

We Are You

# Co-operative Bank of Kenya Ltd

Group Financial Results | Q2 2023



# Key Highlights

---

We are Growing

---

We are Resilient

---

We are Agile

# A Transformational Bank

---

**Largest Co-operative Bank in Africa 15 Million Members**

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

**Growth, Resilience and Agility**

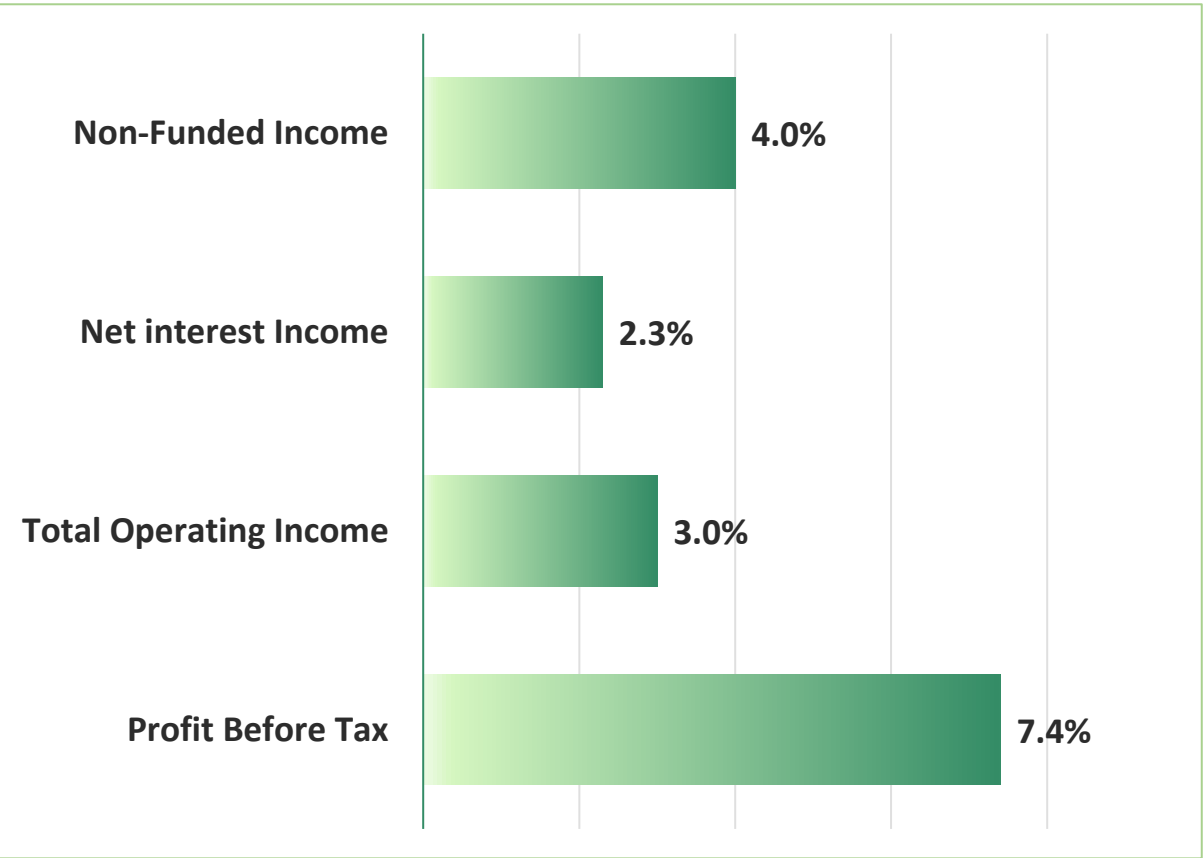
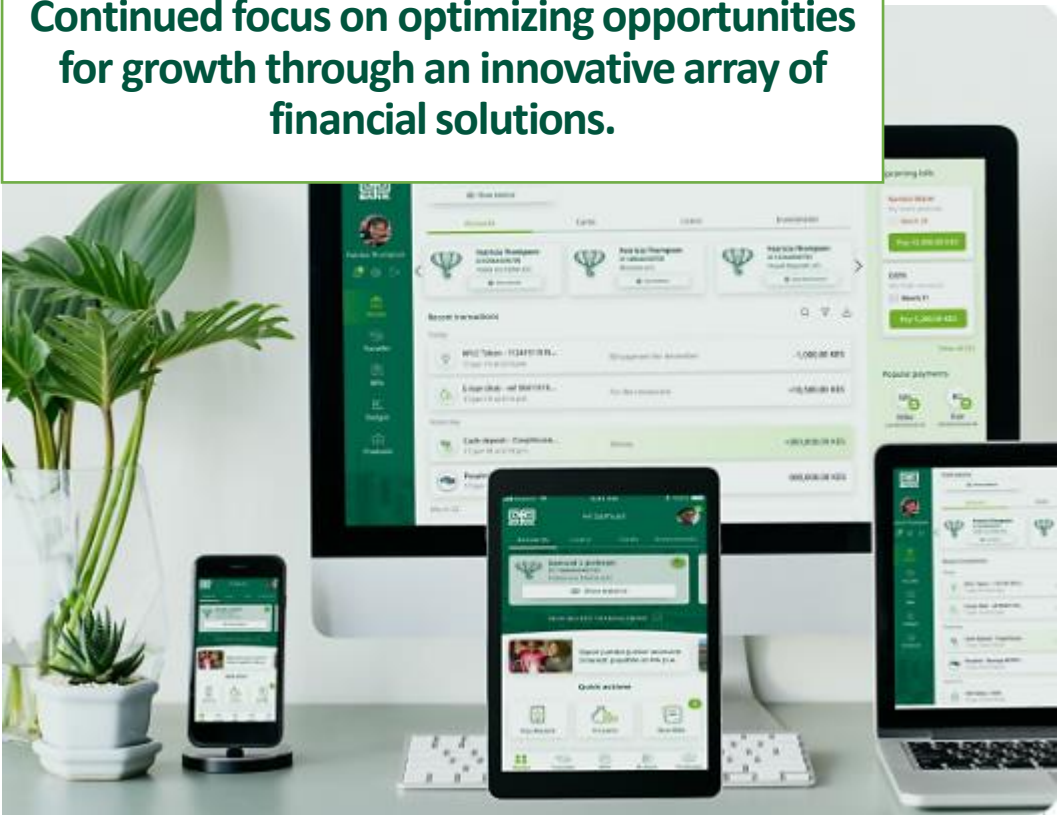
**Kshs. 664.9 Billion in Total Assets**

**5109 Skilled, Motivated Staff Members**



# We are Growing: Creating Value

Continued focus on optimizing opportunities for growth through an innovative array of financial solutions.



# We are Resilient: Protecting Value



Profitable Bank **Kshs. 16.4 Billion**



Strong Capital Buffers Total Capital to RWA 20.5% (Regulatory 14.5%)



Proactive Enterprise Risk Management Framework.



Proactive provisioning for NPL: Kshs. 2.9B in Q22023. NPL Coverage now at 71%



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



Up to **50.8% of our loan Book** is in Consumer banking which is low risk and performing well.



**Optimal risk spread** with a **188.5 Bn** in government securities.



Proactive Regulatory compliance



Dedicated ESG unit, ESG Champions in all branches.

Enhanced ESG Policy Framework

Our portfolio of loans above USD 1 Million comprises Kshs. 37.4 Billion that is Green (33.2%) and Social (66.8%)

## Continued gains from our institutionalized Transformation seeking efficiency and growth.

Key ongoing transformation initiatives aimed at a quality loan book are;

- Credit Review Implementation Project “Project Kilele”
- Decentralization of loan portfolio management enabling Project 3C (Connect, Collect and Cure).
- Project Connect & Build (CB) – focused on co-creating solutions with our customers to grow the loan book and increase product holding.

# New Core Banking System

On June 12<sup>th</sup>, We went Live on Finacle Core Banking System.

## Key Benefits:

### Improved business agility and flexibility

A modern, robust and scalable Core Banking solution, enhancing the Bank's response to changes in the industry, continuous realignment to new business needs, proactive management of customer needs and faster delivery of products.

### Enhanced customer experience and service delivery:

Faster response to customer needs and faster straight-through processing.

### Easy to use system:

Higher staff productivity and quicker service to our customers.

### Reduced IT Maintenance Costs:

Finacle offers reduced cost of maintenance due to higher system agility.

### Foster Innovation:

Rich product features and capability to extend internally and externally through APIs.

### Better analytics, performance measurement and reporting:

The system is highly parameterized hence increasing the bank's options to store and use data for business growth and compliance purposes.



### Support for Process Automation and digitization:

Capability to develop custom plug-in APIs for consumption during process automation and digitization.

# We are Agile: Fast | Adaptable

---

Operational efficiency with

91%

of our transactions in alternative  
Channels

- **New Core Banking System goes Live**

Expected Key benefits include enhanced;

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

- Successful customer migration to **Omnichannel**: Integrates accessibility and User experience

- Enhanced digitization of internal bank processes and engagement platforms.

### Staff Productivity

- Supporting new ways of working – Digital Workforce
- Sales Force effectiveness (SFE)

# Macroeconomic Highlights

---

Global Economy

---

Kenya's Economic Growth

---

Inflation and Interest Rate

---

Foreign Exchange Rate

---

South Sudan



# GLOBAL ECONOMIC ACTIVITIES SLOWING IN 2023



## REAL GDP GROWTH

	ACTUAL		2023 PROJECTION	
	2021	2022	JULY 2023.	DIFFERENCE FROM APRIL 2023
World	6.3	3.5	3.0	0.2
Advanced Economies	5.4	2.7	1.5	0.2
United States	5.9	2.1	1.8	0.2
United Kingdom	7.6	4.1	0.4	0.7
Japan	2.2	1.0	1.4	0.1
Euro area	5.3	3.5	0.9	0.1
Germany	2.6	1.8	-0.3	-0.2
Emerging Market and Developing Economies	6.8	4.0	4.0	0.1
China	8.4	3.0	5.2	0.0
India	9.1	7.2	6.1	0.2
Russia	5.6	-2.1	1.5	0.8
Sub-Saharan Africa	4.7	3.9	3.5	-0.1
South Africa	4.7	1.9	0.3	0.2
Nigeria	3.6	3.3	3.2	0.0
Uganda	6.7	4.9	5.7	-0.2
Kenya	7.6	4.8	5.3	0.0

- Global economic activities are projected to fall from 3.5% in 2022 to 3% in 2023 and remain at the same level in 2024 (IMF's world economic outlook -July 2023)
- The forecast for July, is however, 0.2 percentage points higher than the April 2023 outlook but below the historical average of 3.8% (2000-2019).
- The upward revision in July largely reflects positive mark-ups in the advanced economies especially in the USA, UK and the Euro Area which has adapted better to the energy crisis precipitated by the Ukraine conflict than earlier expected.
- Within Emerging Market and Developing Economy (EMDE), economic activities are forecast to remain strong largely on a rebound in China and Russia which offsets the decline in India.
- Activities within the Sub-Saharan Africa region are projected to remain resilient at 3.5% relative to 3.9% in 2022.
- The marginal mark down in activities reflects the ongoing global challenges: high commodity prices, tightened global financial markets, the Ukraine conflict and challenges of insecurity in some parts of the region.

# KENYA'S ECONOMY HAS REMAINED RESILIENT



SECTOR	2022				2023
	Q1	Q2	Q3	Q4	Q1
<b>1.0 Agriculture</b>	<b>-1.7</b>	<b>-2.4</b>	<b>-1.3</b>	<b>-0.9</b>	<b>5.8</b>
<b>2. Non-Agriculture (o/w)</b>	<b>8.2</b>	<b>7.1</b>	<b>5.3</b>	<b>4.6</b>	<b>5.2</b>
<b>2.1 Industry</b>	<b>5.6</b>	<b>5</b>	<b>2.6</b>	<b>2.4</b>	<b>2.5</b>
Mining & Quarrying	23.8	16.6	-4.5	1.6	3.3
Manufacturing	3.8	3.6	1.8	1.8	2
Electricity & Water Supply	3.2	5.6	6	4.9	2.3
Construction	6	4.5	3.5	2.4	3.1
<b>2.2 Services</b>	<b>8.9</b>	<b>8</b>	<b>5.9</b>	<b>5.2</b>	<b>6.3</b>
Wholesale & Retail Trade	4.9	4.1	3.6	2.7	5.7
Accommodation & Restaurants	40.1	44	16.9	14.9	21.5
Transport & Storage	7.7	7.2	5.1	2.7	6.2
Information & Communication	9	11.2	11.8	8	8.7
Financial & Insurance	17	16.1	9.6	9.4	5.8
Public Administration	6.2	3.8	3.4	4.7	6.6
Professional Services	13.1	10.9	9	5.3	7.3
Real Estate	6	5	4	2.9	5.2
Education	4.6	4.4	3.9	6.1	3.6
Health	5.7	4.4	3.7	4.3	5.4
Other Services	8.9	4.3	5.7	4	3
<b>Real GDP Growth</b>	<b>6.2</b>	<b>5.2</b>	<b>4.3</b>	<b>3.7</b>	<b>5.3</b>

- Data from the KNBS indicates that the Kenyan economy remained resilient in Q1 2023 registering a growth of 5.3% relative to 6.2% in Q1 2022.
- Growth was largely supported by the recovery in agriculture on improved weather conditions following successive contractions in 2021 and 2022.
- Activities within the services sector remained strong posting a growth of 6.3% relative to a growth of 8.9% in Q1 2022.
- Growth within the services space was anchored on strong outcomes from accommodation (21.5%), ICT (8.7%), transport (6.2%), financial services (5.8%) and professional services (7.3%).
- The industrial sector registered a below trend growth of 2.5% (trend level 4.3%-2017-2021) compared to a growth of 5.6% in Q1 2022 largely reflecting lower outturns within the manufacturing space.
- Into the remainder of the year, the economy is projected to remain resilient largely on improved agricultural activities and within trend activities within the services sector.
- Risks to the outlook remain to be the relatively high inflation, global geopolitical developments and the tightness in global financial markets.

# INFLATION TRENDING DOWNWARDS, INTEREST RATES REMAIN TIGHT



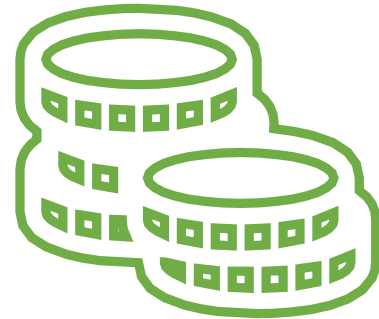
- **Overall inflation registered a significant decline in July 2023 to 7.3%, within the CBK's target band for the first time since May 2022, from 7.9% in June.**
  - Food inflation declined to 8.6% from 10.3% in June 2023 on lower vegetable prices while fuel inflation went up significantly from 12.9% to 14.5% in July 2023 on higher electricity prices and higher pump prices following the implementation of tax measures on petroleum products in July.
  - Core Non-food Non-fuel inflation was down to 3.8% in July 2023 from 4.1% in June largely reflecting reduced demand pressures.
  - Food inflation is expected to continue easing in the near term on improved harvest following better weather conditions and even as base effects set in.
  - However, fuel inflation is expected to remain elevated in the near term on higher electricity prices and the implementation of tax measures on petroleum products (VAT from 8% to 16%).
- **The interest rates market has remained tight in 2023.**
  - The interest rate market has remained tight in 2023 averaging 12.69%, 12.56% and 13.11% for the 91, 182 and 364 day papers on August 3<sup>rd</sup>. This compares with 9.39%, 9.85% and 10.43% on January 5<sup>th</sup> 2023.
  - On the same trend, the interbank rate came in at 17.4% on August 3<sup>rd</sup> compared to 6.4% on January 5<sup>th</sup> highlighting the tightness in the money market.
  - On August 9<sup>th</sup>, the MPC approved a new monetary policy framework based on inflation targeting and introduced an interbank interest rate corridor around the Central Bank Rate (CBR) set at  $CBR \pm 2.5\%$ . This is to allow for effective monetary policy transmission and stabilization (reduce volatility) of the interbank market.
  - The move by the government to scale down its net domestic borrowing from KES 586.5 billion to KES 316 billion in the current financial year is expected to ease pressure on domestic interest rates in the near term.



# FOREIGN EXCHANGE RATE

---

- **The Kenyan shilling has continued to face pressure in the foreign exchange market in 2023.**
  - The depreciation of most currencies within the Sub-Saharan Africa region that started in 2022 against the US dollar has continued in 2H2023.
  - Global commodity prices, though moderated, remain relatively high thus exerting pressures on most currencies within the Sub-Saharan Africa region.
  - The Kenya shilling, for instance, has ceded ground against the US dollar by around 14.1% between January and July 2023.
  - Central Bank foreign exchange reserves have improved from USD 6, 376 million on 13<sup>th</sup> April equivalent to 3.56 months of import cover to stand at USD 7,338 million as of August 9<sup>th</sup>, equivalent to 4.01 months of import cover.
  - With dollar denominated assets remaining attractive due to the tightening cycle in the US, these reserves are expected to provide a buffer against this and other shocks in the foreign exchange market in the near term.



# SOUTH SUDAN

---



- The outlook for the Economy of South Sudan has changed since the beginning of the year with downside risks to the economy becoming more pronounced than earlier projected;
- Sudan War is having challenges on the economy of South Sudan on several fronts:
  - ✓ Added inflationary pressures in the economy. At the beginning of the year, Inflation was projected to average around 27% in 2023. These new developments are adding inflationary pressure in the economy,
  - ✓ It has resulted in the continued depreciation of the South Sudanese Pound, despite increased reserves and a tight monetary policy followed by the Bank of South Sudan,
  - ✓ For instance, the South Sudanese pound has depreciated by 45.7% in the period running January 13th to July 14th 2023 from 682.38 to 993.95 South Sudanese pounds to the USD dollar,
  - ✓ The depreciation continues to exert pressure on the import bill and has pass through effects on inflation in the economy which is already high. With global commodity prices remaining relatively high and the tightness in financial conditions, this is likely to continue.
- On the positive, oil prices, though moderating, remain relatively high. This has benefited South Sudan budgetary operations as it remains highly dependent on oil revenues. The continued fall in oil prices poses budgetary risks.
- Overall, therefore, with these new developments, the economy of South Sudan is projected to remain resilient but somewhat weaker than the earlier forecast at the beginning of the year. Assuming a quick resolution to the conflict in Sudan, South Sudan will benefit from the peace dividends.



