected EIR on the loan. For credit cards and revolving facilities that include both a loan and an undrawn commitment, ECLs are calculated and presented together with the loan. For loan commitments and letters of credit, the ECL is recognised in other liabilities. The mechanics of ECL for loan commitments and letters of credit are same as above.

Financial guarantee contracts

The Group's liability under each guarantee is measured at the higher of the amount initially recognised less cumulative amortisation recognised in the Statement of Profit and loss, and the ECL provision. For this purpose, the Bank estimates ECLs based on the present value of the expected payments to reimburse the holder for a credit loss that it incurs. The shortfalls are discounted by the risk-adjusted interest rate relevant to the exposure. The calculation is made using a probability-weighting of the four scenarios. The ECLs related to financial guarantee contracts are recognised within Provisions.

THE CO-OPERATIVE BANK OF KENYA LIMITED AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2022

2. ACCOUNTING POLICIES (Continued)
(l) Financial assets (Continued)

(iii) Debt instruments measured at fair value through OCI

The ECLs for debt instruments measured at FVOCI do not reduce the carrying amount of these financial assets in the statement of financial position, which remains at fair value. Instead, an amount equal to the allowance that would arise if the assets were measured at amortised cost is recognised in OCI as an accumulated impairment amount, with a corresponding charge to profit or loss. The accumulated loss recognised in OCI is recycled to the profit and loss upon derecognition of the assets.

(iv) Credit cards and other revolving facilities (Overdraft)

The Group's product offering includes a variety of corporate and retail overdraft and credit cards facilities, in which the Group has the right to cancel and/or reduce the facilities with one day's notice. The Group does not limit its exposure to credit losses to the contractual notice period, but instead calculates ECL over a period that reflects the Group's expectations of the customer behaviour, its likelihood of default and the Group's future risk mitigation procedures, which could include reducing or cancelling the facilities. Based on past experience and the Group's expectations, the period over which the Group calculates ECLs for these products, is five years for corporate and seven years for retail products.

The ongoing assessment of whether a significant increase in credit risk has occurred for revolving facilities is similar to other lending products. This is based on shifts in the customer's internal credit grade, but greater emphasis is also given to qualitative factors such as changes in usage.

The interest rate used to discount the ECLs for credit cards is based on the average effective interest rate that is expected to be charged over the expected period of exposure to the facilities. This estimation takes into account that many facilities are repaid in full each month and are consequently charged no interest.

The calculation of ECLs, including the estimation of the expected period of exposure and discount rate is made, as explained in Note 4(a) on a collective basis. The collective assessments are made separately for portfolios of facilities with similar credit risk characteristics.

(v) Forward looking information

In its ECL models, the Group relies on a broad range of forward-looking information as economic inputs, such as:

- Inflation Rate "Inflation"
- Brent Crude Oil in USD/Barrel "Oil"
- Lending Rate "Lending"

The inputs and models used for calculating ECLs may not always capture all characteristics of the market at the date of the financial statements. To reflect this, qualitative adjustments or overlays are occasionally made as temporary adjustments when such differences are significantly material. Detailed information about these inputs and sensitivity analysis are provided in Note 4(a).

(vi) Forborne and modified loans

The Group sometimes makes concessions or modifications to the original terms of loans as a response to the borrower's financial difficulties, rather than taking possession or to otherwise enforce collection of collateral. The Group considers a loan forborne when such concessions or modifications are provided as a result of the borrower's present or expected financial difficulties and the Group would not have agreed to them if the borrower had been financially healthy. Indicators of financial difficulties include defaults on covenants, or significant concerns raised by the Credit Risk Department. Forbearance may involve extending the payment arrangements and the agreement of new loan conditions. Once the terms have been renegotiated, any impairment is measured using the original EIR as calculated before the modification of terms. It is the Group's policy to monitor forborne loans to help ensure that future payments continue to be likely to occur. Derecognition decisions and classification between Stage 2 and Stage 3 are determined on a case-by-case basis. If these procedures identify a loss in relation to a loan, it is disclosed and managed as an impaired Stage 3 forborne asset until it is collected or written off.

When the loan has been renegotiated or modified but not derecognised, the Group also reassesses whether there has been a significant increase in credit risk, as set out in Note 4(a). The Group also considers whether the assets should be classified as Stage 3. Once an asset has been classified as forborne, it will remain forborne for a minimum 6-month probation period. In order for the loan to be reclassified out of the forborne category, the customer has to meet all of the following criteria:

- All of its facilities have to be considered performing
- The probation period of 6 months has passed from the date the forborne contract was considered performing
- Regular payments of more than an insignificant amount of principal or interest have been made during at least half of the probation period
- The customer does not have any contracts that are more than 30 days past due

If modifications are substantial, the loan is derecognised as disclosed in note 2 (n) below.

THE CO-OPERATIVE BANK OF KENYA LIMITED AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2022

2. ACCOUNTING POLICIES (Continued)

(l) Financial assets (Continued)

Reclassification of financial assets

The Group reclassifies all affected financial assets when, and only when, the Group changes its business model for managing financial assets. If the Group reclassifies financial assets, it applies the reclassification prospectively from the reclassification date. The Group does not restate any previously recognised gains, losses (including impairment gains or losses) or interest.

If the Group reclassifies a financial asset out of the amortised cost measurement category and into the fair value through profit or loss measurement category, its fair value is measured at the reclassification date. Any gain or loss arising from a difference between the previous amortised cost of the financial asset and fair value is recognised in profit or loss.

If the Group reclassifies a financial asset out of the fair value through profit or loss measurement category and into the amortised cost measurement category, its fair value at the reclassification date becomes its new gross carrying amount.

If the Group reclassifies a financial asset out of the amortised cost measurement category and into the fair value through other comprehensive income measurement category, its fair value is measured at the reclassification date. Any gain or loss arising from a difference between the previous amortised cost of the financial asset and fair value is recognised in other comprehensive income. The effective interest rate and the measurement of expected credit losses are not adjusted as a result of the reclassification.

If the Group reclassifies a financial asset out of the fair value through other comprehensive income measurement category and into the amortised cost measurement category, the financial asset is reclassified at its fair value at the reclassification date. However, the cumulative gain or loss previously recognised in other comprehensive income is removed from equity and adjusted against the fair value of the financial asset at the reclassification date. As a result, the financial asset is measured at the reclassification date as if it had always been measured at amortised cost. This adjustment affects other comprehensive income but does not affect profit or loss and therefore is not a reclassification adjustment. The effective interest rate and the measurement of expected credit losses are not adjusted as a result of the reclassification.

If the Group reclassifies a financial asset out of the fair value through profit or loss measurement category and into the fair value through other comprehensive income measurement category, the financial asset continues to be measured at fair value.

If the Group reclassifies a financial asset out of the fair value through other comprehensive income measurement category and into the fair value through profit or loss measurement category, the financial asset continues to be measured at fair value. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment at the reclassification date.

(m) Derecognition of financial assets

Derecognition due to substantial modification of terms and conditions

The Group derecognises a financial asset, such as a loan to a customer, when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a new loan, with the difference recognised as a derecognition gain or loss, to the extent that an impairment loss has not already been recorded. The newly recognised loans are classified as Stage 1 for ECL measurement purposes, unless the new loan is deemed to be POCI. When assessing whether or not to derecognise a loan to a customer, amongst others, the Group considers the following factors:

- Change in currency of the loan
- Introduction of an equity feature
- Change in counterparty
- If the modification is such that the instrument would no longer meet the SPPI criterion

If the modification does not result in cash flows that are substantially different, as set out below, the modification does not result in derecognition. Based on the change in cash flows discounted at the original EIR, the Group records a modification gain or loss, to the extent that an impairment loss has not already been recorded. For financial liabilities, the Group considers a modification substantial based on qualitative factors and if it results in a difference between the adjusted discounted present value and the original carrying amount of the financial liability of, or greater than, ten percent. For financial assets, this assessment is based on qualitative factors.

Derecognition other than for substantial modification

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when the rights to receive cash flows from the financial asset have expired. The Group also derecognises the financial asset if it has both transferred the financial asset and the transfer qualifies for derecognition.

The Group has transferred the financial asset if, and only if, either:

- The Group has transferred its contractual rights to receive cash flows from the financial asset or
- It retains the rights to the cash flows, but has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass–through' arrangement

Pass-through arrangements are transactions whereby the Group retains the contractual rights to receive the cash flows of a financial asset (the 'original asset'), but assumes a contractual obligation to pay those cash flows to one or more entities (the 'eventual recipients'), when all of the following three conditions are met:

THE CO-OPERATIVE BANK OF KENYA LIMITED AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2022

2. ACCOUNTING POLICIES (Continued)

(m) Derecognition of financial assets (Continued)

Derecognition other than for substantial modification (Continued)

- The Group has no obligation to pay amounts to the eventual recipients unless it has collected equivalent amounts from the original asset, excluding short-term advances with the right to full recovery of the amount lent plus accrued interest at market rates
- The Group cannot sell or pledge the original asset other than as security to the eventual recipients
- The Group has to remit any cash flows it collects on behalf of the eventual recipients without material delay. In addition, the Group is not entitled to reinvest such cash flows, except for investments in cash or cash equivalents including interest earned, during the period between the collection date and the date of required remittance to the eventual recipient.

A transfer only qualifies for derecognition if either:

- The Group has transferred substantially all the risks and rewards of the asset or
- The Group has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset.

The Group considers control to be transferred if and only if, the transferee has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without imposing additional restrictions on the transfer.

When the Group has neither transferred nor retained substantially all the risks and rewards and has retained control of the asset, the asset continues to be recognised only to the extent of the Group's continuing involvement, in which case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration the Group could be required to pay.

If continuing involvement takes the form of a written or purchased option (or both) on the transferred asset, the continuing involvement is measured at the value the Group would be required to pay upon repurchase. In the case of a written put option on an asset that is measured at fair value, the extent of the entity's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

(n) Repossessed property

In certain circumstances, property is repossessed following the foreclosure on loans that are in default. Repossessed properties are measured at the lower of carrying amount of the secured asset and fair value less costs to sell and reported within 'Non-current assets held for sale'. The bank did not have repossessed assets in the current year (2021: nil).

In its normal course of business, the Bank engages external agents to recover funds from the repossessed assets, generally at auction, to settle outstanding debt. Any surplus funds are returned to the customers/obligors. As a result of this practice, the residential properties under legal repossession processes are not recorded on the balance sheet.

(o) Financial liabilities

Initial recognition and measurement

The Group determines the classification of its financial liabilities at initial recognition. Financial liabilities are classified as financial liabilities at fair value through profit or loss, loans and borrowings or payables as appropriate. All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the statement of profit or loss. Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied.

The Group has not designated any financial liability as at fair value through profit or loss.

THE CO-OPERATIVE BANK OF KENYA LIMITED AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2022

2. ACCOUNTING POLICIES (Continued)

(o) Financial liabilities (Continued)

Financial liabilities at amortised cost

i) Customer deposits

Customer deposits include call, fixed, current account and savings deposits. The fair value of savings, deposits and current accounts with no specific maturity is assumed to be the amount payable on demand at end of the reporting period, i.e. their carrying amounts at this date. The fair values of term deposits are estimated using discounted cash flow calculations based upon interest rates currently being offered for similar contracts with maturities consistent with those being valued. The carrying amounts of variable-rate deposits approximate their fair values at the reporting date.

ii) Deposits from/ to other banks

Deposits from other banks include inter-bank placements, items in the course of collection and deposits. The fair value of floating rate placements and overnight deposits is their carrying amount. The estimated fair value of fixed interest-bearing deposits is based on discounted cash flows using prevailing money market interest rates for debts with similar credit risk and remaining maturity.

iii) Other borrowed funds

Borrowings are financial liabilities and measured initially at fair value and subsequently at amortised cost using the effective interest rate method.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in profit or loss.

(p) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The expense relating to any provision is presented in the Statement of profit or loss net of any reimbursement in other operating expenses.

(q) Offsetting

Financial assets and liabilities are offset, and the net amount reported in the consolidated and separate statement of financial position if the amount is not material, there is a currently enforceable legal right to set off the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The Group has no offset arrangements.

(r) Impairment of non-financial assets

The Group assesses at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The Group bases its impairment calculation on most recent budgets and forecast calculations, which are prepared separately for each of the Group's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. A long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations are recognised in the statement of profit or loss in expense categories consistent with the function of the impaired asset, except for properties previously revalued with the revaluation taken to OCI. For such properties, the impairment is recognised in OCI up to the amount of any previous revaluation.

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of profit or loss unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

THE CO-OPERATIVE BANK OF KENYA LIMITED AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2022

2. ACCOUNTING POLICIES (Continued)

(r) Impairment of non-financial assets (Continued)

Goodwill is tested for impairment annually as at 31 December and when circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

Intangible assets with indefinite useful lives are tested for impairment annually as at 31 December at the CGU level, as appropriate, and when circumstances indicate that the carrying value may be impaired.

(s) Foreign currency

i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Kenya shillings, which is the group's presentation currency.

ii) Transactions

Transactions in foreign currencies are translated at the rates ruling on the transaction dates. Monetary balances in foreign currencies are translated at the Central Bank of Kenya rates ruling at the reporting date. Any resulting gains or losses on exchange are dealt with in profit or loss in the period in which they arise. Non-monetary items carried at cost are translated using the exchange rate at the date of the initial transactions, whilst assets carried at fair value are translated at the exchange rate when the fair value was determined.

The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in OCI or profit or loss are also recognised in OCI or profit or loss, respectively).

iii) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyper-inflationary economy as at 31 December 2022) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities of foreign subsidiaries are translated into Kenya Shillings at the rate of exchange ruling at the reporting date;

(ii) income and expenses for each statement of comprehensive income are translated at the weighted average exchange rates for the period; and

(iii) exchange differences are recognised in other comprehensive income and accumulated in equity in the translation reserve. On disposal of a foreign entity, the deferred cumulative amount recognized in equity relating to that particular foreign operation is reclassified from equity to profit or loss when the gain or loss on disposal is recognised.

Hyper-inflationary economy

With effect from 2016, the South Sudanese economy is considered to be hyperinflationary in accordance with criteria in *International Accounting Standards (IAS) 29-Financial Reporting in Hyperinflationary Economies.*

On consolidation, the statements of profit or loss and financial position of foreign operations whose functional currency is the currency of a hyperinflationary economy are translated into the group's functional currency at the closing rate at the reporting date. The exchange differences arising on translation for consolidation are recognised directly through equity.

Where the functional currency is changed to a currency that is not under hyperinflationary economy, the exchange difference arising on translation is recognised through translation reserve. Judgment has been used in the various assumptions used such as the consumer price indices for the various years due to limitation of data available. Refer to Note 33(d).

(t) Employee benefits

The Group operates a defined contribution retirement scheme for its employees. The assets of the scheme are held in a separate trustee administered fund which is funded by contributions from both the Group and employees. The Group's contributions to the scheme are charged to profit or loss in the year to which they relate. The Group also contributes to a statutory defined contribution pension scheme, the National Social Security Fund (NSSF). Contributions are determined by local statute and are limited to KShs. 200 per employee per month in 2022. However, following the enactment of the NSSF Act 2013, starting February 2023 the contributions to NSSF will be at 12% of the employee pensionable earnings i.e. 6% employee and 6% employer. Further, the 12% contribution will be categorized as follows:

i) Tier I Contributions – 12% of the employee pensionable earnings (6% employee and 6% employer) up to the Lower Earnings Limit (LEL).

ii) Tier II Contributions – 12% of employee pensionable earnings (6% employee and 6% employer) between the Lower Earnings Limit (LEL) and the Upper Earnings Limit (UEL).

Short-term benefits consist of salaries, bonuses and any non-monetary benefits such as medical aid contributions and free services (i.e. free medical check-ups, counselling and medical complementary follow-ups)

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave accrued at the reporting date.

THE CO-OPERATIVE BANK OF KENYA LIMITED AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2022

2. ACCOUNTING POLICIES (Continued)

(u) Taxes

Current tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the end of reporting period. Current tax relating to items recognised outside profit or loss is recognised outside profit or loss. Current tax items are recognised in correlation to the underlying transaction either in profit or loss, other comprehensive income or directly in equity.

Deferred income tax

Deferred income tax is provided using the liability method on temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are recognised for all taxable temporary differences, except:

(i) where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

(ii) in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

(i) where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset

(ii) or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

(iii) in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each end of the reporting period and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized, or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the end of reporting period. Deferred income tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in profit or loss, other comprehensive income or directly in equity.

Value Added Tax

Revenues, expenses and assets are recognised net of the amount of value added tax except where the value added tax incurred on a purchase of assets or services is not recoverable from the Kenya Revenue Authority (KRA), in which case the value added tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and receivables and payables that are stated with the amount of value added tax included.

The net amount of value added tax recoverable from, or payable to tax authorities is included as part of accounts receivables or payables in the Statement of financial position.

(v) Grants

Grants are recognised where there is reasonable assurance that the grant will be received, and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as other income over the period necessary to match the grant on a systematic basis to the costs that it is intended to compensate. Where the grant relates to an asset, it is recognised as deferred income and released to other income in equal annual amounts over the expected useful life of the related asset.

A government grant that becomes receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the entity with no future related costs is recognised as other income in the period in which it becomes receivable.

About this Integrated Report | Our Leadership | Co-op Bank Model | Our Capitals | Operating Environment | Strategic Focus Review | Environmental, Social and Governance (ESG) | Financial Statements

THE CO-OPERATIVE BANK OF KENYA LIMITED AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2022

2. ACCOUNTING POLICIES (Continued)

(w) Cash and cash equivalents

Cash and cash equivalents comprise balances with maturities of less than 91 days from the date of acquisition and include cash and balances with Central Bank of Kenya (excluding restricted balances - cash reserve ratio), items in the course of collection and deposits and balances due from banking institutions. For the purpose of the consolidated and separate statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts. Cash and cash equivalents are measured at amortised cost.

(x) Dividends

Dividends on ordinary shares are charged to equity in the year in which they are declared. Proposed dividends are shown as a separate component of equity until they have been ratified at the Annual General Meeting and are subsequently recognised as a liability.

(y) Fiduciary assets

Assets and income arising thereon with related undertakings to return such assets to customers are excluded from these financial statements when the Group acts in a fiduciary capacity such as nominee or agents.

(z) Fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The Group's fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period. External valuers are involved for valuation of significant assets, such as land and buildings. The bank's panel of Valuers is selected through a competitive bidding process. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. Valuation is carried out every three years after which the valuation reports are evaluated for reasonability by the bank's internal valuers before adoption.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Group's consolidated and separate financial statements requires management to make judgements, estimates and assumptions that affect the reported amount of revenues, expenses, assets and liabilities, and the accompanying disclosures, as well as the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Bank based its assumptions and estimates on parameters available when the consolidated and separate financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Going concern

The Group's management has made an assessment of the ability of individual entities within the group to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Group entities' ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

Fair value of financial instruments

Where the fair values of financial assets and financial liabilities recorded on the statement of financial position cannot be measured based on quoted prices in active markets, their fair value is determined using a variety of valuation techniques that include the use of mathematical models. The inputs to these models are derived from observable market data where possible, but if this is not available, judgement is required to establish fair values. The judgements include considerations of liquidity and model inputs such as volatility for longer–dated derivatives and discount rates, prepayment rates and default rate assumptions for asset-backed securities. The valuation of financial instruments is described in more detail in Note 6.

Effective Interest Rate (EIR) method

The Bank's EIR method, as explained in Note 2 (d), recognises interest income using a rate of return that represents the best estimate of a constant rate of return over the expected behavioural life of loans and deposits and recognises the effect of potentially different interest rates charged at various stages and other characteristics of the product life cycle (including prepayments and penalty interest and charges). This estimation, by nature, requires an element of judgement regarding the expected behaviour and life-cycle of the instruments, as well expected changes to Central Bank's base rate and other fee income/expense that are integral parts of the instrument.

Determination of the lease term for lease contracts with renewal and termination options (Bank as a lessee)

The Bank determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Bank has several lease contracts that include extension and termination options. The Bank applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Bank reassesses the lease term if there is a significant event or change in circumstances that is within its control that affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customisation of the leased asset).

Estimating the incremental borrowing rate

The Bank cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate ('IBR') to measure lease liabilities. The IBR is the rate of interest that the Bank would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Bank 'would have to pay', which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Bank estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific adjustments (such as the subsidiary's stand-alone credit rating, or to reflect the terms and conditions of the lease).

Impairment losses on financial assets

The measurement of impairment losses under IFRS 9 across all categories of financial assets requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

About this Integrated Report | Our Leadership | Co-op Bank Model | Our Capitals | Operating Environment | Strategic Focus Review | Environmental, Social and Governance (ESG) | Financial Statements

THE CO-OPERATIVE BANK OF KENYA LIMITED AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2022

3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Impairment losses on financial assets (continued)

The Group's and the Bank's ECL calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include:

- The Group's and the Bank's internal credit grading model, which assigns PDs to the individual grades
- The Group's and the Bank's criteria for assessing if there has been a significant increase in credit risk and therefore allowances for financial assets should be measured on a LTECL basis and the qualitative assessment.
- The segmentation of financial assets when their ECL is assessed on a collective basis
- Development of ECL models, including the various formulas and the choice of inputs
- Determination of associations between macroeconomic scenarios and, economic inputs, such as unemployment levels and collateral values, and the effect on PDs, EADs and LGDs
- Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models

Impairment of non-financial assets

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs of disposing of the asset. The value in use calculation is based on a DCF model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the performance of the assets of the CGU being tested. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes. These estimates are most relevant to goodwill and other intangibles with indefinite useful lives recognised by the Group.

Deferred tax assets

Deferred tax assets are recognised in respect of tax losses to the extent that it is probable that future taxable profit will be available against which the losses can be utilised. Judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits, together with future tax-planning strategies.

Determination of general price index

The restatement of the financial statements for Co-operative Bank of South Sudan has been calculated by means of conversion factors derived from South Sudan Consumer Price Index (CPI) compiled by the National Bureau of Statistics, South Sudan which the directors have determined to be the more reliable. Refer to the Consumer Price Index applied in note 33 (d).

Provisions and other contingent liabilities

The Group operates in a regulatory and legal environment that, by nature, has a heightened element of litigation risk inherent to its operations. As a result, it is involved in various litigation and arbitration arising in the ordinary course of the Group's business.

When the Group can reliably measure the outflow of economic benefits in relation to a specific case and considers such outflows to be probable, the Group records a provision against the case. Where the probability of outflow is considered to be remote, or probable, but a reliable estimate cannot be made, a contingent liability is disclosed.

However, when the Group is of the opinion that disclosing these estimates on a case-by-case basis would prejudice their outcome, then the Group does not include detailed, case-specific disclosers in its financial statements.

Given the subjectivity and uncertainty of determining the probability and amount of losses, the Group takes into account a number of factors including legal advice, the stage of the matter and historical evidence from similar incidents. Significant judgement is required to conclude on these estimates. For further details on provisions and other contingencies see Note 49(c).

THE CO-OPERATIVE BANK OF KENYA LIMITED AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2022

4. FINANCIAL RISK MANAGEMENT

Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board has established the Risk & Finance Committee, which is responsible for developing and monitoring Group risk management policies in their specified areas. All Board committees, with exception of Board Audit Committee, have both executive and non-executive members and report regularly to the Board of Directors on their activities.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations.

The Board Audit Committee is responsible for monitoring compliance with the Group's risk policies and procedures, and for reviewing their adequacy. The Board Audit Committee is assisted in these functions by Internal Audit. Internal Audit undertakes both regular and ad-hoc reviews of risk controls and procedures, the results of which are reported to the Board Audit committee.

The Group has exposure to the following risks from its use of financial instruments:

(a) Credit risk
(b) Liquidity risk
(c) Market risks
(d) Operational risks

Below is the information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital. There is no significant difference between the Group and Bank balances in assessment of the various risks facing the Group.

(a) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Group's loans and advances to customers, other banks and investment securities and cash and balances with central bank. For risk management reporting purposes, the Group considers and consolidates all elements of credit risk exposure.

Management of credit risk

The Board of Directors has delegated responsibility for the management of credit risk to its Board's Risk and Finance Committee. A separate Credit Risk Department, reporting to the Board's Risk and Finance Committee, is responsible for oversight of the Group's credit risk, including:

(1) Formulating credit policies in consultation with business units, covering collateral requirements, credit assessment, risk grading and reporting, documentary and legal procedures, and compliance with regulatory and statutory requirements.
(2) Establishing the authorisation structure for the approval and renewal of credit facilities.
(3) Reviewing and assessing credit risk.
(4) Developing and maintaining the Group's risk grading in order to categorise exposures according to the degree of risk of financial loss faced and to focus management on the attendant risks.
(5) Reviewing compliance of business units with agreed exposure limits, including those for selected industries, country risk and product types.
(6) Providing advice, guidance and specialist skills to business units to promote best practice throughout the Group in the management of credit risk.

Each business unit is required to implement Group credit policies and procedures, with credit approval authorities delegated from the Board's Risk and Finance Committee. Each business unit is responsible for the quality and performance of its credit portfolio and for monitoring and controlling all credit risks in its portfolios, including those subject to central approval.

THE CO-OPERATIVE BANK OF KENYA LIMITED AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2022

4. FINANCIAL RISK MANAGEMENT (Continued)

(a) Credit risk (Continued)

Management of credit risk (Continued)

The table below summarizes the maximum exposure to credit risk and indicates the worst-case scenario, without taking into consideration collateral, other credit enhancements or provisions of impairment.

	Group		Bank	
	2022	2021	2022	2021
	KShs'000	KShs'000	KShs'000	KShs'000
Items recognised in the statement of financial position:				
Balances with central bank	19,129,300	21,784,667	16,505,269	19,391,126
Items in the course of collection	325,425	-	325,425	-
Deposits and balances due from banking institutions	9,983,779	8,535,973	6,836,863	6,970,086
Derivatives	206,725	199,765	206,725	199,765
Debt instruments at amortised cost	74,799,963	77,529,736	67,216,667	77,235,179
Debt & equity instruments at fair value through other comprehensive income	100,352,807	107,837,175	83,694,396	84,481,110
Interest receivable	5,411,632	5,163,951	4,601,599	5,163,951
Other assets	233,771	230,857	230,857	230,857
Loans and advances to customers	339,390,039	310,195,297	331,323,038	304,584,437
	549,833,441	**531,477,421**	**510,940,839**	**498,256,511**
Items not recognised in the statement of financial position (note 49)	**41,792,141**	**40,803,069**	**41,224,171**	**40,225,017**
	591,625,582	**572,280,490**	**552,165,010**	**538,481,528**

While collateral is an important means to mitigate against credit risk, the Group's primary policy is to issue loans after establishing capacity of the customer to repay. Facilities are secured by collateral in the form of charges over cash, land and buildings, marketable securities, plant and machinery among others.

The tables below show the maximum exposure to credit risk by for loans and advances. All other financial assets are unsecured. The table also show the total fair value of collateral, any surplus collateral (the extent to which the fair value of collateral held is greater than the exposure to which it relates), and the net exposure to credit risk.

	Group		Bank	
	2022	2021	2022	2021
	KShs'000	KShs'000	KShs'000	KShs'000
Loans and advances	383,603,050	346,668,095	372,426,838	337,173,812
Fair value of collateral	542,973,260	515,786,440	524,445,941	506,465,996
Surplus collateral	159,370,210	169,118,345	152,019,103	169,292,184
Allowance for impairments	(37,996,800)	(33,574,321)	(34,886,600)	(29,690,898)

The fair value of collateral above are undiscounted to cater for time to realisation and have not considered the haircuts required by prudential guidelines. Hence the balances are higher than the gross carrying amount of loans and advances.

THE CO-OPERATIVE BANK OF KENYA LIMITED AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2022

4. FINANCIAL RISK MANAGEMENT (Continued)

(a) Credit risk (Continued)

(i) Impairment assessment

The references below show where the Group's impairment assessment and measurement approach is set out in this report. It should be read in conjunction with the accounting policies on note 2(l).

Definition of default and cure

The Group considers a financial instrument defaulted and therefore Stage 3 (credit-impaired) for ECL calculations in all cases when the borrower becomes 90 days past due on its contractual payments. The Group considers treasury and interbank balances defaulted and takes immediate action when the required intraday payments are not settled by the close of business as outlined in the individual agreements.