# Strategic Focus

## 2022 – 2024 Strategic Themes

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



### PURPOSE

A financial institution predominantly owned by the Kenyan Co-operative movement, *Transforming lives*

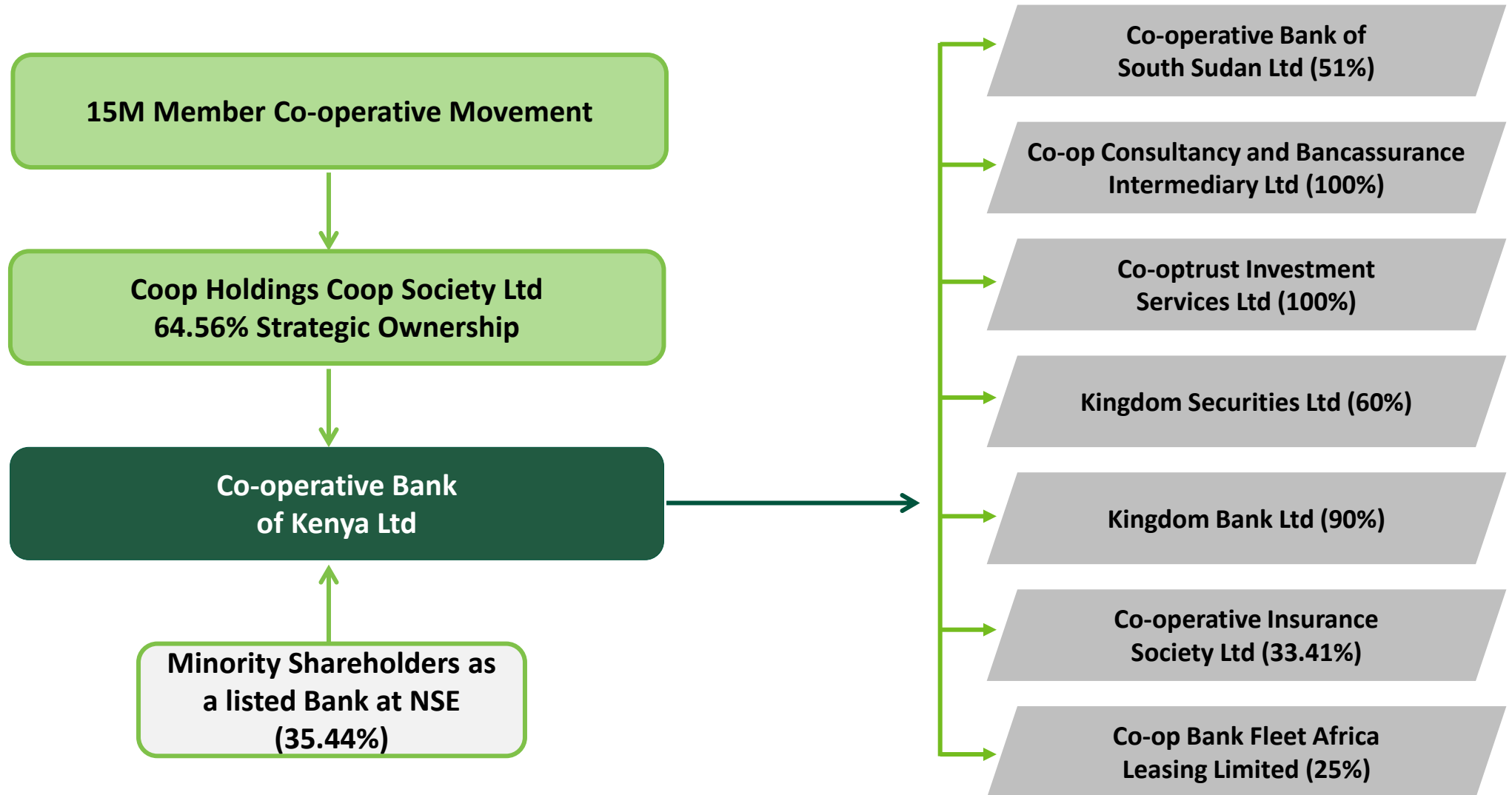
### MISSION

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

### VISION

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

# Co-operative Bank Group Structure



# A Successful Universal Banking Model



Retail and Business Banking  
(Kshs.250.2 Billion Loan Book)



Co-operatives Banking (Kshs. 34.8 Billion Loan Book)



Funds under management (Kshs. 197.3 Billion (Q22022 Kshs. 196.4 Billion))



Consultancy and capacity building  
3304 Mandates



Corporate Government & Institutional Banking (Kshs. 107.1 Billion Loan Book)



Leasing:  
Coop Bank Fleet Africa Ltd  
(Kes.78.1Mn YTD)



Insurance Brokerage  
Sustained revenue line



Stock Brokerage  
• Share trading services  
• Online Share Trading





# Our Presence

---



**191 Branches**



**17000+  
Co-op Kwa Jirani  
Agents**



**24hr Contact  
Centre**



**5M Omni Channel  
Customers**



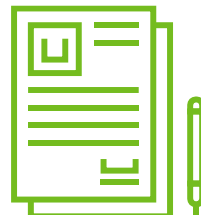
**21K Diaspora  
Banking Customers**



**5109 Staff**



**546 ATMs**



**484 Sacco Front  
offices  
Branch Network**

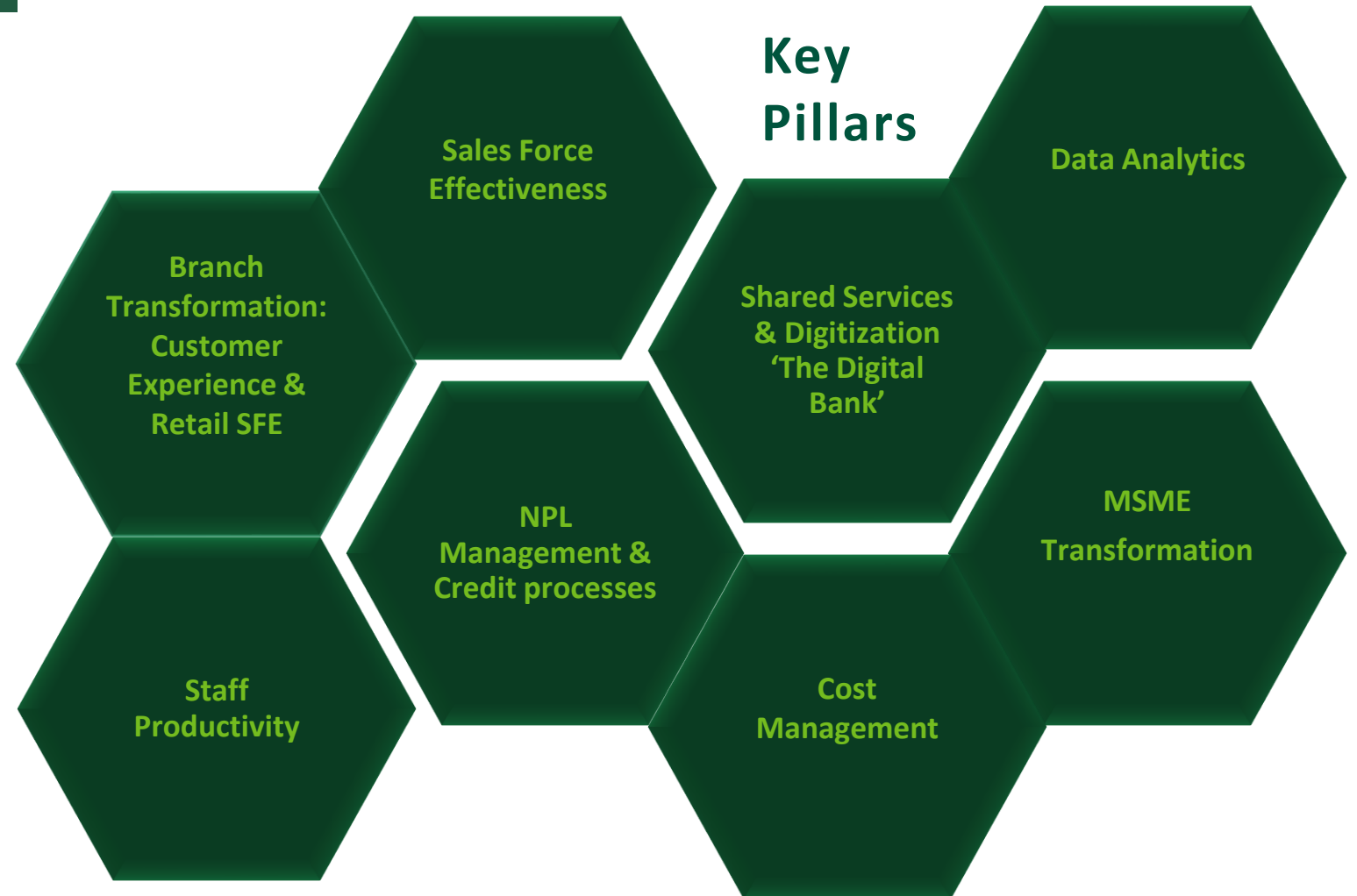
# “Soaring Eagle” Transformation Initiative



Growth



Efficiency



# “Soaring Eagle” Transformation:



## Key achievements

### E-CREDIT FOCUS: KSHS.318.2B DISBURSED SO FAR

Short-term tenor.

Average disbursement of Ksh.6.9B per month.

Consumer Based that is on salary checkoff deductions at source.

Low credit risk

*Average queue time of below 15 Minutes.*

*91% of transactions on alternative channels.*

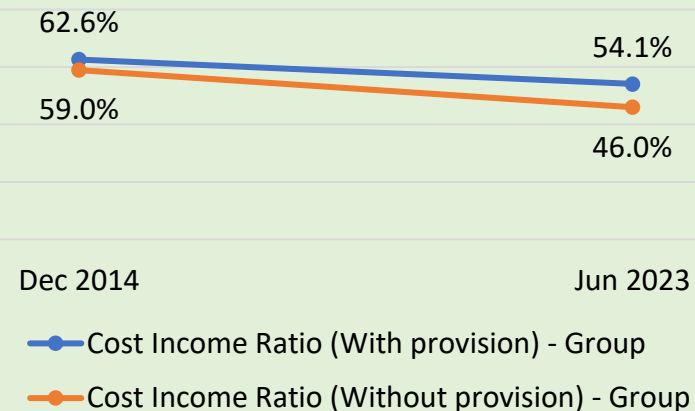
### PROACTIVE CREDIT MANAGEMENT THROUGH;

Continuous Process improvement for enhanced End to End Turn Around Time on all loan applications.

Proactive early delinquency & NPL management through Connecting with our customers, collecting and offering customer-centric solutions.

Credit Review Implementation Project “*Project Kilele*” and Project *Connect & Build*

### Efficiency Gains



# “Soaring Eagle” Transformation: Key achievements

## MSME Transformation

Customers Trained  
**38,000**

Customers onboarded  
MSME Gold, Silver, Bronze  
**185,000**

### Non-Financial Services

**98** Webinars  
**155** Clinics  
**30** networking forums  
**4** International Business trips

Government of Kenya  
Credit Guarantee Scheme



<https://msme.co-opbank.co.ke/>

# “Soaring Eagle” Transformation:

## Key achievements

### Sales Force Effectiveness for Corporates and Cooperatives

Sector focus; Tailor-made go-to-market strategies for different sectors.

Scale up value chain business

Leasing- Partnership with coop fleet to offer assets on lease

### Advanced data analytics

Supporting Data-led sales, reporting and decision making

### Digitization

New Core Banking System successfully implemented

Omnichannel platform (5Million+ customers)

Business Process Management System.

### Staff productivity

- > Performance Rigor & Rhythms
- > High Performing Teams (HPT) Culture
- > Performance-linked Rewards & Recognition
- > Staff Productivity –get the best out of our people
- > Talent Acquisition –deepening capabilities

# Credit Review Implementation Project

## Project Kilele

<p><b>E2E assessment of credit risk management practices</b></p>	<p>Comprehensive diagnostic review on each area of credit risk, including:</p> <ul style="list-style-type: none"> <li>• Credit risk management framework with a key focus on risk governance, credit risk appetite, origination and underwriting process, credit approval process, credit scoring/rating models, and pricing</li> <li>• Portfolio management, monitoring and reporting procedures</li> <li>• Non-performing loan management, collections, and recovery processes</li> </ul>
<p><b>Strengthen portfolio assessment and risk frameworks</b></p>	<ul style="list-style-type: none"> <li>• Stress-testing of existing work done on portfolio analysis</li> <li>• Assess client level (and sub-sector) strategies that have been developed and suggest improvements</li> <li>• Quantify impacts of work done - Improvements on work done and potential heuristics that can be applied to enhance PD, LGD, and ECL modelling incorporating sector expertise</li> </ul>
<p><b>Enhance Collections</b></p>	<ul style="list-style-type: none"> <li>• Diagnostic of collections area (including recoveries and restructuring)</li> <li>• Segment by segment re-design</li> <li>• Future roadmap for collections function</li> </ul>

# Credit Review Implementation Project



## Project Kilele

Underwriting process optimization

Reclassification of sectors and sub-sectors

NPV (Net Present Value) Restructuring Model

Early Warning System

Enhanced Strategic Collections

Client-level action Plans

## Key Achievements

Roll out of new Application For Facility forms.

Improving Turn Around Time for facilities.

Auto disbursements.

Business Process Management System optimization

Training for Frontline staff and service teams done to enable onboarding new customers with the new sectors and subsectors.

Early Alert meetings at a segment level with the new guidelines.

NPV (Net Present Value) Restructuring Model deployed

Entire corporate and Co-operative book has been reclassified into the new Sector classification to enhance quarterly stress testing of customers by sector and subsector.

Enhanced Client level action Plans to ensure regular and comprehensive update and actioning.

Escrow buildup by our customers.

# 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 achieving 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

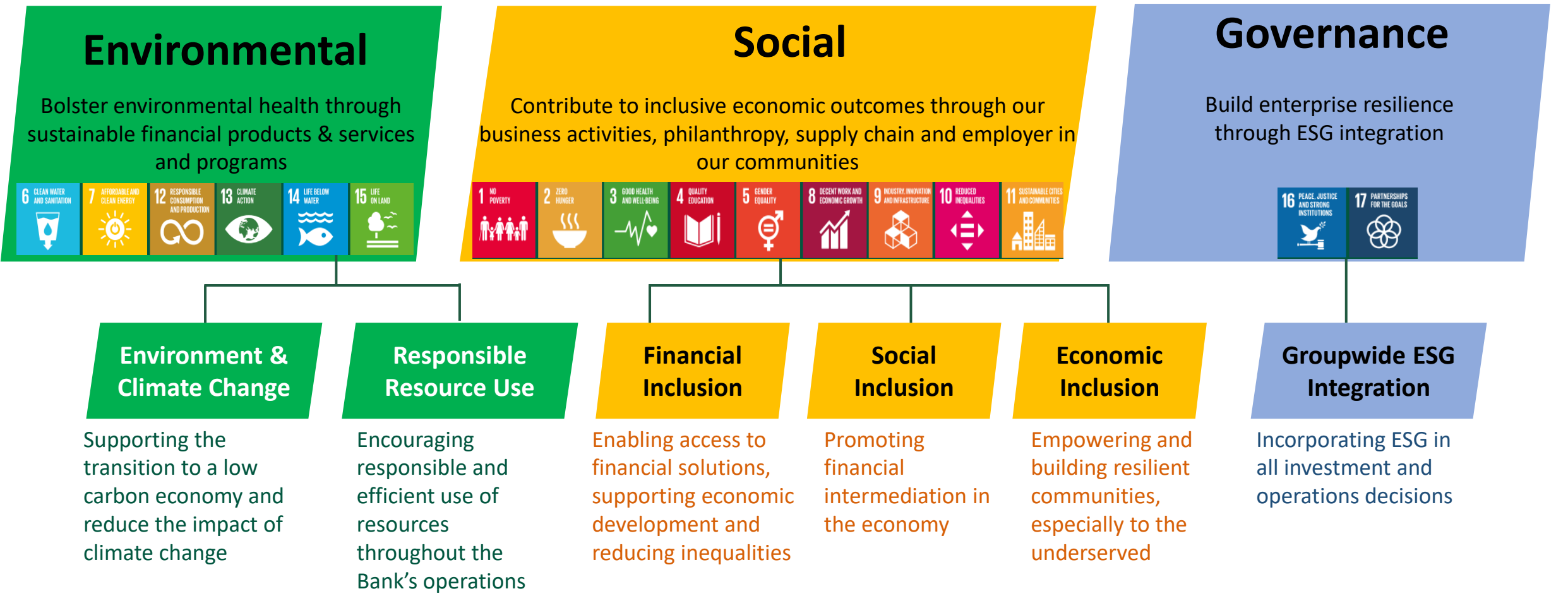




# Our ESG Framework



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



# ESG Performance: Governance

## TCFD

### Regulatory Reporting

- The Bank has published its first TCFD (Task Force on Climate-related Financial Disclosures) report with the Central Bank of Kenya.
- Upcoming reporting as per ISSB (International Sustainability Standards Board) inaugural sustainability standards—IFRS S1 and IFRS S2 effective 01 January 2024.
- We publish ESG and Integrated Reports annually

## POLICY

### ESG Policy Framework

- ESG Policy Framework
- ESG Policy harmonization with other existing Bank policies to ensure integration
- Environmental and Social Management System (ESMS) to ensure responsible banking practices

## Governance

### Clear ESG Governance in the Group

- Dedicated ESG Unit
- 23 ESG Champions
- ESG Champions Committee
- ESG Implementation Roadmap
- ESG Risk Management, including Climate Risk Management

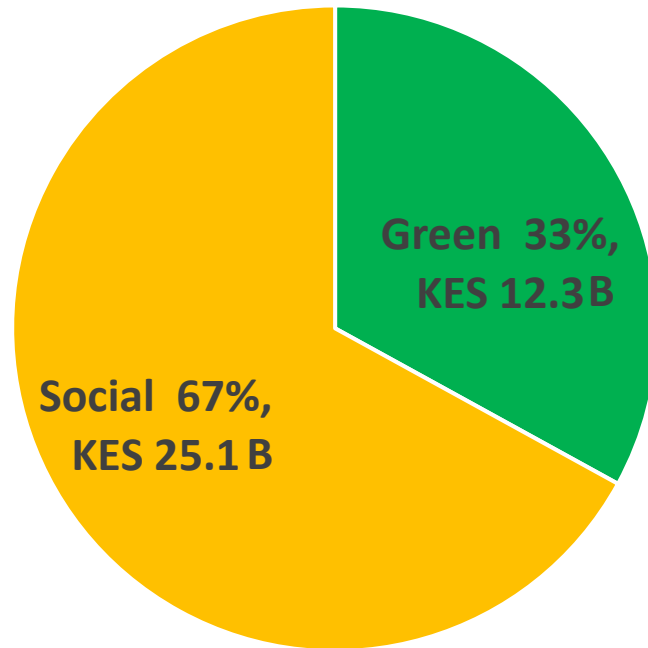
- Governance values founded on the pillars of responsibility, accountability, fairness, and transparency, aligned to CMA's code of Corporate Governance
- Board diversified in skills, experience, education, business knowledge
- Policies and processes in place to ensure the Bank's sustainability
- Director appointments in line with the Company's articles of association
- Regular and scheduled board meetings
- Clear separation of roles between the chairman of the Board, and the Managing Director and CEO
- Board committees in place to enhance the breadth and depth of Board responsibilities.
- Board performance evaluation undertaken in line with prudential guidelines
- Board remuneration in line with industry benchmarks and international best practices
- Internal controls, risk management, data privacy, transparency, are within the Board's purview

# ESG Impact

**KES 37.4 Billion**

Portfolio of loans  
above USD 1 million

Affirms our  
commitment to  
sustainable banking



## IMPACT AREAS

MSME Financing

Affordable Basic Infrastructure

Renewable Energy

Green Buildings

Energy Efficiency

Food Security

Access to Essential Services

Employment Generation

Affordable Housing

Sustainable Water & Wastewater Management

Sustainable Food and Agriculture

- Kshs. 100M Co-op Bank Capacity-building & Technical Assistance Fund
- Co-op Bank to provide the Direct Settlement System to the Coffee Exchange. This will benefit all market players notably farmers.
- Co-opbank Soko - a digital marketplace that connects the agriculture value chain - 760,950 Farmers



### CO-OP FOUNDATION

**10,264** Students Sponsored on  
Scholarship Program

### SUPPORTING LOCAL SUPPLIERS

**93.5%** of our sourcing is local  
Kshs. 14.8B paid to Suppliers in FY2022

### CO-OP CONSULTANCY

**3304** Consultancies to the Co-operative  
Movement.

### MSME FOCUS

**185,000** onboarded to MSME Gold,  
Silver and Bronze.  
38,000 Trained



# Sustainability Awards

Most Sustainable Bank in Kenya



**Asanteni Saana!**

**OVERALL WINNER**

Sustainable Finance Catalyst Awards

28



Most Innovative Bank



Best in financing Commercial Clients



1<sup>ST</sup> Runners up – Best in Sustainable Finance



1<sup>ST</sup> Runners up – Best in Covid 19 response



2<sup>ND</sup> Runners Up – Best in Financing MSME

# Award-Winning Brand



## KBA CUSTOMER SATISFACTION SURVEY

Best Overall in Satisfactory Customer Experience.  
33000 respondents from 38 member Banks



## 18th ENERGY MANAGEMENT AWARDS (EMA) 2022

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



## OVERALL WINNER – SUSTAINABILITY REPORTING 2022



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



## DIGIBANK SUMMIT 2022

Excellence in Customer Experience



Best Women and Youth empowerment Programs.

- Education Scholarship Program
- Adoption of Agribusiness and use of Renewable Energy Technologies for Agriculture by Youth in Kenya



## EMEAFINANCE AFRICAN BANKING AWARDS 2021

CEO of the year – Pan Africa  
Best Bank – Kenya  
Financial inclusion – Pan Africa  
Best Asset manager, Co-opTrust Investments Services - Kenya

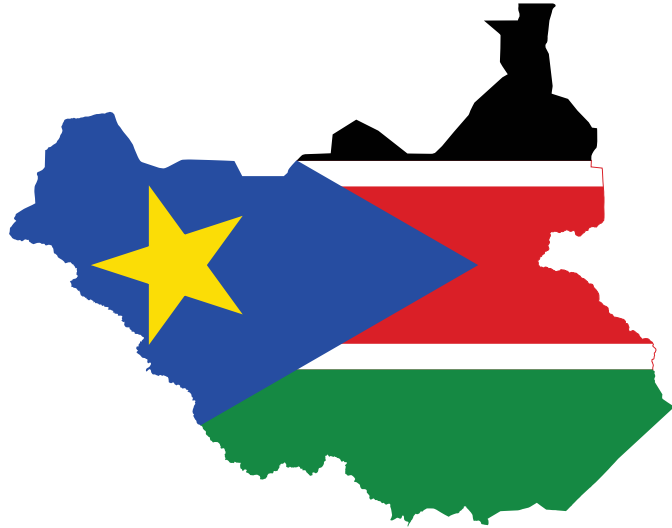


## VISA AWARDS 2021

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

# Regional Business

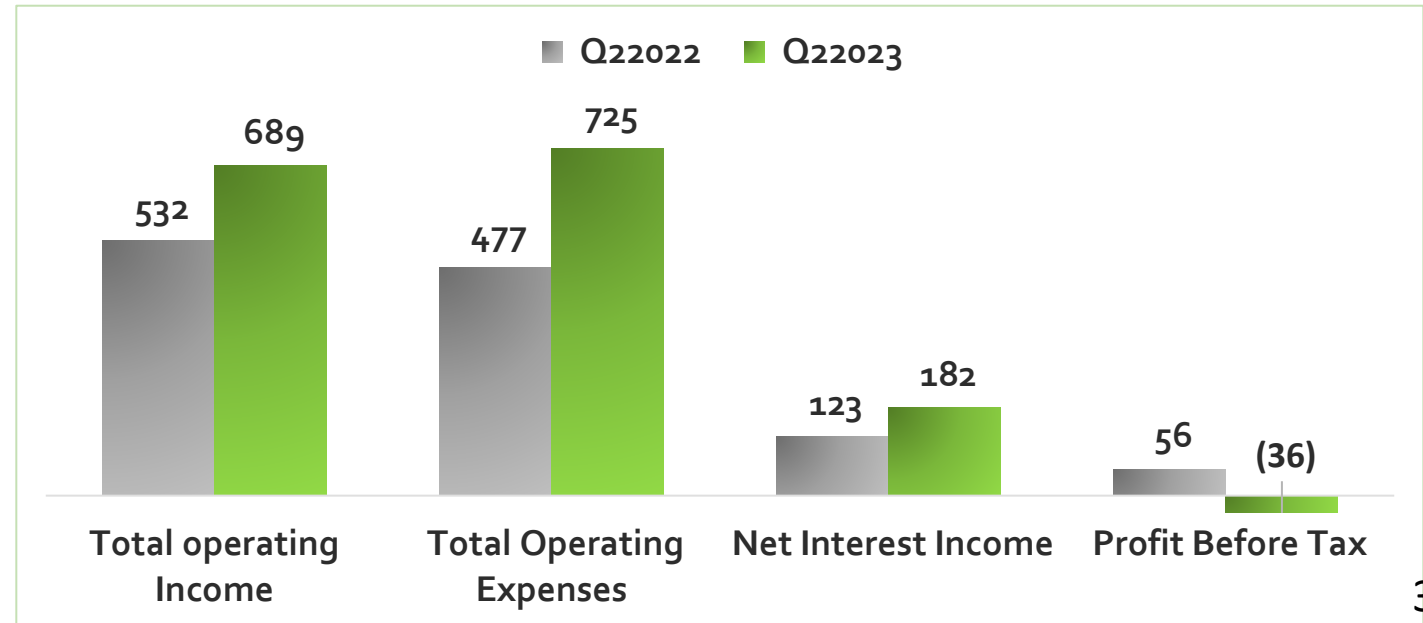
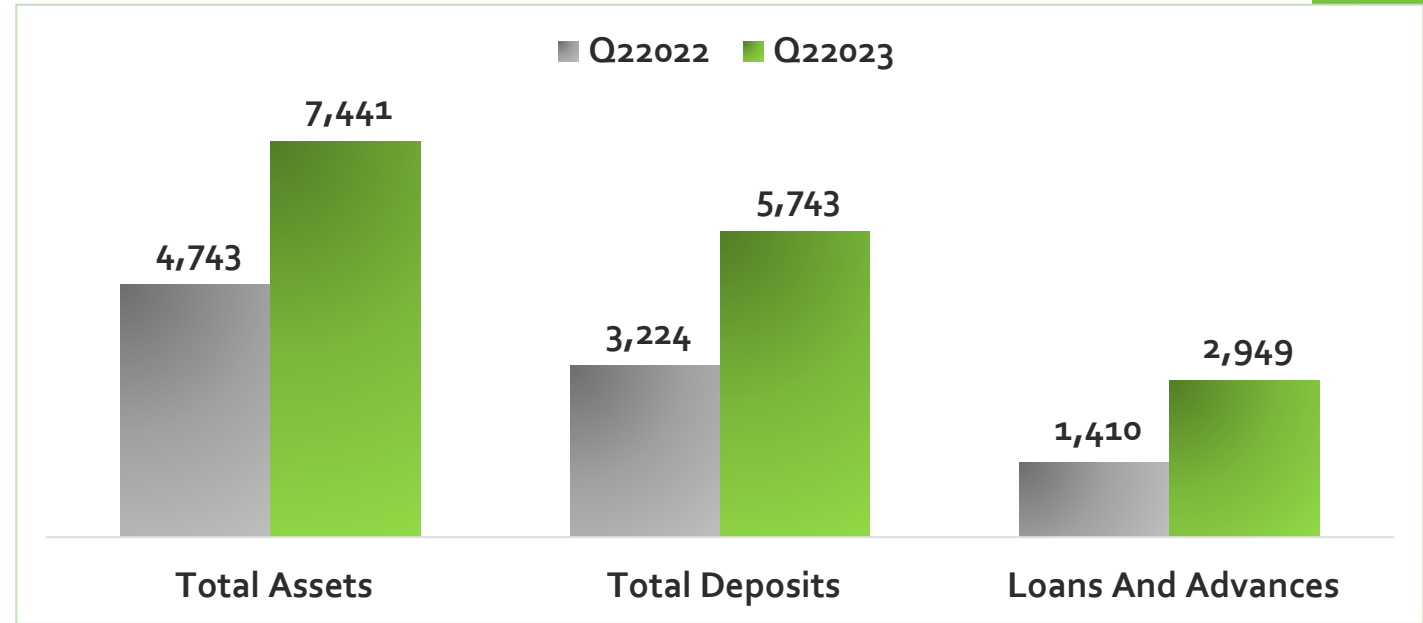
(Kshs. Millions)



4 Branches in Juba

5 Non-oil collection centers

Owns 31% of CIC Africa Ltd- South Sudan



# Channel Performance

---



# Growing Digital Channels

91%

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



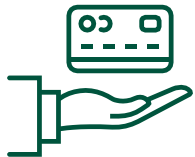
Mobile



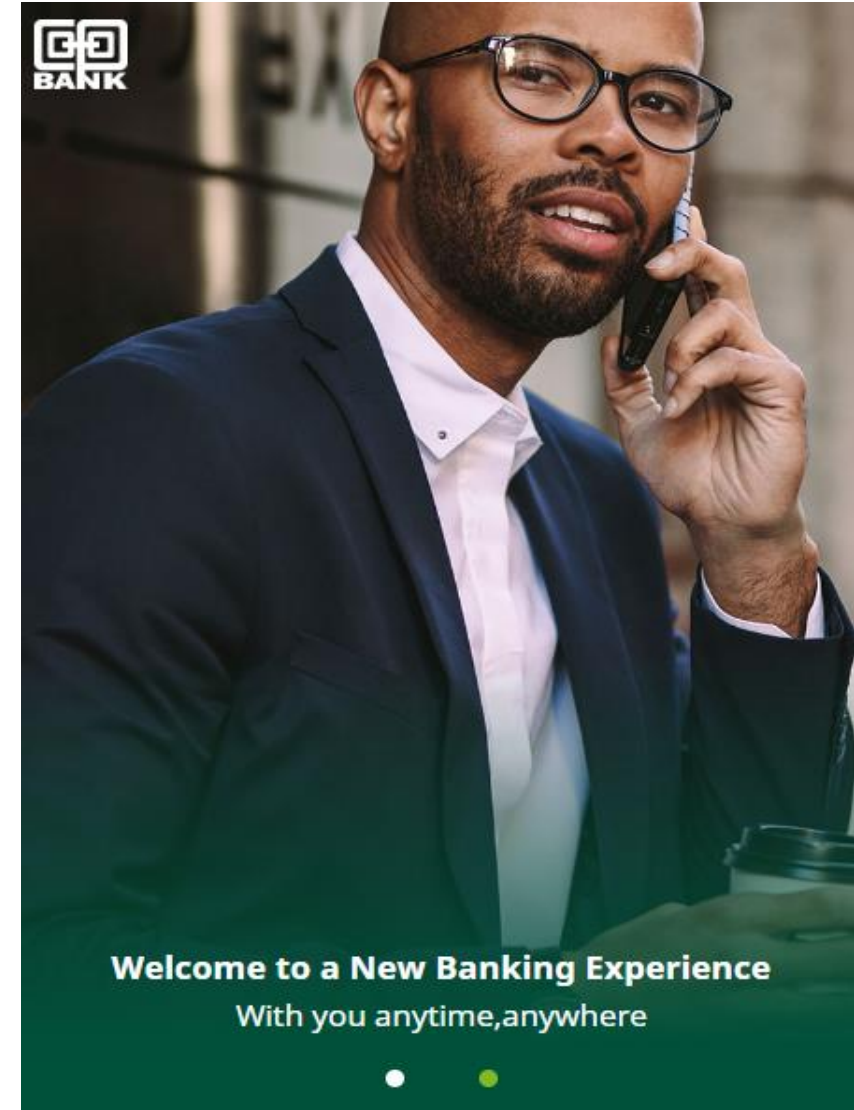
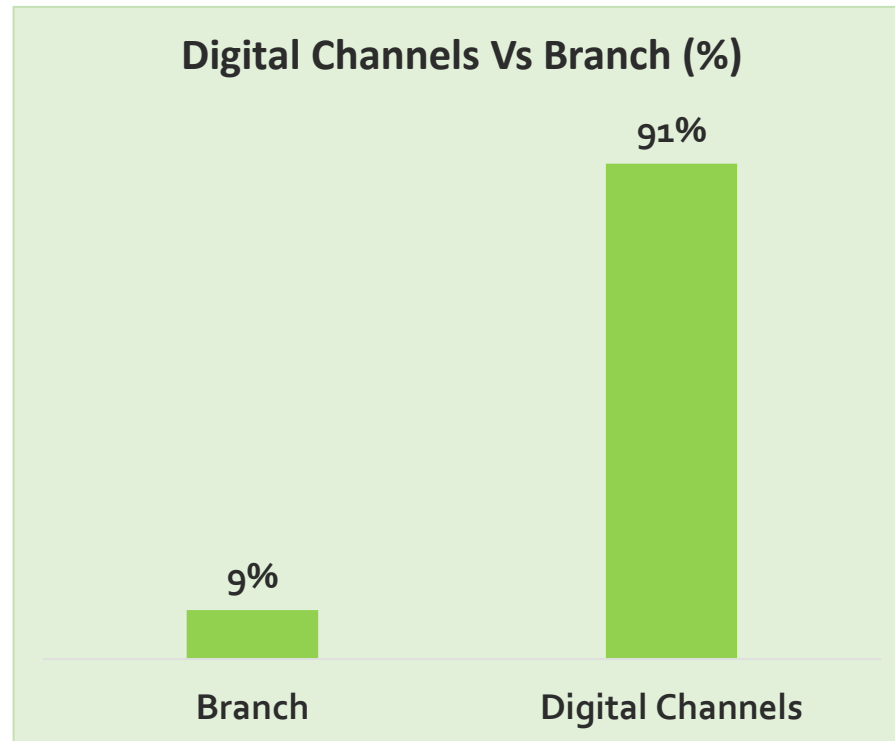
Internet



ATM



Agency





# MCo-op Cash Mobile Wallet

## A unique Offering

---

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

### Mco-opcash main features includes;

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



# Omnichannel Banking

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

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

**4.73B**

Successful offering continues to scale:

Income of Kshs. 4.73 Billion in 1H2023

## Welcome to the new Internet Banking

Your banking team is at your fingertips



Personal Internet Banking



Corporate Internet Banking

# Digital lending focus E-credit

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

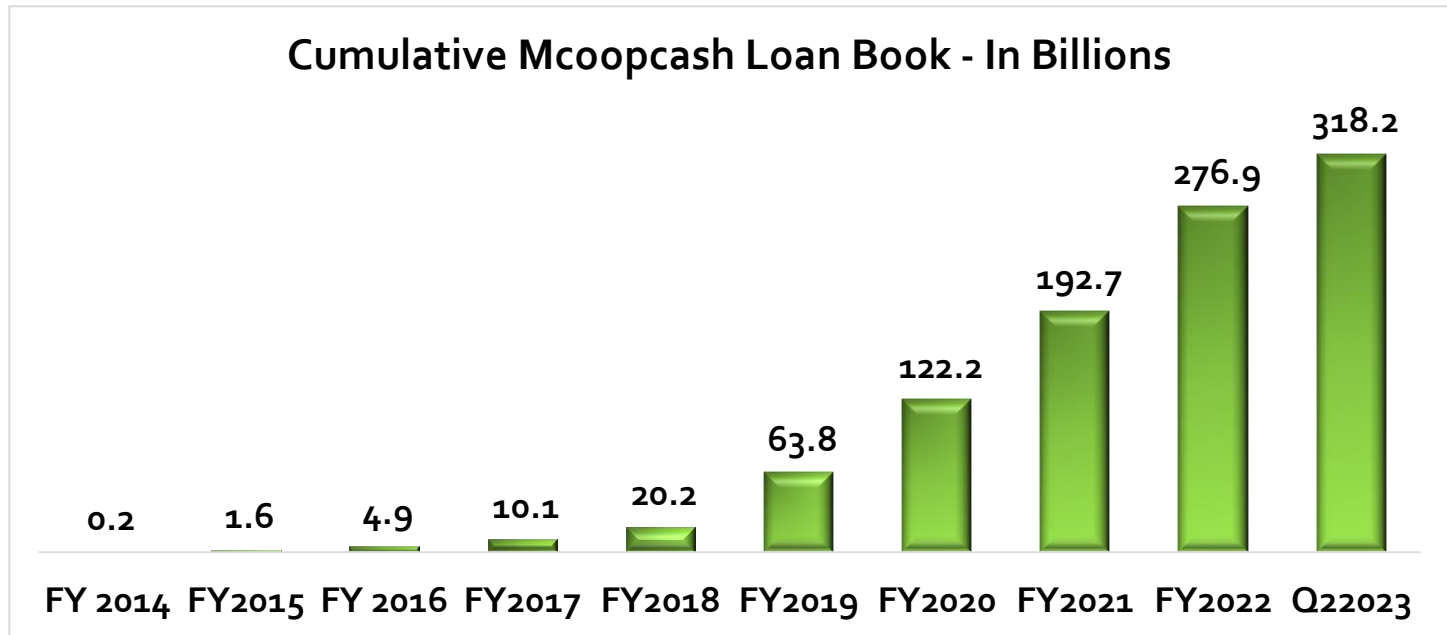
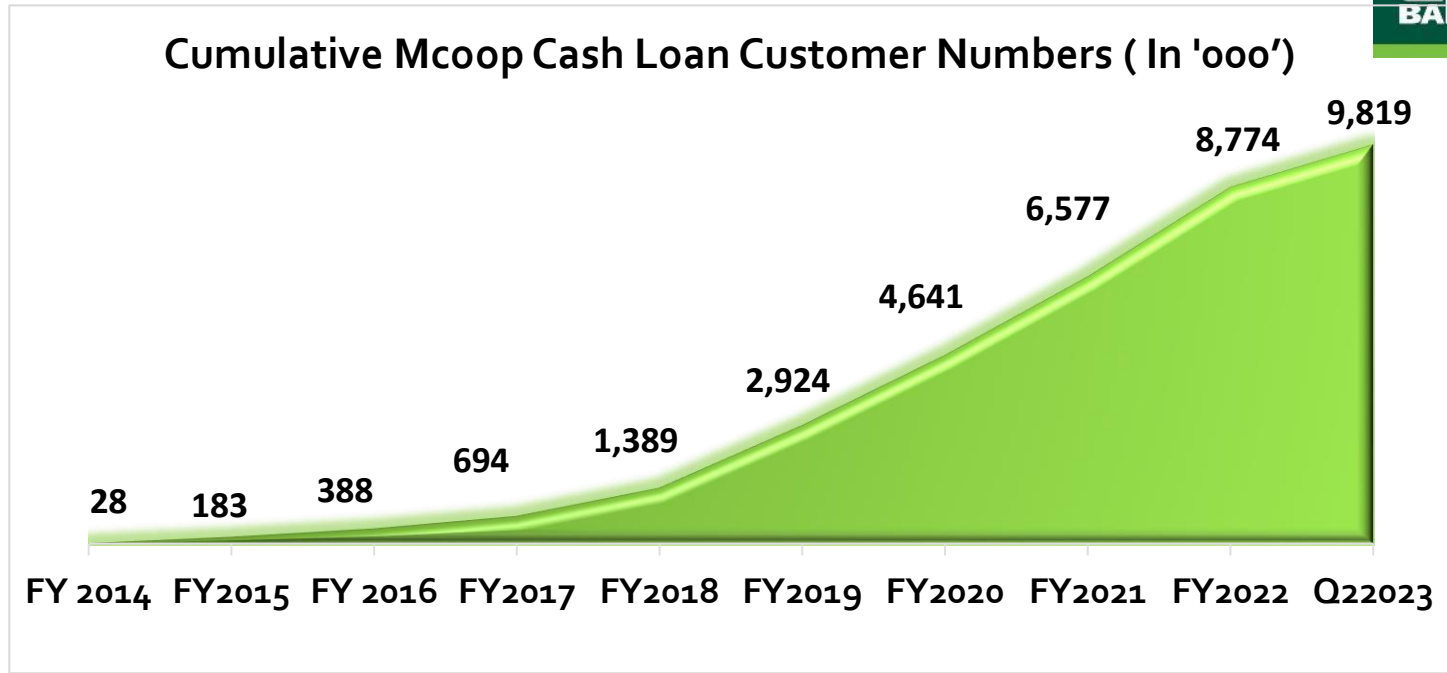
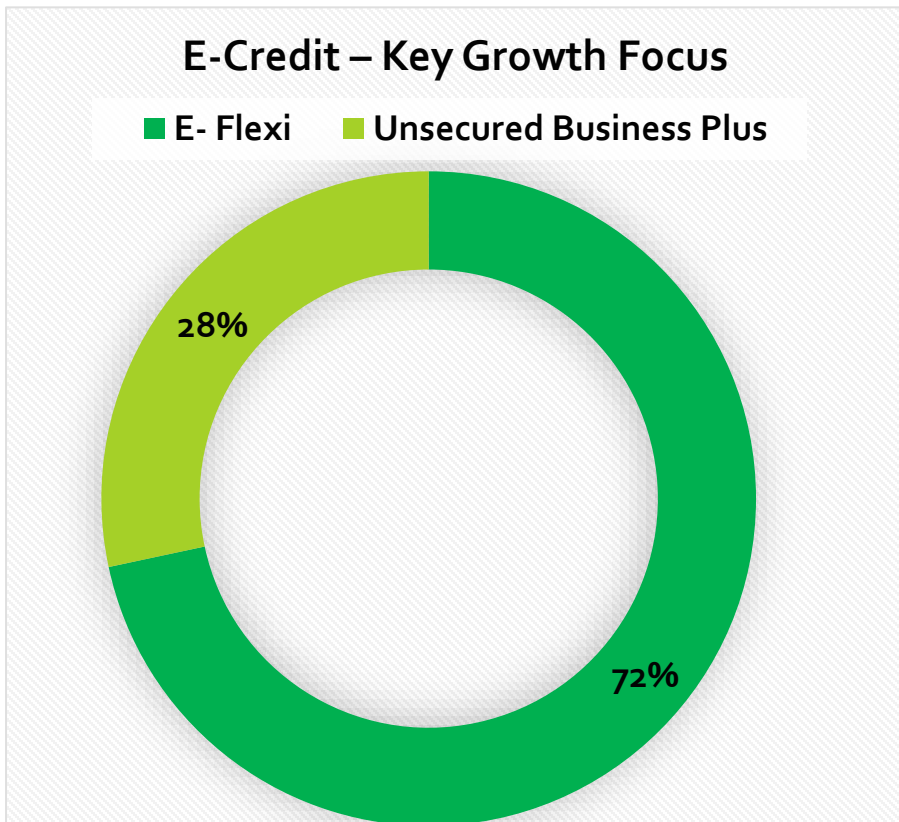
- A key focus area, Kshs.318.2B disbursed to Date.
- Kshs 6.9 Billion disbursed per month on average.
- Consumer based salary checkoff hence lower credit risk.
- Short term tenure



# E-credit

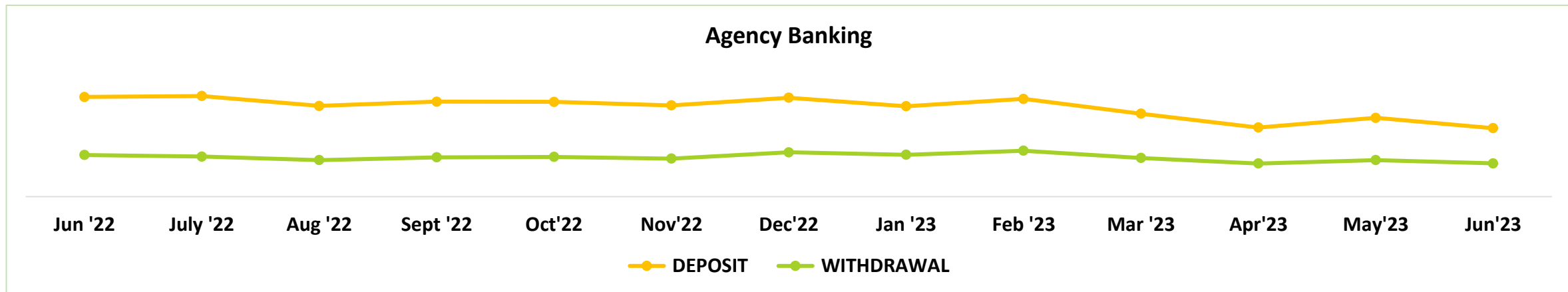
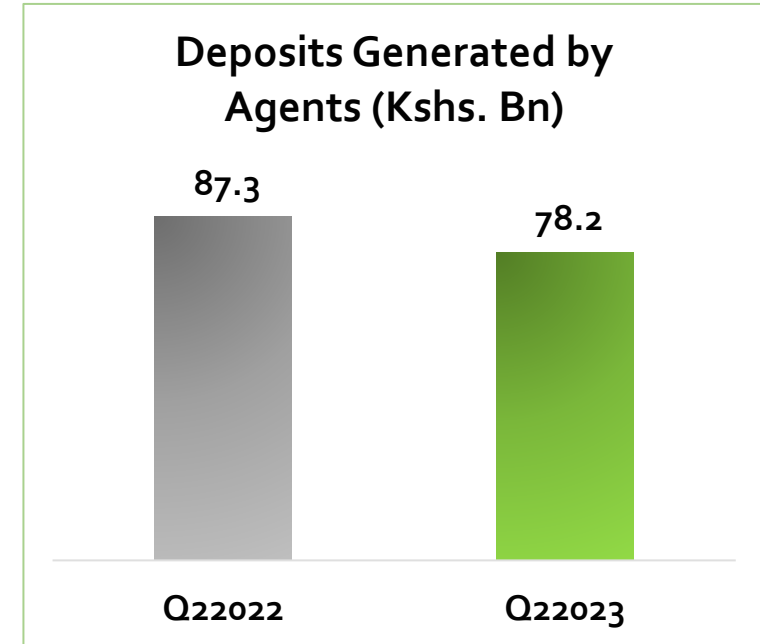
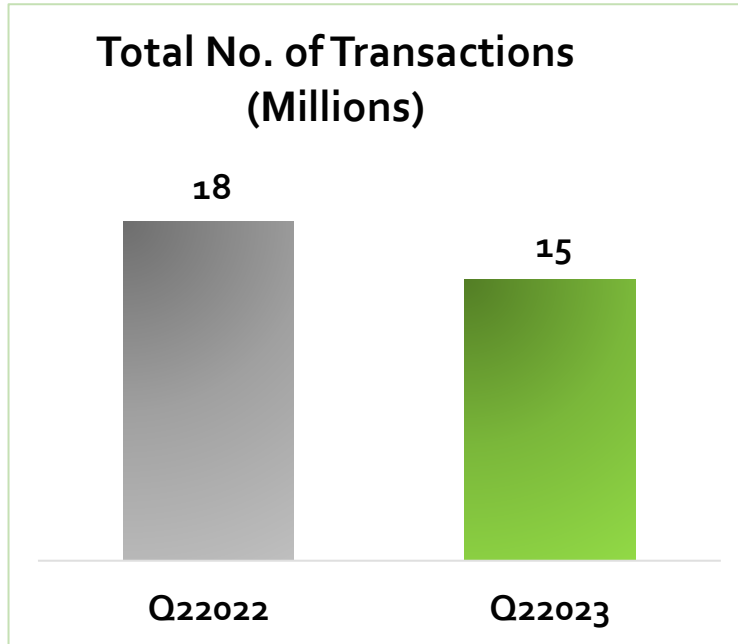
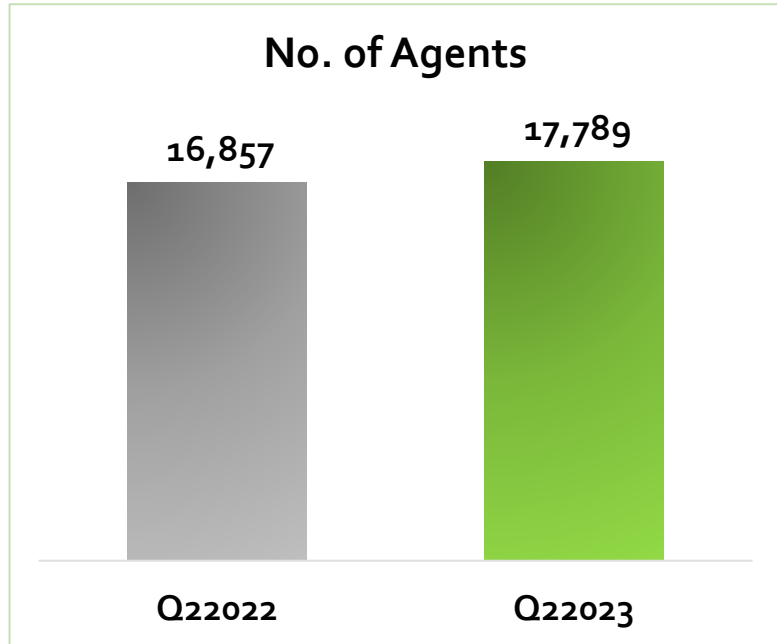
A superior product for our customers that continues to scale and is a key revenue source

**Kshs 41.3B Disbursed YTD**



# Agency Banking

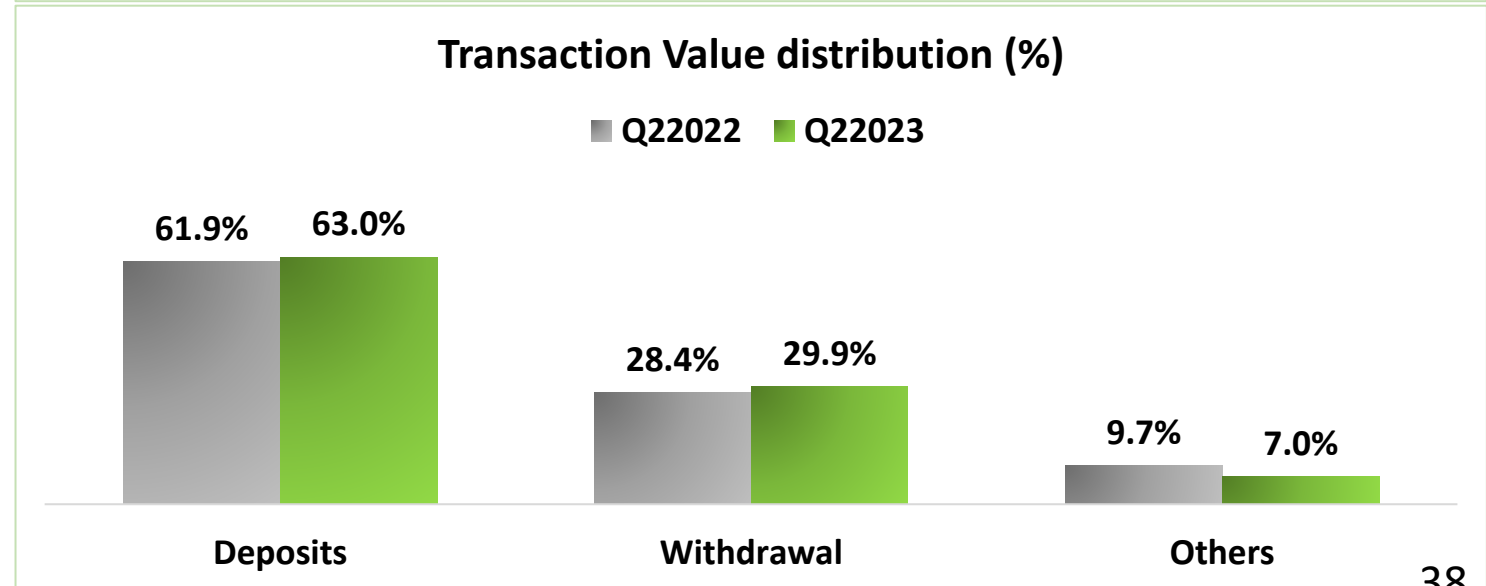
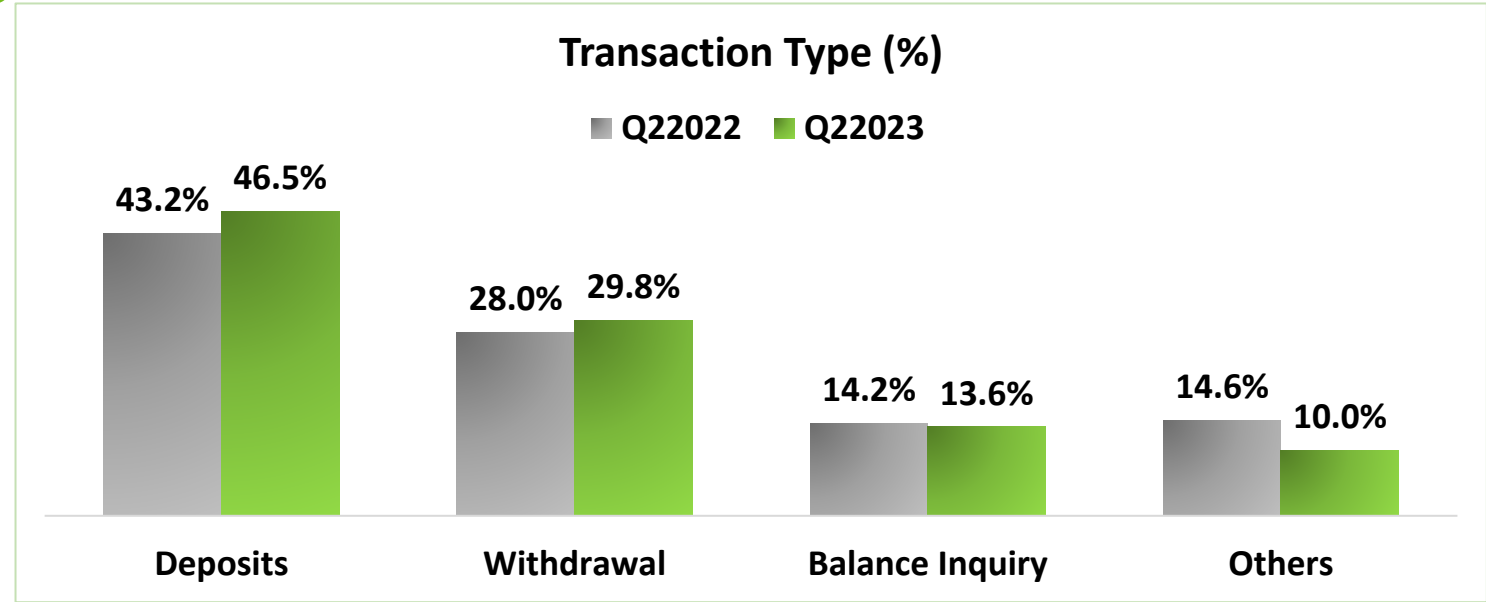
Growing Co-op Kwa Jirani Agency Banking