As a part of a qualitative assessment of whether a customer is in default, the Group also has an early warning system, (EWS), which considers a variety of parameters that may indicate unlikeliness of the customer to pay. EWS accounts are carefully reviewed and decisions made that result in treating customer as either stage 2 or stage 3 for ECL calculations such parameters include:

- Changes in account turnovers
- Adverse industry information
- Missed covenants and conditions especially of financial information or ratios
- Missed monthly payments
- Reduced monthly payments
- The borrower requesting emergency funding from the Group
- Bouncing cheques
- A material decrease in the borrower's turnover or the loss of a major customer
- Suspension of the debtor at the primary exchange because of rumours or facts about financial difficulties
- The borrower having past due liabilities to public creditors or employees.
- Increase of frequency of overdraft.
- Several requests on restructure.
- A material decrease in the underlying collateral value where the recovery of the loan is expected from the sale of the collateral
- A material decrease in the borrower's turnover or the loss of a major customer
- The debtor filing for bankruptcy application/protection
- Employee retrenchment
- Diversion of funds

It is the Group's policy to consider a financial instrument as 'cured' and therefore re-classified out of Stage 3 when none of the default criteria have been present for six to twelve consecutive months. The decision whether to classify an asset as Stage 2 or Stage 1 once cured depends on the stage sub segment and the updated credit grade, at the time of the cure, and whether this indicates there has been a significant improvement in credit risk compared to the stage 3 recognition.

The Group's internal rating and PD estimation process

The Group's Credit risk division operates its internal rating models. The Group runs separate models for its key portfolios in which its customers are rated from AAA to F using internal grades. The models incorporate both qualitative and quantitative information and, in addition to information specific to the borrower, utilize supplemental external information that could affect the borrower's behaviour. Where practical, we also build on information from credit reference bureaus. The internal credit grades are assigned based on these Basel III based grades. PDs are then adjusted for IFRS 9 ECL calculations to incorporate historically collected loss behaviour data and forward-looking information and the IFRS 9 Stage classification of the exposure.

(i) Treasury, trading and interbank relationships

The Group's treasury, trading and interbank relationships and counterparties comprise financial services institutions, banks, investment banks and stock brokers. For these relationships, the Group's credit department analyses available information such as financial information and other external data, e.g., the rating of credit reference bureaus, ratings by moody or other credible agencies and assigns the internal rating, as shown in the table below.

THE CO-OPERATIVE BANK OF KENYA LIMITED AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2022

4. FINANCIAL RISK MANAGEMENT (Continued)

(a) Credit risk (Continued)

(i) Impairment assessment (Continued)

(ii) Corporate and Co-operatives, small and medium business lending

For above segments of customers, the borrowers are assessed by specialised credit risk analysis employees of the Group. The credit risk assessment is based on a mix of expert assessment and credit scoring model that takes into account various historical, current and forward-looking information such as:

- Historical financial information together with forecasts and budgets prepared by the client. This financial information includes realised and expected results, solvency ratios, liquidity ratios and any other relevant ratios to measure the client's financial performance. Some of these indicators are captured in covenants with the clients and are, therefore, measured with greater attention.
- Any publicly available information on the clients from external parties. This includes external rating grades issued by rating agencies, independent analyst reports or press releases and articles.
- Any macro-economic or geopolitical information, e.g., GDP growth relevant for the specific industry and geographical segments where the client operates.
- Any other objectively supportable information on the quality and abilities of the client's management relevant for the company's performance.

The complexity and granularity of the rating techniques varies based on the exposure of the Group and the Bank and the complexity and size of the customer. Some of the less complex small business loans are rated on basis of behaviours opposed to using an application score and are being migrated to digital channels for more efficient management.

(iii) Consumer lending and other retail advances

Consumer lending comprises unsecured personal loans, credit cards, salary advances, asset finance and mortgages. These products are assessed on basis of product probability of default history and are driven for ECL by an automated tool primarily driven by days past due. Other key inputs into the models are:

- Consumer lending products: use of limits and volatility thereof, GDP growth, unemployment rates, changes in personal income/salary levels based on records of current accounts, personal indebtedness and expected interest repricing
- Retail mortgages: GDP growth, unemployment rates, changes in personal income/salary levels based on records of current accounts, personal indebtedness and expected interest repricing.

(iv) The Group's and the Bank's internal credit rating grades

Grade	Classification
1	Normal
2	Watch
3	Substandard
4	Doubtful
5	Loss

The complexity and granularity of the rating techniques varies based on the exposure of the Group and the Bank and the complexity and size of the customer. Some of the less complex small business loans are rated on basis of behaviours opposed to using an application score and are being migrated to digital channels for more efficient management.

Exposure at default

The exposure at default (EAD) represents the gross carrying amount of the financial instruments subject to the impairment calculation, addressing both the client's ability to increase its exposure while approaching default and potential early repayments.

To calculate the EAD for a Stage 1 loan, the Group and the Bank assesses the possible default events within 12 months for the calculation of the 12mECL. However, if a Stage 1 loan that is expected to default in the 12 months from the balance sheet date and is also expected to cure and subsequently default again, then all linked default events are taken into account. For Stage 2 and Stage 3, the exposure at default is considered for events over the lifetime of the instruments.

The Group and the Bank determines EADs by modelling the range of possible exposure outcomes at various points in time, corresponding the multiple scenarios. The IFRS 9 PDs are then assigned to each economic scenario based on the outcome of Group's and the Bank's models.

4. FINANCIAL RISK MANAGEMENT (Continued)

(a) Credit risk (Continued)

(i) Impairment assessment (Continued)

(ii)Corporate and Co-operatives, small and medium business lending

Loss given default

For corporate financial instruments, LGD values are assessed at the end of every month, reviewed and approved by the Bank's specialized risk department. The risk assessment is based on a standardized LGD assessment framework that results in a certain LGD rate. These LGD rates take into account the expected EAD in comparison to the amount expected to be recovered or realized from any collateral held.

For Corporate, Co-operatives, Small and Medium lending as well as Asset finance and mortgages, the value of securities and expected future cash flows as well as recovery histories are taken into consideration in arriving as specific loss given default to apply to the ECL calculations.

The Group and the Bank segments its retail lending products like unsecured loans, credit cards, mobile loans into smaller homogeneous portfolios, based on key characteristics that are relevant to the estimation of future cash flows. The applied data is based on historically collected loss data.

Under IFRS 9, LGD rates are estimated for the stage 1, stage 2 and stage 3 IFRS 9 segment of each asset class. The inputs for these LGD rates are estimated and where possible, calibrated through back testing against recent recoveries.

The Group and the Bank estimates regulatory and IFRS 9 LGDs on a different basis. Under IFRS 9, LGD rates are estimated for the Stage 1, Stage 2 and Stage 3 IFRS 9 segment of each asset class. The inputs for these LGD rates are estimated and, where possible, calibrated through back testing against recent recoveries. These are repeated for each economic scenario as appropriate.

Significant increase in credit risk

The Group and the Bank continuously monitors all assets subject to ECLs. In order to determine whether an instrument or a portfolio of instruments is subject to 12mECL or LTECL, the Group and the Bank assesses whether there has been a significant increase in credit risk since initial recognition. The Group and the Bank considers an exposure to have significantly increased in credit risk when the IFRS 9 lifetime PD has doubled since initial recognition and has increased by more than 20 bps a year.

When estimating ECLs on a collective basis for a group of similar assets, the Group and the Bank applies the same principles for assessing whether there has been a significant increase in credit risk since initial recognition.

The Bank and Group did not make any changes to its portfolio classification arising from the pandemic. The grouping of portfolios is detailed below.

Grouping financial assets measured on a collective basis

The Group and the Bank calculates ECLs either on a collective or an individual basis. Asset classes where the Group and the Bank calculates ECL on an individual basis include:

- Top 50 Corporate
- Composite (SME, MCU, Asset Finance, Mortgage Finance, Corporate Loans)
- Overdraft
- Mobi-Loans
- Credit Card
- Guarantee
- Letters of Credit
- SACCO & Agri Business

Asset classes where the Group and the Bank calculates ECL on a collective basis include:

- Retail unsecured

The Group and the Bank consolidates these exposures into smaller homogeneous portfolios, based on a combination of internal and external characteristics of the loans, as described below:

- Repayment Type
- Repayment Frequency
- Contract Start Date
- Date of First Repayment
- Expiry date
- Product Type
- Effective Interest Rate
- Days Past Due Band

4. FINANCIAL RISK MANAGEMENT (Continued)

(a) Credit risk (Continued)

(i) Impairment assessment (Continued)

Analysis of inputs to the ECL model under multiple economic scenarios

The macroeconomic factor forecasts - for the three scenarios, best estimate, optimistic and downturn - are used to create forecasted values for each of the principal components. These factors are first differenced and lagged, where applicable, and then standardised. Thereafter, the principal components are derived through vector multiplication of the principal components, using the weights for each factor. Lastly, for each scenario, the forecasted index is constructed using the weights.

Data on inflation interest rates etc is obtained from Central Bank of Kenya website and Kenya Bureau of Statistics to come up with the various scenarios that is used to overlay the ECLs.

Impact of COVID-19 Pandemic

a) In view of the COVID-19, the Bank and the Group reviewed five possible scenarios using different probability weighted outcomes considering (i) containment of virus (growth rebound, slow but steady growth and no growth) and (ii) virus recurrence (return to growth but muted and slow long term growth). For the purpose of ECL calculation, the Bank and Group considered both the virus recurrence and slow long-term growth and assigned higher weighting of 80% downside, base case 10% and upside scenarios 10% which in management perspective demonstrated their expected outcome.

b) The macroeconomic factors are developed based on historical data and correlated with macroeconomic factors derived from a number of sources including National Bureau of Statistics, Central Bank of Kenya and various credit agencies. Considering COVID- 19, the Bank and Group considered that macroeconomic factors correlated to the loan book are all materially significant and therefore none could be isolated for purposes of sensitivity analysis. Further there were no management overlays applied to macroeconomic factors.

c) The Bank and Group considered the implication of COVID-19 on the impact of ECL based on collateral information. Collateral used by the Bank and group are at customer level. In view of the short period of COVID-19 pandemic, the Bank and Group did not consider any adjustments on collateral as there was no supportable information to vary adjustments for time to realization and the values of collaterals.

d) The Bank's Credit department are involved in monitoring credit risk and running the expected credit losses for the Bank and the Group with oversight of Credit committee. In view of COVID 19 impacts, the review and monitoring of restructured facilities are monitored by credit team and approved by the Bank's Credit committee on a regular basis.

The tables show the values of the key forward looking economic variables/assumptions used in each of the economic scenarios for the ECL calculations. The figures for "Subsequent years" represent a long-term average and so are the same for each scenario.

Macroeconomic Overlays

	Base	Upside	Downside
Year 1	1.111789	1.083606	1.140705
Year 2	1.056429	1.029649	1.083905
Year 3	1.062541	1.035606	1.090177
Year 4	1.074774	1.047529	1.102727
Year 5	1.062661	1.090354	1.147751

THE CO-OPERATIVE BANK OF KENYA LIMITED AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2022

4. FINANCIAL RISK MANAGEMENT (Continued)

(a) Credit risk (Continued)

(i) Impairment assessment (Continued)

Collateral and other credit enhancements

The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. Guidelines are in place covering the acceptability and valuation of each type of collateral. The main types of collateral obtained are, as follows:

- For securities lending and reverse repurchase transactions, cash or securities
- For corporate and small business lending, charges over real estate properties, inventory and trade receivables and, in special circumstances, government guarantees
- For retail lending, mortgages over residential properties
- For asset finance, charge over the asset
- For MCU charge over chattels

The Group and the Bank also obtains guarantees from parent companies for loans to their subsidiaries.

Management monitors the market value of collateral and will request additional collateral in accordance with the underlying agreement.

In the normal course of business, the Group and the Bank do not physically repossess properties or other assets in its retail portfolio, but engages external agents to recover funds, generally at auction, to settle outstanding debt. Any surplus funds are returned to the customers/ obligors.

An estimate of the fair value of collateral and other security enhancements held against financial assets is shown below:

	Group and Bank	
	2022	2021
	KShs'000	KShs'000
(i) Categorised by loans & advances:		
Stage 3/Doubtful & loss categories	27,661,410	43,558,420
Stage 3/ Sub-standard category	45,591,085	45,700,680
Stage 1&2 / Normal & watch categories	469,720,765	426,527,340
	542,973,260	**515,786,440**
(ii) Categorised by nature of collateral:		
Land & buildings	209,705,946	173,785,892
Cash & other pledges	2,613,370	928,772
Motor vehicles	55,814,833	69,183,627
Hypothecation of stock	2,053,578	1,599,194
Debentures & guarantees	250,568,431	251,521,048
Equities & Shares	282,143	438,839
Other chattels	21,934,959	18,329,068
	542,973,260	**515,786,440**

Loans with renegotiated terms

Loans with renegotiated terms are loans that have been restructured due to deterioration in the borrower's financial position and where the Group and the Bank has made concessions that it would not otherwise consider. Once the loan is restructured it may remain in this category or may be re-graded depending on performance after restructuring. Note 13 (b) shows the movement of loan between stage 1,2 and 3. The carrying amount of renegotiated financial assets that would otherwise be past due or impaired is as KShs. 7,497,941 (2021: KShs. 7,408,468).

(ii) Concentration of Risk

Concentration indicates the relative sensitivity of the Group's and Bank's performance to developments affecting a particular industry or geographical location. Excessive concentration arises when a number of counterparties are engaged in similar business activities or activities in the same geographic region or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions.

THE CO-OPERATIVE BANK OF KENYA LIMITED AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2022

4. FINANCIAL RISK MANAGEMENT (Continued)

(a) Credit risk (Continued)

(ii) Concentration of Risk (Continued)

To avoid excessive concentration of risk, the Group's and the Bank's policies and procedures include specific guidelines that ensure maintenance of a diversified portfolio across bank products, industry sectors, geographic spread, credit ratings, customer segments and exposure to single or related counterparties. Concentrations of credit risk which have been identified are controlled and managed accordingly.

Loans and advances: -	Group		Bank	
	2022	2021	2022	2021
	KShs'000	KShs'000	KShs'000	KShs'000
(i) Concentration by sector:				
Agriculture	6,308,494	4,729,793	6,303,940	4,723,343
Manufacturing, energy & water	13,922,908	17,299,109	13,822,925	17,236,783
Financial services	33,717,560	31,976,677	33,531,285	31,976,677
Tourism & hospitality	3,327,398	3,213,783	2,512,000	2,510,111
Wholesale and retail trade	49,573,815	44,788,785	47,401,614	39,032,187
Transport and communication	42,164,694	34,102,001	41,651,617	33,826,269
Real Estate, building & construction	37,623,583	37,234,598	35,499,587	36,429,803
Consumer & household	196,965,588	173,323,349	191,703,871	171,438,639
	383,604,040	**346,668,095**	**372,426,839**	**337,173,812**
Less: staff loans amortisation	(6,217,201)	(2,898,478)	(6,217,201)	(2,898,478)
	377,386,839	**343,769,617**	**366,209,638**	**334,275,334**
(ii) Concentration by business:				
Corporate	111,281,720	112,871,143	110,256,515	111,912,134
Mortgage & Asset Finance	65,358,961	55,764,831	63,234,965	55,033,855
Small, Medium and Microenterprises	41,033,487	31,858,999	38,348,208	26,398,383
Retail	160,746,753	141,086,540	155,408,586	138,749,308
Agribusiness	5,183,119	5,086,582	5,178,565	5,080,132
	383,604,040	**346,668,095**	**372,426,839**	**337,173,812**
Less: staff loans amortisation	(6,217,201)	(2,898,478)	(6,217,201)	(2,898,478)
	377,386,839	**343,769,617**	**366,209,638**	**334,275,334**

Write-off policy

As disclosed in note 13, The Group and the Bank writes off a loan balance as and when Board of directors determines that the loans are uncollectible. This determination is reached after considering information such as the occurrence of significant changes in the borrower's financial position such that the borrower can no longer pay the obligation or that proceeds from collateral will not be sufficient to pay back the entire exposure. For smaller balance standardised loans, charge off decisions generally are based on a product specific past due status.

(iii) Settlement Risk

The Group's and the Bank's activities may give rise to risk at the time of settlement of transactions and trades. Settlement risk is the risk of loss due to the failure of a company to honour its obligations to deliver cash or other assets as contractually agreed. For some transactions, settlement risk is mitigated by conducting settlements through a settlement/clearing agent to ensure that a transaction is settled only when both parties have fulfilled their contractual obligations. Where this arrangement is not available, this risk is controlled through settlement limits which form part of the credit approval and limit monitoring process under the Group's and Bank's risk management mechanisms. This requires transaction-specific or counterparty-specific assessment to ensure the Group and the Bank deals with highly rated counterparties and implements other measures such as holding collateral.

4. FINANCIAL RISK MANAGEMENT (Continued)

(b) *Liquidity risk*

Liquidity risk is the risk that the Bank will encounter difficulty in meeting obligations from its financial liabilities.

Management of liquidity risk

The Group's and the Bank's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's and Bank's reputation.

Treasury receives information from other business units regarding the liquidity profile of their financial assets and liabilities and details of other projected cash flows arising from projected future business. Treasury then maintains a portfolio of short-term liquid assets, largely made up of short-term liquid investment securities, loans and advances to banks and other inter-bank facilities, to ensure that sufficient liquidity is maintained within the Bank as a whole.

The daily liquidity position is monitored, and regular liquidity stress testing is conducted under a variety of scenarios covering both normal and more severe market conditions. In addition to internally set liquidity buffers and trigger ratios, compliance with the regulatory framework is also monitored consistently. Liquidity management is regularly reviewed in order to ensure appropriate reactions to shifts in general conditions, and special importance is attached to diversification of liquidity resources. All liquidity policies and procedures are subject to review and approval by Board Risk & Finance Committee which also receives regular risk reports.

Exposure to liquidity risk

The table below analyses the Group's and Banks assets and liabilities into relevant groupings based on the remaining period at 31 December to the un-discounted contractual cash flows:

GROUP

31 December 2022

	Available immediately and up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
FINANCIAL ASSETS	**KShs'000**	**KShs'000**	**KShs'000**	**KShs'000**	**KShs'000**	**KShs'000**
Cash and balances with Central Bank of Kenya	25,326,976	2,779,312	-	-	-	**28,106,288**
Deposits and balances due from banks	8,494,680	1,489,099	-	-	-	**9,983,779**
Investment in financial instruments	5,009,072	3,352,367	8,146,422	78,483,915	158,133,699	**253,125,475**
Loans and advances to customers	10,244,146	10,829,632	34,579,522	165,992,147	253,171,299	**474,816,746**
Total undiscounted financial assets	**49,074,874**	**18,450,410**	**42,725,944**	**244,476,062**	**411,304,998**	**766,032,288**
FINANCIAL LIABILITIES						
Deposits and balances due to banks	1,087,501	-	-	-	-	**1,087,501**
Customers' deposits	318,933,072	57,425,599	47,874,106	2,063,336	-	**426,296,113**
Loans and borrowings	2,813,967	-	4,615,757	20,751,160	24,815,559	**52,996,443**
Lease liability	79,246	156,948	808,987	1,215,363	1,448,892	**3,709,436**
Other liabilities	7,292,749	-	14,265,609	-	-	**21,558,358**
Total undiscounted financial liabilities	**330,206,535**	**57,582,547**	**67,564,459**	**24,029,859**	**26,264,451**	**505,647,851**
Net liquidity gap at 31 December 2022	**(281,131,661)**	**(39,132,137)**	**(24,838,515)**	**220,446,203**	**385,040,547**	**260,384,437**
Liabilities not recognised in statement of financial position (note 49)	**3,444,430**	**15,591,516**	**20,930,455**	**1,799,652**	**26,088**	**41,792,141**

4. FINANCIAL RISK MANAGEMENT (Continued)

(b) *Liquidity risk (Continued)*

***Exposure to liquidity risk** (Continued)*

BANK

31 December 2022

	Available immediately and up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
FINANCIAL ASSETS	**KShs'000**	**KShs'000**	**KShs'000**	**KShs'000**	**KShs'000**	**KShs'000**
Cash and balances with Central Bank of Kenya	24,307,459	-	-	-	-	**24,307,459**
Deposits and balances due from banks	6,795,980	40,883	-	-	-	**6,836,863**
Investment in financial instruments	5,009,072	1,015,587	7,828,422	50,407,439	158,088,515	**222,349,035**
Loans and advances to customers	8,066,116	10,369,729	34,197,912	159,607,297	253,171,299	**465,412,353**
Total undiscounted financial assets	**44,178,627**	**11,426,199**	**42,026,334**	**210,014,736**	**411,259,814**	**718,905,710**
FINANCIAL LIABILITIES						
Deposits and balances due to banks	981,637	-	-	-	-	**981,637**
Customers' deposits	311,914,093	55,572,742	44,771,996	225	-	**412,259,056**
Loans and borrowings	2,813,967	-	1,780,218	11,277,475	13,714,519	**29,586,179**
Lease Liability	77,653	156,948	717,354	1,040,843	1,447,136	**3,439,934**
Other Liabilities	6,053,309	-	14,265,609	-	-	**20,318,918**
Total undiscounted financial liabilities	**321,840,659**	**55,729,690**	**61,535,177**	**12,318,543**	**15,161,655**	**466,585,724**
Net liquidity gap at 31 December 2022	**(277,662,032)**	**(44,303,491)**	**(19,508,843)**	**197,696,193**	**396,098,159**	**252,319,986**
Liabilities not recognised in statement of financial position (note 49)	**3,444,430**	**15,023,546**	**20,930,455**	**1,799,652**	**26,088**	**40,225,017**

THE CO-OPERATIVE BANK OF KENYA LIMITED AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2022

4. FINANCIAL RISK MANAGEMENT (Continued)

(b) *Liquidity risk* (Continued)

Exposure to liquidity risk (Continued)

GROUP

31 December 2021	Available immediately and up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
FINANCIAL ASSETS	**KShs'000**	**KShs'000**	**KShs'000**	**KShs'000**	**KShs'000**	**KShs'000**
Cash and balances with Central Bank of Kenya	30,828,477	-	-	-	-	**30,828,477**
Deposits and balances due from banks	6,731,206	1,804,767	-	-	-	**8,535,973**
Investment in financial instruments	2,017,923	59,346,460	20,227,818	67,631,980	156,199,472	**305,423,653**
Loans and advances to customers	7,506,684	7,326,507	18,090,866	202,678,331	257,451,303	**493,053,691**
Total undiscounted financial assets	**47,084,290**	**68,477,734**	**38,318,684**	**270,310,311**	**413,650,775**	**837,841,794**
FINANCIAL LIABILITIES						
Deposits and balances due to banks	792,102	-	-	-	-	**792,102**
Customers' deposits	306,449,493	69,929,787	32,877,067	-	-	**409,256,347**
Loans and borrowings	48,679	11,865	81,528	12,190,371	35,539,523	**47,871,966**
Lease liability	108,923	220,149	1,006,225	3,052,414	466,509	**4,854,220**
Other liabilities	5,157,153	-	15,396,128	-	-	**20,553,281**
Total undiscounted financial liabilities	**312,556,350**	**70,161,801**	**49,360,948**	**15,242,785**	**36,006,032**	**483,327,916**
Net liquidity gap at 31 December 2021	**(265,472,060)**	**(1,684,067)**	**(11,042,264)**	**255,067,526**	**377,644,743**	**354,513,878**
Liabilities not recognised in statement of financial position (note 49)	**1,110,883**	**7,552,701**	**30,696,305**	**1,443,180**	**-**	**40,803,069**

THE CO-OPERATIVE BANK OF KENYA LIMITED AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2022

4. FINANCIAL RISK MANAGEMENT (Continued)

(b) Liquidity risk (Continued)

Exposure to liquidity risk (Continued)

BANK

31 December 2021	Available immediately and up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
FINANCIAL ASSETS	**KShs'000**	**KShs'000**	**KShs'000**	**KShs'000**	**KShs'000**	**KShs'000**
Cash and balances with Central Bank of Kenya	27,511,150	-	-	-	-	**27,511,150**
Deposits and balances due from banks	6,662,329	307,757	-	-	-	**6,970,086**
Investment in financial instruments	2,017,923	15,281,714	18,494,728	39,011,658	156,199,472	**231,005,495**
Loans and advances to customers	5,725,848	6,093,372	17,423,830	159,830,625	257,451,303	**446,524,978**
Total undiscounted financial assets	**41,917,250**	**21,682,843**	**35,918,558**	**198,842,283**	**413,650,775**	**712,011,709**
FINANCIAL LIABILITIES						
Deposits and balances due to banks	654,958	-	-	-	-	**654,958**
Customers' deposits	302,073,359	66,685,396	31,779,166	-	-	**400,537,921**
Loans and borrowings	48,679	-	-	12,607,082	11,873,696	**24,529,457**
Lease Liability	101,978	206,113	971,193	3,033,994	436,765	**4,750,043**
Other Liabilities	5,157,153	-	23,312,410	-	-	**28,469,563**
Total undiscounted financial liabilities	**308,036,127**	**66,891,509**	**56,062,769**	**15,641,076**	**12,310,461**	**449,753,699**
Net liquidity gap at 31 December 2021	**(266,118,877)**	**(45,208,666)**	**(20,144,211)**	**183,201,207**	**401,340,314**	**262,258,010**
Liabilities not recognised in statement of financial position (note 49)	**1,110,883**	**6,974,649**	**30,696,305**	**1,443,180**	**-**	**40,225,017**

Details of the reported Bank ratio of net liquid assets to deposits and customers at the reporting date and during the reporting year were as follows:

	2022	2021
	%	%
At 31 December	42.2	47.6
Average for the year	44.7	48.5
Maximum for the year	47.4	50.7
Minimum for the year	42.2	46.9
Statutory minimum ratio	20.0	20.0

THE CO-OPERATIVE BANK OF KENYA LIMITED AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2022

4. FINANCIAL RISK MANAGEMENT (Continued)

(c) *Market risk*

Market risk is the risk that changes in market prices, such as interest rates, equity prices, and foreign exchange rates will affect the Bank's income or value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

Management of market risk

The Bank separates its exposure to market risk between trading and non-trading portfolios. Trading portfolios are managed on a mark to market basis. Overall authority for market risk is vested in Asset and Liability Committee (ALCO). Risk Management Department is responsible for the development of detailed risk management policies and for the day-to-day review of their implementation.

Exposure to market risk – trading portfolios

The Bank measures its market risk exposure for the trading portfolio through marking to market monthly.

Exposure to interest rate risk – non- trading portfolios

The principal risk to which held to maturity portfolios are exposed is the risk of loss from fluctuations in the future cash flows or fair values of financial instruments because of a change in market interest rates. Interest rate risk is managed principally through monitoring interest rate gaps and by having pre-approved limits for re-pricing bands to minimise the impact of movements in market interest rates on its net interest margin. Maturity gap analysis of assets and liabilities, whereby interest rate re-pricing based on time (periodic) buckets is used to measure potential income effects arising from interest rate changes. The Bank critically evaluates overall risk and return profiles and objectives, including monitoring compliance through ALCO in conjunction with Risk Management Department for day-to-day activities.

The table below summarises the exposure to interest rate risks. Included in the table are the group's assets and liabilities at carrying amounts, categorised by the earlier of contractual re-pricing or maturity dates. The sensitivity computations assume that financial assets maintain a constant rate of return from one year to the next. The Group bases its sensitivity analysis on the interest sensitivity gap.