# Agency Banking

## Growing Co-op Kwa Jirani Agency Banking

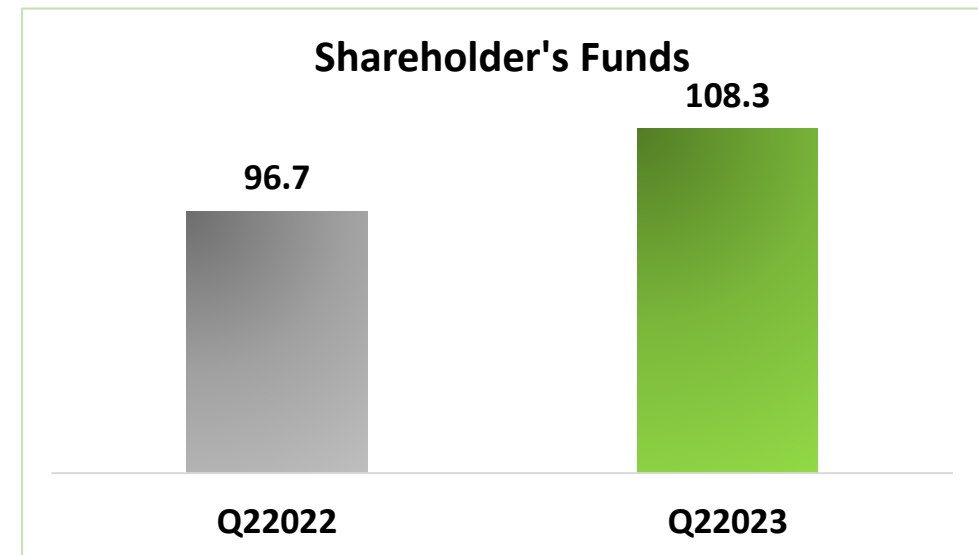
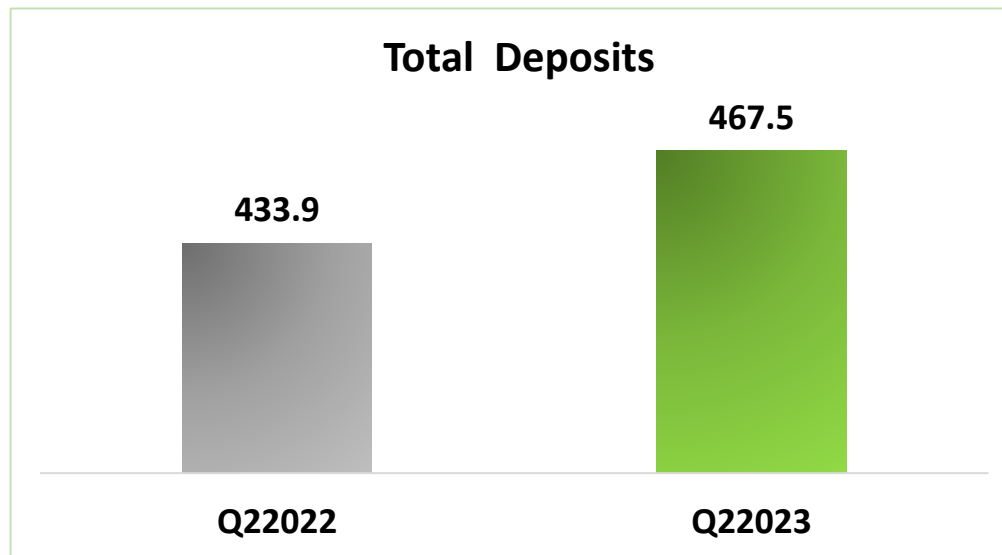
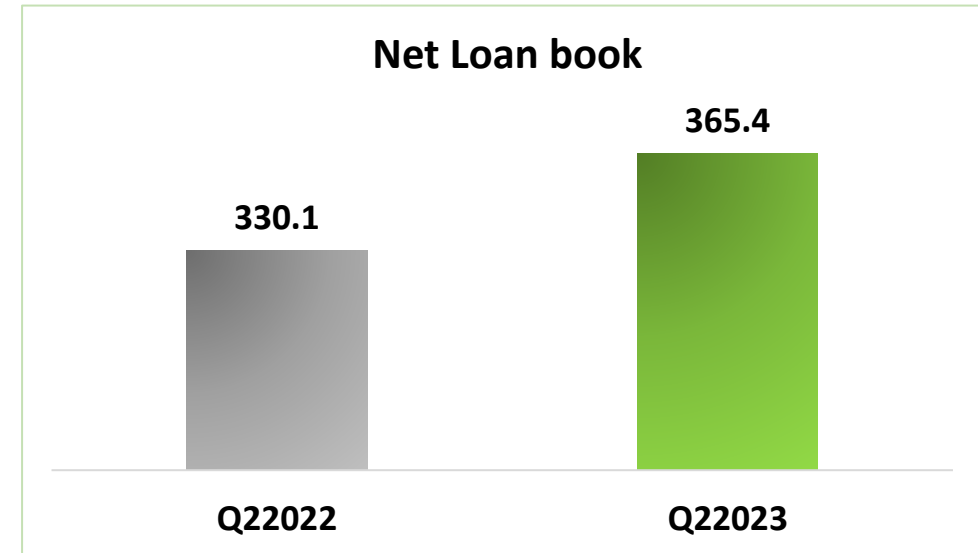
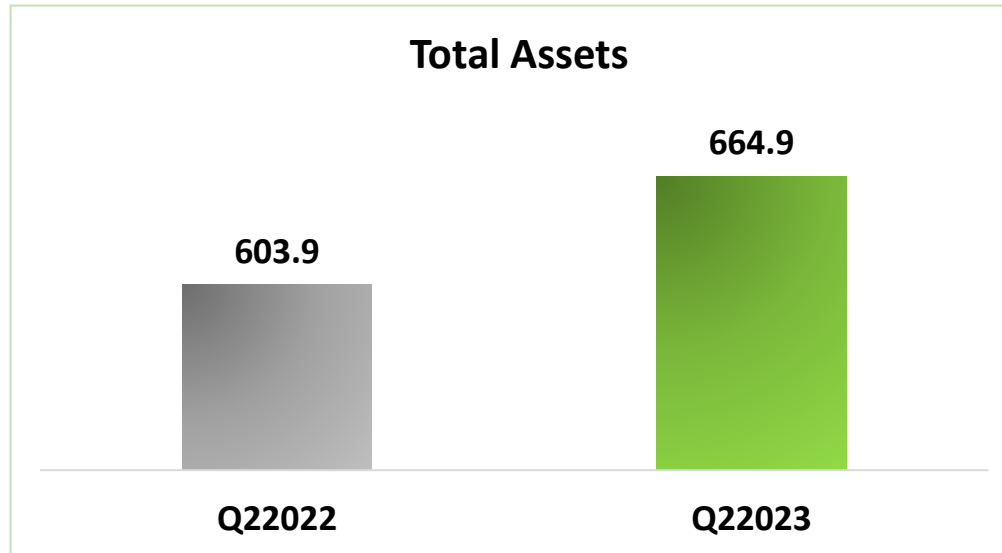
- Key deposit mobilization channel
- Higher deposit than withdrawal



# Financial Highlights









# Strong Financial Position (Kshs. Billion)



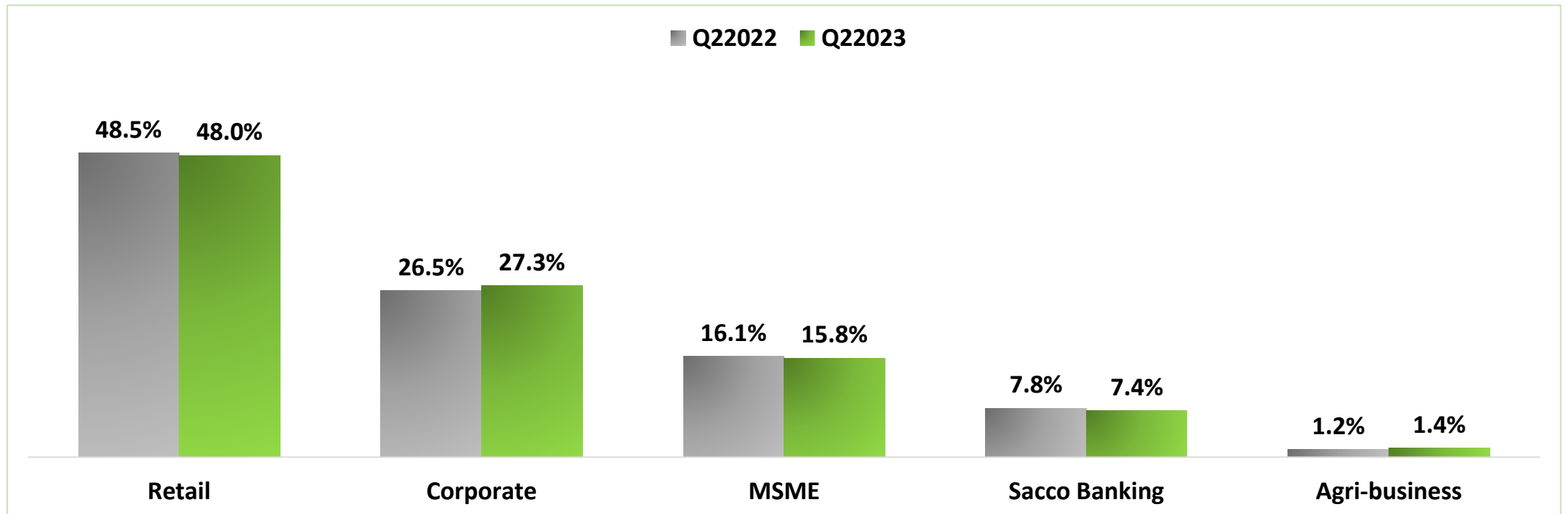


# Strong Financial Position (Kshs. Billion)

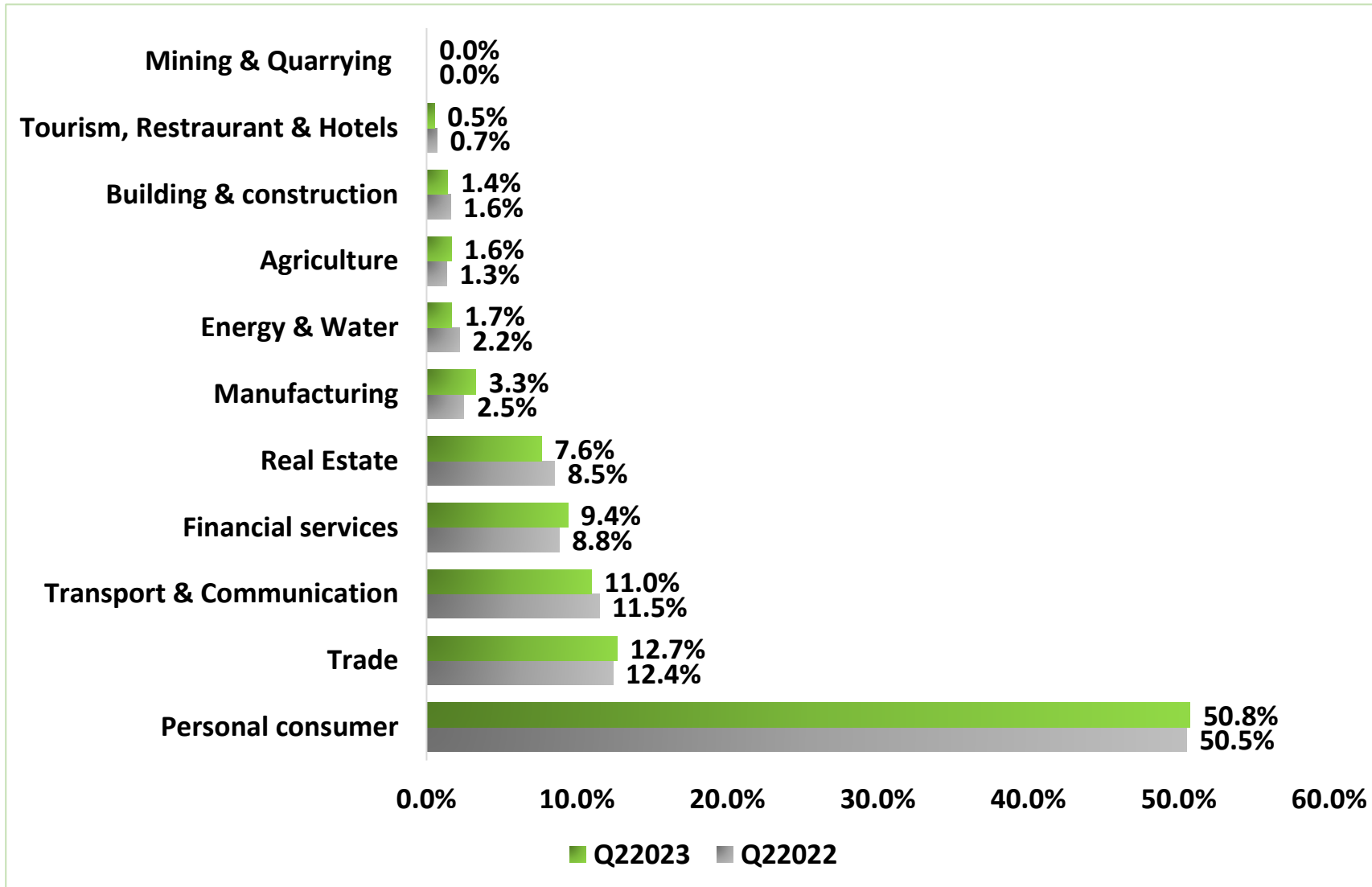
	Q22023	Q22022	YoY Change	
<b>Total Assets</b>	<b>664.9</b>	<b>603.9</b>	<b>10.1%</b>	
<b>Net Loan book</b>	<b>365.4</b>	<b>330.1</b>	<b>10.7%</b>	
<b>Government Securities</b>	<b>188.5</b>	<b>183.2</b>	<b>2.9%</b>	
<b>Total Deposits</b>	<b>467.5</b>	<b>433.9</b>	<b>7.7%</b>	
<b>Borrowed Funds</b>	<b>59.4</b>	<b>41.4</b>	<b>43.6%</b>	
<b>Shareholder's Funds</b>	<b>108.3</b>	<b>96.7</b>	<b>11.9%</b>	

# Diversified loan book

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



# Diversified loan book across sectors



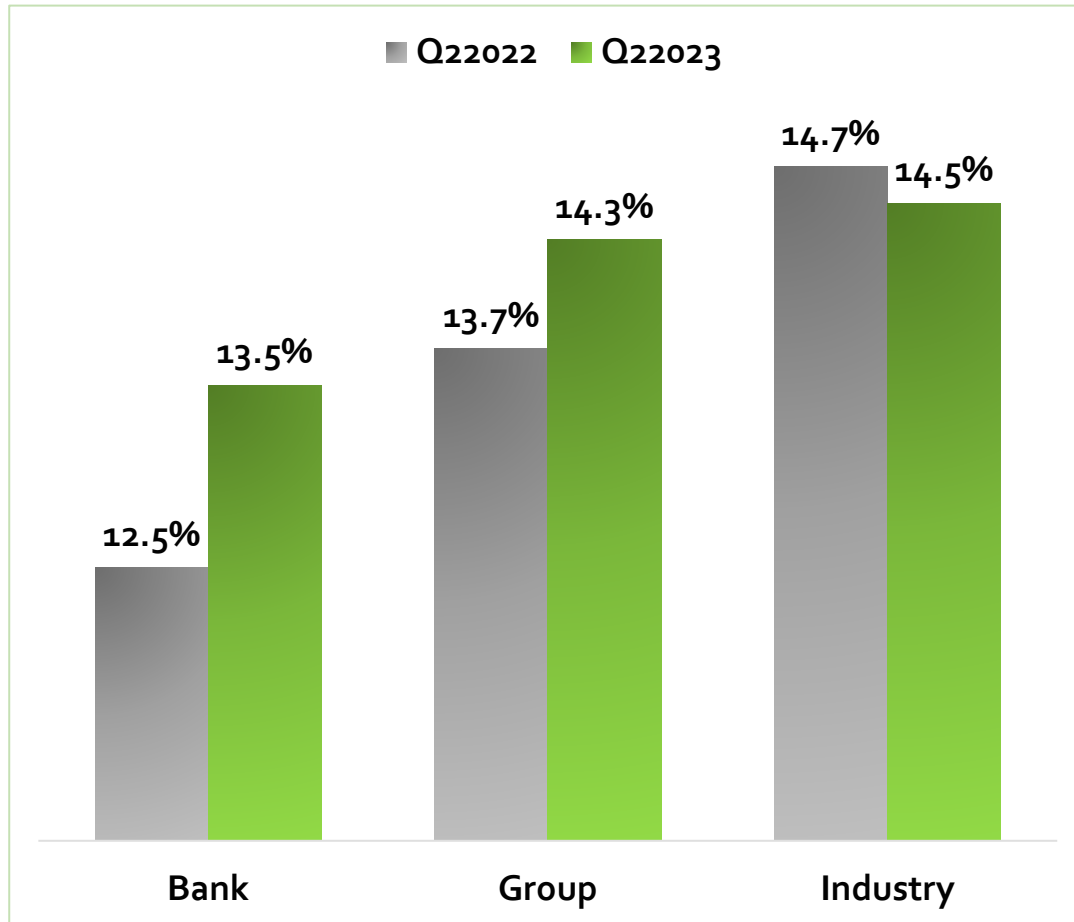
**50.8%** in Personal consumer which is performing well

**Low relative exposure in high-risk sectors**

- Tourism and Hotels <1%
- Manufacturing 3.3%.

# Improving Non-Performing loan book

The bank's NPL has trended below industry levels of 14.5%



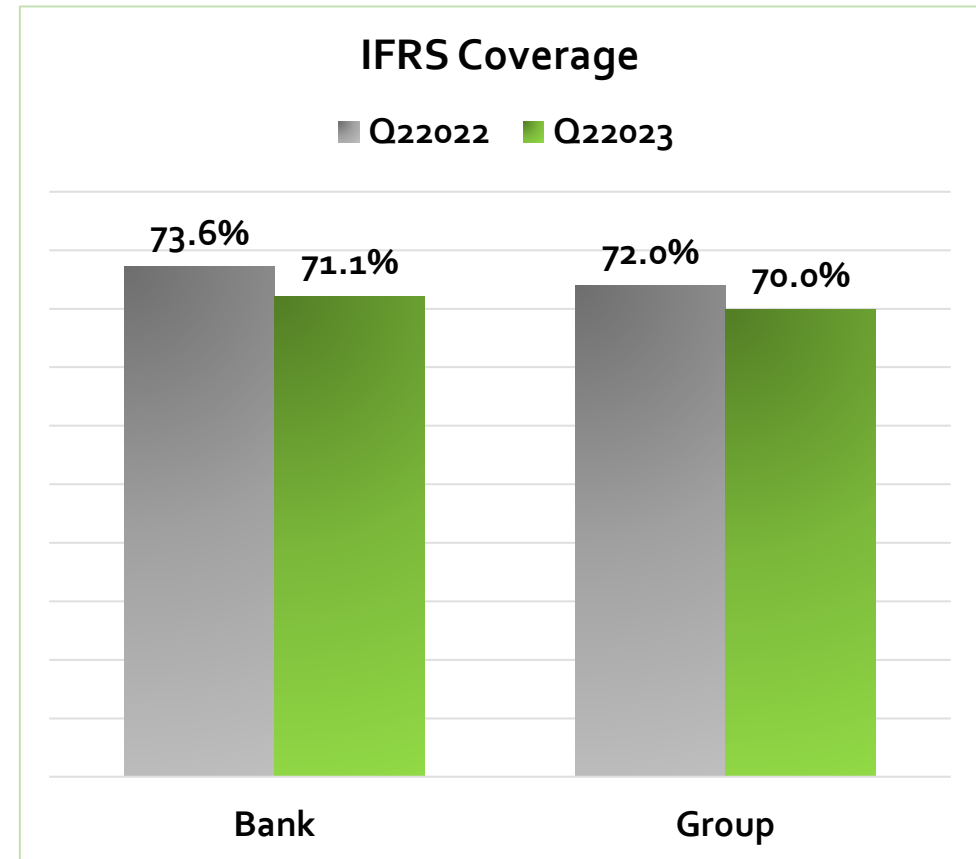
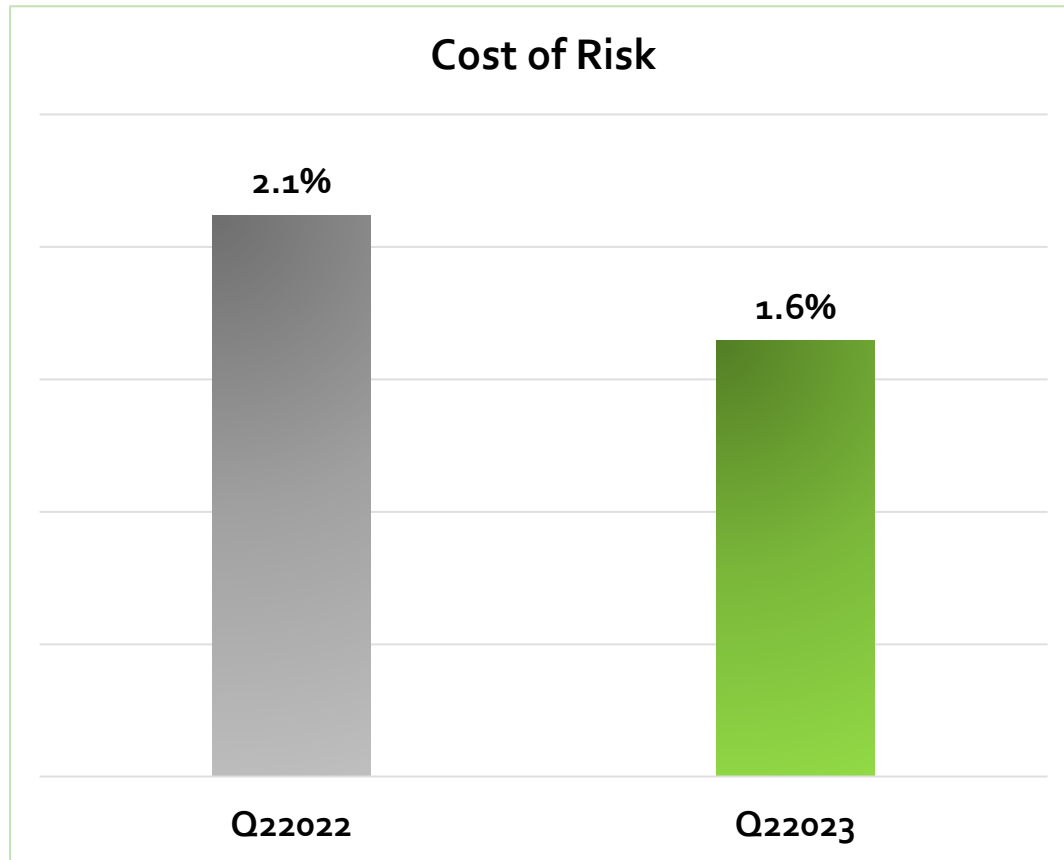
## Bank's NPL below Industry level

Supported by;

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

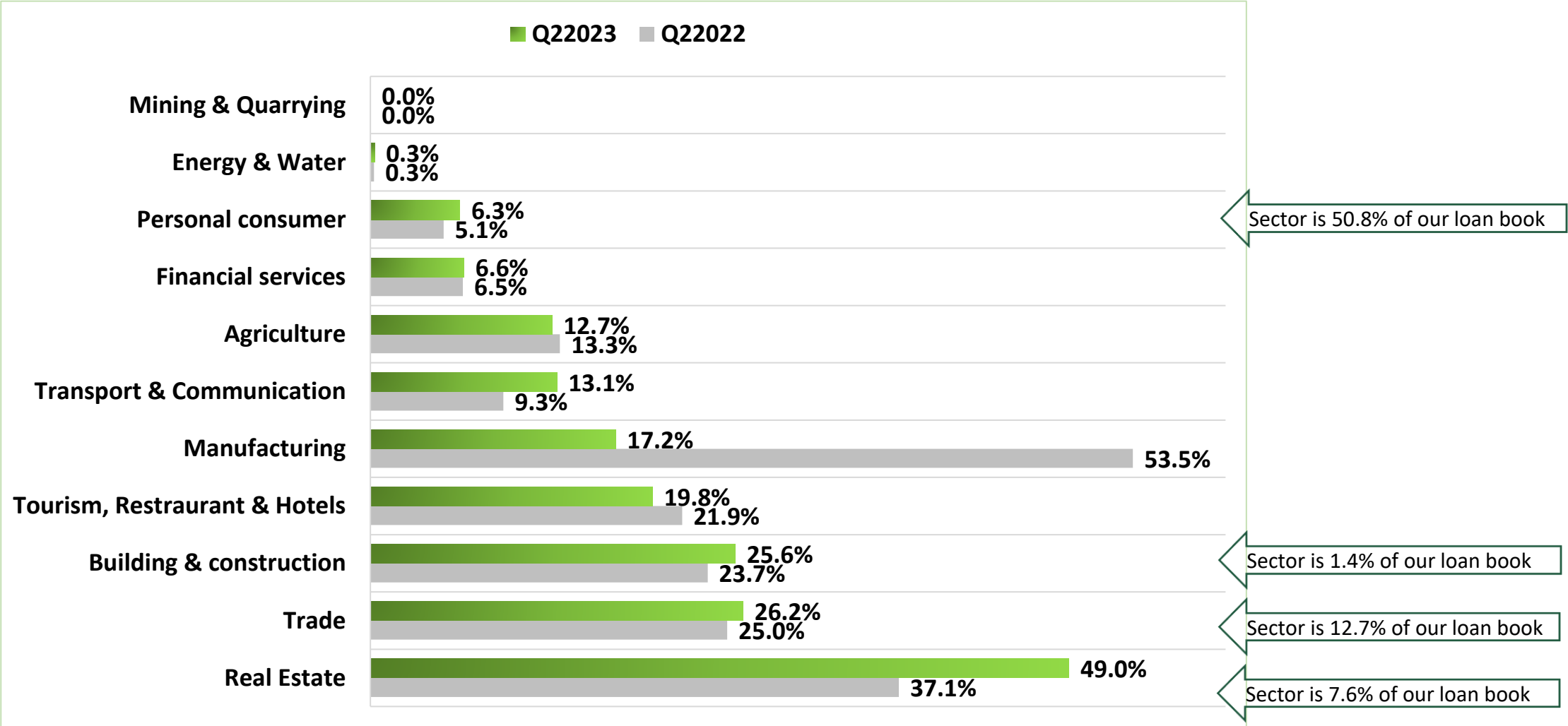
# Adequate Coverage

Cost of risk has improved to 1.6% in Q22023 compared to 2.1% in Q22022.

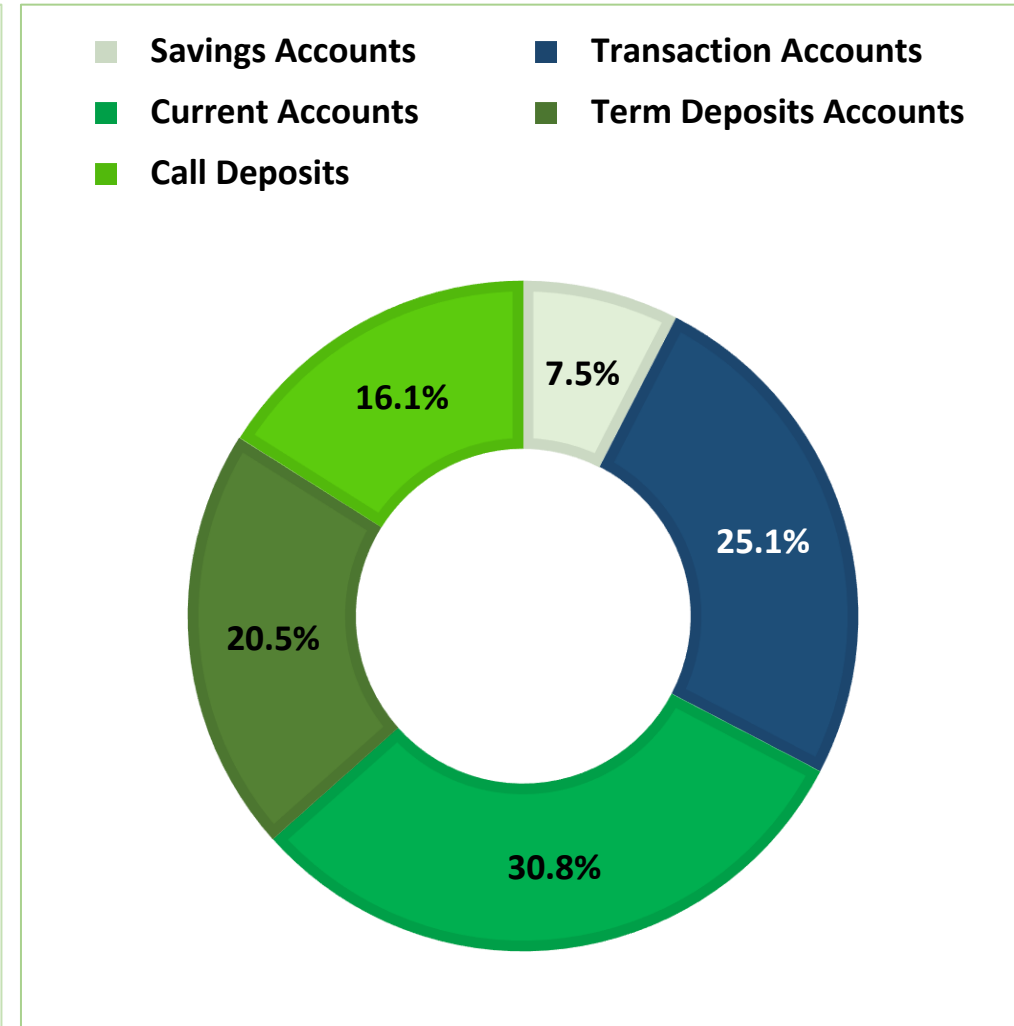
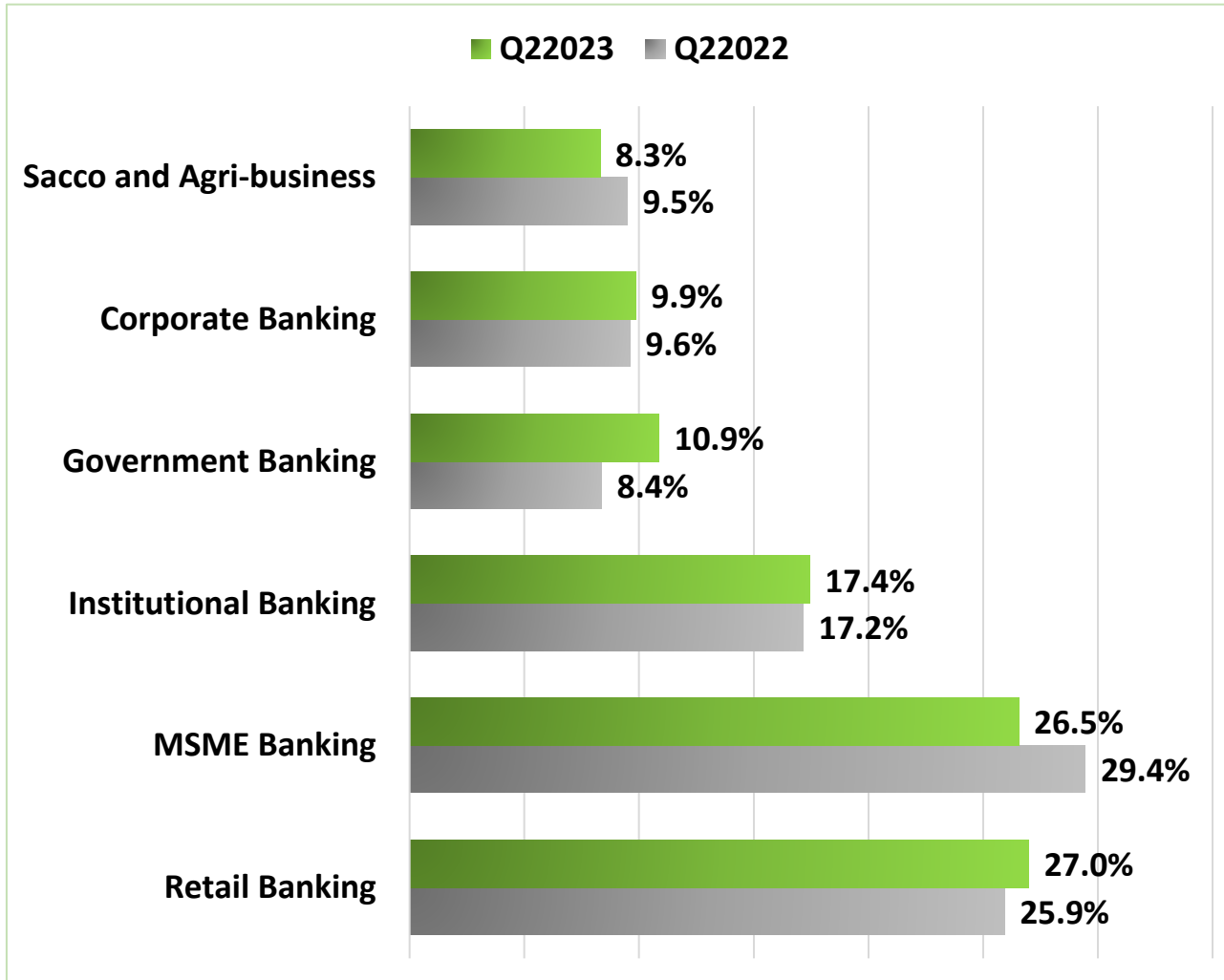


Inclusive of the Discounted Value of Securities, our coverage is at **113%**

# Portfolio Trends – Sector NPL



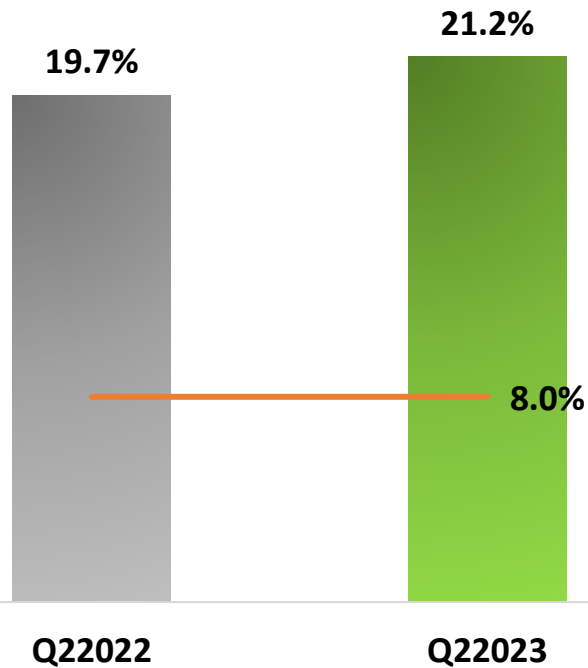
# Well-diversified Liability Portfolio



# Strong capital to support future growth

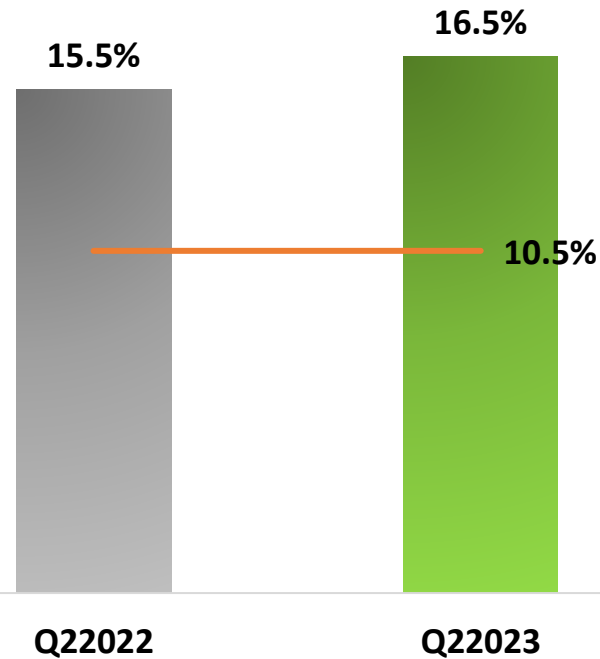
## Capital buffers for sustainable growth

**Core capital/Total Deposits**



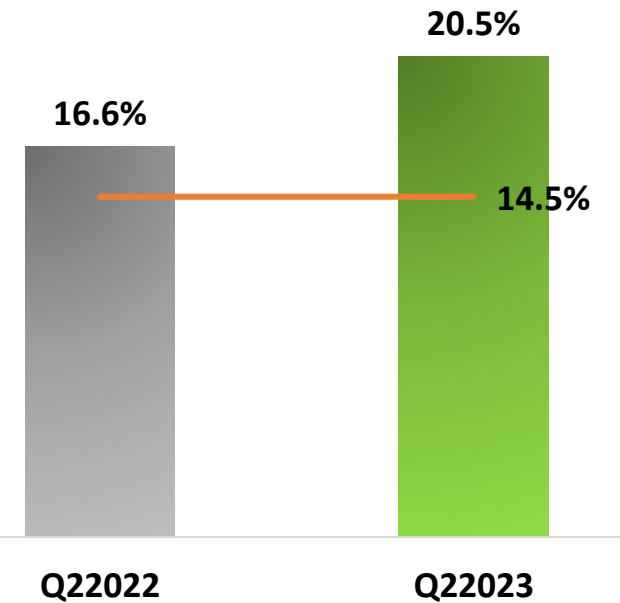
■ Core capital/Total Deposits  
 — Min statutory ratio

**Core capital/Total risk weighted assets**



■ Core capital/Total risk weighted assets  
 — Min statutory ratio

**Total capital/Total risk weighted assets**



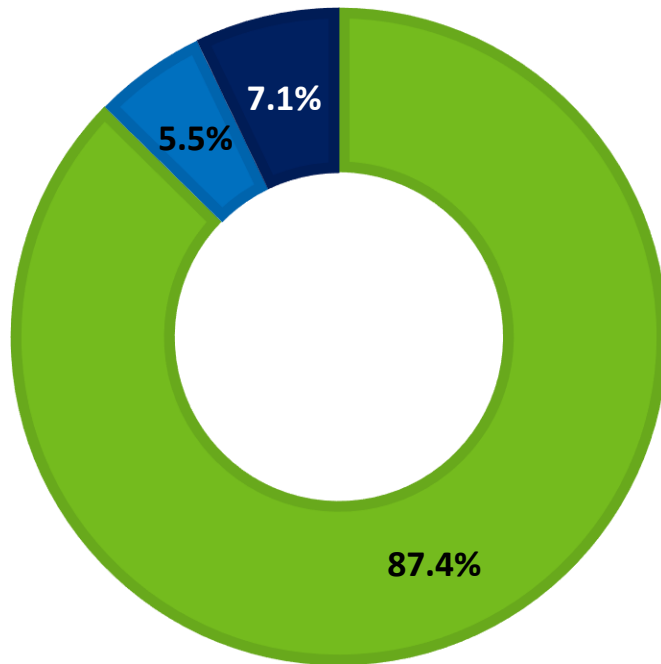
■ Total capital/Total risk weighted assets  
 — Min statutory ratio