GROUP

31 December 2022	Available immediately and up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Non- interest bearing	Total
ASSETS	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000
Cash and balances with Central Bank of Kenya	368,800	-	-	-	-	27,737,488	**28,106,288**
Deposits and balances due from banks	8,741,285	976,139	-	-	-	266,355	**9,983,779**
Investment in financial instruments	4,959,477	3,254,725	7,685,304	60,419,702	98,833,562	-	**175,152,770**
Loans and advances to customers	10,333,127	10,096,183	32,625,925	127,886,810	158,447,994	-	**339,390,039**
Total assets	**24,402,689**	**14,327,047**	**40,311,229**	**188,306,512**	**257,281,556**	**28,003,843**	**552,632,876**
LIABILITIES							
Deposits and balances due to banks	1,087,501	-	-	-	-	-	**1,087,501**
Customers' deposits	73,167,300	56,716,641	47,767,923	1,834,076	-	244,316,728	**423,802,668**
Loans and borrowings	2,605,419	18,220	2,451,578	10,896,185	11,170,670	20,960,000	**48,102,072**
Lease liabilities	77,354	154,484	720,268	1,140,208	1,098,902	-	**3,191,216**
Total liabilities	**76,937,574**	**56,889,345**	**50,939,769**	**13,870,469**	**12,269,572**	**265,276,728**	**476,183,457**
Interest sensitivity gap	**(52,534,885)**	**(42,562,298)**	**(10,628,540)**	**174,436,043**	**245,011,984**	**(237,272,885)**	**76,449,419**

THE CO-OPERATIVE BANK OF KENYA LIMITED AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2022

4. FINANCIAL RISK MANAGEMENT (Continued)

(c) *Market risk (Continued)*

(i) Exposure to interest rate risk (Continued)

BANK

31 December 2022	Available immediately and up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Non- interest bearing	Total
ASSETS	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000
Cash and balances with Central Bank of Kenya	-	-	-	-	-	24,307,459	**24,307,459**
Deposits and balances due from banks	6,795,980	40,883	-	-	-	-	**6,836,863**
Investment in financial instruments	4,959,477	986,007	7,385,304	38,774,953	98,805,322	-	**150,911,063**
Loans and advances to customers	7,986,253	10,067,698	32,262,181	122,774,844	158,232,062	-	**331,323,038**
Total assets	**19,741,710**	**11,094,588**	**39,647,485**	**161,549,797**	**257,037,384**	**24,307,459**	**513,378,423**
LIABILITIES							
Deposits and balances due to banks	981,637	-	-	-	-	-	**981,637**
Customers' deposits	70,342,519	54,886,659	43,679,996	200	-	241,278,480	**410,187,854**
Loans and borrowings	2,799,967	-	1,728,367	9,806,500	10,549,630	-	**24,884,464**
Lease liabilities	77,242	154,484	695,178	897,665	1,097,146	-	**2,921,715**
Total liabilities	**74,201,365**	**55,041,143**	**46,103,541**	**10,704,365**	**11,646,776**	**241,278,480**	**438,975,670**
Interest sensitivity gap	**(54,459,655)**	**(43,946,555)**	**(6,456,056)**	**150,845,432**	**245,390,608**	**(216,971,021)**	**74,402,753**

4. FINANCIAL RISK MANAGEMENT (Continued)

(c) *Market risk* (Continued)

(i) Exposure to interest rate risk (Continued)

GROUP

31 December 2021	Available immediately and up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Non- interest bearing	Total
ASSETS	**KShs'000**	**KShs'000**	**KShs'000**	**KShs'000**	**KShs'000**	**KShs'000**	**KShs'000**
Cash and balances with Central Bank of Kenya	-	-	-	-	-	30,828,477	**30,828,477**
Deposits and balances due from banks	6,731,206	1,804,767	-	-	-	-	**8,535,973**
Investment in financial instruments	1,997,944	14,836,615	19,082,847	52,024,600	97,624,670	-	**185,566,676**
Loans and advances to customers	7,246,233	7,095,891	16,986,729	122,835,352	156,031,093	-	**310,195,298**
Total assets	**15,975,383**	**23,737,273**	**36,069,576**	**174,859,952**	**253,655,763**	**30,828,477**	**535,126,424**
LIABILITIES							
Deposits and balances due to banks	792,102	-	-	-	-	-	**792,102**
Customers' deposits	60,994,637	69,297,448	32,287,814	-	-	245,145,867	**407,725,766**
Loans and borrowings	48,437	11,690	79,153	10,600,323	11,215,018	20,960,000	**42,914,621**
Lease liabilities	108,347	216,693	975,119	2,632,526	353,684	-	**4,286,369**
Total liabilities	**61,943,523**	**69,525,831**	**33,342,086**	**13,232,849**	**11,568,702**	**266,105,867**	**455,718,858**
Interest sensitivity gap	**(45,968,140)**	**(45,788,558)**	**2,727,490**	**161,627,103**	**242,087,061**	**(235,277,390)**	**79,407,566**

BANK

31 December 2021	Available immediately and up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Non- interest bearing	Total
ASSETS	**KShs'000**	**KShs'000**	**KShs'000**	**KShs'000**	**KShs'000**	**KShs'000**	**KShs'000**
Cash and balances with Central Bank of Kenya	-	-	-	-	-	27,511,150	**27,511,150**
Deposits and balances due from banks	6,662,329	307,757	-	-	-	-	**6,970,086**
Investment in financial instruments	1,997,944	14,836,615	17,447,857	30,008,968	97,624,670	-	**161,916,054**
Loans and advances to customers	5,664,483	5,901,571	16,360,403	120,626,887	156,031,093	-	**304,584,437**
Total assets	**14,324,756**	**21,045,943**	**33,808,260**	**150,635,855**	**253,655,763**	**27,511,150**	**500,981,727**
LIABILITIES							
Deposits and balances due to banks	754,572	-	-	-	-	-	**754,572**
Customers' deposits	60,779,975	65,862,120	31,004,064	-	-	241,040,134	**398,686,293**
Loans and borrowings	48,437	-	-	10,962,680	9,133,612	-	**20,144,729**
Lease liabilities	101,439	202,877	912,947	2,300,223	331,133	-	**3,848,619**
Total liabilities	**61,684,423**	**66,064,997**	**31,917,011**	**13,262,903**	**9,464,745**	**241,040,134**	**423,434,213**
Interest sensitivity gap	**(47,359,667)**	**(45,019,054)**	**1,891,249**	**137,372,952**	**244,191,018**	**(213,528,984)**	**77,547,514**

4. FINANCIAL RISK MANAGEMENT (Continued)

(c) *Market risk* (Continued)

(i) Exposure to interest rate risk (Continued)

Interest rate risk sensitivity analysis

With all other variables held constant, the effect of 1% increase or decrease in interest rates on financial assets and liabilities on the group profit before tax and equity would be as follows:

ASSETS	**2022 Carrying amount KShs'000**	**1% increase**	**1% decrease**	**2021 Carrying amount KShs'000**	**1% increase**	**1% decrease**
Deposits and balances due from banks	**9,983,779**	99,838	(99,838)	**8,535,973**	85,360	(85,360)
Loans and advances to customers	**339,390,039**	3,393,900	(3,393,900)	**310,195,297**	3,101,953	(3,101,953)
		3,493,738	**(3,493,738)**		**(3,187,313)**	**(3,187,313)**
LIABILITIES & EQUITY						
Deposits and balances due to banks	**1,087,501**	(10,875)	10,875	**792,102**	(7,921)	7,921
Customers' deposits	**179,485,940**	(1,794,859)	1,794,859	**162,579,898**	(1,625,799)	1,625,799
Lease liabilities	**3,191,216**	(31,912)	31,912	**4,286,368**	(42,864)	42,864
Loans and borrowings	**27,142,072**	(271,421)	271,421	**21,954,622**	(219,546)	219,546
		(2,109,067)	**2,109,067**		**(1,896,130)**	**1,896,130**
Effect on profit before tax		**1,384,671**	**(1,384,671)**		**1,291,183**	**(1,291,183)**
As percentage of profit before tax (%)		**4.71%**	**(4.71%)**		**5.70%**	**(5.70%)**
Effect on profit for the year		969,270	(969,270)		903,828	(903,828)
Debt instruments at fair value through other comprehensive income	**99,963,950**	999,640	(999,640)	**107,837,175**	1,078,372	(1,078,372)
Effect on equity		**1,968,909**	**(1,968,909)**		**1,982,200**	**(1,982,200)**
As percentage of equity (%)		**1.83%**	**(1.83%)**		**1.98%**	**(1.98%)**

THE CO-OPERATIVE BANK OF KENYA LIMITED AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2022

4. FINANCIAL RISK MANAGEMENT (Continued)

(c) Market risk (Continued)

(ii) Exposure to currency risk

Currency risk is the potential for losses as a result of adverse exchange rate movements during a period in which the group has an open position, either spot or forward, or a combination of the two, in an individual foreign currency. Currently, the Group operates in 13 foreign currencies (namely USD, GBP, JPY, CHF, AUD, CAD, SEK, NOK, DKK, INR, ZAR, EUR and AED), but USD is the most significant exposure. The Group strives to minimize the potential impact of movements in exchange rates on its risk bearing capacity by having currency position and stop loss limits. The key risk indicators which are used pro-actively to manage and monitor foreign exchange risk are also developed.

The table below summarises foreign currency exposure to the Group as at close of period.

GROUP

CURRENCY TYPE	USD	GBP	EURO	JPY	CHF	ZAR	OTHERS	TOTAL
EXCHANGE RATE	123.3735	148.4671	131.2653	0.9228	133.4706	7.2175	-	
31 December 2022	**KShs'000**	**KShs'000**	**KShs'000**	**KShs'000**	**KShs'000**	**KShs'000**	**KShs'000**	**KShs'000**
Foreign Currency Assets:								
Cash and balances with banks abroad	24,961,367	314,140	2,455,078	44,913	62,274	36,992	141,816	**28,016,580**
Loan and advances	29,637,202	93,031	111,576	-	-	-	-	**29,841,809**
Other foreign assets	3,807,851	30,676	-	-	-	-	-	**3,838,527**
Total statement of financial position items	**58,406,420**	**437,847**	**2,566,654**	**44,913**	**62,274**	**36,992**	**141,816**	**61,696,916**
Items not recognized in statement of financial position*	53,039,420	85,314	5,953,669	23,070	-	-	273,012	**59,374,485**
Total Foreign assets	**111,445,840**	**523,161**	**8,520,323**	**67,983**	**62,274**	**36,992**	**414,828**	**121,071,401**
Foreign Currency Liabilities:								
Deposits	26,447,124	474,540	1,289,293	67,017	5,528	1,295	1,069	**28,285,866**
Loan and advances	16,631,635	-	3,937,959	-	-	-	-	**20,569,594**
Other foreign liabilities	5,253,503	9,489	14,975	-	-	-	1,817	**5,279,784**
Total statement of financial position items	**48,332,262**	**484,029**	**5,242,227**	**67,017**	**5,528**	**1,295**	**2,886**	**54,135,244**
Items not recognized in statement of financial position*	66,382,291	85,415	3,261,418	-	46,715	38,307	291,963	**70,106,109**
Total Foreign liabilities	**114,714,553**	**569,444**	**8,503,645**	**67,017**	**52,243**	**39,602**	**294,849**	**124,241,353**
Net Exposure at 31 December 2022	**(3,268,713)**	**(46,283)**	**16,678**	**966**	**10,031**	**(2,610)**	**119,979**	**(3,169,952)**

* This comprises of the letters of credits, guarantees, forwards and swaps

THE CO-OPERATIVE BANK OF KENYA LIMITED AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2022

4. FINANCIAL RISK MANAGEMENT (Continued)

(c) Market risk (Continued)

(ii) Exposure to currency risk (Continued)

BANK

CURRENCY TYPE	USD	GBP	EURO	JPY	CHF	ZAR	OTHERS	TOTAL
EXCHANGE RATE	123.3735	148.4671	131.2653	0.9228	133.4706	7.2175	-	
31 December 2022	**KShs'000**	**KShs'000**	**KShs'000**	**KShs'000**	**KShs'000**	**KShs'000**	**KShs'000**	**KShs'000**
Foreign Currency Assets:								
Cash and balances with banks abroad	24,961,367	314,140	2,455,078	44,913	62,274	36,992	141,816	**28,016,580**
Loan and advances	27,546,499	93,031	111,576	-	-	-	-	**27,751,106**
Other foreign assets	2,828,187	30,676	-	-	-	-	-	**2,858,863**
Total statement of financial position items	**55,336,053**	**437,847**	**2,566,654**	**44,913**	**62,274**	**36,992**	**141,816**	**58,626,549**
Items not recognized in statement of financial position*	51,413,801	85,314	5,953,669	23,070	-	-	273,012	**57,748,866**
Total Foreign Assets	**106,749,854**	**523,161**	**8,520,323**	**67,983**	**62,274**	**36,992**	**414,828**	**116,375,415**
Foreign Currency Liabilities:								
Deposits	24,202,637	466,008	1,268,333	67,017	5,528	1,295	1,069	**26,011,887**
Loan and advances	16,631,635	-	3,937,959	-	-	-	-	**20,569,594**
Other foreign liabilities	4,373,367	9,489	14,975	-	-	-	1,817	**4,399,648**
Total statement of financial position items	**45,207,639**	**475,497**	**5,221,267**	**67,017**	**5,528**	**1,295**	**2,886**	**50,981,129**
Items not recognized in statement of financial position*	64,756,672	85,415	3,261,418	-	46,715	38,307	291,963	**68,480,490**
Total Foreign liabilities	**109,964,311**	**560,912**	**8,482,685**	**67,017**	**52,243**	**39,602**	**294,849**	**119,461,619**
Net Exposure at 31 December 2022	**(3,214,457)**	**(37,751)**	**37,638**	**966**	**10,031**	**(2,610)**	**119,979**	**(3,086,204)**

* This comprises of the letters of credits, guarantees, forwards and swaps

THE CO-OPERATIVE BANK OF KENYA LIMITED AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2022

4. FINANCIAL RISK MANAGEMENT (Continued)

(c) *Market risk (Continued)*

(ii) Exposure to currency risk (Continued)

GROUP

CURRENCY TYPE	USD	GBP	EURO	JPY	CHF	ZAR	OTHERS	TOTAL
EXCHANGE RATE	113.1412	152.0538	127.9932	0.983024	123.8207	7.1133	-	
31 December 2021	**KShs'000**	**KShs'000**	**KShs'000**	**KShs'000**	**KShs'000**	**KShs'000**	**KShs'000**	**KShs'000**
Foreign Currency Assets:								
Cash and balances with banks abroad	28,980,985	917,851	1,852,472	63,180	50,922	43,522	515,694	**32,424,626**
Loan and advances	25,070,235	124,539	21,397	-	-	-	-	**25,216,171**
Other foreign assets	2,394,667	35,582	76,651	-	-	-	2,216	**2,509,116**
Total statement of financial position items	**56,445,887**	**1,077,972**	**1,950,520**	**63,180**	**50,922**	**43,522**	**517,910**	**60,149,913**
Items not recognized in statement of financial position*	27,408,468	828,275	3,239,140	-	-	-	281,514	**31,757,397**
Total Foreign assets	**83,854,355**	**1,906,247**	**5,189,660**	**63,180**	**50,922**	**43,522**	**799,424**	**91,907,310**
Foreign Currency Liabilities:								
Deposits	23,442,028	1,051,407	2,332,367	71,386	6,810	997	1,984	**26,906,979**
Loan and advances	19,635,693	-	-	-	-	-	-	**19,635,693**
Other foreign liabilities	4,266,560	12,385	(272,253)	-	-	-	1,278	**4,007,970**
Total statement of financial position items	**47,344,281**	**1,063,792**	**2,060,114**	**71,386**	**6,810**	**997**	**3,262**	**50,550,642**
Items not recognized in statement of financial position*	37,238,881	836,742	3,040,498	-	-	45,169	787,011	**41,948,301**
Total Foreign liabilities	**84,583,162**	**1,900,534**	**5,100,612**	**71,386**	**6,810**	**46,166**	**790,273**	**92,498,943**
Net Exposure at 31 December 2021	**(728,807)**	**5,713**	**89,048**	**(8,206)**	**44,112**	**(2,644)**	**9,151**	**(591,633)**

* This comprises of the letters of credits, guarantees, forwards and swaps

THE CO-OPERATIVE BANK OF KENYA LIMITED AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2022

4. FINANCIAL RISK MANAGEMENT (Continued)

(c) *Market risk (Continued)*

(ii) Exposure to currency risk (Continued)

BANK

CURRENCY TYPE	USD	GBP	EURO	JPY	CHF	ZAR	OTHERS	TOTAL
EXCHANGE RATE	113.1412	152.0538	127.9932	0.983024	123.8207	7.1133	-	
31 December 2021	**KShs'000**	**KShs'000**	**KShs'000**	**KShs'000**	**KShs'000**	**KShs'000**	**KShs'000**	**KShs'000**
Foreign Currency Assets:								
Cash and balances with banks abroad	28,904,562	913,935	1,844,091	63,180	50,922	43,522	515,681	**32,335,893**
Loan and advances	25,043,152	124,532	21,361	-	-	-	-	**25,189,045**
Other foreign assets	2,384,194	30,243	7,715	-	-	-	2,216	**2,424,368**
Total statement of financial position items	**56,331,908**	**1,068,710**	**1,873,167**	**63,180**	**50,922**	**43,522**	**517,897**	**59,949,306**
Items not recognized in statement of financial position*	27,408,468	828,275	3,239,140	-	-	-	281,514	**31,757,397**
Total Foreign assets	**83,740,376**	**1,896,985**	**5,112,307**	**63,180**	**50,922**	**43,522**	**799,411**	**91,706,703**
Foreign Currency Liabilities:								
Deposits	23,212,891	1,051,209	2,331,614	71,386	6,810	997	1,984	**26,676,891**
Loan and advances	19,560,657	-	-	-	-	-	-	**19,560,657**
Other foreign liabilities	4,266,560	12,385	(272,253)	-	-	-	1,278	**4,007,970**
Total statement of financial position items	**47,040,108**	**1,063,594**	**2,059,361**	**71,386**	**6,810**	**997**	**3,262**	**50,245,518**
Items not recognized in statement of financial position*	37,238,881	836,742	3,040,498	-	-	45,169	787,011	**41,948,301**
Total Foreign liabilities	**84,278,989**	**1,900,336**	**5,099,859**	**71,386**	**6,810**	**46,166**	**790,273**	**92,193,819**
Net Exposure at 31 December 2021	**(538,613)**	**(3,351)**	**12,448**	**(8,206)**	**44,112**	**(2,644)**	**9,138**	**(487,116)**

* This comprises of the letters of credits, guarantees, forwards and swaps

THE CO-OPERATIVE BANK OF KENYA LIMITED AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2022

4. FINANCIAL RISK MANAGEMENT (Continued)

(c) *Market risk* (Continued)

(ii) *Exposure to currency risk* (Continued)

Currency risk sensitivity analysis

With all other variables held constant, the effect of 10% appreciation or depreciation of the shilling against major trading currencies on profit before tax and equity would be as follows: -

GROUP

	2022 Carrying amount KShs'000	10% appreciation	10% depreciation	2021 Carrying amount KShs'000	10% appreciation	10% depreciation
Foreign Currency Assets:						
USD	**111,445,840**	(11,144,584)	11,144,584	**83,854,355**	(8,385,436)	8,385,436
GBP	**523,161**	(52,316)	52,316	**1,906,247**	(190,625)	190,625
EURO	**8,520,323**	(852,032)	852,032	**5,189,660**	(518,966)	518,966
JPY	**67,983**	(6,798)	6,798	**63,180**	(6,318)	6,318
CHF	**62,274**	(6,227)	6,227	**50,922**	(5,092)	5,092
ZAR	**36,992**	(3,699)	3,699	**43,522**	(4,352)	4,352
Other currencies	**415,150**	(41,515)	41,515	**799,424**	(79,942)	79,942
		(12,107,172)	**12,107,172**		**(9,190,731)**	**9,190,731**
Foreign currency liabilities						
USD	**114,714,553**	11,471,455	(11,471,455)	**84,583,162**	8,458,316	(8,458,316)
GBP	**569,444**	56,944	(56,944)	**1,900,534**	190,053	(190,053)
EURO	**8,503,645**	850,365	(850,365)	**5,100,612**	510,061	(510,061)
JPY	**67,017**	6,702	(6,702)	**71,386**	7,139	(7,139)
CHF	**52,243**	5,224	(5,224)	**6,810**	681	(681)
ZAR	**39,602**	3,960	(3,960)	**46,166**	4,617	(4,617)
Other currencies	**294,849**	29,485	(29,485)	**790,273**	79,027	(79,027)
		12,424,135	**(12,424,135)**		**9,249,894**	**(9,249,894)**
Effect on profit before tax		**316,964**	**(316,964)**		**59,163**	**(59,163)**
As percentage (%) of profit before tax		**1.08%**	**(1.08%)**		**0.26%**	**(0.26%)**
Effect on equity (profit after tax)		**221,874**	**(221,874)**		**41,414**	**(41,414)**
As percentage (%) of equity		**0.21%**	**(0.21%)**		**0.04%**	**(0.04%)**

THE CO-OPERATIVE BANK OF KENYA LIMITED AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2022

4. FINANCIAL RISK MANAGEMENT (Continued)
(c) Market risk (Continued)
(ii) Exposure to currency risk (Continued)

BANK

	2022 Carrying amount KShs'000	10% appreciation	10% depreciation	2021 Carrying amount KShs'000	10% appreciation	10% depreciation
Foreign Currency Assets:						
USD	**106,749,854**	(10,674,985)	10,674,985	**83,740,376**	(8,374,038)	8,374,038
GBP	**523,161**	(52,316)	52,316	**1,896,985**	(189,699)	189,699
EURO	**8,520,323**	(852,032)	852,032	**5,112,307**	(511,231)	511,231
JPY	**67,983**	(6,798)	6,798	**63,180**	(6,318)	6,318
CHF	**62,274**	(6,227)	6,227	**50,921**	(5,092)	5,092
ZAR	**36,992**	(3,699)	3,699	**43,522**	(4,352)	4,352
Other currencies	**414,828**	(41,483)	41,483	**799,411**	(79,941)	79,941
		(11,637,542)	**11,637,542**		**(9,170,671)**	**9,170,671**
Foreign currency liabilities						
USD	**109,964,311**	10,996,431	(10,996,431)	**84,278,987**	8,427,899	(8,427,899)
GBP	**560,912**	56,091	(56,091)	**1,900,335**	190,034	(190,034)
EURO	**8,482,685**	848,269	(848,269)	**5,099,858**	509,986	(509,986)
JPY	**67,017**	6,702	(6,702)	**71,386**	7,139	(7,139)
CHF	**52,243**	5,224	(5,224)	**6,809**	681	(681)
ZAR	**39,602**	3,960	(3,960)	**46,166**	4,617	(4,617)
Other currencies	**294,849**	29,485	(29,485)	**790,273**	79,027	(79,027)
		11,946,162	**(11,946,162)**		**9,219,383**	**(9,219,383)**
Effect on profit before tax		**308,620**	**(308,620)**		**48,712**	**(48,712)**
As percentage (%) of profit before tax		**1.15%**	**(1.15%)**		**0.23%**	**(0.23%)**
Effect on equity (profit after tax)		**216,034**	**(216,034)**		**34,098**	**(34,098)**
As percentage (%) of equity		**0.21%**	**(0.21%)**		**0.04%**	**(0.04%)**

THE CO-OPERATIVE BANK OF KENYA LIMITED AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2022

4. FINANCIAL RISK MANAGEMENT (Continued)

(d) Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Bank's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Bank's operations and are faced by all business units.

The Bank's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Bank's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within each business unit. This responsibility is supported by the development of overall Bank standards for the management of operational risk in the following areas:

(i) requirements for appropriate segregation of duties, including the independent authorisation of transactions
(ii) requirements for the reconciliation and monitoring of transactions
(iii) compliance with regulatory and other legal requirements
(iv) documentation of controls and procedures
(v) requirements for the yearly assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified
(vi) requirements for the reporting of operational losses and proposed remedial action
(vii) development of contingency plans
(viii) training and professional development
(ix) ethical and business standards
(x) risk mitigation, including insurance where this is effective

Compliance with Group standards is supported by a programme of regular reviews undertaken by both the Internal Audit and Compliance departments. The results of Internal Audit reviews are discussed with the management of the business unit to which they relate, with summaries submitted to the Board Audit Committee and senior management of the Bank.

Risk Management is charged with the role of overall planning, coordination, and monitoring of operational risk from a centralized operational risk management department. The department is responsible for collecting and collating all data on operational risk loss events, risk indicators, and developing risk matrices aimed at reducing the Bank's Operational Risk Capital Charge.

5. CAPITAL MANAGEMENT

Regulatory capital

The Central Bank of Kenya sets and monitors capital requirements for the Banking industry as a whole. The statutory minimum core capital is KShs. 1 billion. In implementing current capital requirements, the Central Bank of Kenya requires the Bank to maintain a 14.5% prescribed ratio of total capital to total risk-weighted assets. Banks in Kenya are also required to maintain a capital conservation buffer of 2.5% over and above the minimum capital requirements. The Bank has already met this requirement

The Bank's regulatory capital is analysed into two tiers:

(a) Tier 1 capital, which includes ordinary share capital, share premium, retained earnings, after deductions for intangible assets, and other regulatory adjustments relating to items that are included in equity but are treated differently for capital adequacy purposes.

(b) Tier 2 capital, which includes 25% of asset revaluation reserves which have received prior Central Bank approval, subordinated debt and other capital instruments approved by Central Bank.

Various limits are applied to elements of the capital base; qualifying tier 2 capital cannot exceed tier 1 capital; and qualifying term subordinated loan capital may not exceed 50 percent of tier 1 capital. There also are restrictions on the amount of collective impairment allowances that may be included as part of tier 2 Capital.

The Bank's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The impact of the level of capital on shareholders' return is also recognised and the Bank recognises the need to maintain a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position. The Bank has complied with all externally imposed capital requirements throughout the year.

THE CO-OPERATIVE BANK OF KENYA LIMITED AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2022

5. CAPITAL MANAGEMENT (Continued)

Regulatory capital (Continued)

The Bank's regulatory capital position as at 31 December was as follows:

	2022	2021
Tier I Capital:	**KShs'000**	**KShs'000**
Ordinary share capital	5,867,180	5,867,180
Share premium	1,911,925	1,911,925
Retained earnings	90,218,038	79,383,183
Other reserves	387,987	406,463
Less: Investments in equity of other institutions & deferred tax	(9,294,290)	(8,725,270)
Core Capital	**89,090,840**	**78,843,481**
Tier II Capital:		
Revaluation reserves (25%)	367,643	320,398
Term subordinated debt	5,551,808	6,788,472
Supplementary capital	**5,919,451**	**7,108,870**
Total regulatory capital	**95,010,291**	**85,952,351**
Total risk weighted assets	**539,577,102**	**502,186,291**
Capital ratios:		
Core capital to Total deposit liabilities (CBK minimum 10.5%)	21.67%	19.70%
Core capital to Total risk weighted assets (CBK minimum 10.5%)	16.51%	15.70%
Total capital to Total risk weighted assets (CBK minimum 14.5%)	17.61%	17.61%

The increase of the Tier 1 qualifying capital in the year of 2022 is mainly due to the contribution of the current-year profit. The increase of the risk-weighted assets reflects the expansion of the business in SMEs in 2022.

The Bank makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. All estimates and assumptions required in conformity with IFRS are best estimates undertaken in accordance with the applicable standard. Estimates and judgements are evaluated on a continuous basis, and are based on past experience and other factors, including expectations with regard to future events.

Capital Allocation

The allocation of capital between specific operations and activities is, to a large extent, driven by optimisation of the return achieved on the capital allocated. The amount of capital allocated to each operation or activity is based primarily upon the regulatory capital, but in some cases the regulatory requirements do not reflect fully the varying degree of risk associated with different activities. In such cases the capital requirements may be flexed to reflect differing risk profiles, subject to the overall level of capital to support a particular operation or activity not falling below the minimum required for regulatory purposes.

The process of allocating capital to specific operations and activities is undertaken independently of those responsible for the operation, by Group Risk and Group Credit, and is subject to review by the Group Credit Committee or ALCO as appropriate. Although maximisation of the return on risk-adjusted capital is the principal basis used in determining how capital is allocated within the Group to particular operations or activities, it is not the sole basis used for decision-making. Account also taken of synergies with other operations and activities, the availability of management and other resources, and the fit of the activity with the Group's longer-term strategic objectives. The Group's policies in respect of capital management and allocation are reviewed regularly by the Board of Directors.

THE CO-OPERATIVE BANK OF KENYA LIMITED AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2022

6. SEGMENT REPORTING

For management purposes, the Bank is organised into two main operating segments based on products and services as follows:

1. Retail Banking: Includes loans deposits and other transactions and balances with retail customers.
2. Wholesale Banking: Includes loans deposits and other transactions and balances with corporate and institutional customers
3. Group Functions: This relates to segments which do not fall into the categories of retail or wholesale banking. These mainly comprises of support departments such as ICT, Finance and shared services among others.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss. Income taxes are managed on a group basis and are not allocated to operating segments.

The Group's segment operations are all financial with a majority of revenues deriving from interest. The management relies primarily on net interest revenue to assess the performance of the segment. Interest income is reported net as management primarily relies on net interest revenue as a performance measure, not gross income and expenses. No revenue from transactions with a single external customer or counterparty amounted to 10% or more of the Bank's total revenue in 2022 or 2021.

The following table presents income and profit and certain asset and liability information regarding the Group's operating segments. All the revenue shown is from external customers.

Profit or loss for the year ended 31 December 2022	Wholesale Banking KShs'000	Retail Banking KShs'000	Group Functions KShs'000	Total KShs'000
Interest income	7,260,293	26,842,937	27,642,893	**61,746,123**
Interest expense	(7,587,030)	(5,661,440)	(2,972,713)	**(16,221,183)**
Net interest income	(326,737)	21,181,497	24,670,180	**45,524,940**
Non-funded income	6,820,714	18,027,405	881,816	**25,729,935**
Operating income	**6,493,977**	**39,208,902**	**25,551,996**	**71,254,875**
Depreciation	(82,837)	(1,537,190)	(765,286)	**(2,385,313)**
Amortization	-	-	(805,832)	**(805,832)**
Other operating expenses	(768,574)	(13,564,587)	(24,719,488)	**(39,052,649)**
Share of profit in associates	-	-	416,141	**416,141**
Profit before tax	**5,642,566**	**24,107,125**	**(322,469)**	**29,427,222**
Income tax expense	-	-	(7,389,055)	**(7,389,055)**
Profit after tax	**5,642,566**	**24,107,125**	**(7,711,524)**	**22,038,167**

Profit or loss for the year ended 31 December 2021	Wholesale Banking KShs'000	Retail Banking KShs'000	Group Functions KShs'000	Total KShs'000
Interest income	10,878,614	21,324,437	23,445,094	**55,648,145**
Interest expense	(8,769,992)	(3,411,850)	(2,710,982)	**(14,892,824)**
Net interest income	2,108,622	17,912,587	20,734,112	**40,755,321**
Non-funded income	1,946,265	15,348,884	2,101,206	**19,396,355**
Operating income	**4,054,887**	**33,261,471**	**22,835,318**	**60,151,676**
Depreciation	(94,578)	(1,605,070)	(1,054,750)	**(2,754,398)**
Amortization	-	-	(757,186)	**(757,186)**
Other operating expenses	(858,187)	(14,648,290)	(18,790,331)	**(34,296,808)**
Share of profit in associates	-	-	305,579	**305,579**
Profit before tax	**3,102,122**	**17,008,111**	**2,538,630**	**22,648,863**
Income tax expense	-	-	(6,104,960)	**(6,104,960)**
Profit after tax	**3,102,122**	**17,008,111**	**(3,566,330)**	**16,543,903**

THE CO-OPERATIVE BANK OF KENYA LIMITED AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2022

6. SEGMENT REPORTING (Continued)

Statement of financial position as at 31 December 2022	Wholesale Banking KShs'000	Retail Banking KShs'000	Group Functions KShs'000	Total KShs'000
Assets:				
Segment assets	121,603,165	184,312,167	-	**305,915,332**
Unallocated assets	-	-	301,282,387	**301,282,387**
Total assets	**121,603,165**	**184,312,167**	**301,282,387**	**607,197,719**
Liabilities and equity:				
Segment liabilities and Equity	142,211,172	166,665,048	-	**308,876,220**
Unallocated liabilities and Equity	-	-	298,321,499	**298,321,499**
Total liabilities and equity	**142,211,172**	**166,665,048**	**298,321,500**	**607,197,719**

Statement of financial position as at 31 December 2021	Wholesale Banking KShs'000	Retail Banking KShs'000	Group Functions KShs'000	Total KShs'000
Assets:				
Segment assets	138,371,615	348,194,567	-	**486,566,182**
Unallocated assets	-	-	93,257,472	**93,257,472**
Total assets	**138,371,615**	**348,194,567**	**93,257,472**	**579,823,654**
Liabilities and equity:				
Segment liabilities and Equity	201,411,496	218,737,188	-	**420,148,684**
Unallocated liabilities and Equity	-	-	159,674,970	**159,674,970**
Total liabilities and equity	**201,411,496**	**218,737,188**	**159,674,970**	**579,823,654**

6. SEGMENT REPORTING (Continued)

Geographical information

The Group's operations are within the two geographical segments of Kenya and South Sudan. The table below contains segmental information provided to the Board of Management for the year ended 31 December 2022.

Profit or loss for the year ended 31 December 2022	Kenya KShs'000	South Sudan KShs'000	Total KShs'000
Interest income	61,530,726	215,397	**61,746,123**
Interest expense	(16,207,517)	(13,666)	**(16,221,183)**
Net interest income	45,323,209	201,731	**45,524,940**
Non-funded income	24,959,726	770,209	**25,729,935**
Operating income	**70,282,935**	**971,940**	**71,254,875**
Depreciation	(2,304,307)	(81,615)	**(2,385,922)**
Amortization	(799,319)	(5,904)	**(805,223)**
Other operating expenses	(38,283,057)	(653,502)	**(38,936,559)**
Loss on net monetary position	-	(116,090)	**(116,090)**
Operating profit/(loss)	**28,896,252**	**114,829**	**29,011,081**
Share of profit in associate	398,245	17,896	**416,141**
Profit/(Loss) before tax	**29,294,497**	**132,725**	**29,427,222**
Income tax expense	(7,489,709)	100,654	**(7,389,055)**
Profit for the year	**21,804,788**	**233,379**	**22,038,167**
Statement of financial position			
Segment assets			
Non-current assets	464,912,753	3,635,367	**468,548,120**
Current assets	135,357,327	3,292,272	**138,649,599**
	600,270,080	**6,927,639**	**607,197,719**
Segment liabilities	**494,097,065**	**5,541,459**	**499,638,524**
Equity	**106,173,015**	**1,386,180**	**107,559,195**

About this Integrated Report | Our Leadership | Co-op Bank Model | Our Capitals | Operating Environment | Strategic Focus Review | Environmental, Social and Governance (ESG) | Financial Statements

THE CO-OPERATIVE BANK OF KENYA LIMITED AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2022

6. SEGMENT REPORTING (Continued)

Profit or loss for the year ended 31 December 2021	Kenya KShs'000	South Sudan KShs'000	Total KShs'000
Interest income	55,508,632	139,513	**55,648,145**
Interest expense	(14,876,486)	(16,338)	**(14,892,824)**
Net interest income	40,632,146	123,175	**40,755,321**
Non-funded income	18,930,607	465,748	**19,396,355**
Operating income	**59,562,753**	**588,923**	**60,151,676**
Depreciation	(2,487,956)	(266,443)	**(2,754,399)**
Amortization	(750,155)	(7,030)	**(757,185)**
Other operating expenses	(33,504,771)	(768,450)	**(34,273,221)**
Loss on net monetary position	-	(23,587)	**(23,587)**
Operating profit/(loss)	**22,819,871**	**(476,587)**	**22,343,284**
Share of profit in associate	250,675	54,904	**305,579**
Profit/(Loss) before tax	**23,070,546**	**(421,683)**	**22,648,863**
Income tax expense	(6,042,231)	(62,729)	**(6,104,960)**
Profit for the year	**17,028,315**	**(484,412)**	**16,543,903**
Statement of financial position			
Segment assets			
Non-current assets	331,878,077	2,083,441	**333,961,518**
Current assets	242,365,600	3,496,536	**245,862,136**
	574,243,677	**5,579,977**	**579,823,654**
Segment liabilities	**475,538,133**	**3,946,052**	**479,484,185**
Equity	**98,705,543**	**1,633,926**	**100,339,469**

7. FAIR VALUE OF ASSETS AND LIABILITIES

(a) Determination of fair value and fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of assets and liabilities by valuation technique:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes treasury and corporate bonds listed in Nairobi Securities exchange (NSE).

Level 2 – other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and

Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The following table shows an analysis of assets and liabilities recorded at fair value by level of the fair value hierarchy. This hierarchy requires the use of observable market data where available. The Group considers relevant and observable market prices in its valuations where possible:

GROUP

As at 31 December 2022	Level 1	Level 2	Level 3	Total
	KShs'000	KShs'000	KShs'000	KShs'000
Assets measured at fair value:				
Free hold land and buildings	-	-	3,073,296	**3,073,296**
Debt instruments at FVOCI				
Treasury bonds	99,963,950	-	-	**99,963,950**
Equity instruments at FVOCI				
Unquoted equity instruments at FVOCI	-	-	313,157	**313,157**
Quoted equity instruments at FVOCI	75,700	-		**75,700**
Derivatives	-	206,725	-	**206,725**
Loans and advances				
Directors and staff loans	-	6,217,201	-	**6,217,201**
Assets for which fair values are disclosed (note 7b)				
Debt Instruments at Amortised cost				
Treasury bonds	64,778,832	-	-	**64,778,832**
Treasury bills	8,538,307	-	-	**8,538,307**
Corporate bonds		1,482,824	-	**1,482,824**
Liabilities for which fair values are disclosed (note 7b)				
Loans and borrowings	-	1,625,699	-	**1,625,699**
As at 31 December 2021				
Assets measured at fair value:				
Free hold land and buildings	-	-	3,139,309	**3,139,309**
Debt instruments at FVOCI				
Treasury bonds	107,837,175	-	-	**107,837,175**
Equity instruments at FVOCI				
Unquoted equity instruments at FVOCI	-	-	309,038	**309,038**
Quoted equity instruments at FVOCI	86,895	-	-	**86,895**
Derivatives	-	199,765	-	**199,765**
Loans and advances				
Directors and staff loans	-	2,898,478	-	**2,898,478**
Assets for which fair values are disclosed (note 7b)				
Debt Instruments at Amortised cost				
Treasury bonds	46,510,452	-	-	**46,510,452**
Treasury bills	29,713,442	-	-	**29,713,442**
Corporate bonds		1,305,843	-	**1,305,843**
Liabilities for which fair values are disclosed (note 7b)				
Loans and borrowings	-	2,209,628	-	**2,209,628**

7. FAIR VALUE OF ASSETS AND LIABILITIES (Continued)

(a) Determination of fair value and fair value hierarchy (Continued)

BANK

As at 31 December 2022	Level 1	Level 2	Level 3	Total
	KShs'000	KShs'000	KShs'000	KShs'000
Assets measured at fair value:				
Free hold land and buildings	-	-	2,307,300	**2,307,300**
Debt instruments at FVOCI				
Treasury bonds	83,381,239	-	-	**83,381,239**
Equity instruments at FVOCI				
Unquoted equity instruments at FVOCI	-	-	313,157	**313,157**
Derivatives	-	206,725	-	**206,725**
Loans and advances				
Directors and staff loans	-	6,217,201	-	**6,217,201**
Assets for which fair values are disclosed (note 7b)				
Debt Instruments at Amortised cost				
Treasury bonds	57,195,536	-	-	**57,195,536**
Treasury bills	8,538,307	-	-	**8,538,307**
Corporate bonds	-	1,482,824	-	**1,482,824**
Liabilities for which fair values are disclosed (note 7b)				
Loans and borrowings	-	1,625,699	-	**1,625,699**
As at 31 December 2021				
Assets measured at fair value:				
Free hold land and buildings	-	-	2,348,700	**2,348,700**
Debt instruments at FVOCI				
Treasury bonds	84,481,110	-	-	**84,481,110**
Equity instruments at FVOCI				
Unquoted equity instruments at FVOCI	-	-	309,038	**309,038**
Derivatives	-	199,765	-	**199,765**
Loans and advances				
Directors and staff loans	-	2,898,478	-	**2,898,478**
Assets for which fair values are disclosed (note 7b)				
Debt Instruments at Amortised cost				
Treasury bonds	46,215,895	-	-	**46,215,895**
Treasury bills	29,713,442	-	-	**29,713,442**
Corporate bonds	-	1,305,843	-	**1,305,843**
Liabilities for which fair values are disclosed (note 7b)				
Loans and borrowings	-	2,209,628	-	**2,209,628**

The transfers between levels 1 and 2 in the year are disclosed on note 7(d).

THE CO-OPERATIVE BANK OF KENYA LIMITED AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2022

7. FAIR VALUE OF ASSETS AND LIABILITIES (Continued)

(b) Fair value of financial assets and liabilities not carried at fair value

The table below summarises the carrying amounts and fair values of those financial assets and liabilities not presented on the Group's and Company's statement of financial position at their fair value, other than those with carrying amounts that are reasonable approximation of fair values.

GROUP	2022		2021	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets:	KShs'000	KShs'000	KShs'000	KShs'000
Amortised cost				
Treasury bonds and bills	73,317,138	63,893,949	76,223,893	72,914,838
Financial liabilities:				
Loans and borrowings				
Fixed-rates borrowings	1,625,745	1,486,063	815,843	684,231

BANK	2022		2021	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets:	KShs'000	KShs'000	KShs'000	KShs'000
Amortised cost				
Treasury bonds and bills	65,733,842	56,496,271	75,929,336	72,627,663
Financial liabilities:				
Loans and borrowings				
Fixed-rates borrowings	1,625,745	1,486,063	815,843	684,231

The following describes the methodologies and assumptions used to determine fair values for those financial instruments which are not already recorded at fair value in the financial statements:

(i) Assets for which fair value approximates carrying amounts

For financial assets and financial liabilities that have a short-term maturity (less than three months) it is assumed that the carrying amounts approximate to their fair value. This assumption is also applied to inter-bank placements, demand deposits, and savings accounts without a specific maturity and treasury bills at amortised cost (previously, held to maturity).

(ii) Government securities

Government debt securities include both long-term treasury bonds and short-term treasury bills with fixed rate interest payments. These instruments are generally highly liquid and traded in active markets resulting in a Level 1 classification. When active market prices are not available, the Group uses discounted cash flow models with observable market inputs of similar instruments and bond prices to estimate the fair value in which instances the Group classifies those securities as Level 2. The Group does not have Level 3 government securities where valuation inputs would be unobservable.

(iii) Debt securities issued by financial institutions and other debt securities

These include corporate bonds which are standard fixed rate securities. The Group uses active market prices when available, or other observable inputs in discounted cash flow models to estimate the corresponding fair value. Corporate bonds are generally Level 2 instruments.

(iv) Foreign exchange contracts

Foreign exchange contracts include foreign exchange forward and swap contracts. These instruments are valued by either observable foreign exchange rates, observable or calculated forward points and option valuation models. With the exception of contracts where a directly observable rate is available which are disclosed as Level 1, the Group classifies foreign exchange contracts as Level 2 financial instruments when no unobservable inputs are used for their valuation or the unobservable inputs used are not significant to the measurement (as a whole).

(v) Loans and borrowings

The estimated fair value of fixed interest-bearing loans is based on discounted cash flows using prevailing money-market interest rates for debts with similar credit risk and maturity.

About this Integrated Report | Our Leadership | Co-op Bank Model | Our Capitals | Operating Environment | Strategic Focus Review | Environmental, Social and Governance (ESG) | Financial Statements

THE CO-OPERATIVE BANK OF KENYA LIMITED AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2022

7. FAIR VALUE OF ASSETS AND LIABILITIES (Continued)

(c) Description of significant unobservable inputs to valuation

The significant unobservable inputs used in the fair value measurements categorised within level 3 of the fair value hierarchy, are as shown below

Asset	Valuation Technique	Significant unobservable inputs	Range (Weighted Average)	Sensitivity of the input to fair value
Free hold land and building	DCF method	Estimated rental value per s.q.m. per month	KShs. 30	
		Rent growth p.a.	3%	+/-1% (2021: +/-1%) = Fair value change of +/- KShs. 23million (2021: 23million)
		Long-term vacancy rate	5%	
		Discount rate	5%	
Unquoted-equity instruments	DCF method	Long term growth rate	5%	+/-1% (2021: +/-1%) = Fair value change of +/- KShs. 0.3million (2021: +/- Nil)
		Discount rate (WACC)	15%	

(d) Transfers between Level 1 and Level 2

There were no transfers between Level 1 & 2 in the year (2020: NIL)

(e) Reconciliation of fair value measurement of unquoted equity instruments classified as FVOCI

	Group and Bank	
	2022	2021
	KShs'000	KShs'000
At 1 January	309,038	308,095
Purchase	-	-
Remeasurement recognised through OCI	4,119	943
At December	**313,157**	**309,038**

THE CO-OPERATIVE BANK OF KENYA LIMITED AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2022

8. CASH AND BALANCES WITH CENTRAL BANKS

	Group		Bank	
	2022	2021	2022	2021
	KShs'000	KShs'000	KShs'000	KShs'000
Cash on hand	9,011,795	9,043,810	7,802,190	8,120,024
Central Bank of Kenya:				
Restricted balances (Cash Reserve Ratio)	17,788,081	16,983,327	17,056,100	16,712,169
Unrestricted balances available for use by the Group	(271,155)	2,786,066	(550,831)	2,678,957
Central Bank of South Sudan	1,612,374	2,064,427	-	-
	28,141,095	**30,877,630**	**24,307,459**	**27,511,150**
Allowance for credit losses	(34,807)	(49,153)	-	-
	28,106,288	**30,828,477**	**24,307,459**	**27,511,150**

The Cash Reserve Ratio are restricted deposits with the Central Bank of Kenya and Bank of South Sudan and represents mandatory reserve deposits and are not available for use in the Bank's day–to–day operations. The deposits are non-interest earning and are based on the value of deposits as adjusted by Central Bank of Kenya requirements. At 31 December 2022, the Cash Reserve Ratio requirement on all deposits was 4.25% (2021– 4.25%) for Kenya and 20.0% (2021-20%) for South Sudan. The allowance for credit losses relates to deposits held by Bank of South Sudan.

9. DEPOSITS AND BALANCES DUE FROM BANKS

	Group		Bank	
	2022	2021	2022	2021
	KShs'000	KShs'000	KShs'000	KShs'000
Local banks	6,971,954	1,903,958	3,798,674	288,919
Foreign banks	3,027,128	6,651,711	3,040,486	6,681,238
	9,999,082	8,555,669	6,839,160	6,970,157
Allowance for credit losses	(15,303)	(19,696)	(2,297)	(71)
	9,983,779	**8,535,973**	**6,836,863**	**6,970,086**

The weighted average effective interest rate on deposits and balances due from banks as at 31 December 2022 was 1.47% (2021 - 1.75%).

10. FINANCIAL INVESTMENTS OTHER THAN THOSE MEASURED AT FVPL

a) DEBT INSTRUMENTS AT FVOCI

	Group		Bank	
	2022	2021	2022	2021
	KShs'000	KShs'000	KShs'000	KShs'000
Treasury Bonds:				
Maturing within 91 days	-	-	-	-
Maturing after 91 days	**99,963,950**	**107,837,175**	83,381,239	84,481,110
	99,963,950	**107,837,175**	**83,381,239**	**84,481,110**

THE CO-OPERATIVE BANK OF KENYA LIMITED AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2022

10. FINANCIAL INVESTMENTS OTHER THAN THOSE MEASURED AT FVPL (Continued)

b) EQUITY INSTRUMENTS AT FVOCI

	Group		Bank	
	2022	2021	2022	2021
	KShs'000	KShs'000	KShs'000	KShs'000
Quoted equity investments: -				
Nairobi Securities Exchange: -				
7,000,000 ordinary shares of KShs. 14.65 each	47,460	56,000	-	-
CIC Insurance Group Ltd: -				
8,000,000 ordinary shares of KShs. 3.80 each	12,640	13,215	-	-
Uchumi Supermarkets Ltd: - 57,500,000 ordinary shares of KShs. 0.28 each	15,600	17,680	-	-
Unquoted equity Investments: -				
Consolidated Bank of Kenya Ltd: -				
135,000 ordinary shares of KShs. 20 each	2,700	2,700	2,700	2,700
580,000, 4% non-cumulative preference shares of KShs. 20 each	1,562	1,562	1,562	1,562
Kenya National Federation of Co-operatives Ltd: -				
82 shares of KShs100 each	8	8	8	8
Kenya National Housing Co-operative Union Ltd: -				
1 share of KShs. 1,000	1	1	1	1
Kenya Mortgage Finance Company: -				
2,000,000 shares of KShs. 100 each	200,000	200,000	200,000	200,000
Menno Plaza Limited: -				
9,340 ordinary shares representing 12.39% ownership	108,886	104,767	108,886	104,767
	388,857	**395,933**	**313,157**	**309,038**
Movement in the year for debt and equity instrument through OCI				
At January 1	**108,233,108**	**64,116,488**	**84,790,148**	**63,481,507**
Additions	12,150,399	42,191,234	12,150,399	40,622,850
Disposals and maturities	(11,444,405)	(20,144,035)	(5,667,065)	(19,600,680)
Reclassification from debt instruments at amortised cost	-	21,891,910	-	-
Expected credit loss	19,024	(386,953)	19,024	(382,221)
Change in fair value recognized OCI	(8,605,319)	564,464	(7,598,110)	668,692
At December 31	**100,352,807**	**108,233,108**	**83,694,396**	**84,790,148**

The weighted average effective interest rate on debt instruments at FVOCI as at 31 December 2022 was 11.89%.

The above unquoted instruments relate to investments in the banking sector Co-operative Movement. The unquoted equities are not actively traded and management does not intend to dispose them in the immediate future. The unquoted equity investments are placed under level 3 of fair value hierarchy. The valuation technique used is equity calculation based on EBTDA and market data. In assessing for the expected credit losses, the debt instruments at FVOCI were assessed to be of high-grade credit quality and classified under stage 1 category. The dividend income recognised in profit or loss from the equity instruments at FVOCI (Menno Plaza Limited) was Kshs. 1,022,971 (2021: Kshs.1,144,288).

THE CO-OPERATIVE BANK OF KENYA LIMITED AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2022

11. DERIVATIVE FINANCIAL INSTRUMENTS

The table below shows the fair values of derivative financial instruments recorded as assets or liabilities together with their notional amounts. The notional amount, recorded gross, is the amount of a derivative's underlying asset and is the basis upon which changes in the value of derivatives are measured. The notional amounts indicate the volume of transactions outstanding at the year end and are indicative of neither the market risk nor the credit risk. These derivative financial instruments are measured at fair value through profit or loss.

	Group and Bank			
	2022		2021	
	KShs'000	KShs'000	KShs'000	KShs'000
	Notional value	Fair value of contracts: Asset /(Liability)	Notional value	Fair value of contracts: Asset /(Liability)
Forward exchange contracts	2,127,853	20,944	3,201,219	48,173
Swaps	11,013,287	185,781	11,919,552	151,592
	13,141,140	**206,725**	**15,120,771**	**199,765**

12. OTHER ASSETS

	Group		Bank	
	2022	2021	2022	2021
	KShs'000	KShs'000	KShs'000	KShs'000
Interest receivable	5,411,632	5,222,780	4,601,599	5,163,951
Items in the course of collection from other banks	325,425	41	325,425	-
Deposits with financial Institutions	233,771	233,771	230,857	230,857
Sundry debtors and prepayments	18,430,413	12,168,385	16,017,147	10,112,825
Amounts due from related parties (note 45 c)	-	-	29,593	23,894
Staff loan amortisation	6,217,201	2,898,478	6,217,201	2,898,478
	30,618,442	**20,523,455**	**27,421,822**	**18,430,005**
Impairment losses/gains on deposits with financial institutions & other financial assets	(486,807)	11,623	2,226	11,623
	30,131,635	**20,535,078**	**27,424,048**	**18,441,628**

The sundry debtors relates to various types of receivables of low values of which the Group consider it will not be useful to disclose individually.

THE CO-OPERATIVE BANK OF KENYA LIMITED AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2022

13. LOANS AND ADVANCES TO CUSTOMERS

	Group		Bank	
	2022	2021	2022	2021
(a) Net loans and advances	KShs'000	KShs'000	KShs'000	KShs'000
Overdrafts	15,403,441	5,168,097	14,572,278	5,155,024
Commercial loans	342,136,632	317,905,880	332,550,435	308,424,670
Government/Donor funded loan schemes	704,924	448,496	704,924	448,496
Credit cards	823,273	666,605	823,273	666,605
Micro enterprises & SME	24,535,770	22,479,018	23,775,929	22,479,018
Gross loans and advances	**383,604,040**	**346,668,096**	**372,426,839**	**337,173,813**
Staff loans amortisation	(6,217,201)	(2,898,478)	(6,217,201)	(2,898,478)
	377,386,839	**343,769,618**	**366,209,638**	**334,275,335**
Allowance for expected credit losses (note 13 c)	(37,996,800)	(33,574,321)	(34,886,600)	(29,690,898)
Net loans and advances	**339,390,039**	**310,195,297**	**331,323,038**	**304,584,437**

	Group and Bank	
(a) The weighted average effective interest rates at 31 December were: -	2022	2021
	%	%
Overdrafts	12.9	12.9
Commercial loans	12.9	12.9
Government/Donor funded loan schemes	12.5	8.5
Credit card balances	13	13

(b) Allowance for Expected Credit Losses

GROUP

	Stage 1	Stage 2	Stage 3	Total
	KShs'000	KShs'000	KShs'000	KShs'000
At 1 January 2022	**4,633,615**	**9,027,197**	**19,913,509**	**33,574,321**
Expected credit loss	353,141	(4,896,980)	13,091,363	8,547,524
Write Back	65,041	-	-	65,041
Write off	-	-	(4,069,396)	(4,069,396)
Exchange difference on translation of a foreign operation	144,040	112,929	(377,659)	(120,690)
At 31 December 2022	**5,195,837**	**4,243,146**	**28,557,817**	**37,996,800**
At 1 January 2021	**2,886,115**	**5,869,697**	**22,077,289**	**30,833,101**
Expected credit loss	1,747,500	3,157,500	3,024,256	7,929,256
Interest on impaired loans recognised as income	-	-	(70,133)	(70,133)
ECL-Interest	-	-	(96,009)	(96,009)
Exchange difference on translation of a foreign operation	-	-	(576,817)	(576,817)
Write Back	-	-	(735,122)	(735,122)
Write off	-	-	(3,709,955)	(3,709,955)
At 31 December 2021	**4,633,615**	**9,027,197**	**19,913,509**	**33,574,321**

THE CO-OPERATIVE BANK OF KENYA LIMITED AND SUBSIDIARIES

FOR THE YEAR ENDED 31 DECEMBER 2022

13. LOANS AND ADVANCES TO CUSTOMERS (continued)

(b) Allowance for Expected Credit Losses (Continued)

BANK

Presented in KShs'000	Stage 1	Stage 2	Stage 3	Total
At 1 January 2022	**4,678,824**	**8,995,694**	**16,016,378**	**29,690,896**
Expected credit loss	(48,264)	(4,867,946)	13,007,906	8,091,696
Write off	-	-	(2,895,992)	(2,895,992)
At 31 December 2022	**4,630,560**	**4,127,748**	**26,128,292**	**34,886,600**
At 1 January 2021	**2,931,324**	**5,838,194**	**18,032,599**	**26,802,117**
Expected credit loss	1,747,500	3,157,500	2,594,998	7,499,998
Interest on impaired loans recognised as income	-	-	(70,133)	(70,133)
ECL Interest	-	-	(96,009)	(96,009)
Write back	-	-	(735,122)	(735,122)
Write off	-	-	(3,709,955)	(3,709,955)
At 31 December 2021	**4,678,824**	**8,995,694**	**16,016,378**	**29,690,896**

The table below provides overview of the credit quality and the maximum exposure to credit risk based on the Group's internal credit rating system and year end stage classification.