# An Optimally balanced Kenya Shilling asset & funding book

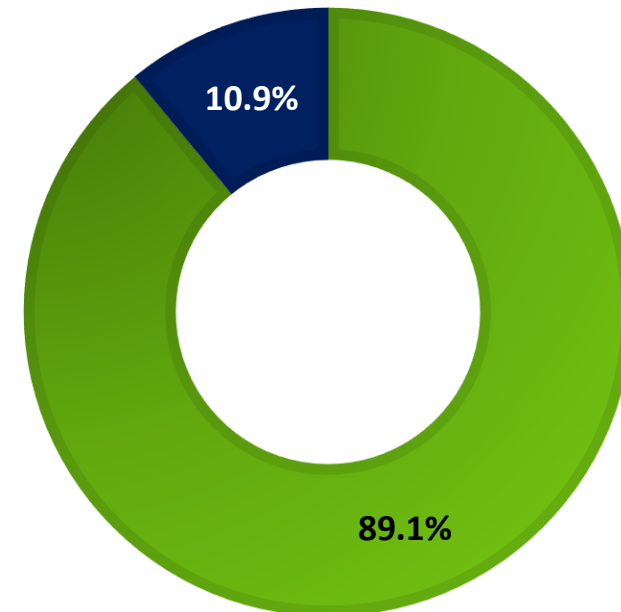
**FUNDING: LOCAL VS. FOREIGN CURRENCY**

■ LCY funding ■ FCY Deposits ■ FCY Borrowing



**LOAN BOOK: LOCAL VS. FOREIGN CURRENCY**

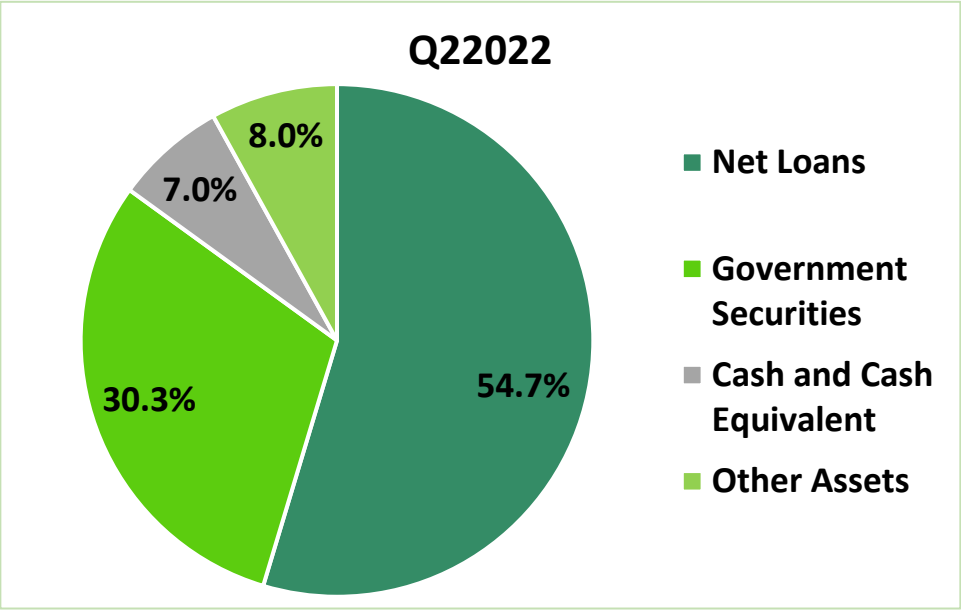
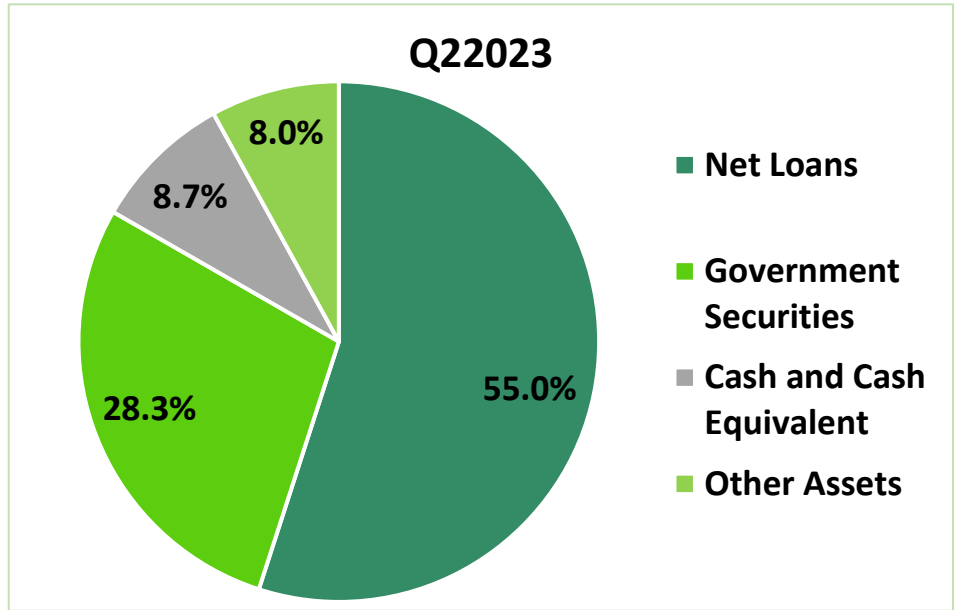
■ Local Currency ■ Foreign Currency



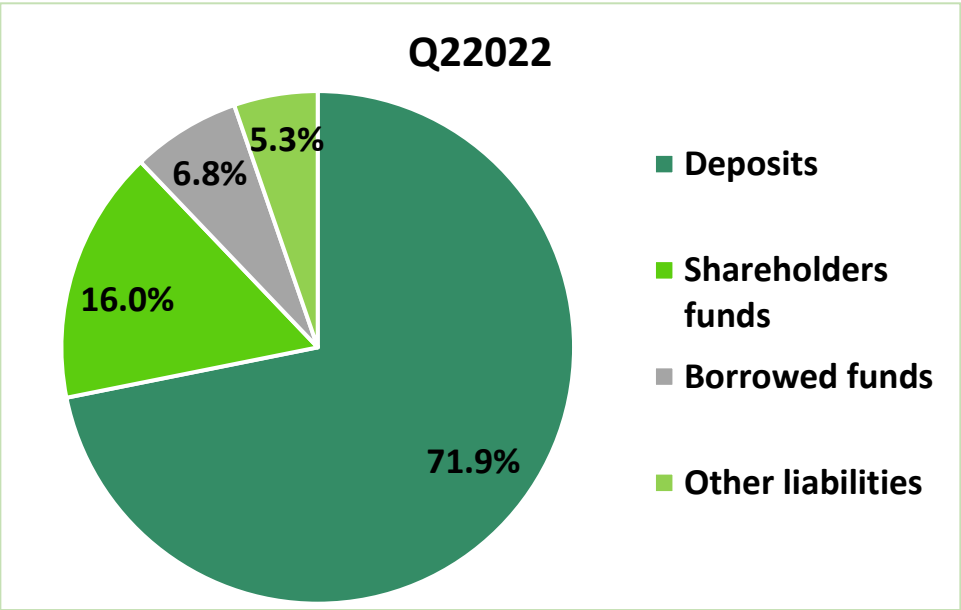
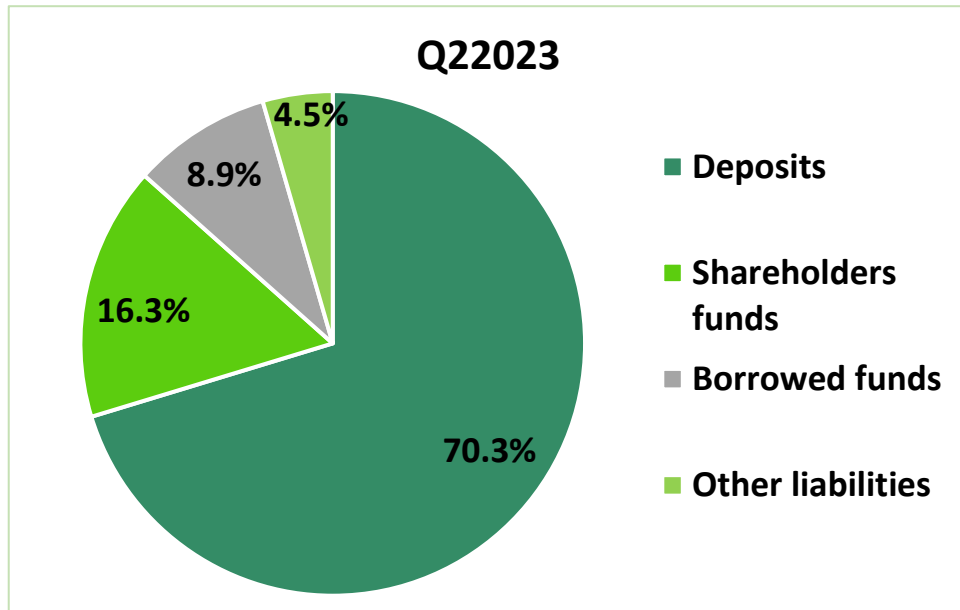
# Optimal Asset and Funding Mix



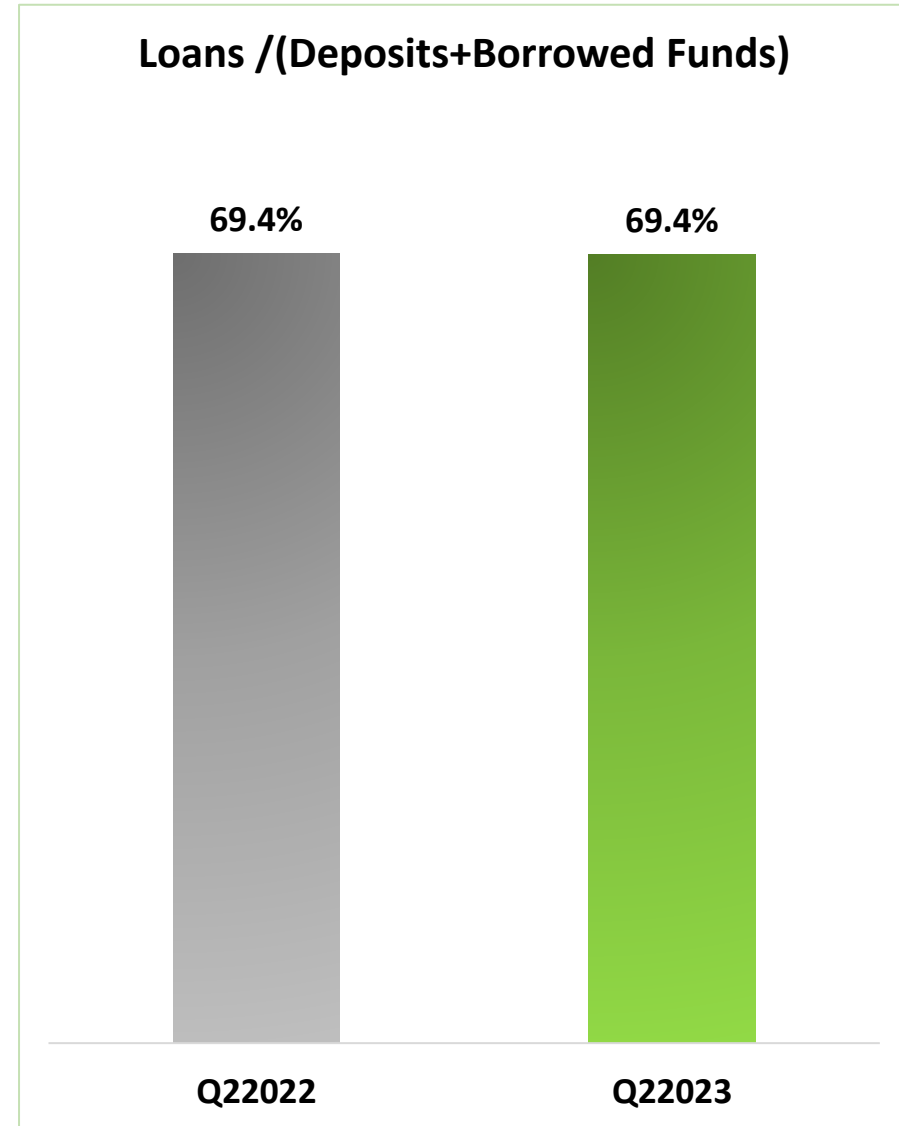
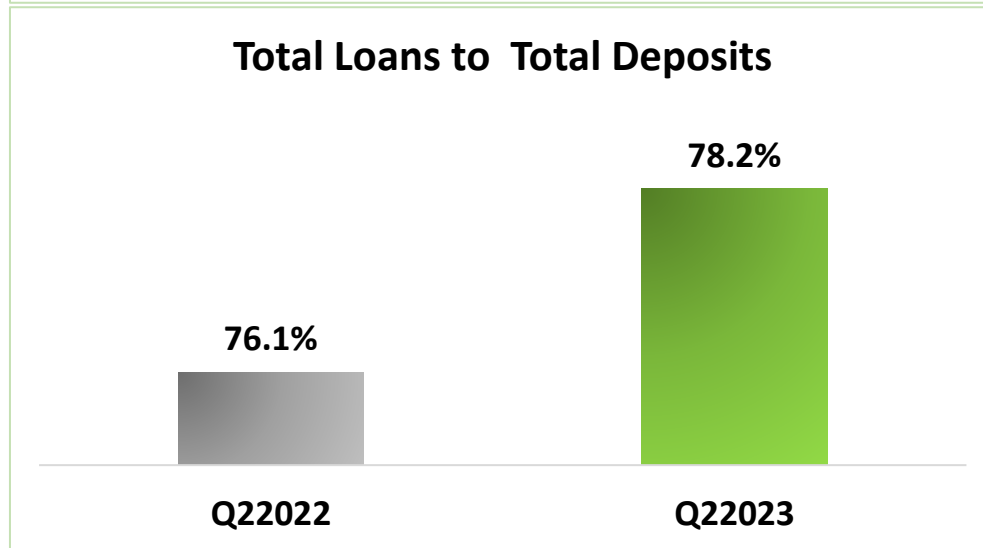
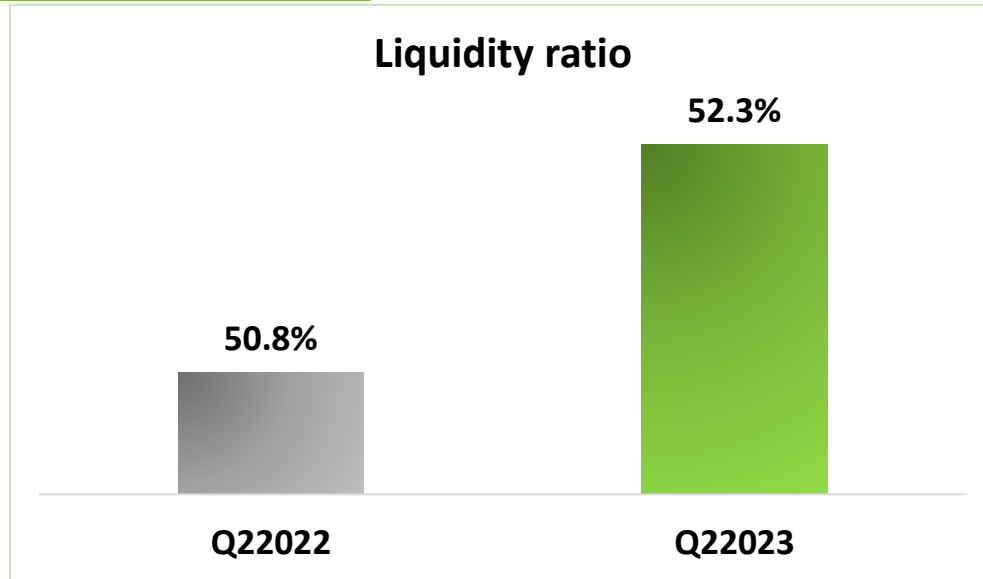
## Asset Categories



## Funding Categories



# Strong Liquidity to Support Investments



# Sustainable Profitability Growth



	Q22023	Q22022	YoY Change	
Total Interest Income	32.0	28.6	12.0%	↑
Total Interest Expenses	10.4	7.5	38.9%	↑
Net Interest Income	21.5	21.1	2.3%	↑
Fees and commissions on loans and advances	6.2	5.5	13.3%	↑
Other Fees and commissions	5.6	5.4	3.4%	↑
Foreign exchange trading income	1.8	2.0	-10.0%	↓
Other income	0.2	0.4	-44.7%	↓
Total Operating Income	35.4	34.4	3.0%	↑
Loan loss provision	2.9	3.3	-14.4%	↓
Staff costs	8.0	7.1	12.6%	↑
Other operating expenses	8.3	8.7	-4.9%	↓
Total Operating expenses	19.1	19.2	-0.1%	↓
Profit before tax and exceptional items	16.2	15.2	6.8%	↑
Exceptional items-Share of profit of associate	0.2	0.1	96.8%	↑
Profit Before Tax	16.4	15.3	7.4%	↑
Income tax	4.3	3.8	11.8%	↑
Profit After Tax	12.1	11.5	5.9%	↑