GROUP

31 December 2022

Internal risk rating category	12-month ECL Stage 1	Lifetime ECL not credit impaired Stage 2	Lifetime ECL credit Impaired Stage 3	Gross Carrying Amount	Provisions for impairment: 12-month ECL stage 1	Lifetime ECL not credit impaired Stage 2	Lifetime ECL credit Impaired Stage 3	Total ECL
	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000
Grade1	294,587,633	-	-	**294,587,633**	5,195,837	-	-	**5,195,837**
Grade2	-	36,481,803		**36,481,803**	-	4,243,146	-	**4,243,146**
Grade3	-	-	32,104,565	**32,104,565**	-	-	17,697,640	**17,697,640**
Grade4	-	-	18,463,520	**18,463,520**	-	-	8,893,659	**8,893,659**
Grade5	-	-	1,966,519	**1,966,519**	-	-	1,966,518	**1,966,518**
Total	**294,587,633**	**36,481,803**	**52,534,604**	**383,604,040**	**5,195,837**	**4,243,146**	**28,557,817**	**37,996,800**

31 December 2021

Internal risk rating category	12-month ECL Stage 1	Lifetime ECL not credit impaired Stage 2	Lifetime ECL credit Impaired Stage 3	Gross Carrying Amount	Provisions for impairment: 12-month ECL stage 1	Lifetime ECL not credit impaired Stage 2	Lifetime ECL credit Impaired Stage 3	Total ECL
	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000
Grade1	265,936,409	-	-	**265,936,409**	4,986,320	-	-	**4,986,320**
Grade2	-	30,904,779		**30,904,779**	-	1,911,145	-	**1,911,145**
Grade3	-	-	26,796,093	**26,796,093**	-	-	13,142,705	**13,142,705**
Grade4	-	-	20,408,167	**20,408,167**	-	-	9,516,445	**9,516,445**
Grade5	-	-	2,622,648	**2,622,648**	-	-	4,017,706	**4,017,706**
Total	**265,936,409**	**30,904,779**	**49,826,908**	**346,668,095**	**4,986,320**	**1,911,145**	**26,676,856**	**33,574,321**

THE CO-OPERATIVE BANK OF KENYA LIMITED AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2022

13. LOANS AND ADVANCES TO CUSTOMERS (continued)

(b) Allowance for Expected Credit Losses (Continued)

BANK

31 December 2022

Internal risk rating category	12-month ECL Stage 1	Lifetime ECL not credit impaired Stage 2	Lifetime ECL credit Impaired Stage 3	Gross Carrying Amount	Provisions for impairment: 12-month ECL stage 1	Lifetime ECL not credit impaired Stage 2	Lifetime ECL credit Impaired Stage 3	Total ECL
	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000
Grade1	289,557,659	-	-	**289,557,659**	4,630,560	-	-	**4,630,560**
Grade2	-	35,389,334	-	**35,389,334**	-	4,127,748	-	**4,127,748**
Grade3	-	-	31,685,959	**31,685,959**	-	-	17,635,241	**17,635,241**
Grade4	-	-	15,514,355	**15,514,355**	-	-	8,213,520	**8,213,520**
Grade5	-	-	279,532	**279,532**	-	-	279,531	**279,531**
Total	**289,557,659**	**35,389,334**	**47,479,846**	**372,426,839**	**4,630,560**	**4,127,748**	**26,128,292**	**34,886,600**

31 December 2021

Internal risk rating category	12-month ECL Stage 1	Lifetime ECL not credit impaired Stage 2	Lifetime ECL credit Impaired Stage 3	Gross Carrying Amount	Provisions for impairment: 12-month ECL stage 1	Lifetime ECL not credit impaired Stage 2	Lifetime ECL credit Impaired Stage 3	Total ECL
	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000
Grade1	263,393,676	-	-	**263,393,676**	4,861,632	-	-	**4,861,632**
Grade2	-	30,468,317	-	**30,468,317**	-	1,909,914	-	**1,909,914**
Grade3	-	-	26,173,586	**26,173,586**	-	-	13,116,265	**13,116,265**
Grade4	-	-	16,660,971	**16,660,971**	-	-	9,325,826	**9,325,826**
Grade5	-	-	477,262	**477,262**	-	-	477,261	**477,261**
Total	**263,393,676**	**30,468,317**	**43,311,819**	**337,173,812**	**4,861,632**	**1,909,914**	**22,919,352**	**29,690,898**

THE CO-OPERATIVE BANK OF KENYA LIMITED AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2022

13. LOANS AND ADVANCES TO CUSTOMERS (continued)

(b) Allowance for Expected Credit Losses (Continued)

An analysis of changes in gross carrying amount and the corresponding ECL allowance in relation to Group and Bank loan portfolio is as follows:

Group	Stage 1 KShs'000	Stage 2 KShs'000	Stage 3 KShs'000	Total KShs'000
Gross carrying amount as at 1 January 2022	**265,912,195**	**30,720,798**	**50,035,102**	**346,668,095**
New financial assets originated or purchased	121,994,768	25,115,567	17,121,020	**164,231,355**
Financial assets that have been derecognised (excluding write-off)	(89,055,204)	(15,342,457)	(15,890,799)	**(120,288,460)**
Movement to Stage 1	2,670,620	(2,385,363)	(285,257)	-
Movement to Stage 2	(1,011,805)	1,492,380	(480,575)	-
Movement to Stage 3	(4,317,833)	(3,217,600)	7,535,433	-
Write offs	-	-	(4,069,397)	**(4,069,397)**
Other changes	(1,605,108)	98,478	(1,430,923)	**(2,937,553)**
31 December 2022	**294,587,633**	**36,481,803**	**52,534,604**	**383,604,040**
Impairment allowance as at 1 January 2022	**5,645,050**	**1,942,494**	**25,986,777**	**33,574,321**
New financial assets originated or purchased	4,098,103	4,441,267	6,755,699	**15,295,069**
Financial assets that have been derecognised (excluding write-off)	(1,440,580)	(1,373,564)	(3,950,530)	**(6,764,674)**
Movement to Stage 1	54,136	(48,657)	(5,479)	-
Movement to Stage 2	(257,398)	386,328	(128,930)	-
Movement to Stage 3	(2,174,069)	(1,165,710)	3,339,779	-
Impact on year end ECL of exposures transferred between stages during the year	-	-	50,498	**50,498**
Write offs	-	-	(4,069,397)	**(4,069,397)**
Other changes	(729,405)	60,988	579,400	**89,018**
31 December 2022	**5,195,837**	**4,243,146**	**28,557,817**	**37,996,800**
Net carrying Amount as at 31 December 2022	**289,391,796**	**32,238,657**	**23,976,787**	**345,607,240**
Gross carrying amount as at 1 January 2021	**238,087,697**	**25,936,384**	**58,828,325**	**322,852,406**
New financial assets originated or purchased	138,573,875	8,756,272	2,236,806	**149,566,953**
Financial assets that have been derecognised (excluding write-off)	(108,968,239)	(9,848,637)	(11,680,597)	**(130,497,473)**
Movement to Stage 1	5,932,168	(3,681,513)	(2,250,655)	-
Movement to Stage 2	(8,155,821)	11,441,983	(3,286,162)	-
Movement to Stage 3	(1,474,267)	(7,515,155)	8,989,422	-
Restructures	1,916,782	5,631,464	1,300,156	**8,848,402**
Write off	-	-	(4,102,193)	**(4,102,193)**
31 December 2021	**265,912,195**	**30,720,798**	**50,035,102**	**346,668,095**

THE CO-OPERATIVE BANK OF KENYA LIMITED AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2022

13. LOANS AND ADVANCES TO CUSTOMERS (continued)

(b) Allowance for Expected Credit Losses (Continued)

Group (continued)	Stage 1 KShs'000	Stage 2 KShs'000	Stage 3 KShs'000	Total KShs'000
Impairment allowance as at 1 January 2021	**2,943,245**	**5,848,553**	**21,440,654**	**30,232,452**
New financial assets originated or purchased	7,321,364	4,062,998	1,524,448	**12,908,810**
Financial assets that have been derecognised (excluding write-off)	(1,140,637)	(4,360,569)	(238,549)	**(5,739,755)**
Movement to Stage 1	149,536	(12,025)	(137,511)	-
Movement to Stage 2	(164,224)	458,941	(294,717)	-
Movement to Stage 3	(18,321)	(502,495)	520,816	-
Impact on year end ECL of exposures transferred between stages during the year	(3,520,150)	(3,712,932)	7,233,082	-
ECL on restructures	74,237	160,023	40,747	**275,007**
Write off	-	-	(4,102,193)	**(4,102,193)**
31 December 2021	**5,645,050**	**1,942,494**	**25,986,777**	**33,574,321**
Net carrying Amount as at 31 December 2021	**260,267,145**	**28,778,304**	**24,048,325**	**313,093,774**
Bank				
Gross carrying amount as at 1 January 2022	**263,393,676**	**30,468,317**	**43,311,819**	**337,173,812**
New financial assets originated or purchased	117,390,200	24,283,348	16,712,701	**158,386,249**
Financial assets that have been derecognised (excluding write-off)	(87,648,929)	(15,253,387)	(14,807,262)	**(117,709,578)**
Movement to Stage 1	2,563,877	(2,359,112)	(204,765)	-
Movement to Stage 2	(685,156)	1,099,719	(414,563)	-
Movement to Stage 3	(4,088,226)	(2,780,422)	6,868,648	-
Write-offs	-	-	(2,895,993)	**(2,895,993)**
Other changes	(1,367,783)	(69,129)	(1,090,739)	**(2,527,651)**
31 December 2022	**289,557,659**	**35,389,334**	**47,479,846**	**372,426,839**
Impairment allowance as at 1 January 2022 under IFRS 9	**4,861,632**	**1,909,914**	**22,919,352**	**29,690,898**
New financial assets originated or purchased	3,482,500	4,304,263	6,636,785	**14,423,548**
Financial assets that have been derecognised (excluding write-off)	(1,324,742)	(1,288,292)	(3,619,885)	**(6,232,919)**
Movement to Stage 1	39,979	(37,696)	(2,283)	-
Movement to Stage 2	(249,567)	355,219	(105,652)	-
Movement to Stage 3	(2,134,423)	(1,063,579)	3,198,002	-
Write-offs	-	-	(2,895,993)	**(2,895,993)**
Other Changes	(44,818)	(52,083)	(2,033)	**(98,934)**
31 December 2022	**4,630,561**	**4,127,746**	**26,128,292**	**34,886,600**
Net carrying Amount as at 31 December 2022	**284,927,098**	**31,261,588**	**21,351,553**	**337,540,239**

THE CO-OPERATIVE BANK OF KENYA LIMITED AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2022

13. LOANS AND ADVANCES TO CUSTOMERS (continued)

(b) Allowance for Expected Credit Losses (Continued)

Bank (continued)	Stage 1	Stage 2	Stage 3	Total
	KShs'000	KShs'000	KShs'000	KShs'000
Gross carrying amount as at 1 January 2021	**235,326,266**	**25,601,957**	**51,781,183**	**312,709,406**
New financial assets originated or purchased	137,284,772	8,906,386	2,063,578	**148,254,736**
Financial assets that have been derecognised (excluding write-off)	(107,123,220)	(9,668,566)	(10,697,056)	**(127,488,842)**
Movement to Stage 1	5,701,222	(3,594,709)	(2,106,513)	-
Movement to Stage 2	(8,039,180)	11,263,887	(3,224,707)	-
Movement to Stage 3	(1,015,623)	(7,374,735)	8,390,358	-
Restructures	1,259,439	5,334,097	814,932	**7,408,468**
Write-offs	-	-	(3,709,956)	**(3,709,956)**
31 December 2021	**263,393,676**	**30,468,317**	**43,311,819**	**337,173,812**
Impairment allowance as at 1 January 2021 under IFRS 9	**2,931,324**	**5,835,335**	**18,035,458**	**26,802,117**
New financial assets originated or purchased	6,562,525	4,042,031	1,298,485	**11,903,041**
Financial assets that have been derecognised (excluding write-off)	(1,071,232)	(4,360,101)	(86,335)	**(5,517,668)**
Movement to Stage 1	117,058	(11,732)	(105,326)	-
Movement to Stage 2	(160,331)	450,555	(290,224)	-
Movement to Stage 3	(10,156)	(493,265)	503,421	-
Impact on year end ECL of exposures transferred between stages during the year	(3,520,150)	(3,712,932)	7,233,082	-
ECL on restructures	12,594	160,023	40,747	**213,364**
Write-offs	-	-	(3,709,956)	**(3,709,956)**
31 December 2021	**4,861,632**	**1,909,914**	**22,919,352**	**29,690,898**
Net carrying Amount as at 31 December 2021	**260,267,144**	**28,778,303**	**24,048,327**	**313,093,774**

THE CO-OPERATIVE BANK OF KENYA LIMITED AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2022

14. DEBT INSTRUMENTS AT AMORTISED COST

	Group		Bank	
	2022	2021	2022	2021
	KShs'000	KShs'000	KShs'000	KShs'000
Government treasury bills:				
Maturing within 91 days	5,964,643	16,834,559	5,964,643	16,834,558
Maturing after 91 days	2,573,664	12,878,883	2,573,664	12,878,883
Treasury bonds:				
Maturing within 91 days	3,854,814	-	3,854,814	-
Maturing after 91 days	60,924,018	46,510,451	53,340,722	46,215,895
Corporate bonds:				
Maturing within 91 days	-	-	-	-
Maturing after 91 days	1,482,824	1,305,843	1,482,824	1,305,843
	74,799,963	**77,529,736**	**67,216,667**	**77,235,179**
Movement in the year:				
At 1 January	77,529,735	98,901,544	77,235,179	77,516,586
Additions	62,013,190	54,149,469	54,653,643	53,347,960
Allowance for credit losses	1,369	73,592	72,176	73,592
Reclassification to FVOCI*	-	(21,891,910)	-	-
Maturities	(64,744,331)	(53,702,959)	(64,744,331)	(53,702,959)
At December 31	**74,799,963**	**77,529,736**	**67,216,667**	**77,235,179**

The weighted average effective interest rate on Debt instruments measured at amortised cost as at 31 December 2022 was 11.88%. In assessing for the expected credit losses, the debt instruments at amortised cost were assessed to be of high-grade credit quality and classified under stage 1 category.

* Kingdom Bank (a subsidiary of the Group) which was acquired in 2020 changed its business model on managing the government securities initially held at amortized cost to allow for a more aggressive approach on the funds received from Central Bank of Kenya to be utilised for lending to customers on need basis, improve the liquidity position and revive the Bank.

THE CO-OPERATIVE BANK OF KENYA LIMITED AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2022

15. INVESTMENT IN SUBSIDIARIES

The following subsidiaries are owned by the Bank: -

Bank	Ownership	Principal Activity	2022 KShs'000	2021 KShs'000
Co-op Consultancy & Bancassurance Intermediary Agency Limited	100%	Consultancy & Insurance Agency	70,000	70,000
Co-op trust Investment Services Limited	100%	Fund management	20,000	20,000
Kingdom Securities Limited	60%	Brokerage Services	150,000	150,000
Co-operative Bank of South Sudan	51%	Banking	2,644,925	2,644,925
Kingdom Bank Limited	90%	Banking	1,000,000	1,000,000
			3,884,925	**3,884,925**

The investment in the above subsidiaries is at cost. All the subsidiaries are unlisted and have the same financial year-end of 31 December as the Bank.

Co-op Consultancy & Bancassurance Intermediary Agency Limited was established as Co-op Consultancy Services in 2002 to offer consultancy, advisory and insurance agency services. The audited financial statements for the year ended 31 December 2022 show that the company made a profit after tax of KShs. 706,117,045 (2021- KShs. 560,844,259)

Co-optrust Investment Services was established in 1998 to offer fund management and investment services. The audited financial statements for the year ended 31 December 2022 show that the company made a profit after tax of KShs. 143,020,419 (2021- KShs. 98,070,774).

Kingdom Securities Limited (previously Bob Mathews Stockbrokers Limited) was acquired by Co-operative Bank Limited through purchase of 60% shareholding in 2009. The company offers brokerage services and is a registered broker with the Nairobi Securities Exchange. The audited financial statements for the year ended 31 December 2022 show that the company made a profit after tax of KShs. 5,794,979 (2021 – profit after tax of KShs. 703,030). Refer to note 32 for financial statements summaries.

Co-operative Bank of South Sudan was registered in 2013 with the partnership of Government of South Sudan which holds 49% of the ordinary shares. As at year end, Co-operative Bank of Kenya Limited had contributed 51% of the total share capital with the Government of South Sudan contributing 49%. The Subsidiary is based in South Sudan and commenced operation in September 2013. The audited financial statements for the year ended 31 December 2022 show that the company made a profit of KShs. 233,379,344 (2021- KShs. 484,412,171 - Loss). Refer to note 32 for financial statements summaries.

Kingdom Bank Limited (previously Jamii Bora Bank) was acquired by Co-operative Bank Limited through purchase of 90% shareholding in 2020 with the objective of accessing the SME market share. The audited financial statements for the year ended 31 December 2022 show that the bank made a profit after tax of KShs. 915,989,827 (2021 – profit after tax of KShs. 519,759,764). Refer to note 32 for financial statements summaries. On acquisition of Kingdom Bank Limited in year 2020, there was recognition of Goodwill of Kes. 3,294,000,000. The Group subjected the Goodwill to impairment test with no resultant impairment cost.

About this Integrated Report | Our Leadership | Co-op Bank Model | Our Capitals | Operating Environment | Strategic Focus Review | Environmental, Social and Governance (ESG) | Financial Statements

THE CO-OPERATIVE BANK OF KENYA LIMITED AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2022

16. INVESTMENTS IN ASSOCIATES

The Bank has 33.41% interest in Co-operative Insurance Society Limited which is the majority shareholder of CIC Insurance Group Limited. CIC Insurance Group Limited is a listed company at Nairobi Securities Exchange (NSE) and is incorporated in Kenya. The principal activity of the Company is insurance business and fund management. The fair value of the investment as at 31 December 2022 was KShs. 1.27 billion.

The Group's Interest in Co-operative Insurance Society Limited is accounted for using the equity method in the consolidated financial statements.

The Bank's interest in Co-operative Insurance Society Limited is accounted for at cost in the separate financial statements.

Co-operative Bank of South Sudan owns 31% stake in CIC South Sudan. The interest in CIC South Sudan is accounted for using the equity method in the consolidated financial statements.

The Bank has a joint venture, Co-op Bank Fleet Africa Leasing Limited, with Super Group Limited to carry out leasing business. The terms of the joint venture are such that the Bank owns 25% shareholding with Super Group owning 75% shareholding with a 50:50 profit sharing arrangement.

	Group		Bank	
	2022 KShs'000	2021 KShs'000	2022 KShs'000	2021 KShs'000
At 1 January	**2,146,675**	**1,967,532**	**706,444**	**706,444**
Share of profit/(loss)	416,141	305,579	-	-
Other comprehensive income	(170,403)	(116,602)	-	-
Exchange difference on translation	90,890	(9,834)	-	-
Sale of shares	-	-	-	-
Investment in Co-op Bank Fleet Africa Leasing Limited	-	-	-	-
Dividends received	-	-	-	-
As at 31 December	**2,483,303**	**2,146,675**	**706,444**	**706,444**

The following table illustrates summarized financial information of the Group's investment in associates:

	Co-operative Insurance Society Limited		CIC South Sudan Limited	
Statement of financial position:	2022 KShs'000	2021 KShs'000	2022 KShs'000	2021 KShs'000
Non-current assets	10,530,017	12,982,640	1,300,568	414,935
Current assets	36,185,327	28,275,721	60,301	1,050,271
	46,715,344	41,258,361	1,360,869	1,465,206
Current liabilities	(38,145,417)	(33,150,571)	(867,017)	(947,934)
Equity	**8,569,927**	**8,107,790**	**493,852**	**517,272**
Group's share in equity	2,863,180	2,708,782	153,094	160,355
Other adjustments	(379,878)	(562,107)	-	-
Group's carrying amount of the investment	**2,483,303**	**2,146,675**	**153,094**	**160,355**

THE CO-OPERATIVE BANK OF KENYA LIMITED AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2022

16. INVESTMENTS IN ASSOCIATES (continued)

	Co-operative Insurance Society Limited		CIC South Sudan Limited	
	2022	2021	2022	2021
Statement of comprehensive income:	KShs'000	KShs'000	KShs'000	KShs'000
Revenue	22,506,416	19,187,312	486,131	659,193
Operating and other expenses	(20,482,961)	(18,270,919)	(426,080)	(447,760)
Profit before tax	2,023,455	916,393	60,051	211,433
Income tax expense	(914,626)	(266,219)	-	-
Profit after tax	**1,108,829**	**650,174**	**60,051**	**211,433**
Other comprehensive income	(510,044)	(349,007)	86,674	(105,323)
Total comprehensive income for the year	**598,785**	**301,167**	**146,725**	**106,110**
Attributable to parent	580,019	249,185	-	-
Attributable to Non-controlling interest	18,766	51,982	-	-
	598,785	**301,167**	**-**	**-**
Group's share of comprehensive income	**200,052**	**100,590**	**49,020**	**35,451**
Split as follows				
Share of profit or loss	370,456	217,156	18,616	65,544
Share of OCI				
-Fair value gain of FVOCI investment	(204,850)	336	-	-
-Translation difference	1,027	(1,719)	-	-
- Revaluation gain of building	33,419	-	86,674	1,005
	(170,404)	(11,384)	86,674	1,005
	200,052	**205,772**	**105,289**	**66,549**

THE CO-OPERATIVE BANK OF KENYA LIMITED AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2022

17. INTANGIBLE ASSETS

(a) GROUP	Computer software	Business Rights	Other intangible assets	Work-in-progress	Total
	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000
COST					
At 1 January 2022	**7,884,116**	**123,029**	**25,000**	**175,499**	**8,207,644**
Additions	232,175	-	-	663,098	**895,273**
Transfers from WIP	389,670	-	-	(382,886)	**6,784**
Asset reclassification to PPE	-	-	-	(2,412)	**(2,412)**
Disposals	(5,371)	-	-	-	**(5,371)**
Exchange difference on translation	(535,248)	(59,576)	-	263,523	**(331,301)**
At 31 December 2022	**7,965,342**	**63,453**	**25,000**	**716,822**	**8,770,617**
AMORTISATION					
At 1 January 2022	**5,289,838**	**123,029**	**-**	**-**	**5,412,867**
Amortisation for the year	805,223	-	-	-	**805,223**
Disposals	(3,223)	-	-	-	**(3,223)**
Exchange difference on translation	-	(59,576)	-	-	**(59,576)**
At 31 December 2022	**6,091,838**	**63,453**	**-**	**-**	**6,155,291**
NET CARRYING AMOUNT					
At 31 December 2022	**1,873,504**	**-**	**25,000**	**716,822**	**2,615,326**
COST					
At 1 January 2021	**7,064,109**	**282,605**	**25,000**	**252,273**	**7,623,987**
Additions	358,358	-	-	220,298	**578,656**
Transfers from WIP	195,454	-	-	(195,454)	**-**
Write off*	7,014	-	-	(101,618)	**(94,604)**
Exchange difference on translation	259,181	(159,576)	-	-	**99,605**
At 31 December 2021	**7,884,116**	**123,029**	**25,000**	**175,499**	**8,207,644**
AMORTISATION					
At 1 January 2021	**4,516,281**	**282,605**	**-**	**-**	**4,798,886**
Amortisation for the year	756,575	-	-	-	**756,575**
Exchange difference on translation	277,424	(159,576)	-	-	**117,848**
At 31 December 2021	**5,550,280**	**123,029**	**-**	**-**	**5,673,309**
NET CARRYING AMOUNT					
At 31 December 2021	**2,333,836**	**-**	**25,000**	**175,499**	**2,534,335**

* The write off relate to cost incurred to implement a new software in Co-operative Bank of South Sudan but later discontinued to allow the Group adopt a uniform core banking system which is currently at the initial implementation stage.

Other intangible assets relate to trading rights by Kingdom Securities Limited to participate in trading at Nairobi Securities Exchange (NSE). The business rights relate to the costs incurred in negotiating a business arrangement with the Government of South Sudan for the Co-Operative Bank of South Sudan. Under the agreement with the Government of South Sudan, the Bank acquired certain rights that are identifiable e.g., business relationships with the government and Co-operative Movement.

Work-in-progress relates to partially paid and ongoing software projects not yet commissioned for use by the group.

17. INTANGIBLE ASSETS (continued)

(b) BANK	Computer Software KShs'000	Work –in progress KShs'000	KShs'000
COST			
At 1 January 2022	**6,702,196**	**438,407**	**7,140,603**
Additions	216,152	653,542	869,694
Transfer from Work in Progress	382,886	(382,886)	-
Asset Reclassification to property and equipment	-	(2,412)	(2,412)
At 31 December 2022	**7,301,234**	**706,651**	**8,007,885**
AMORTISATION			
At 1 January 2022	**4,697,633**	**-**	**4,697,633**
Amortisation for the year	770,641	-	770,641
At 31 December 2022	**5,468,274**	**-**	**5,468,274**
NET CARRYING AMOUNT			
At 31 December 2022	**1,832,960**	**706,651**	**2,539,611**
COST			
At 1 January 2021	**6,150,889**	**509,172**	**6,660,061**
Additions	355,853	219,293	575,146
Transfer from Work in Progress	195,454	(195,454)	-
Asset Reclassification to property and equipment	-	(94,604)	(94,604)
At 31 December 2021	**6,702,196**	**438,407**	**7,140,603**
AMORTISATION			
At 1 January 2021	**3,960,250**	**-**	**3,960,250**
Amortisation for the year	737,383	-	737,383
At 31 December 2021	**4,697,633**	**-**	**4,697,633**
NET CARRYING AMOUNT			
At 31 December 2021	**2,004,563**	**438,407**	**2,442,970**

Amortisation has not been charged in arriving at the results for the year in respect of certain fully amortised software assets with a cost of KShs. 3,047,328,044 (2021-KShs. 2,490,573,453), which are still in use. If amortisation had been charged during the year on the cost of these assets at normal rates, it would have amounted to KShs. 609,465,609 (2021-KShs. 498,114,690).

18. LEASEHOLD LAND

	Group and Bank 2022 KShs'000	2021 KShs'000
COST		
At 1 January	**54,413**	**54,413**
AMORTISATION:		
At 1 January	**21,111**	**20,501**
Charge for the year	609	610
At 31 December	**21,720**	**21,111**
NET CARRYING AMOUNT		
At 31 December	**32,693**	**33,302**

Prepaid lease rentals relate to the lease payments for leasehold land to the government. Amortization is done over the remaining lease period of the lease as at the time of purchase.

19. PROPERTY AND EQUIPMENT

(a) GROUP	Freehold land & buildings	Capital work-in progress	Fixtures	Office machinery, furniture & equipment	Motor vehicles	Computers	Total
COST/VALUATION	**KShs'000**	**KShs'000**	**KShs'000**	**KShs'000**	**KShs'000**	**KShs'000**	**KShs'000**
At 1 January 2022	**3,115,073**	**466,884**	**7,955,045**	**3,258,080**	**143,428**	**8,318,906**	**23,257,416**
Additions	-	639,048	212,372	215,789	12,416	363,381	**1,443,006**
Disposals	-	-	-	(36,369)	(13,252)	(77)	**(49,698)**
Revaluation	(41,400)	-	-	-	-	-	**(41,400)**
Transfers from WIP	-	(625,684)	261,514	7,570	-	356,600	**-**
Asset Reclassification	-	2,412	(1,770)	-	-	1,770	**2,412**
Asset Reclassification from intangible assets	-	(6,784)	-	-	-	-	**(6,784)**
Exchange difference on translation	(377)	(327,467)	1,833,892	(903,040)	(10,619)	(67,710)	**524,679**
Write off	-	-	(17,238)	-	-	125	**(17,113)**
At 31 December 2022	**3,073,296**	**148,409**	**10,243,815**	**2,542,030**	**131,973**	**8,972,995**	**25,112,518**
ACCUMULATED DEPRECIATION							
At 1 January 2022	**207,582**	**-**	**7,067,938**	**2,572,154**	**106,389**	**6,913,605**	**16,867,668**
Charge for the year	103,791	-	348,212	161,548	18,577	587,881	**1,220,009**
Disposals	-	-	-	(20,119)	(7,212)	(1,049)	**(28,380)**
Asset Reclassification	-	-	(1,051)	-	-	1,051	**-**
Revaluation	(311,373)	-	-	-	-	-	**(311,373)**
Write off	-	-	(180)	-	-	-	**(180)**
Exchange difference on translation	-	-	1,417,661	(779,569)	(11,092)	(57,630)	**569,370**
At 31 December 2022	**-**	**-**	**8,832,580**	**1,934,014**	**106,662**	**7,443,858**	**18,317,114**
NET CARRYING AMOUNT							
At 31 December 2022	**3,073,296**	**148,409**	**1,411,235**	**608,016**	**25,311**	**1,529,137**	**6,795,404**

(i) Capital work-in-progress represents ongoing construction work at the various branches of the Group.

(ii) Land and Buildings were revalued on open market value basis by professional valuers (Miligan Valuers, Hallmark Valuers and Crystal Valuers) as at 31 December 2022. The resulting surplus on revaluation was adjusted to book values of the properties and credited to revaluation reserve. If land and building were measured using the cost model, the net carrying amount would have been KShs. 3,073,296,409 (2021: KShs. 3,032,908,852)

(iii) Freehold land and buildings are revalued every three years. Freehold land and buildings include an amount of KShs. 171,290,830 (2021- KShs. 255,290,830) against which no depreciation has been charged, as these are pieces of land.

(iv) No depreciation has been charged in arriving at the results for the year in respect of certain fully depreciated property and equipment with a cost of KShs. 13,472,995,738 (2021- KShs. 11,572,320,532), which are still in use. If depreciation had been charged during the year on the cost of these assets at normal rates, it would have amounted to KShs. 2,182,264,329 (2021 - KShs. 1,904,189,526).

(v) The Group has not pledged any item of property, plant and equipment as security as at 31 December 2022 (31 December 2021: Nil)

(vi) The write offs in PPE & Intangibles relate to abandoned projects during the year. Their book values were written off through the statement of Profit or Loss.

THE CO-OPERATIVE BANK OF KENYA LIMITED AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2022

19. PROPERTY AND EQUIPMENT (continued)

(a) GROUP (Continued)	Freehold land & buildings	Capital work-in progress	Fixtures	Office machinery, furniture & equipment	Motor vehicles	Computers	Total
COST/VALUATION	**KShs'000**	**KShs'000**	**KShs'000**	**KShs'000**	**KShs'000**	**KShs'000**	**KShs'000**
At 1 January 2021	**3,139,309**	**590,766**	**9,357,535**	**3,364,621**	**193,396**	**8,196,469**	**24,842,096**
Additions	-	47,986	288,245	61,921	4,507	220,027	**622,686**
Disposals	-	-	(22,285)	(157,570)	(708)	(27,052)	**(207,615)**
Revaluation	(22,700)	-	-	-	-	-	**(22,700)**
Transfers from WIP	-	(266,469)	149,275	1,892	-	115,302	**-**
Asset Reclassification	-		12,784	(12,784)	-	-	**-**
Asset Reclassification from intangible assets	-	94,601	-	-	-	-	**94,601**
Exchange difference on translation	(1,536)	-	(1,830,509)	-	(53,767)	(185,965)	**(2,071,777)**
Write off	-	-	-	-	-	125	**125**
At 31 December 2021	**3,115,073**	**466,884**	**7,955,045**	**3,258,080**	**143,428**	**8,318,906**	**23,257,416**
ACCUMULATED DEPRECIATION							
At 1 January 2021	**103,791**	**-**	**7,781,290**	**2,381,410**	**111,287**	**6,524,724**	**16,902,502**
Charge for the year	103,791	-	426,390	340,361	32,305	583,502	**1,486,349**
Disposals	-	-	(18,285)	(137,795)	(708)	(27,027)	**(183,815)**
Asset Reclassification	-	-	11,822	(11,822)	-	-	**-**
Write off	-	-	-	-	-	125	**125**
Exchange difference on translation	-	-	(1,133,279)	-	(36,495)	(167,719)	**(1,337,493)**
At 31 December 2021	**207,582**	**-**	**7,067,938**	**2,572,154**	**106,389**	**6,913,605**	**16,867,668**
NET CARRYING AMOUNT							
At 31 December 2021	**2,907,491**	**466,884**	**887,107**	**685,926**	**37,039**	**1,405,301**	**6,389,748**

(i) Capital work-in-progress represents ongoing construction work at the various branches of the Group.

(ii) Land and Buildings were revalued on open market value basis by professional valuers (Realty Valuers, Mwaka Musau Consultants and Solomon & Associates Co Ltd) as at 31 December 2019. The resulting surplus on revaluation was adjusted to book values of the properties and credited to revaluation reserve. If land and building were measured using the cost model, the net carrying amount would have been KShs. 3,032,908,852 (2020: KShs. 2,244,908,852)

(iii) Freehold land and buildings are revalued every three years. Freehold land and buildings include an amount of KShs. 255,290,830 (2020- KShs. 255,290,830) against which no depreciation has been charged, as these are pieces of land.

(iv) No depreciation has been charged in arriving at the results for the year in respect of certain fully depreciated property and equipment with a cost of KShs. 11,572,320,532 (2020- KShs. 5,904,806,562), which are still in use. If depreciation had been charged during the year on the cost of these assets at normal rates, it would have amounted to KShs. 1,904,189,526 (2020 - KShs. 868,125,314).

(v) The Group has not pledged any item of property, plant and equipment as security as at 31 December 2021 (31 December 2020: Nil)

(vi) The write offs in PPE & Intangibles relate to abandoned projects during the year. Their book values were written off through the statement of Profit or Loss.

About this Integrated Report | Our Leadership | Co-op Bank Model | Our Capitals | Operating Environment | Strategic Focus Review | Environmental, Social and Governance (ESG) | Financial Statements

THE CO-OPERATIVE BANK OF KENYA LIMITED AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2022

19. PROPERTY AND EQUIPMENT (continued)

(b) BANK	Freehold land & buildings	Capital work-in progress	Fixtures	Office machinery, furniture & equipment	Motor vehicles	Computers	Total
COST/VALUATION	**KShs'000**	**KShs'000**	**KShs'000**	**KShs'000**	**KShs'000**	**KShs'000**	**KShs'000**
At 1 January 2022	**2,348,700**	**126,926**	**9,423,000**	**1,460,434**	**73,181**	**8,165,844**	**21,598,085**
Additions	-	572,119	209,041	135,242	12,416	352,493	**1,281,311**
Disposals	-	-	-	(1,520)	-	(32)	**(1,552)**
Revaluation surplus	(41,400)	-	-	-	-	-	**(41,400)**
Transfer from Work in Progress	-	(622,831)	258,661	7,570	-	356,600	**-**
Asset Reclassification		2,412	(1,770)	-	-	1,770	**2,412**
Write off	-	-	(17,238)	-	-	-	**(17,238)**
At 31 December 2022	**2,307,300**	**78,626**	**9,871,694**	**1,601,726**	**85,597**	**8,876,675**	**22,821,618**
ACCUMULATED DEPRECIATION							
At 1 January 2022	**207,582**	**-**	**8,158,664**	**1,307,739**	**56,234**	**6,773,358**	**16,503,577**
Charge for the year	103,791	-	329,303	78,019	13,017	585,988	**1,110,118**
Disposals	-	-	-	(2,730)	-	(32)	**(2,762)**
Revaluation	(311,373)	-	-	-	-	-	**(311,373)**
Asset Reclassification	-	-	(1,051)	-	-	1,051	**-**
Write off	-	-	(180)	-	-	-	**(180)**
At 31 December 2022	**-**	**-**	**8,486,736**	**1,383,028**	**69,251**	**7,360,365**	**17,299,380**
NET CARRYING AMOUNT							
At 31 December 2022	**2,307,300**	**78,626**	**1,384,958**	**218,698**	**16,346**	**1,516,310**	**5,522,238**

(i) Capital work-in-progress represents ongoing construction work at the various branches of the Bank.

(ii) Freehold land and buildings are revalued every three years. Freehold land and buildings include an amount of KShs. 171,000,000 (2021- KShs. 255,000,000) against which no depreciation has been charged, as these are pieces of land. If the freehold land and buildings were measured using the cost model, the carrying amount would be KShs. 109,088,630 (2021: KShs. 154,147,745)

(iii) Land and Buildings were revalued on open market value basis by professional valuers (Miligan Valuers, Hallmark Valuers and Crystal Valuers) as at 31 December 2022. The resulting surplus on revaluation was adjusted to book values of the properties and credited to revaluation reserve. If land and building were measured using the cost model, the net carrying amount would have been KShs. 2,307,300,000 (2021: KShs. 2,141,117,705).

(iv) No depreciation has been charged in arriving at the results for the year in respect of certain fully depreciated property and equipment with a cost of KShs. 13,466,851,726 (2021- KShs. 11,566,176,520), which are still in use. If depreciation had been charged during the year on the cost of these assets at normal rates, it would have amounted to KShs. 2,181,035,527 (2021 – KShs. 1,902,960,724)

(v) The write offs in PPE & Intangibles relate to abandoned projects during the year. Their book values were written off through the statement of Profit or Loss.

THE CO-OPERATIVE BANK OF KENYA LIMITED AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2022

19. PROPERTY AND EQUIPMENT (continued)

(b) BANK (Continued)

	Freehold land & buildings	Capital work-in progress	Fixtures	Office machinery, furniture & equipment	Motor vehicles	Computers	Total
COST/VALUATION	**KShs'000**	**KShs'000**	**KShs'000**	**KShs'000**	**KShs'000**	**KShs'000**	**KShs'000**
At 1 January 2021	**2,348,700**	**250,808**	**8,978,044**	**1,453,351**	**73,181**	**7,859,709**	**20,963,793**
Additions	-	47,986	286,922	36,312	-	217,763	**588,983**
Disposals	-	-	(4,025)	(18,337)	-	(26,930)	**(49,292)**
Transfer from Work in Progress	-	(266,469)	149,275	1,892	-	115,302	-
Asset Reclassification from intangible assets	-	94,601	-	-	-	-	**94,601**
Asset Reclassification	-	-	12,784	(12,784)	-	-	-
At 31 December 2021	**2,348,700**	**126,926**	**9,423,000**	**1,460,434**	**73,181**	**8,165,844**	**21,598,085**
ACCUMULATED DEPRECIATION							
At 1 January 2021	**103,791**	-	**7,746,060**	**1,273,207**	**41,599**	**6,221,511**	**15,386,168**
Charge for the year	103,791	-	400,920	64,690	14,635	578,752	**1,162,788**
Disposals	-	-	(138)	(18,336)	-	(26,905)	**(45,379)**
Reclassification	-	-	11,822	(11,822)	-	-	-
At 31 December 2021	**207,582**	-	**8,158,664**	**1,307,739**	**56,234**	**6,773,358**	**16,503,577**
NET CARRYING AMOUNT							
At 31 December 2021	**2,141,118**	**126,926**	**1,264,336**	**152,695**	**16,947**	**1,392,486**	**5,094,508**

(i) Capital work-in-progress represents ongoing construction work at the various branches of the Bank.

(ii) Freehold land and buildings are revalued every three years. Freehold land and buildings include an amount of KShs. 255,000,000 (2020 - KShs. 255,000,000) against which no depreciation has been charged, as these are pieces of land. If the freehold land and buildings were measured using the cost model, the carrying amount would be KShs. 154,147,745 (2020 - KShs. 154,147,745)

(iii) Land and Buildings were revalued on open market value basis by professional valuers (Realty Valuers, Mwaka Musau Consultants and Solomon & Associates Co Ltd) as at 31 December 2019. The resulting surplus on revaluation was adjusted to book values of the properties and credited to revaluation reserve. If land and building were measured using the cost model, the net carrying amount would have been KShs. 2,141,117,704 (2020 - KShs. 2,244,908,852).

(iv) No depreciation has been charged in arriving at the results for the year in respect of certain fully depreciated property and equipment with a cost of KShs. 11,566,176,520 (2020 - KShs. 9,425,316,652), which are still in use. If depreciation had been charged during the year on the cost of these assets at normal rates, it would have amounted to KShs. 1,902,960,724 (2020 - KShs. 1,572,227,332)

(v) The write offs in PPE & Intangibles relate to abandoned projects during the year. Their book values were written off through the statement of Profit or Loss.

THE CO-OPERATIVE BANK OF KENYA LIMITED AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2022

20. LEASES

i) Right-of-use assets

	Group			Bank		
	Buildings and Equipment	Motor Vehicles	Total	Buildings and Equipment	Motor Vehicles	Total
	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000
COST						
At 1 January 2022	**7,485,197**	**208,273**	**7,693,470**	**6,717,258**	**208,273**	**6,925,531**
Additions	121,474	-	121,474	81,763	-	81,763
Acquisition of a subsidiary	-	-	-	-	-	-
Disposals	-	-	-	-	-	-
Exchange differences	(328,035)	-	(328,035)	-	-	-
At 31 December 2022	**7,278,636**	**208,273**	**7,486,909**	**6,799,021**	**208,273**	**7,007,294**
DEPRECIATION						
At 1 January 2022	**3,628,076**	**108,950**	**3,737,026**	**3,404,727**	**108,950**	**3,513,677**
Depreciation for the year	1,113,271	52,033	1,165,304	1,024,375	52,033	1,076,408
Disposals	-	-	-	-	-	-
Exchange differences	(45,749)	-	(45,749)	-	-	-
At 31 December 2022	**4,695,598**	**160,983**	**4,856,581**	**4,429,102**	**160,983**	**4,590,085**
NET CARRYING AMOUNT						
At 31 December 2022	**2,583,038**	**47,290**	**2,630,328**	**2,369,919**	**47,290**	**2,417,209**
COST						
At 1 January 2021	**6,707,671**	**208,273**	**6,915,944**	**6,033,840**	**208,273**	**6,242,113**
Additions	1,044,718	-	1,044,718	683,418	-	683,418
Acquisition of a subsidiary	-	-	-	-	-	-
Disposals	-	-	-	-	-	-
Exchange differences	(267,192)	-	(267,192)	-	-	-
At 31 December 2021	**7,485,197**	**208,273**	**7,693,470**	**6,717,258**	**208,273**	**6,925,531**
DEPRECIATION						
At 1 January 2021	**2,497,012**	**56,917**	**2,553,929**	**2,259,958**	**56,917**	**2,316,875**
Depreciation for the year	1,216,017	52,033	1,268,050	1,144,769	52,033	1,196,802
Disposals		-	-	-	-	-
Exchange differences	(84,953)	-	(84,953)	-	-	-
At 31 December 2021	**3,628,076**	**108,950**	**3,737,026**	**3,404,727**	**108,950**	**3,513,677**
NET CARRYING AMOUNT						
At 31 December 2021	**3,857,121**	**99,323**	**3,956,444**	**3,312,531**	**99,323**	**3,411,854**

THE CO-OPERATIVE BANK OF KENYA LIMITED AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2022

20. LEASES (Continued)

ii) Lease liability

Set out below are the carrying amounts of lease liabilities (included in other liabilities in note 27) and the movements during the period:

	Group		Bank	
	2022	2021	2022	2021
	KShs'000	KShs'000	KShs'000	KShs'000
As at 1 January	4,286,368	4,445,956	3,848,619	4,263,759
Additions/ modification	125,476	1,044,718	81,760	683,421
Accretion of interest	200,154	281,593	182,839	265,624
Payments	(1,331,524)	(1,485,899)	(1,191,503)	(1,364,185)
Translation difference	(89,258)	-	-	-
As at 31 December	**3,191,216**	**4,286,368**	**2,921,715**	**3,848,619**
Expected to be settled within 12 months after the year end	979,770	468,583	926,904	415,140
Expected to be settled more than 12 months after the year end	2,211,446	4,094,491	1,994,811	3,433,479
	3,191,216	**4,563,074**	**2,921,715**	**3,848,619**
The total cash outflow for leases in the year was:				
Payments of principal portion of the lease liability	1,131,370	1,204,306	1,008,664	1,098,561
Interest paid on lease liabilities	200,154	281,593	182,839	265,624
	1,331,524	**1,485,899**	**1,191,503**	**1,364,185**

iii) Amounts recognised in profit or loss

	Group		Bank	
	2022	2021	2022	2021
	KShs'000	KShs'000	KShs'000	KShs'000
Interest on lease liabilities	(200,154)	(308,861)	(182,839)	(265,624)
Depreciation of right to use asset	(1,165,304)	(1,268,050)	(1,076,408)	(1,196,802)
As at 31 December	**(1,365,458)**	**(1,576,911)**	**(1,259,247)**	**(1,462,426)**

The Group and Bank lease holdings include leased space where the bank's branches and subsidiaries conduct their business as well as twenty-three leased motor vehicles used by various departments and branches of the bank. The leased spaces have a tenor of six years while the motor vehicles have a tenor of four years. Some of the leases have termination or extension clauses. However, the lease contracts do not have a residual value guarantee. Some of the leases have escalations clauses after two years, which vary from contract to contract on the leases mentioned above. The maturity analysis of lease liabilities are disclosed in Note 4(b).

THE CO-OPERATIVE BANK OF KENYA LIMITED AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2022

21. DEFERRED TAX

The following table shows deferred tax recorded on the statement of financial position and changes recorded in the Income tax expense:

Group	2022			2021		
	Deferred tax assets	Through Profit or loss	Through reserves	Deferred tax assets	Through Profit or loss	Through reserves
	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000
Collective allowance for impairment disallowed for tax purposes	(4,983,437)	(511,445)		(4,471,992)	(863,125)	-
Revaluation surplus	549,418	-	80,992	468,426	-	(15,019)
Excess of tax wear and tear allowance over depreciation	(936,478)	42,564	-	(979,042)	(43,984)	-
Unrealised exchange gains	17,082	(195,621)	-	212,703	(81,404)	-
Right-of-use asset	(148,800)	(18,882)	-	(129,918)	(129,440)	-
Tax losses	(183,466)	(183,466)	-	-	-	-
Other temporary differences	(461,975)	59,652	-	(511,893)	(29,707)	-
Deferred tax asset	**(6,147,656)**	**(807,198)**	**80,992**	**(5,411,716)**	**(1,147,660)**	**(15,019)**
Collective allowance for impairment disallowed for tax purposes	(5,772)	10,362	-	(7,494)	2,823	-
Excess of tax wear and tear allowance over depreciation	(5,266)	(2,734)	-	18,889	40,004	-
Right of use asset	94,835	(133,717)	-	86,179	(65,820)	-
Other temporary differences	19,284	25,435	-	(45,905)	54,375	-
Deferred tax liability	**103,081**	**(100,654)**	**-**	**51,669**	**31,382**	**-**
Net deferred tax asset	**(6,044,575)**	**(907,852)**	**80,992**	**(5,360,047)**	**(1,116,278)**	**(15,019)**
BANK						
Collective allowance for impairment disallowed for tax purposes	(4,825,259)	(539,720)	-	(4,285,538)	(817,091)	-
Revaluation surplus	549,418	-	80,992	468,426	-	(15,019)
Accelerated wear and tear allowance over depreciation	(1,037,425)	42,181	-	(1,079,606)	(42,621)	-
Unrealised exchange gains	17,082	(195,622)	-	212,703	(81,404)	-
Provision for staff leave pay	(96,834)	(29,389)	-	(67,445)	(17,112)	-
Right-of-use asset	(150,004)	(18,975)	-	(131,029)	(129,009)	-
Other temporary differences	(100,938)	96,919	-	(197,857)	(10,349)	-
	(5,643,960)	**(644,606)**	**80,992**	**(5,080,346)**	**(1,097,586)**	**(15,019)**

THE CO-OPERATIVE BANK OF KENYA LIMITED AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2022

22. DEPOSITS AND BALANCES DUE TO BANKS

	Group		Bank	
	2022 KShs'000	2021 KShs'000	2022 KShs'000	2021 KShs'000
Local banks	250,571	77,426	144,708	149,758
Foreign banks	836,930	714,676	836,929	604,814
	1,087,501	**792,102**	**981,637**	**754,572**

The weighted average effective interest rate on deposits from other banks at 31 December 2022 was 1.15% (2021- 2.63%). These current accounts do not accrue any interest.

23. CUSTOMER DEPOSITS

	Group		Bank	
	2022	2021	2022	2021
(a) Deposit category	**KShs'000**	**KShs'000**	**KShs'000**	**KShs'000**
Call deposits	46,837,749	37,630,226	46,837,749	37,630,225
Fixed deposits	103,468,489	100,362,453	96,840,803	96,549,638
Transaction accounts	126,412,537	120,733,091	125,421,013	120,733,091
Savings accounts	22,763,493	22,333,090	22,381,245	21,212,166
Current accounts	121,470,823	124,412,776	115,857,467	120,307,044
Foreign currency deposits	2,849,577	2,254,129	2,849,577	2,254,129
	423,802,668	**407,725,765**	**410,187,854**	**398,686,293**
(b) From government and parastatals: -				
Payable on demand	32,157,603	44,220,336	31,793,037	42,237,444
Payable within 30 days	9,706,827	8,270,274	9,706,827	8,270,274
Payable after 30 days but within 1 year	18,939,272	23,991,244	18,939,271	23,991,244
	60,803,702	**76,481,854**	**60,439,135**	**74,498,962**
From private sector and individuals: -				
Payable on demand	221,817,559	203,856,636	215,431,748	200,976,379
Payable within 30 days	37,602,221	29,714,773	37,602,221	29,714,773
Payable after 30 days but within 1 year	103,579,186	97,672,502	96,714,750	93,496,179
	362,998,966	**331,243,911**	**349,748,719**	**324,187,331**
	423,802,668	**407,725,765**	**410,187,854**	**398,686,293**

Included in customers' deposits is an amount of KShs. 1,634 Million (2021 - KShs. 1,751 Million) that has been pledged to the Bank by customers as security for loans and advances. The weighted average effective interest rate on interest-bearing customer deposits as at 31 December was 3.37% (2021 - 3.65%).

THE CO-OPERATIVE BANK OF KENYA LIMITED AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2022

24. LOANS AND BORROWINGS

	Group		Bank	
	2022	2021	2022	2021
Long-term borrowing	**KShs'000**	**KShs'000**	**KShs'000**	**KShs'000**
Kenya Mortgage Refinance Company	467,450	541,362	467,450	541,362
International Finance Corporation (IFC)	15,546,497	17,935,183	15,546,497	17,935,183
AFD Microfinance & line of credit	1,158,249	1,668,184	1,158,249	1,668,184
Responsibility	-	75,036	-	-
EIB- East Africa	6,888,788	-	6,888,788	-
	24,060,984	**20,219,765**	**24,060,984**	**20,144,729**
Central Bank of Kenya	24,041,088	22,694,857	823,480	-
	48,102,072	**42,914,622**	**24,884,464**	**20,144,729**
Movement in the year:				
At 1 January	42,914,622	46,026,141	20,144,729	22,262,674
Additional loan disbursement	6,458,253	2,244,426	6,458,253	2,244,426
Central Bank REPO	823,480	-	823,480	-
Accrued interest	139,674	1,323,050	139,674	42,756
Loan Repayment	(4,881,479)	(5,429,388)	(4,771,958)	(4,652,671)
Foreign exchange difference	2,647,522	(1,249,607)	2,090,286	247,544
At 31 December	**48,102,072**	**42,914,622**	**24,884,464**	**20,144,729**

The long-term borrowings are loans received by the Bank for onward lending to customers in specific segments. The term for these loans is as described below: -

European Investment Bank

A loan agreement of equivalent to Euros 50 million was entered in November 2021 between the European Investment Bank and The Co-operative Bank of Kenya Limited. The loan was to be disbursed upon request for onward lending to eligible investment projects undertaken by private enterprises in Kenya. The loan is part of the East Africa Covid-19 Rapid Response Facility. The loan has a fixed interest rate of 10.301%. As at end of 2022, equivalent of Euros 50 Million had been disbursed to the bank.

French Development Agency (AFD)

The bank entered into agreement with AFD in 2011 for a credit facility at fixed rate of 3.25% to finance investments in the fields of sustainable energy (energy efficiency & renewable energy) projects. As at the end of year 2022, the amount disbursed to the bank was USD 35,710,169. The bank secured an additional credit facility of USD 50 Million in year 2016 and the first drawdown of USD 8 Million has already been disbursed.

THE CO-OPERATIVE BANK OF KENYA LIMITED AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2022

24. LOANS AND BORROWINGS (Continued)

International Finance Corporation

In December 2015 the bank entered into agreement with IFC for a senior unsecured loan of USD 105 Million to finance the growth of SMEs portfolio, WOEs portfolio and affordable housing through expansion of mortgage & construction finance. The loan has an element of fixed and variable interest rate which is pegged to the LIBOR rate. The loan has a maturity period of 7 years and a 2-year grace period on principal repayment. As at the end of year 2022, the bank had received a drawdown of USD 105 Million.

In March 2019, the bank entered into agreement with IFC for a total loan of USD 150 Million. The loan is repayable in eleven equal instalments and will mature in December 2025.The loan was disbursed in two tranches, as at the end of year 2019, the bank had received a drawdown of USD 150 Million. In December 2020, the bank made a repayment of USD 75M of the loan.

In December 2020, the bank secured a long-term financing facility arranged by IFC amounting to USD 75 Million for on-lending to MSMEs. The syndicated loan was financed by IFC (USD 50,000,000), Eco-Business Fund S. A (USD 10,000,000) and SwedFund International AB (USD 15,000,000). The loan has a maturity period of 7 years and a 5-year grace period on principal repayment. As at the end of year 2022, the bank had received a drawdown of USD 75Million.

Kenya Mortgage Refinance Company Limited

In June 2021, the bank entered into agreement with Kenya Mortgage Refinance company for a credit facility at fixed rate of 5% to finance affordable housing mortgage loans. As at the end of year 2022, the amount disbursed to the bank was KES 549.79 Million.

ResponsAbility

The ResponsAbility loan is denominated in United States American Dollars (USD). Its effective interest rate is 5.5% per annum. The loan matured during the year and was restructured for two (2) years after successful negotiations. The new terms commenced in January 2021 and the loan was repaid in full in November 2022.The unsecured loan was granted to Kingdom Bank Limited.

Shelter Afrique

The Shelter Afrique loan is denominated in Kenya Shillings. Its effective interest rate is 13% per annum. The loan is guaranteed by 130% assignment of related mortgage book. The loan has been granted to Kingdom Bank Limited. The loan matured and was fully repaid during the year.

Housing Finance Group

The loan is denominated in Kenya Shillings. Its effective interest rate is 14% per annum and a tenor of 4 years 4 months (52 months). The loan has been granted to Kingdom Bank Limited. The loan was taken over by the Co-operative Bank of Kenya Limited during the year. It has an effective interest rate of 13% and a tenor of 4 years 4 months (52 months). It is secured via legal charge over LR No: 1/859.

Progression Africa

The loan is denominated in Kenya Shillings and United States American Dollars (USD) on fifty percent basis. Its effective interest rate is 9.5% and 3.5% per annum for the Kenya Shillings and United States American Dollars loan respectively. The loan had been granted to Kingdom Bank Limited. The loan matured and was fully repaid during the year.

Central Bank of Kenya Borrowing

In 2020 Kingdom Bank Limited received additional support from the Central Bank of Kenya (CBK) of KShs. 20.96 billion in exercise of its statutory mandate as regulator towards strengthening the liquidity position geared towards restoring eroded customer confidence in a bid to turnaround the entity back to profitability and stabilize the banking sector.

The amount is guaranteed by Co-operative Bank Kenya Limited and has an effective interest rate of zero. It is repayable in 10 years with a moratorium of 3 years.

THE CO-OPERATIVE BANK OF KENYA LIMITED AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2022

25 TAXATION

	Group		Bank	
	2022	2021	2022	2021
(a) Income Statement: -	**KShs'000**	**KShs'000**	**KShs'000**	**KShs'000**
Current tax at 30% on the taxable profit for the year (2021-30%)	8,296,906	7,221,238	7,880,725	6,824,650
Under provision in previous year	-	-	-	-
Hyper-inflationary adjustment	-	-	-	-
Deferred tax (credit) / charge	(907,851)	(1,116,278)	(644,606)	(1,097,586)
Income tax expense	**7,389,055**	**6,104,960**	**7,236,119**	**5,727,064**
(b) Statement of Financial Position: -				
Tax (recoverable)/ Payable				
Balance brought forward	903,763	(666,502)	907,798	(697,799)
Under provision in previous year	-	-	1,483	-
Charge for the year	8,296,906	7,221,238	7,880,725	6,824,650
Paid during the year	(9,531,523)	(5,650,973)	(9,116,223)	(5,219,053)
	(330,854)	**903,763**	**(326,217)**	**907,798**
(c) Reconciliation of tax expense to tax based on accounting profit: -				
Accounting profit	**29,427,223**	**22,648,863**	**26,871,740**	**21,325,327**
Tax applicable rate at 30% (2021:30%)	8,828,167	6,794,659	8,061,522	6,397,598
(Over) / under-provision in previous year	-	-	(1,483)	-
Share of profit in associate	124,842	91,674	-	-
Hyper inflationary adjustment	1,293	(42,876)	-	-
Tax effect of items not eligible for tax	(1,565,247)	(738,497)	(823,920)	(670,534)
Tax expense in the income statement	**7,389,055**	**6,104,960**	**7,236,119**	**5,727,064**

The corporation tax rate applicable to the Bank, subsidiaries and associates is 30%.