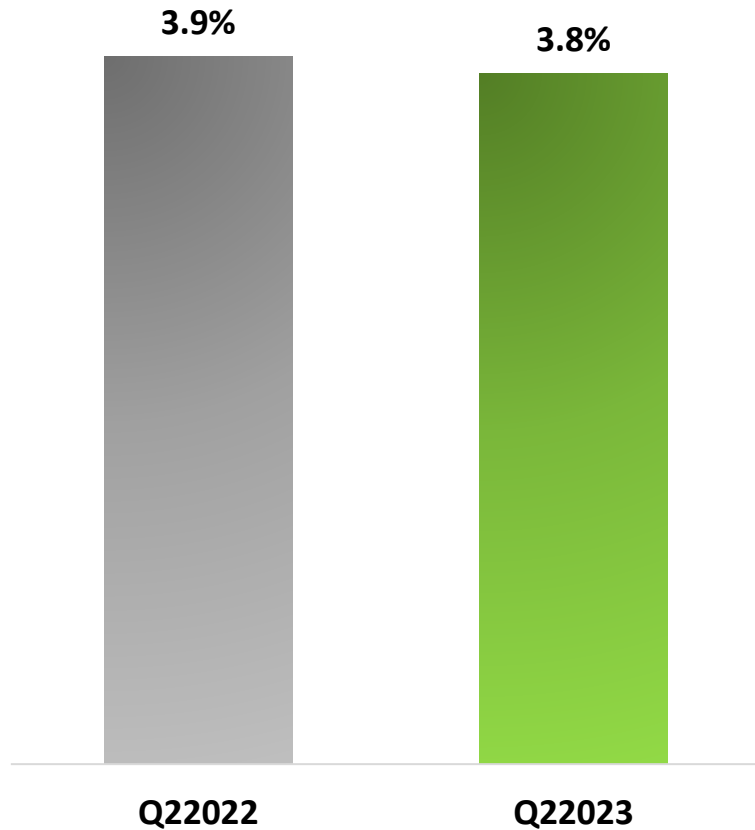
# Subsidiary Contribution



	Q22023	Q22022	Growth	Growth
	KShs '000'	KShs '000'	KShs '000'	%
Co-operative Bank of Kenya Ltd	15,125,220	14,032,110	1,093,109	8%
Co-operative Bank of South Sudan	(36,495)	55,526	(92,021)	-166%
Co-opTrust Investment Services Ltd	106,773	85,743	21,030	25%
Co-op Consultancy & Bancassurance Agency Ltd	591,273	593,283	(2,010)	0%
Kingdom Securities Ltd	7,765	7,259	506	7%
Kingdom Bank Ltd	525,199	421,677	103,522	25%
<b>Co-op Bank and Subsidiaries Total</b>	<b>16,319,735</b>	<b>15,195,599</b>	<b>1,124,136</b>	<b>7%</b>
Associates share of profit	87,392	87,913	(521)	-1%
<b>Group Profit before Tax</b>	<b>16,407,127</b>	<b>15,283,512</b>	<b>1,123,615</b>	<b>7%</b>
Income Tax Expense	4,266,281	3,815,307	450,974	12%
<b>Group Profit after Tax</b>	<b>12,140,845</b>	<b>11,468,205</b>	<b>672,640</b>	<b>6%</b>

# Key Ratios

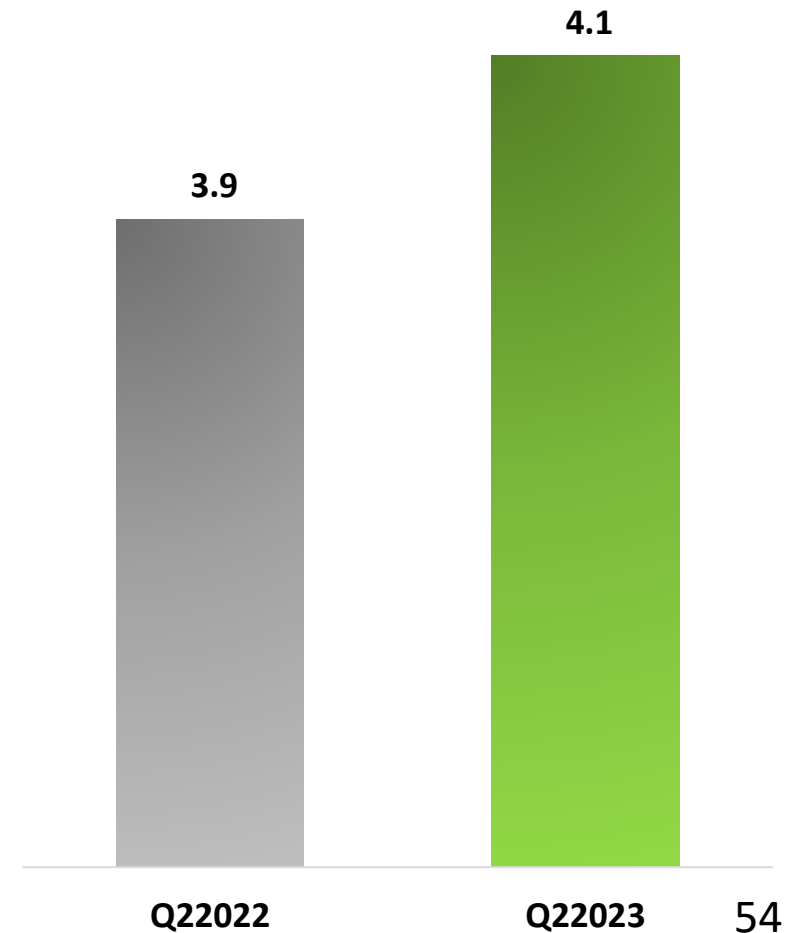
### Return on Average Assets



### Return on Average Equity

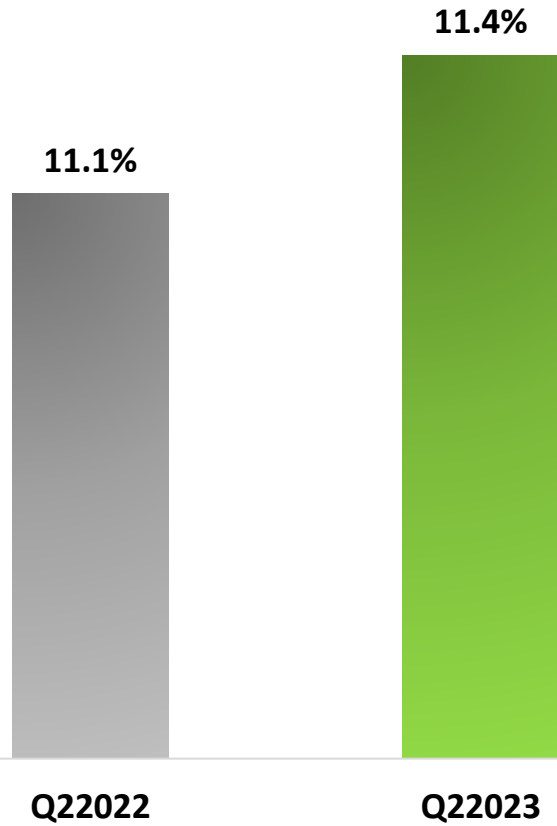


### Earnings per share, Ksh



# Key Ratios

**Average Return of Interest Earning Assets**



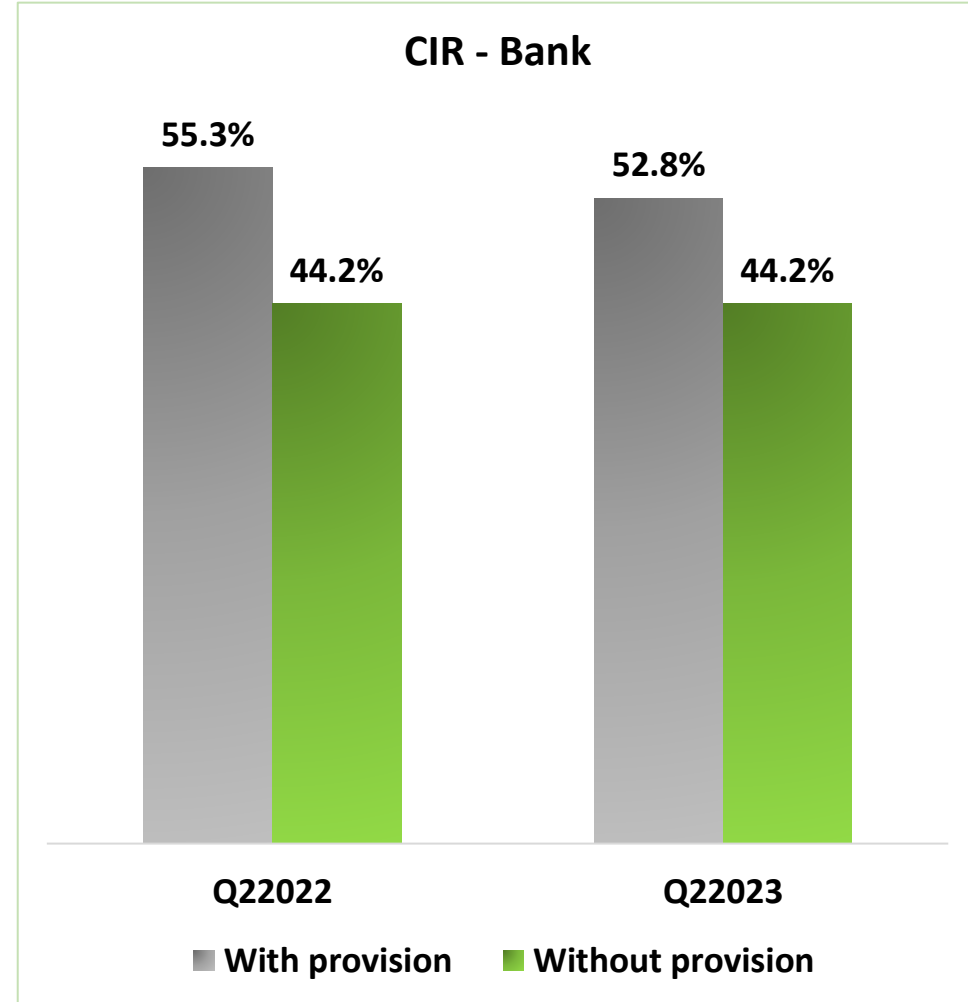
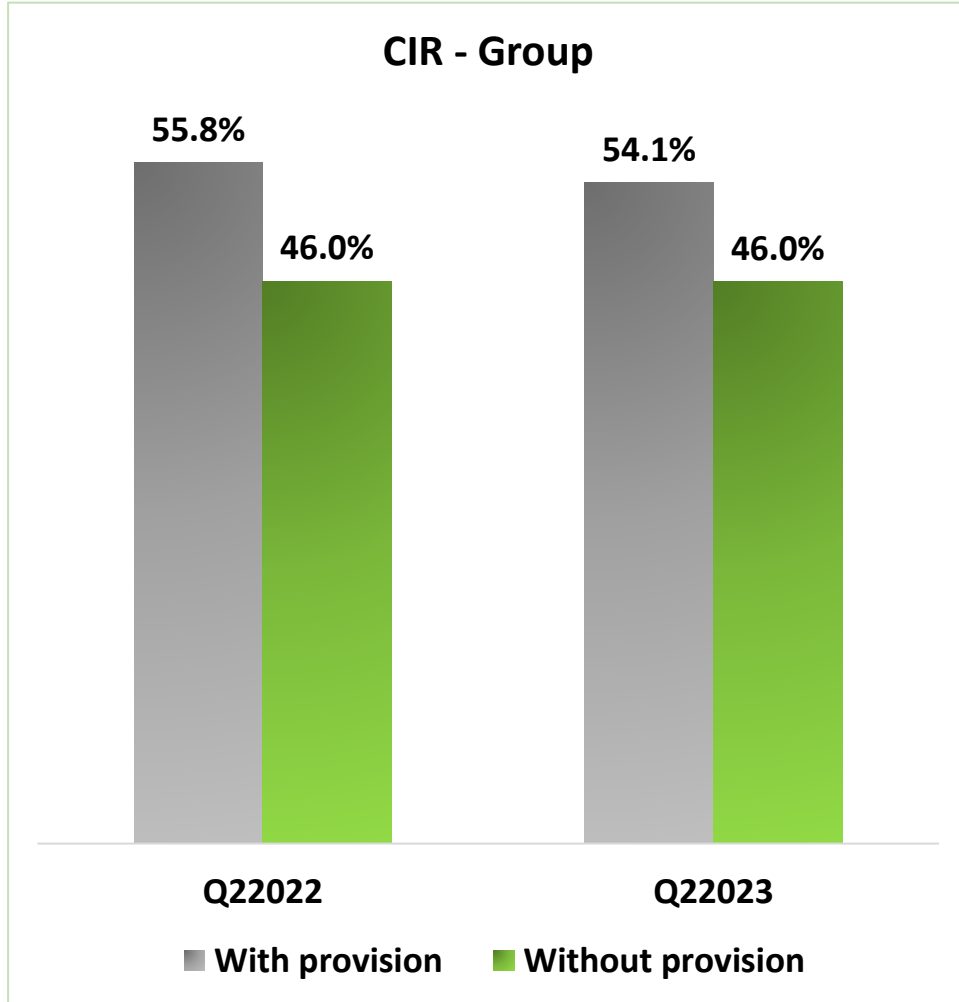
**NIM on Loans**



**NIM on Interest earning Assets**

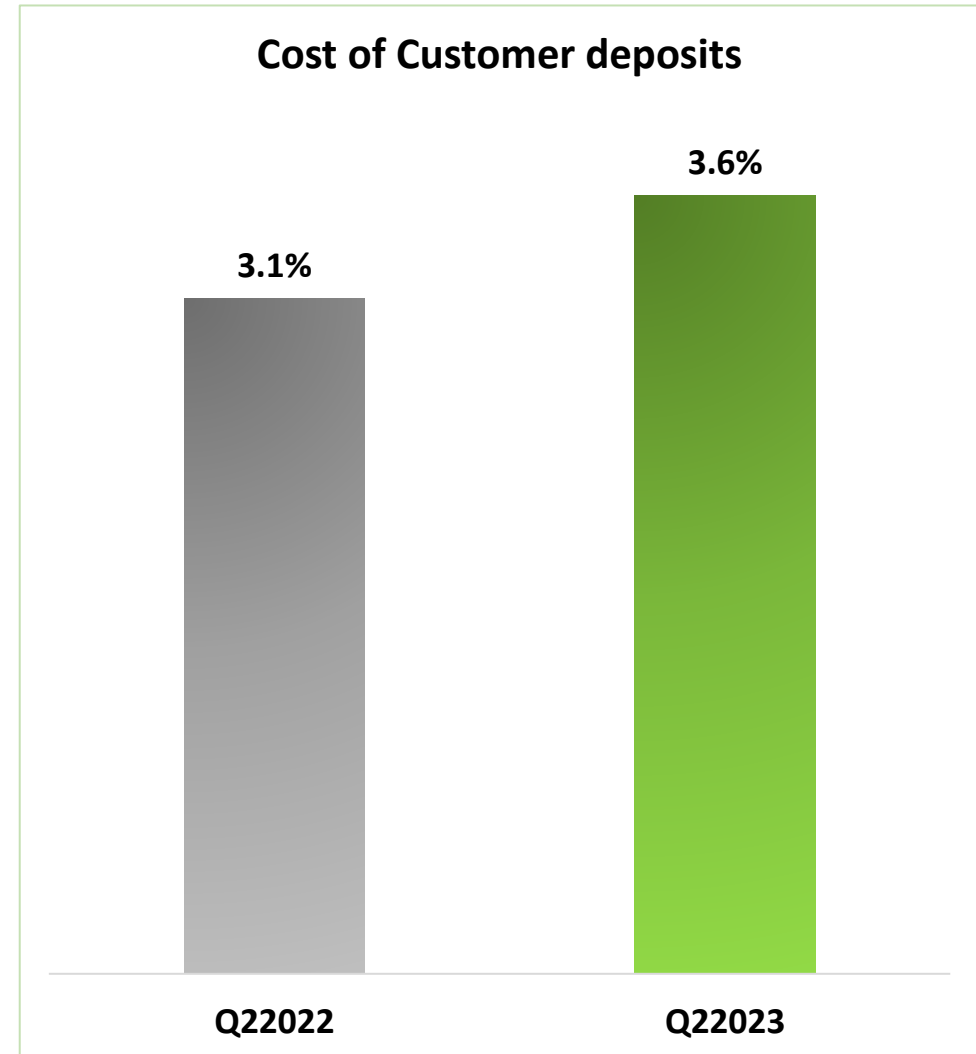
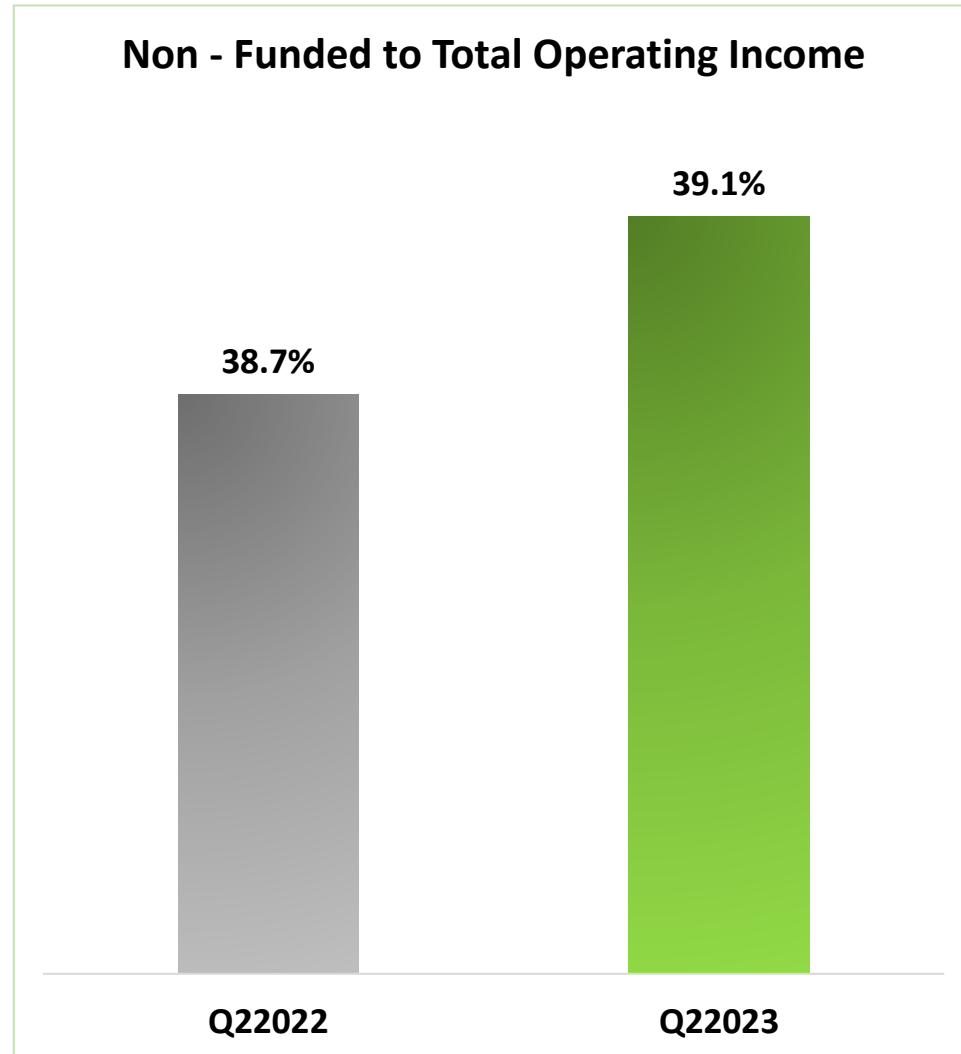


# Key Ratios





# Key Ratios





**CO-OPERATIVE BANK**

We are you

**Thank You.**