Items not eligible for tax relates to items disallowed for purpose of calculating the income tax in accordance with the Income Tax Act. These mainly relates to donations, interest on infrastructure bonds.

THE CO-OPERATIVE BANK OF KENYA LIMITED AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2022

26. PROVISIONS

	Group		Bank	
	2022 KShs'000	2021 KShs'000	2022 KShs'000	2021 KShs'000
Leave liability	276,702	173,866	271,581	173,617
Balance at 1 January	**173,866**	**116,825**	**173,617**	**116,576**
Movement through profit or loss	102,836	57,041	97,964	57,041
Balance at 31 December	**276,702**	**173,866**	**271,581**	**173,617**

This provision is for obligations in respect of annual leave entitlements not taken as at close of the period. The amount has been accrued at remuneration rates expected to apply when the obligation is settled.

27. OTHER LIABILITIES

	Group		Bank	
	2022 KShs'000	2021 KShs'000	2022 KShs'000	2021 KShs'000
Bills payable	6,053,611	6,197,983	6,053,309	6,197,983
Lease liabilities (note 20)	3,191,216	4,286,368	2,921,715	3,848,619
Items in the course of collection by other banks	3,289	673,851	-	667,838
Sundry creditors and accruals	15,477,513	14,355,298	14,265,609	13,083,337
Allowance for credits losses for off balance sheet commitments	1,255,963	1,002,433	1,255,963	1,002,433
	25,981,592	**26,515,933**	**24,496,596**	**24,800,210**

Bills payable, sundry creditors and accruals are payable on demand and are non-interest bearing.

28. GOVERNMENT GRANTS

	Group and Bank	
	2022 KShs'000	2021 KShs'000
Grant net of amortisation:		
At 1 January	**406,465**	**424,941**
Amortisation for the year	(18,476)	(18,476)
At 31 December	**387,989**	**406,465**

The grants relate to rehabilitation work on Co-operative House financed by USAID following the August, 1998 bomb blast. The grant is amortised in line with the depreciation on the building. The grant is amortised for the same period of the building since it was part of the cost to reconstruct the building.

THE CO-OPERATIVE BANK OF KENYA LIMITED AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2022

29. SHARE CAPITAL

	Group and Bank	
	2022 KShs'000	2021 KShs'000
Authorised :-		
7.5 billion (2021: 7.5 billion) ordinary shares of KShs. 1 each.	**7,500,000**	**7,500,000**
Issued and fully paid:-		
5.8 billion (2021: 5.8 billion) ordinary shares of KShs. 1 each.	**5,867,180**	**5,867,180**

30. SHARE PREMIUM

These reserves arose in 2008 when the Bank issued 557,242,300 new shares through an Initial Public Offering. The shares, with a par value of KShs. 1 were issued at KShs. 9.50. These reserves may be applied towards capital in the future.

	Group and Bank	
	2022 KShs'000	2021 KShs'000
At 1 January and 31 December	**1,911,926**	**1,911,926**

31. RESERVES

(a) *Revaluation reserve*

The revaluation reserve is used to record increases in the fair value of land and buildings and decreases to the extent that such decrease relates to an increase on the same asset previously recognised in equity. Revaluation reserves are not distributable.

(b) *Retained earnings*

This reserve includes accumulated profits over the years. The retained earnings are distributable to the shareholders.

(c) *Fair value reserve*

This comprises changes in fair value on debt instruments at fair value through other comprehensive income, excluding impairment losses, until the net investment is derecognised. This reserve is not distributable as it relates to unrealised fair value changes.

(d) *Statutory reserve*

Where impairment losses required by legislation or regulations exceed those computed under International Financial Reporting Standards (IFRS), the excess is recognised as a statutory reserve and accounted for as an appropriation of retained earnings. This reserve is not distributable.

For the year ended 31 December 2022, the Group and the Bank's allowance for expected credit losses calculated in line with IFRS 9 amounted to KShs. 38.0 billion and KShs. 34.89 billion (2021: KShs. 33.57 billion and KShs. 26.69 billion) respectively while the Group and the Bank's Statutory loan loss provisions amounted to KShs. 67 million and Nil in 2022, (2021: KShs. 624 million and KShs. Nil) respectively.

The Bank's ECL allowance was more than the Statutory loan loss provisions resulting into a reversal of the statutory reserve previously held. The balance in the Group's statement of changes in equity relates to Co-operative Bank of South Sudan

(e) *Foreign currency translation reserve*

The reserves represent exchange differences arising from translation of the net assets of the Group's foreign operations in the Co-operative Bank of South Sudan from their functional currency (South Sudan pounds), to the Group's presentation currency (Kenya shillings). These differences are recognised directly through other comprehensive income and accumulated in the foreign currency translation reserve in equity. The reserve is not available for distribution to the shareholders.

THE CO-OPERATIVE BANK OF KENYA LIMITED AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2022

32. PROPOSED DIVIDENDS AND DIVIDENDS PER SHARE

	Group and Bank	
	2022 KShs'000	2021 KShs'000
Proposed dividends	**8,800,770**	**5,867,180**

(i) Dividend per share is arrived at by dividing the total dividends by the weighted average number of shares in issue during the year.

(ii) Proposed dividends are accounted for as a separate component of equity at year end until they are ratified at an Annual General Meeting (AGM). At the AGM to approve year 2022 financial statements, a first and final dividend in respect of year 2022 of KShs. 1.50 (2021 - KShs. 1) for every ordinary share of KShs. 1 each will be proposed by the directors and is subject to approval by shareholders.

(iii) Payment of dividend is subject to withholding tax at the rate of 5% for residents and 15% for non-resident shareholders.

33. MATERIAL PARTLY OWNED SUBSIDIARIES

(a) Kingdom Securities Limited

Kingdom Securities Limited (previously Bob Mathews Stockbrokers Limited) was acquired in 2009 by the Bank through the purchase of 60% shareholding. The proportion of equity interest held by non-controlling Interest is 40%. The company offers brokerage services and is a registered broker with the Nairobi Securities Exchange.

(b) Co-operative Bank of South Sudan

Co-operative Bank of South Sudan was registered in partnership with the Government of South Sudan which holds 49% of the ordinary shares while the Bank holds 51%. The subsidiary is based in South Sudan and offers banking services.

(c) Kingdom Bank Limited

Kingdom Bank Limited (formerly Jamii Bora Bank Limited) was acquired by The Co-operative Bank Limited through purchase of 90% shareholding in August 2020. The proportion of equity interest held by non-controlling Interest is 10%. The company offers banking services and is a commercial bank registered and regulated by the Central Bank of Kenya.

The summarised financial information of these subsidiaries is provided below. This information is based on amounts before inter-company eliminations.

Summarised statement of profit or loss and other comprehensive income for: -

As at 31 December 2022	Kingdom Bank Limited 2022 KShs'000	Kingdom Securities Limited 2022 KShs'000	Co-operative Bank of South Sudan 2022 KShs'000
Interest and other income	3,656,457	117,795	985,606
Interest and commission expenses	(598,291)	(23,797)	(13,666)
	3,058,166	**93,998**	**971,940**
Operating expenses	(2,265,610)	(83,340)	(741,021)
Loss on net monetary position	-	-	(116,090)
Profit / (loss) before tax	**792,556**	**10,658**	**114,829**
Share of profit of an associate	-	-	17,896
Income tax credit/ (expense)	123,434	(4,863)	100,654
Profit / (loss) for the year	**915,990**	**5,795**	**233,379**
Other comprehensive income	(996,589)	(8,540)	26,869
Total comprehensive income	**(80,599)**	**(2,745)**	**260,248**
Allocated to non-controlling interest	91,599	2,318	114,356

THE CO-OPERATIVE BANK OF KENYA LIMITED AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2022

33. MATERIAL PARTLY OWNED SUBSIDIARIES (Continued)

Summarised statement of profit or loss and other comprehensive income for: -

As at 31 December 2021	Kingdom Bank Limited 2021 KShs'000	Kingdom Securities Limited 2021 KShs'000	Co-operative Bank of South Sudan 2021 KShs'000
Interest and other income	3,349,381	83,465	605,261
Interest and commission expenses	(440,324)	(1,706)	(16,338)
	2,909,057	**81,759**	**588,923**
Operating expenses	(2,359,507)	(81,056)	(1,041,924)
Loss on net monetary position	-	-	(23,586)
Profit / (loss) before tax	**549,550**	**703**	**(476,587)**
Share of profit of an associate	-	-	54,904
Income tax expense	(29,792)	-	(62,729)
Profit / (loss) for the year	**519,758**	**703**	**(484,412)**
Other comprehensive income	(104,228)	-	-
Total comprehensive income	**415,530**	**703**	**(484,412)**
Allocated to non-controlling interest	**41,553**	**281**	**(237,362)**

Summarised statement of financial position: -

As at 31 December 2022	Kingdom Bank Limited 2022 KShs'000	Kingdom Securities Limited 2022 KShs'000	Co-operative Bank of South Sudan 2022 KShs'000
Current assets	25,222,114	704,052	3,292,272
Non-current Assets	9,506,251	86,567	3,635,367
Liabilities	(32,804,854)	(678,249)	(5,541,459)
Total equity	**1,923,511**	**115,115**	**1,633,926**
Attributable to:-			
Equity holders of the parent	1,731,160	67,422	706,952
Accumulated non-controlling interests of the subsidiary	192,351	44,948	679,228

As at 31 December 2021	Kingdom Bank Limited 2021 KShs'000	Kingdom Securities Limited 2021 KShs'000	Co-operative Bank of South Sudan 2021 KShs'000
Current assets	25,926,218	215,120	3,612,958
Non-current Assets	5,862,632	44,214	1,967,019
Liabilities	(29,784,740)	(144,219)	(3,946,051)
Total equity	**2,004,110**	**115,115**	**1,633,926**
Attributable to:-			
Equity holders of the parent	1,803,699	69,069	833,302
Accumulated non-controlling interests of the subsidiary	200,411	46,046	800,624

THE CO-OPERATIVE BANK OF KENYA LIMITED AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2022

33. MATERIAL PARTLY OWNED SUBSIDIARIES (Continued)

(d) *Hyperinflationary economy in South Sudan*

With effect from 2016, the South Sudanese economy is considered to be hyperinflationary in accordance with the criteria in International Accounting Standards (IAS) 29- Financial Reporting in Hyperinflationary Economies

IAS 29 requires that the financial statements of an entity whose functional currency is the currency of a hyperinflationary economy, shall be stated in terms of the measuring unit current at the end of the reporting period. The corresponding figures for the previous period and any information in respect of earlier periods shall also be stated in terms of the measuring unit current at the end of the reporting period. The management applied this standard to prepare the financial statements for the Co-operative Bank of South Sudan. The corresponding figures for the previous reporting period for Co-operative Bank of South Sudan were restated. However, the Group did not restate the corresponding figures on the consolidated financial statements as its not required to do so. Following the application of IAS 29, the subsidiary recorded a loss on net monetary position of KShs. 116.1 million (2021: KShs. 23.5 million). In the application of IAS 29, the Group used conversion coefficients derived from the consumer price index (CPI) in the Republic of South Sudan. CPIs and the corresponding conversion coefficients are presented below:

Year	CPI	Conversion factor
2016	2,799	1
2017	4,502	2.2
2018	6,503	1.4
2019	7,751	1.2
2020	14,549	1.9
2021	14,434	1.03
2022	12,961	0.93

34. INTEREST AND SIMILAR INCOME

	Group		Bank	
	2022	2021	2022	2021
Interest income calculated using the effective interest method	KShs'000	KShs'000	KShs'000	KShs'000
Loans and advances to customers	40,398,121	36,508,392	39,782,410	35,861,390
Debt instruments at amortised cost	8,630,201	7,624,068	8,059,109	7,592,061
Debt instruments at FVOCI	12,609,343	11,519,697	10,312,097	8,917,621
Amortization of financial instruments	(371,532)	(414,894)	(371,532)	(411,472)
Deposits and balances due from other banks	479,990	410,882	242,747	284,987
	61,746,123	**55,648,145**	**58,024,831**	**52,244,587**

35. INTEREST AND SIMILAR EXPENSE

	Group		Bank	
	2022	2021	2022	2021
Interest expense calculated using the effective interest method	KShs'000	KShs'000	KShs'000	KShs'000
Call deposits	2,812,291	2,665,219	2,812,291	2,264,633
Fixed deposits	8,842,050	7,940,559	8,264,711	7,940,302
Savings accounts	974,014	967,244	973,735	966,883
Current accounts	1,783,489	1,751,378	1,781,190	1,751,309
Deposits and balances due to banks	426,186	195,682	426,186	188,990
Borrowed funds	1,383,153	1,091,150	1,327,316	1,040,747
	16,221,183	**14,611,232**	**15,585,429**	**14,152,864**

THE CO-OPERATIVE BANK OF KENYA LIMITED AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2022

36. FEES AND COMMISSIONS

	Group		Bank	
	2022	2021	2022	2021
	KShs'000	KShs'000	KShs'000	KShs'000
Fees and commissions income	20,079,339	15,233,684	17,823,007	13,452,556
Fees and commissions expense	(341,229)	(133,557)	(341,229)	(120,807)
Net fees and commissions income	**19,738,110**	**15,100,127**	**17,481,778**	**13,331,749**

Disaggregated fees and commission information as at the period end

31 December 2022	Banking services	Advisory & training	Banc assurance	Investment management	Brokerage	Total
	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000
Fees and commission income						
Custodial	234,437	-	-	-	-	234,437
Share registration	31,532	-	-	-	-	31,532
Fund management	-	-	-	343,082	-	343,082
Brokerage	-	-	-	-	84,855	84,855
Consultancy	-	42,107	-	-	-	42,107
Training	-	57,820	-	-	-	57,820
Insurance agency	-	-	1,143,184	-	-	1,143,184
Ledger fees and service charges	1,362,825	-	-	-	-	1,362,825
Other fees & commissions	16,438,268	-	-	-	-	16,438,268
Total revenue from contracts with customers	**18,067,062**	**99,927**	**1,143,184**	**343,082**	**84,855**	**19,738,110**
Timing of revenue recognition						
Services transferred at a point in time	17,801,093	99,927	1,143,184	-	84,855	19,129,059
Services that are provided over time	265,969	-	-	343,082	-	609,051
Total revenue from contracts with customers	**18,067,062**	**99,927**	**1,143,184**	**343,082**	**84,855**	**19,738,110**

THE CO-OPERATIVE BANK OF KENYA LIMITED AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2022

36. FEES AND COMMISSIONS (Continued)

Disaggregated fees and commission information as at the period end (Continued)

31 December 2021	Banking services KShs'000	Advisory & training KShs'000	Banc assurance KShs'000	Investment management KShs'000	Brokerage KShs'000	Total KShs'000
Fees and commission income						
Custodial	178,576	-	-	-	-	178,576
Share registration	14,206	-	-	-	-	14,206
Fund management	-	-	-	268,269	-	268,269
Brokerage	-	-	-	-	57,868	57,868
Consultancy	-	37,298	-	-	-	37,298
Training	-	34,472	-	-	-	34,472
Insurance agency	-	-	999,116	-	-	999,116
Ledger fees and service charges	1,390,987	-	-	-	-	1,390,987
Other fees & commissions	12,119,335	-	-	-	-	12,119,335
Total revenue from contracts with customers	**13,703,104**	**71,770**	**999,116**	**268,269**	**57,868**	**15,100,127**
Timing of revenue recognition						
Services transferred at a point in time	13,510,322	71,770	999,116	-	57,868	14,639,076
Services that are provided over time	192,782	-	-	268,269	-	461,051
Total revenue from contracts with customers	**13,703,104**	**71,770**	**999,116**	**268,269**	**57,868**	**15,100,127**

37. NET TRADING INCOME

	Group 2022 KShs'000	Group 2021 KShs'000	Bank 2022 KShs'000	Bank 2021 KShs'000
Foreign exchange gain	4,717,291	2,849,297	4,551,793	2,703,645

38. OTHER OPERATING INCOME

	Group 2022 KShs'000	Group 2021 KShs'000	Bank 2022 KShs'000	Bank 2021 KShs'000
Gain on disposal of property and equipment	1,288	7,717	-	7,717
Dividend income	1,444	847	1,444	847
Rental income	131,043	132,784	131,043	132,784
Gain on sale of financial assets at Fair value	103,164	707,840	59,770	707,840
Sundry Income	1,019,119	579,267	653,324	417,504
	1,256,058	**1,428,455**	**845,581**	**1,266,692**

Dividends from associate and equity investments are recognised when the Group's right to receive payment is established.

Rental income is accounted for on a straight-line basis over the lease terms on ongoing leases and is recognised monthly when it falls due.

About this Integrated Report | Our Leadership | Co-op Bank Model | Our Capitals | Operating Environment | Strategic Focus Review | Environmental, Social and Governance (ESG) | Financial Statements

THE CO-OPERATIVE BANK OF KENYA LIMITED AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2022

39. EMPLOYEE COSTS

	Group 2022 KShs'000	Group 2021 KShs'000	Bank 2022 KShs'000	Bank 2021 KShs'000
Basic salaries	12,000,336	10,784,856	11,136,999	10,142,915
Allowances	448,105	419,423	427,090	400,719
Pension scheme contribution				
- Statutory Scheme	9,179	9,344	8,992	8,753
- Employee Scheme	910,668	838,446	881,550	813,228
Medical expenses	674,983	602,220	632,547	576,322
Education and training	77,441	53,673	72,572	52,431
Others	661,824	616,255	488,048	441,224
	14,782,536	**13,324,217**	**13,647,798**	**12,435,592**
The number of employees at the year-end was:				
Management	720	613	652	576
Supervisory and unionizable	3,224	3,116	3,148	3,034
Others	822	517	499	427
	4,766	**4,246**	**4,299**	**4,037**

40. OTHER OPERATING EXPENSES

	Group 2022 KShs'000	Group 2021 KShs'000	Bank 2022 KShs'000	Bank 2021 KShs'000
Rent and maintenance costs for branch premises	923,913	1,009,559	820,111	899,231
Motor vehicle running & other equipment maintenance	2,315,516	2,089,907	2,306,295	2,069,922
Stationery and printing	315,677	271,211	300,013	258,732
Travelling and insurance	1,235,138	595,474	1,062,237	484,572
Telephone, postage, electricity and water	623,391	666,894	580,530	613,243
Contribution to Deposit Protection Fund	661,114	565,621	649,496	556,751
Directors' emoluments	235,728	197,849	177,448	144,027
Auditors' remuneration	47,306	39,851	20,872	18,974
Loss on net monetary position	116,090	23,587	-	-
Other operating and administrative expenses	8,809,659	7,324,299	7,541,170	5,643,014
	15,283,532	**12,784,252**	**13,458,172**	**10,688,466**

Other operating and administrative expenses relates to various expenses of low values of which the bank consider it will not be useful to disclose individually.

41. ECL-OTHER FINANCIAL ASSETS

	Group		Bank	
	2022 KShs'000	2021 KShs'000	2022 KShs'000	2021 KShs'000
Credit loss expense				
ECL- Local Bank balances	2,226	-	2,226	-
ECL-off balance sheet balances	253,530	58,783	253,530	58,783
ECL- Investments in Government securities	46,257	302,621	46,257	302,621
ECL- Sundry debtors	137,044	180,460	7,833	5,103
	439,057	**541,864**	**309,846**	**366,507**
Credit loss write back				
ECL- Local Bank balances	-	(1,186)	-	(1,186)
ECL-Foreign bank balances	-	(3)	-	(3)
ECL-off balance sheet balances	-	-	-	-
ECL- Sundry debtors	-	-	-	-
	-	**(1,189)**	**-**	**(1,189)**
Net credit loss expense/ (write back)	**439,057**	**540,675**	**309,846**	**365,318**

Other operating and administrative expenses relates to various expenses of low values of which the bank consider it will not be useful to disclose individually.

42. BASIC AND DILUTED EARNINGS PER SHARE

The calculation of basic earnings per share for the Group and the Bank is based on the year's profit attributable to equity holders of the parent and the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

The calculation of basic earnings per share for the Group and the Bank is based on the year's profit attributable to equity holders of the parent and the weighted average number of ordinary shares outstanding during the year.

	Group		Bank	
	2022 KShs'000	2021 KShs'000	2022 KShs'000	2021 KShs'000
Profit for the year attributable to equity holder of the parent (KShs'000)	21,829,895	16,729,008	19,635,623	15,598,263
Weighted average number of ordinary shares for basic earnings per share (Thousands)	5,867,180	5,867,180	5,867,180	5,867,180
Weighted average number of ordinary shares for diluted earnings per share (Thousands)	5,867,180	5,867,180	5,867,180	5,867,180
Basic earnings per share (KShs)	3.72	2.85	3.35	2.66
Diluted earnings per share (KShs)	3.72	2.85	3.35	2.66

43. COMPONENTS OF OTHER COMPREHENSIVE INCOME

Financial Assets at fair value through other comprehensive income

	Group		Bank	
	2022 KShs'000	2021 KShs'000	2022 KShs'000	2021 KShs'000
Gains/(losses) arising during the year	(8,605,319)	3,236,775	(7,598,110)	679,356
Reclassification to profit or loss	-	(3,796,000)	-	(1,084,840)
	(8,605,319)	**(559,225)**	**(7,598,110)**	**(405,484)**

44. NOTES TO THE STATEMENT OF CASH FLOWS

Reconciliation of profit before tax to cash generated from operations

		2022	2021	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES: -	**Note**	**KShs'000**	**KShs'000**	**KShs'000**	**KShs'000**
Profit before tax		**29,427,223**	**22,648,863**	**26,871,742**	**21,325,327**
Adjustments for: -					
Depreciation of property and equipment	19	1,220,009	1,486,349	1,110,118	1,162,788
Depreciation of right-of-use asset	20	1,165,304	1,268,050	1,076,408	1,196,802
Write-off on property and equipment	19	(16,933)	-	(180)	-
Amortization of leasehold	18	610	610	610	610
Write-off on intangible assets	17	-	94,604	-	-
Movement in provisions		4,422,479	2,741,220	5,195,704	2,888,781
Leave provision	26	102,836	57,041	97,964	57,041
Allowance for credit losses		712,828	1,437,982	(698,134)	1,439,718
Unrealised exchange difference		-	(97,904)	-	(124,230)
Amortization of intangible assets	17	805,223	756,575	770,641	737,383
Amortization of capital grants	28	(18,476)	(18,476)	(18,476)	(18,476)
Gain on disposal of property and equipment		(1,288)	(7,717)	-	(7,717)
Share of (loss)/ profit in associates	16	(416,141)	(305,579)	-	-
Interest on lease liability	20(ii)	200,154	281,593	182,839	265,624
Exchange difference on borrowings	24	2,657,117	(1,249,607)	2,090,285	247,544
Accrued interest on borrowings	24	139,674	1,323,050	139,674	42,756
Loss on net monetary position		116,090	23,587	-	-
Cash flows from operating activities before working capital changes		**40,516,709**	**30,440,241**	**36,819,195**	**29,213,951**
Advances to customers		(33,617,221)	(26,302,325)	(31,934,303)	(26,951,042)
Other assets		(9,044,036)	(2,795,885)	(7,981,326)	(2,375,916)
Deposits from customers		16,076,903	29,095,312	11,501,561	29,256,642
Deposits from banks		295,399	570,212	227,065	99,614
Other liabilities		307,279	6,715,076	1,193,236	6,394,859
Central Bank of Kenya cash reserve ratio		(804,754)	(515,572)	(343,931)	(1,247,057)
FVOCI Investments		(705,994)	(24,313,435)	(5,615,557)	(23,170,879)
Derivative financial instruments		(6,960)	(124,216)	(6,960)	(124,216)
Cash generated from operating activities		**13,017,325**	**12,769,408**	**3,858,980**	**11,095,956**
Cash and cash equivalents comprises of:-					
Cash on hand		9,011,686	9,043,810	7,802,190	8,120,024
Cash with Central Bank of Kenya		19,129,408	21,833,819	16,505,269	19,391,126
Deposits and balances due from banking institutions		9,999,082	8,555,669	6,834,566	6,970,157
Items in the course of collection from other Banks		325,425	(667,838)	325,425	(667,838)
		38,465,601	38,765,460	31,467,450	33,813,469
Less: Central Banks restricted Cash		(17,788,081)	(16,983,327)	(17,056,100)	(16,712,169)
Cash and cash equivalents		**20,677,520**	**21,782,133**	**14,411,350**	**17,101,300**

THE CO-OPERATIVE BANK OF KENYA LIMITED AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2022

45. RELATED PARTY BALANCES AND TRANSACTIONS

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions.

(a) Loans due from directors, employees, and other related parties: -

Balances outstanding at the close of year as advanced to directors, employees of the Bank and other related parties in the ordinary course of business is as follows:

	Group and Bank	
	2022	2021
	KShs'000	KShs'000
Directors	188,332	349,618
Employees	12,204,327	11,827,617
Associates	6,490,964	7,360,551
	18,883,623	**19,537,786**
Interest income earned	**767,363**	**923,433**
Weighted average interest rate	**6%**	**5%**

The loans are secured by property and are repayable in less than 30 years. No impairment losses have been recorded against balances outstanding during the period and no specific allowance has been made for impairment losses on balances at period end (2021-Nil) as staff and directors are all active and currently in-service for the bank and recoveries are made directly through payroll.

All loan repayments are made through cash repayments.

The Loan advanced to CIC Limited, an associate of the Bank, had a carrying amount of KShs. 4.3 billion. The loan has a tenor of 60 months with 1 principal bullet payment on the 60th month and interest payment after every 4 months.

The Bank disbursed a loan to Kingdom Securities Limited of KShs. 45 million during the year at the prevailing market rate of 13%. The terms of the facility are such that the facility is to be repaid in cash once the company's liquidity/capital has improved to above regulatory levels and the company is profitable. The loan is non-secured.

(b) Deposits received from directors, employees, and other related parties: -

Balances held at the close of year as received from directors, employees of the Bank and other related parties in the ordinary course of business is as follows:

	Group and Bank	
	2022	2021
	KShs'000	KShs'000
Directors and Employees (Key personnel)	660,950	653,926
Subsidiaries and Associate companies	206,949	434,980
Interest expensed	29,621	52,578
Weighted average interest rate	4.5%	4.8%

(c) Inter-company balances and transactions: -

The financial statements include the following balances relating to transactions entered into with other group companies:

		Bank	
	Relationship	2022	2021
		KShs'000	KShs'000
Due from:-			
Co-optrust Investment Services Limited	Subsidiary	-	-
Co-op Consultancy & Bancassurance Intermediary Agency Ltd	Subsidiary	-	-
Co-opholdings Co-operative Society Limited	Parent	11,373	8,733
Co-operative Bank of South Sudan	Subsidiary	18,220	15,161
		29,593	**23,894**

THE CO-OPERATIVE BANK OF KENYA LIMITED AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2022

45. RELATED PARTY BALANCES AND TRANSACTIONS (continued)

(c) Inter-company balances and transactions: -

The financial statements include the following balances relating to transactions entered into with other group companies:

		Bank	
	Relationship	2022	2021
		KShs'000	KShs'000
Due to:-			
Insurance premium:-			
Co-operative Insurance Company Limited	Associate	330,407	12,395

Outstanding balances at the year-end are unsecured and no guarantees have been provided or received from any related party. The Bank has not made any provision for impairment losses on balances at period end (2021-194,771).

(d) Compensation of key management personnel: -

	Group		Bank	
	2022	2021	2022	2021
Non-executive directors	KShs'000	KShs'000	KShs'000	KShs'000
Directors' emoluments:				
-Fees	220,626	184,907	163,163	131,854
-Others	15,103	12,942	14,285	12,173
	235,729	**197,849**	**177,448**	**144,027**
Executive director				
-Short-term employee benefits	140,711	130,700	134,951	124,940
-Post-employment benefits/bonus	287,511	266,400	287,511	266,400
	428,222	**397,100**	**422,462**	**391,340**
Senior Managers:				
-Short-term employee benefits	1,584,486	1,254,106	1,391,816	1,182,157
-Post-employment pension	147,227	133,092	142,161	128,369
-Termination benefits	1,446	2,156	1,446	2,156
	1,733,159	**1,389,354**	**1,535,423**	**1,312,682**

(e) Co-operative Bank Foundation:-

The Foundation is a registered trust established to assist bright needy students from the Co-operative Movement in paying school fees. In 2022, KShs. 134,980,164 (2021-KShs. 157,472,620) was disbursed to the Foundation. At 31 December 2022, the Foundation held deposits of KShs. 91,508,075 (2021-KShs. 8,795,202) with the Bank.

(f) Co-operative Bank of Kenya Limited Staff Retirement Contribution Scheme: -

This is a defined contribution scheme and provides, under the rules of the scheme, retirement benefits for the staff of Co-operative Bank of Kenya Limited and its subsidiaries. The Group contributed KShs. 912 million as at 31 December 2022 (2021-KShs. 841 million). Under the terms of their appointment, Co-optrust Investment Services Limited, a subsidiary of the Bank, is responsible for the investment of funds.

Transactions during the year are as highlighted below and were at similar terms and conditions as those offered to other customers:

	2022	2021
	KShs'000	KShs'000
Rent paid to the scheme on leased property	8,584	8,584
Dividends paid on the Bank's ordinary shares	53,167	53,167

THE CO-OPERATIVE BANK OF KENYA LIMITED AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2022

46. MATURITY ANALYSIS OF ASSETS AND LIABILITIES

The Group and the Bank presents its statement of financial position in order of liquidity. The table below shows an analysis of assets and liabilities analysed according to when they are expected to be recovered or settled.

	Group			Bank		
	Within 12 months KShs'000	After 12 months KShs'000	Total KShs'000	Within 12 months KShs'000	After 12 months KShs'000	Total KShs'000
As at 31 December 2022						
ASSETS						
Cash and balances with Central Banks	28,106,288	-	**28,106,288**	24,307,459	-	**24,307,459**
Deposits and balances due from banks	9,983,779	-	**9,983,779**	6,836,863	-	**6,836,863**
Investment in Financial Instruments	13,330,788	161,821,982	**175,152,770**	13,330,788	137,580,275	**150,911,063**
Loans and advances	54,792,565	284,597,474	**339,390,039**	50,316,132	281,006,906	**331,323,038**
Incoome tax recoverable	-	330,854	**330,854**	-	326,217	**326,217**
Deferred tax asset	-	6,044,575	**6,044,575**	-	5,643,960	**5,643,960**
Prepaid Lease Rentals	-	32,693	**32,693**	-	32,693	**32,693**
Other assets	1,414,061	28,717,574	**30,131,635**	-	27,424,048	**27,424,048**
Investment in subsidiaries	-	-	**-**	-	3,884,925	**3,884,925**
Investment in associates	-	2,483,303	**2,483,303**	-	706,444	**706,444**
Property and equipment	-	6,795,404	**6,795,404**	-	5,522,238	**5,522,238**
Right-of-use assets	-	2,630,328	**2,630,328**	-	2,417,209	**2,417,209**
Intangible assets	-	2,615,326	**2,615,326**	-	2,539,611	**2,539,611**
Goodwill	-	3,294,000	**3,294,000**	-	-	**-**
Total assets	**107,627,481**	**499,363,513**	**606,990,994**	**94,791,242**	**467,084,526**	**561,875,768**
LIABILITIES						
Customer Deposits	392,691,907	31,110,761	**423,802,668**	384,022,355	26,165,499	**410,187,854**
Deposits and balances due to banks	1,087,501	-	**1,087,501**	981,637	-	**981,637**
Provisions	-	276,702	**276,702**	-	271,581	**271,581**
Other Liabilities	25,981,592	-	**25,981,592**	24,496,596	-	**24,496,596**
Government grants	-	387,989	**387,989**	-	387,989	**387,989**
Loans and borrowings	4,658,485	43,443,587	**48,102,072**	4,528,333	20,356,131	**24,884,464**
Total liabilities	**424,419,485**	**75,219,039**	**499,638,524**	**414,028,921**	**47,181,200**	**461,210,121**
Net	**(316,792,004)**	**424,144,474**	**107,352,470**	**(319,237,679)**	**419,903,326**	**100,665,647**

THE CO-OPERATIVE BANK OF KENYA LIMITED AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2022

46. MATURITY ANALYSIS OF ASSETS AND LIABILITIES (continued)

	Group			Bank		
	Within 12 months KShs'000	After 12 months KShs'000	Total KShs'000	Within 12 months KShs'000	After 12 months KShs'000	Total KShs'000
As at 31 December 2021						
ASSETS						
Cash and balances with Central Banks	30,828,477	-	**30,828,477**	27,511,150	-	**27,511,150**
Deposits and balances due from banks	8,535,973	-	**8,535,973**	6,970,086	-	**6,970,086**
Investment in Financial Instruments	59,274,300	126,688,309	**185,962,609**	59,174,300	103,050,792	**162,225,092**
Loans and advances	87,422,678	222,772,619	**310,195,297**	84,020,630	220,563,807	**304,584,437**
Income tax recoverable	-	-	**-**	-	-	**-**
Deferred tax asset	-	5,411,716	**5,411,716**	-	5,080,346	**5,080,346**
Prepaid Lease Rentals	-	33,303	**33,303**	-	33,303	**33,303**
Other assets	-	20,535,077	**20,535,077**	-	18,441,627	**18,441,627**
Investment in subsidiaries	-	-	**-**	-	3,884,925	**3,884,925**
Investment in associates	-	2,146,675	**2,146,675**	-	706,444	**706,444**
Property and equipment	-	6,389,748	**6,389,748**	-	5,094,508	**5,094,508**
Right-of-use assets	-	3,956,444	**3,956,444**	-	3,411,854	**3,411,854**
Intangible assets	-	2,534,335	**2,534,335**	-	2,442,970	**2,442,970**
Goodwill	-	3,294,000	**3,294,000**	-	-	**-**
Total assets	**186,061,428**	**393,762,226**	**579,823,654**	**177,676,166**	**362,710,576**	**540,386,742**
LIABILITIES						
Customer Deposits	405,928,870	1,796,895	**407,725,765**	396,760,867	1,925,426	**398,686,293**
Deposits and balances due to banks	792,102	-	**792,102**	754,572	-	**754,572**
Income tax payable	903,763	-	**903,763**	907,798	-	**907,798**
Provisions	-	173,866	**173,866**	-	173,617	**173,617**
Other Liabilities	26,515,933	-	**26,515,933**	24,800,210	-	**24,800,210**
Government grants	-	406,465	**406,465**	-	406,465	**406,465**
Loans and borrowings	139,057	42,775,565	**42,914,622**	48,437	20,096,292	**20,144,729**
Deferred tax liability	-	51,669	**51,669**	-	-	**-**
Total liabilities	**434,279,725**	**45,204,460**	**479,484,185**	**423,271,884**	**22,601,800**	**445,873,684**
Net	**(248,218,297)**	**348,557,766**	**100,339,469**	**(245,595,718)**	**340,108,776**	**94,513,058**

THE CO-OPERATIVE BANK OF KENYA LIMITED AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2022

47. OPERATING LEASE COMMITMENTS

As lessor:

The total future minimum lease receivables due from tenants are as follows:

	Group and Bank	
	2022	2021
	KShs'000	KShs'000
Within One year	189,218	129,703
Between 2 and 5 years	756,873	468,338
Over 5 years	-	-
	946,091	**598,041**

Leases are negotiated for an average term of six (6) years and rentals are reviewed every two (2) years.

As lessee:

The total future minimum lease payments due to third parties under non-cancellable operating leases are as follows:

	Group and Bank	
	2022	2021
	KShs'000	KShs'000
Within one year	999,571	993,548
Between 2 and 5 years	2,190,115	2,607,644
Over 5 years	131,407	572,431
	3,321,093	**4,173,623**

Lease commitments relate to lease rentals payable by the group for its leasehold properties and are negotiated for an average term of six (6) years.

48. COMMITMENTS

	Group and Bank	
	2022	2021
	KShs'000	KShs'000
(i) Capital: Authorised and contracted for	314,168	190,453
(ii) Capital: Authorised and not contracted for	3,944,261	3,584,093
(iii) Loans committed but not disbursed at year end	5,939,138	6,387,393

About this Integrated Report | Our Leadership | Co-op Bank Model | Our Capitals | Operating Environment | Strategic Focus Review | Environmental, Social and Governance (ESG) | Financial Statements

THE CO-OPERATIVE BANK OF KENYA LIMITED AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2022

49. CONTINGENT LIABILITIES

	Group		Bank	
	2022	2021	2022	2021
(a) Financial guarantees, Letters of credit and other undrawn commitments	KShs'000	KShs'000	KShs'000	KShs'000
Letters of credit	19,594,888	19,463,117	19,594,888	19,463,117
Guarantees	23,197,253	21,339,952	21,629,283	20,761,900
	41,792,141	**40,803,069**	**41,224,171**	**40,225,017**
Unutilised overdraft	4,185,425	886,937	4,185,425	886,937
Unutilised Credit Card	444,364	123,961	444,364	123,961
	4,629,789	**1,010,898**	**4,629,789**	**1,010,898**
Gross Carrying Amount	**46,421,930**	**41,813,967**	**45,853,960**	**41,235,915**
Allowance for credit losses	(1,267,266)	(1,002,433)	(1,255,963)	(1,002,433)
Net Carrying Amount	**45,154,664**	**40,811,534**	**44,597,997**	**40,233,482**

To meet the financial needs of customers, the Bank enters into various irrevocable commitments and contingent liabilities. These consist of financial guarantees, letters of credit and other commitments to lend. Even though these obligations may not be recognised on the statement of financial position, they contain credit risk and, therefore, form part of the overall risk of the Bank.

Guarantees are documents written by the Bank to support performance by a customer to third parties. The bank will only be required to meet these obligations in case of the customer's default.

Letters of credit commit the Bank to make payment to third parties, on production of documents, which are subsequently reimbursed by customers.

An acceptance is an undertaking by the Bank to pay a bill of exchange on a customer. Most acceptances are presented and reimbursement by the customer is almost immediate.

(b) Impairment losses on financial guarantees, letters of credit and other undrawn commitments

An analysis of changes in the outstanding exposures and the corresponding ECLs are, as follows

Letters of credit

	Group and Bank			
	Stage 1	Stage 2	Stage 3	Total
	KShs'000	KShs'000	KShs'000	KShs'000
Gross carrying amount as at 1 January 2022	**19,463,117**	**-**	**-**	**19,463,117**
Disbursement	135,126,493	-	-	135,126,493
Repayment (excluding write-off)	(134,994,722)	-	-	(134,994,722)
Movement to Stage 1	-	-	-	-
Movement to Stage 2	-	-	-	-
Movement to Stage 3	-	-	-	-
At 31 December 2022	**19,594,888**	**-**	**-**	**19,594,888**
ECL allowance as at 1 January 2022	**395,173**	**-**	**-**	**395,173**
ECL on disbursements	235,123	-	-	235,123
ECL on Repayment (excluding write-off)	(229,191)	-	-	(229,191)
Movement to Stage 1	-	-	-	-
Movement to Stage 2	-	-	-	-
Movement to Stage 3	-	-	-	-
At 31 December 2022	**401,105**	**-**	**-**	**401,105**

49. CONTINGENT LIABILITIES (Continued)

(b) Impairment losses on financial guarantees, letters of credit and other undrawn commitments (Continued)

Guarantees

	Group			
	Stage 1 KShs'000	Stage 2 KShs'000	Stage 3 KShs'000	Total KShs'000
Gross carrying amount as at 1 January 2022	**21,339,952**	**-**	**-**	**21,339,952**
Disbursements	106,148,013	-	-	106,148,013
Repayment (excluding write-off)	(104,290,712)	-	-	(104,290,712)
Movement to Stage 1	-	-	-	-
Movement to Stage 2	-	-	-	-
Movement to Stage 3	-	-	-	-
At 31 December 2022	**23,197,253**	**-**	**-**	**23,197,253**
ECL allowance as at 1 January 2022	**589,914**	**-**	**-**	**589,914**
ECL on disbursements	923,915	-	-	923,915
ECL on Repayment (excluding write-off)	(872,490)	-	-	(872,490)
Movement to Stage 1	-	-	-	-
Movement to Stage 2	-	-	-	-
Movement to Stage 3	-	-	-	-
At 31 December 2022	**650,339**	**-**	**-**	**650,339**

	Bank			
Gross carrying amount as at 1 January 2022	**20,761,900**	**-**	**-**	**20,761,900**
Disbursements	103,145,121	-	-	103,145,121
Repayment (excluding write-off)	(102,277,738)	-	-	(102,277,738)
Movement to Stage 1	-	-	-	-
Movement to Stage 2	-	-	-	-
Movement to Stage 3	-	-	-	-
At 31 December 2022	**21,629,283**	**-**	**-**	**21,629,283**
ECL allowance as at 1 January 2022	**589,914**	**-**	**-**	**589,914**
ECL on disbursements	921,612	-	-	921,612
ECL on Repayment (excluding write-off)	(872,490)	-	-	(872,490)
Movement to Stage 1	-	-	-	-
Movement to Stage 2	-	-	-	-
Movement to Stage 3	-	-	-	-
At 31 December 2022	**639,036**	**-**	**-**	**639,036**

About this Integrated Report | Our Leadership | Co-op Bank Model | Our Capitals | Operating Environment | Strategic Focus Review | Environmental, Social and Governance (ESG) | Financial Statements

THE CO-OPERATIVE BANK OF KENYA LIMITED AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2022

49. CONTINGENT LIABILITIES (Continued)

(b) Impairment losses on financial guarantees, letters of credit and other undrawn commitments (Continued)

Undrawn commitment

	Group and Bank			
	Stage 1 KShs'000	Stage 2 KShs'000	Stage 3 KShs'000	Total KShs'000
Gross carrying amount as at 1 January 2022	**1,010,898**	**-**	**-**	**1,010,898**
Disbursements	5,132,141	-	-	5,132,141
Repayment (excluding write-off)	(1,513,250)	-	-	(1,513,250)
Movement to Stage 1	-	-	-	-
Movement to Stage 2	-	-	-	-
Movement to Stage 3	-	-	-	-
At 31 December 2022	**4,629,789**	**-**	**-**	**4,629,789**
ECL allowance as at 1 January 2022	**17,346**	**-**	**-**	**17,346**
ECL on disbursements	312,621	-	-	312,621
ECL on Repayment (excluding write-off)	(114,145)	-	-	(114,145)
Movement to Stage 1	-	-	-	-
Movement to Stage 2	-	-	-	-
Movement to Stage 3	-	-	-	-
At 31 December 2022	**215,822**	**-**	**-**	**215,822**

Letters of credit

	Group and Bank			
	Stage 1 KShs'000	Stage 2 KShs'000	Stage 3 KShs'000	Total KShs'000
Gross carrying amount as at 1 January 2021	**13,725,691**	**-**	**-**	**13,725,691**
Disbursements	97,406,900	-	-	97,406,900
Repayment (excluding write-off)	(91,669,474)	-	-	(91,669,474)
Movement to Stage 1	-	-	-	-
Movement to Stage 2	-	-	-	-
Movement to Stage 3	-	-	-	-
At 31 December 2021	**19,463,117**	**-**	**-**	**19,463,117**
ECL allowance as at 1 January 2021	**576,841**	**-**	**-**	**576,841**
ECL on disbursements	204,990	-	-	204,990
ECL on Repayment (excluding write-off)	(386,658)	-	-	(386,658)
Movement to Stage 1	-	-	-	-
Movement to Stage 2	-	-	-	-
Movement to Stage 3	-	-	-	-
At 31 December 2021	**395,173**	**-**	**-**	**395,173**

THE CO-OPERATIVE BANK OF KENYA LIMITED AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2022

49. CONTINGENT LIABILITIES (Continued)

(b) Impairment losses on financial guarantees, letters of credit and other undrawn commitments (Continued)

Guarantees

	Group			
	Stage 1 KShs'000	Stage 2 KShs'000	Stage 3 KShs'000	Total KShs'000
Gross carrying amount as at 1 January 2021	**21,574,823**	**-**	**-**	**21,574,823**
Disbursements	58,248,535	-	-	58,248,535
Repayment (excluding write-off)	(59,061,458)	-	-	(59,061,458)
Movement to Stage 1	-	-	-	-
Movement to Stage 2	-	-	-	-
Movement to Stage 3	-	-	-	-
At 31 December 2021	**20,761,900**	**-**	**-**	**20,761,900**
ECL allowance as at 1 January 2021	**346,213**	**-**	**-**	**346,213**
ECL on disbursements	485,468	-	-	485,468
ECL on Repayment (excluding write-off)	(241,767)	-	-	(241,767)
Movement to Stage 1	-	-	-	-
Movement to Stage 2	-	-	-	-
Movement to Stage 3	-	-	-	-
At 31 December 2021	**589,914**	**-**	**-**	**589,914**

	Bank			
Gross carrying amount as at 1 January 2021	**21,574,823**	**-**	**-**	**21,574,823**
Disbursements	58,248,535	-	-	58,248,535
Repayment (excluding write-off)	(59,061,458)	-	-	(59,061,458)
Movement to Stage 1	-	-	-	-
Movement to Stage 2	-	-	-	-
Movement to Stage 3	-	-	-	-
At 31 December 2021	**20,761,900**	**-**	**-**	**20,761,900**
ECL allowance as at 1 January 2021	**346,213**	**-**	**-**	**346,213**
ECL on disbursements	485,468	-	-	485,468
ECL on Repayment (excluding write-off)	(241,767)	-	-	(241,767)
Movement to Stage 1	-	-	-	-
Movement to Stage 2	-	-	-	-
Movement to Stage 3	-	-	-	-
At 31 December 2021	**589,914**	**-**	**-**	**589,914**

THE CO-OPERATIVE BANK OF KENYA LIMITED AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2022

49. CONTINGENT LIABILITIES (Continued)

(b) Impairment losses on financial guarantees, letters of credit and other undrawn commitments (Continued)

Undrawn commitment

	Group and Bank			
	Stage 1 KShs'000	Stage 2 KShs'000	Stage 3 KShs'000	Total KShs'000
Gross carrying amount as at 1 January 2021	**1,043,808**	**-**	**-**	**1,043,808**
Disbursements	452,257	-	-	452,257
Repayment (excluding write-off)	(485,167)	-	-	(485,167)
Movement to Stage 1	-	-	-	-
Movement to Stage 2	-	-	-	-
Movement to Stage 3	-	-	-	-
At 31 December 2021	**1,010,898**	**-**	**-**	**1,010,898**
ECL allowance as at 1 January 2021	**20,596**	**-**	**-**	**20,596**
ECL on disbursements	13,588	-	-	13,588
ECL on Repayment (excluding write-off)	(16,838)	-	-	(16,838)
Movement to Stage 1	-	-	-	-
Movement to Stage 2	-	-	-	-
Movement to Stage 3	-	-	-	-
At 31 December 2021	**17,346**	**-**	**-**	**17,346**

c) Pending legal suits

The Bank operates in a regulatory and legal environment that, by nature, has a heightened element of litigation risk inherent to its operations. As a result, it is involved in various litigation, arbitration and regulatory investigations and proceedings, arising in the ordinary course of the Bank's business. When the Bank can reliably measure the outflow of economic benefits in relation to a specific case and considers such outflows to be probable, the Bank records a provision against the case. Where the probability of outflow is considered to be remote, or probable, but a reliable estimate cannot be made, a contingent liability is disclosed. However, when the Bank is of the opinion that disclosing these estimates on a case-by-case basis would prejudice their outcome, then the Bank does not include detailed, case-specific disclosures in its financial statements.

Given the subjectivity and uncertainty of determining the probability and amount of losses, the Bank takes into account a number of factors including legal advice, the stage of the matter and historical evidence from similar incidents. Significant judgement is required to conclude on these estimates. Some of the key pending legal suits include:-

Some of the key pending legal suits include:-

(i) Kenya Continental Holdings

This is an injunction application seeking to stop the Bank from selling the company's security alleging fraud and misrepresentation on the part of the Bank with a claim for special damages for alleged loss of opportunities amounting to KShs. 404,785,225. The Bank has a counterclaim amounting to KShs. 521,318,439 against the debtor. Judgment was entered in favour of the Bank on 2nd November 2020. The Court dismissed the Plaintiff's suit and James Nderitu's Counterclaim against the Bank with costs. The Court entered Judgment for the Bank on its Counterclaim as follows: (i) KShs. 145 Million against Kenya Continental Hotel Limited together with interest at the rate of 18% per annum from 29th January, 1999 until payment in full; (ii) KShs. 80,644,151 against Kenya Continental Hotel Ltd together with interest at the rate of 20% per annum from 25th September, 2000 until payment in full; (iii) Against the Guarantors a sum not exceeding KShs. 100 Million each; (iv)The Bank was also awarded costs of the suit. There is no exposure to the Bank in this matter. Parties are negotiating a settlement on how the decretal sums shall be paid to the Bank. The man Directorss of Kenya Continental Holdings James Nderitu and Hellen Nderitu unfortunately passed. Their beneficiaries are pursuing letters of administration to enable them complete the consent process. Matter will be mentioned on 5th May 2023.

THE CO-OPERATIVE BANK OF KENYA LIMITED AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2022

(ii) Boaz Mathews Ouma Awiti & three others

This is a claim for KShs. 31,864,120 against the Bank relating to the sale and purchase of shares in Bob Mathews Stockbrokers Ltd (now Kingdom Securities Limited). The Bank has successfully applied for and obtained a stay of proceedings and referral of the matter to arbitration as per the terms of the Share purchase agreement. On 1st December 2022, the Arbitrator ordered the parties to each appoint a firm of auditors to prepare a report on the claim. The Plaintiff chose Sierro and Associates while the Bank chose PKF East Africa Matter to be mentioned on 3rd March 2023 to confirm completion of the audit exercise and possible settlement of the Claim.

(iii) Alice Anyona Mumo & Others vs. RBA & Co-operative Bank of Kenya Limited Retirement Benefit Scheme, 2007 RBA Tribunal appeal no. 8 of 2013 (NBI)

This is an appeal against the RBA ruling dated 26 May 2011 confirming that member benefits were duly paid in accordance with the applicable Trust Deed and Rules. The ruling is in regard to the initial claim filed with the Retirement Benefits Authority (RBA) under section 46 of the RBA Act alleging that the scheme had not computed and paid the ex-staff the correct amounts. They claimed that the estimated amount allegedly due to them is approximately KShs. 2 billion. The ex-staff being dissatisfied with the ruling appealed against the same citing various grounds of appeal. Judgment was entered in the Scheme's favor by the Retirement Benefits Tribunal 0n 12th October 2021. The Claimant's appeal was dismissed. The Claimants sought leave to institute Judicial Review proceedings against the Tribunal's decision with the High Court. Ruling on the application for leave to institute Judicial Review was delivered on 9th February 2023.

The Court declined to grant leave for the Applicants to challenge the decision of the RBA Tribunal. The Applicants have indicated an intention to challenge the decision of the High Court in the Court of Appeal. We shall defend against the Appeal should it be lodged. Based on advice received from the Scheme Administrators and the Actuaries, no liability is expected to arise in future in respect of this claim.

No provision has been made in these financial statements for the above pending suits as based on professional legal advice, the directors are of the opinion that no liabilities are expected to arise in future in respect of these claims.

(d) Excise duty on financial transactions

In 2016, the Kenya Revenue Authority (KRA) demanded from the Bank tax amounting to KShs. 621,537,611 relating to alleged non-payment of excise duty for the period 2013 to 2015. This amount is made up of principal excise duty of KShs. 495,403,544 and interest of KShs. 126,134,067 as shown below:

Period	Principal KShs	Interest KShs	Total KShs
2013	134,213,458	51,167,844	**185,381,302**
2014	263,528,443	63,246,826	**326,775,269**
2015	97,661,643	11,719,397	**109,381,040**
	495,403,544	**126,134,067**	**621,537,611**

The management, through the tax agent, disputed the demand on factual and technical grounds and the matter was referred to the Tax Appeals Tribunal. The subject of the dispute is industry wide. In July 2020, the case was determined by the Tax Appeals Tribunal and ruled in favour of the Bank. KRA has since challenged the ruling at the High Court of Kenya and the case is yet to be determined as at 31 December 2022.

No provision has been made in these financial statements for the principal tax and interest shown above as the directors based on the TAT ruling and facts of the matter are of the opinion that no liability will arise

50. FIDUCIARY ACTIVITIES

The Group provides custody, trustee, corporate administration, investment management and advisory services to third parties, which involve the Group making allocation and purchase and sale decisions in relation to a wide range of financial instruments. These financial instruments comprise deposits with financial institutions, government securities and quoted and unquoted securities, among others. Those assets that are held in a fiduciary capacity are not included in these financial statements. Some of these arrangements involve the Group accepting targets for benchmark levels of returns for the assets under the Group's care. These services give rise to the risk that the Group will be accused of maladministration or under-performance.

The Group at Custodial & Investor Services department holds assets on behalf of customers with a value of KShs. 185.2 billion (2021 – KShs. 162.8 billion). The income for the period for custodial services was KShs. 301.3 million (2021- KShs. 202.9 million) while the expenses amounted to KShs. 62.8 million (2021- KShs. 64.0 million).

The Group, through Co-op Trust Investment Services Limited manages securities with a value of KShs. 196.47 billion (2021- KShs. 189.25 billion) on behalf of customers. The total income for the period from fund management was KShs. 343.08 million (2021- KShs. 268.27 million), with total expenses amounting to KShs. 182.51 million (2021- KShs. 143.91 million).

THE CO-OPERATIVE BANK OF KENYA LIMITED AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2022

51. ASSETS PLEDGED AS SECURITY

As at 31 December 2022, there were no assets pledged by the Group to secure liabilities.

52. HOLDING ENTITY

The holding entity of The Co-operative Bank of Kenya Limited is Co-opholdings Co-operative Society Limited incorporated in Kenya under the Co-operative Societies Act.

53. INCORPORATION

The Bank is incorporated in Kenya under the Companies Act, 2015

54. CURRENCY

These financial statements are presented in Kenya Shillings (KShs) and are rounded to the nearest KShs. 1,000.

55. COMPARATIVES

Where necessary, comparative figures have been adjusted to conform to changes in presentation in the current year. However, the changes effected are not qualitatively or quantitatively material as to result into prior year restatement of the balances to the financial statements.

56. EVENTS AFTER REPORTING PERIOD

The directors are not aware of any other events after the reporting date that require disclosure in or adjustments to the financial statements as at the date of this report.

Disclaimer

Co-operative Bank of Kenya Group has acted in good faith and has made every reasonable effort to ensure the comprehensiveness and accuracy of the information contained in this document, including all 'forward-looking statements'.

Forward-looking statements may be identified by words such as 'believe', 'anticipate', 'expect', 'plan', 'estimate', 'intend', 'project', 'target', 'predict' and 'hope'. These statements have been made by the Management of Co-op Bank and are purely based on the current operating environment, estimates, assumptions, beliefs and projections hence undue dependence should not be placed on such statements.

Co-operative Bank of Kenya Group does not undertake to update any forward-looking statements contained in this document and hence does not assume responsibility for any loss or damage whatsoever and howsoever arising as a result of the reliance by any party.

About this Integrated Report | Our Leadership | Co-op Bank Model | Our Capitals | Operating Environment | Strategic Focus Review | Environmental, Social and Governance (ESG) | Financial Statements

2022 Integrated Annual Report

For more information call our call centre on 020 277 6000,
0703 027 000, 0736 690 101, SMS 2020 or
email us at customerservice@co-opbank.co.ke

FB Co-op Bank Kenya(Official) Twitter @Coopbankenya